

INNERGEX

Renewable Energy.
Sustainable Development.

QUARTERLY REPORT 2015

FOR THE PERIOD ENDED **SEPTEMBER 30, 2015**

These condensed consolidated financial statements have neither been audited nor reviewed by the Corporation's independent auditors.

2015



MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Innergex Renewable Energy Inc. is a leading Canadian independent renewable power producer. Active since 1990, the Corporation develops, owns and operates run-of-river hydroelectric facilities, wind farms and solar photovoltaic farms and carries out its operations in Quebec, Ontario and British Columbia and in Idaho, USA. The Corporation's shares are listed on the Toronto Stock Exchange under the symbols INE, INE.PR.A and INE.PR.C and its convertible debentures under the symbol INE.DB.A.

Innergex's mission is to increase its production of renewable energy by developing and operating high-quality facilities while respecting the environment and balancing the best interests of the host communities, its partners and its investors.

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is a discussion of the operating results, cash flows and financial position of Innergex Renewable Energy Inc. ("Innergex" or the "Corporation") for the three- and nine-month periods ended September 30, 2015, and reflects all material events up to November 10, 2015, the date on which this MD&A was approved by the Corporation's Board of Directors.

The MD&A should be read in conjunction with the unaudited condensed consolidated financial statements and the accompanying notes for the three- and nine-month periods ended September 30, 2015, and with the Corporation's *Financial Review* at December 31, 2014. Additional information relating to Innergex, including its *Annual Information Form*, can be found on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com or on the Corporation's website at www.innergex.com. Information contained in or otherwise accessible through our website does not form part of this MD&A and is not incorporated into the MD&A by reference.

The unaudited condensed consolidated financial statements attached to this MD&A and the accompanying notes for the three- and nine-month periods ended September 30, 2015, along with the 2014 comparative figures, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Some amounts included in this MD&A have been rounded to make reading easier, which may affect some calculations.

Q3 2015 HIGHLIGHTS

- Production was 92% of long-term average ("LTA") due mainly to below-average water flows in British Columbia
- Revenues decreased 6% to \$62.7 million compared with the same period last year
- Adjusted EBITDA also decreased 6% to \$48.6 million compared with the same period last year
- A \$311.7 million fixed-rate, non-recourse debt financing was closed for the 150 MW Mesgi'g Ugju's'n wind project in Quebec
- \$100.0 million of convertible debentures bearing interest at a rate of 4.25% were issued
- \$79.6 million of convertible debentures bearing interest at a rate of 5.75% were redeemed or converted, \$41.6 million of which was redeemed for cash and the remainder converted into 3.57 million common shares of the Corporation
- The Corporation's normal course issuer bid was amended in order to increase from one to two million the maximum number of shares that may be purchased and to implement an automatic purchase plan; as at September 30, 2015, 706,297 shares had been purchased for cancellation

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ESTABLISHMENT AND MAINTENANCE OF DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer and the Chief Financial Officer of the Corporation have designed, or caused to be designed, under their supervision:

- Disclosure controls and procedures (“DC&P”) to provide reasonable assurance that: (i) material information relating to the Corporation is accumulated and communicated by others to the President and Chief Executive Officer and the Chief Financial Officer in a timely manner, particularly during the period in which the interim and annual filings are being prepared; and (ii) the information required to be disclosed by the Corporation in its annual filings, interim filings and other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.
- Internal control over financial reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS applicable to the Corporation.

In accordance with *Regulation 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings*, the President and Chief Executive Officer and the Chief Financial Officer of the Corporation have certified that there were no material weaknesses relating to the DC&P and ICFR for the three-month period ended September 30, 2015. During the three-month period ended September 30, 2015, there was no change to the ICFR that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR.

FORWARD-LOOKING INFORMATION

To inform readers of the Corporation's future prospects, this MD&A contains forward-looking information within the meaning of applicable securities laws (“Forward-Looking Information”). Forward-Looking Information can generally be identified by the use of words such as “approximately”, “may”, “will”, “could”, “believes”, “expects”, “intends”, “should”, “plans”, “potential”, “project”, “anticipates”, “estimates”, “scheduled” or “forecasts”, or other comparable terminology that state that certain events will or will not occur. It represents the projections and expectations of the Corporation relating to future events or results as of the date of this MD&A.

Future-oriented financial information: Forward-Looking Information includes future-oriented financial information or financial outlook within the meaning of securities laws, such as expected production, projected revenues, projected Adjusted EBITDA, projected Free Cash Flow, estimated project costs and expected project financing, to inform readers of the potential financial impact of expected results, of the expected commissioning of Development Projects, of the Corporation's ability to sustain current dividends and dividend increases and of its ability to fund its growth. Such information may not be appropriate for other purposes.

Assumptions: Forward-Looking Information is based on certain key assumptions made by the Corporation, including those concerning hydrology, wind regimes and solar irradiation, performance of operating facilities, financial market conditions and the Corporation's success in developing new facilities.

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Risks and uncertainties: Forward-Looking Information involves risks and uncertainties that may cause actual results or performance to be materially different from those expressed, implied or presented by the Forward-Looking Information. These are referred to in the Corporation's *Annual Information Form* in the "Risk Factors" section and include, without limitation: the ability of the Corporation to execute its strategy for building shareholder value; its ability to raise additional capital and the state of capital markets; liquidity risks related to derivative financial instruments ("Derivatives"); variability in hydrology, wind regimes and solar irradiation; delays and cost overruns in the design and construction of projects; health, safety and environmental risks; uncertainties surrounding the development of new facilities; obtainment of permits; variability of installation performance and related penalties; equipment failure or unexpected operations and maintenance activity; interest rate fluctuations and refinancing risk; financial leverage and restrictive covenants governing current and future indebtedness; the possibility that the Corporation may not declare or pay a dividend; the ability to secure new power purchase agreements or to renew any power purchase agreement; changes in governmental support to increase electricity to be generated from renewable sources by independent power producers; the ability to attract new talent or to retain officers or key employees; litigation; performance of major counterparties; social acceptance of renewable energy projects; relationships with stakeholders; equipment supply; changes in general economic conditions; regulatory and political risks; the ability to secure appropriate land; reliance on power purchase agreements; availability and reliability of transmission systems; increases in water rental cost or changes to regulations applicable to water use; assessment of water, wind and sun resources and associated electricity production; dam failure; natural disasters and *force majeure*; foreign exchange fluctuations; foreign market growth and development risks; cybersecurity; sufficiency of insurance coverage limits and exclusions; a credit rating that may not reflect actual performance of the Corporation or a lowering (downgrade) of the credit rating; potential undisclosed liabilities associated with acquisitions; integration of the facilities and projects acquired and to be acquired; failure to realize the anticipated benefits of acquisitions; reliance on shared transmission and interconnection infrastructure; and the fact that revenues from the Miller Creek facility will vary based on the spot price of electricity.

Although the Corporation believes that the expectations and assumptions on which Forward-Looking Information is based are reasonable under the current circumstances, readers are cautioned not to rely unduly on this Forward-Looking Information as no assurance can be given that it will prove to be correct. Forward-Looking Information contained herein is made as at the date of this MD&A and the Corporation does not undertake any obligation to update or revise any Forward-Looking Information, whether as a result of events or circumstances occurring after the date hereof, unless so required by law.

Forward-Looking Information in this MD&A

The following table outlines the Forward-Looking Information contained in this MD&A, which the Corporation considers important to better inform readers about its potential financial performance, together with the principal assumptions used to derive this information and the principal risks and uncertainties that could cause actual results to differ materially from this information.

Principal Assumptions	Principal Risks and Uncertainties
<p>Expected production</p> <p>For each facility, the Corporation determines a long-term average annual level of electricity production ("LTA") over the expected life of the facility, based on engineers' studies that take into consideration a number of important factors: for hydroelectricity, the historically observed flows of the river, the operating head, the technology employed and the reserved aesthetic and ecological flows; for wind energy, the historical wind and meteorological conditions and turbine technology; and for solar energy, the historical solar irradiation conditions, panel technology and expected solar panel degradation. Other factors taken into account include, without limitation, site topography, installed capacity, energy losses, operational features and maintenance. Although production will fluctuate from year to year, over an extended period it should approach the estimated long-term average. On a consolidated basis, the Corporation estimates the LTA by adding together the expected LTA of all the facilities in operation that it consolidates (excludes Umbata Falls and Viger-Denonville, which are accounted for using the equity method).</p>	<p>Improper assessment of water, wind and sun resources and associated electricity production</p> <p>Variability in hydrology, wind regimes and solar irradiation</p> <p>Equipment failure or unexpected operations and maintenance activity</p> <p>Natural disaster</p>
<p>Projected revenues</p> <p>For each facility, expected annual revenues are estimated by multiplying the LTA by a price for electricity stipulated in the power purchase agreement secured with a public utility or other creditworthy counterparty. These agreements stipulate a base price and, in some cases, a price adjustment depending on the month, day and hour of delivery, except for the Miller Creek hydroelectric facility, which receives a price based on a formula using the Platts Mid-C pricing indices, and the Horseshoe Bend hydroelectric facility, for which 85% of the price is fixed and 15% is adjusted annually as determined by the Idaho Public Utility Commission. In most cases, power purchase agreements also contain an annual inflation adjustment based on a portion of the Consumer Price Index. On a consolidated basis, the Corporation estimates annual revenues by adding together the projected revenues of all the facilities in operation that it consolidates (excludes Umbata Falls and Viger-Denonville, which are accounted for using the equity method).</p>	<p>Production levels below the LTA caused mainly by the risks and uncertainties mentioned above</p> <p>Unexpected seasonal variability in the production and delivery of electricity</p> <p>Lower-than-expected inflation rate</p>

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Principal Assumptions	Principal Risks and Uncertainties
<p>Projected Adjusted EBITDA</p> <p>For each facility, the Corporation estimates annual operating earnings by subtracting from the estimated revenues the budgeted annual operating costs, which consist primarily of operators' salaries, insurance premiums, operations and maintenance expenditures, property taxes and royalties; these are predictable and relatively fixed, varying mainly with inflation (except for maintenance expenditures). On a consolidated basis, the Company estimates annual Adjusted EBITDA by adding together the projected operating earnings of all the facilities in operation that it consolidates (which excludes Umbata Falls and Viger-Denonville, accounted for using the equity method), from which it subtracts budgeted general and administrative expenses, comprised essentially of salaries and office expenses, and budgeted prospective project expenses, which are determined based on the number of prospective projects the Corporation chooses to develop and the resources required to do so.</p>	<p>Variability of facility performance and related penalties</p> <p>Changes to water and land rental expenses</p> <p>Unexpected maintenance expenditures</p> <p>Changes in the purchase price of electricity upon renewal of a PPA</p>
<p>Estimated project costs, expected obtainment of permits, start of construction, work conducted and start of commercial operation for Development Projects or Prospective Projects</p> <p>For each development project, the Corporation provides an estimate of project costs based on its extensive experience as a developer, directly related incremental internal costs, site acquisition costs and financing costs, which are eventually adjusted for the projected costs provided by the engineering, procurement and construction ("EPC") contractor retained for the project.</p> <p>The Corporation provides indications regarding scheduling and construction progress for its Development Projects and indications regarding its Prospective Projects, based on its extensive experience as a developer.</p>	<p>Performance of counterparties, such as the EPC contractors</p> <p>Delays and cost overruns in the design and construction of projects</p> <p>Obtainment of permits</p> <p>Equipment supply</p> <p>Interest rate fluctuations and financing risk</p> <p>Relationships with stakeholders</p> <p>Regulatory and political risks</p> <p>Higher-than-expected inflation</p> <p>Natural disaster</p>
<p>Projected Free Cash Flow</p> <p>The Corporation estimates Free Cash Flow as projected cash flow from operations before changes in non-cash operating working capital items, less estimated maintenance capital expenditures net of proceeds from disposals, scheduled debt principal payments, preferred share dividends and the portion of Free Cash Flow attributed to non-controlling interests, plus cash receipts by the Harrison Hydro L.P. for the wheeling services to be provided to other facilities owned by the Corporation over the course of their power purchase agreement. It also adjusts for other elements, which represent cash inflows or outflows that are not representative of the Corporation's long-term cash generating capacity, such as adding back transaction costs related to realized acquisitions (which are financed at the time of the acquisition) and adding back realized losses or subtracting realized gains on derivative financial instruments used to fix the interest rate on project-level debt or the exchange rate on equipment purchases.</p>	<p>Adjusted EBITDA below expectations caused mainly by the risks and uncertainties mentioned above and by higher prospective project expenses</p> <p>Projects costs above expectations caused mainly by the performance of counterparties and delays and cost overruns in the design and construction of projects</p> <p>Regulatory and political risk</p> <p>Interest rate fluctuations and financing risk</p> <p>Financial leverage and restrictive covenants governing current and future indebtedness</p> <p>Unexpected maintenance capital expenditures</p>
<p>Intention to submit projects under requests for proposals</p> <p>The Corporation provides indications of its intention to submit projects under requests for proposals based on the state of readiness of some of its Prospective Projects and their compatibility with the announced terms of these requests for proposals.</p>	<p>Regulatory and political risks</p> <p>Ability of the Corporation to execute its strategy for building shareholder value</p> <p>Ability to secure new PPAs</p>
<p>Intention to gain a foothold in target markets internationally</p> <p>The Corporation provides indications of its intention to establish a presence in target markets internationally in the coming years, based on its growth strategy.</p>	<p>Regulatory and political risks</p> <p>Ability of the Corporation to execute its strategy for building shareholder value</p> <p>Ability to secure new PPAs</p> <p>Foreign exchange fluctuations</p>

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

NON IFRS MEASURES

This MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"). However, some measures referred to in this MD&A are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Innergex believes that these indicators are important, as they provide management and the reader with additional information about the Corporation's production and cash generation capabilities, its ability to sustain current dividends and dividend increases and its ability to fund its growth. These indicators also facilitate the comparison of results over different periods. Adjusted EBITDA, Free Cash Flow and Payout Ratio are not measures recognized by IFRS and have no standardized meaning prescribed by IFRS. References in this document to "Adjusted EBITDA" are to revenues less operating expenses, general and administrative expenses and prospective project expenses. References to "Free Cash Flow" are to cash flows from operating activities before changes in non-cash operating working capital items, less maintenance capital expenditures net of proceeds from disposals, scheduled debt principal payments, preferred share dividends declared and the portion of Free Cash Flow attributed to non-controlling interests, plus cash receipts by the Harrison Hydro Limited Partnership for the wheeling services to be provided to other facilities owned by the Corporation over the course of their PPA, plus or minus other elements that are not representative of the Corporation's long-term cash generating capacity, such as transaction costs related to realized acquisitions (which are financed at the time of the acquisition) and realized losses or gains on derivative financial instruments used to hedge the interest rate on project-level debt or the exchange rate on equipment purchases. References to "Payout Ratio" are to dividends declared on common shares divided by Free Cash Flow. Readers are cautioned that Adjusted EBITDA should not be construed as an alternative to net earnings and Free Cash Flow should not be construed as an alternative to cash flows from operating activities, as determined in accordance with IFRS.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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OVERVIEW

The Corporation is a developer, owner and operator of renewable power-generating facilities with a focus on hydroelectric, wind power and solar photovoltaic (“PV”) projects that benefit from low operating and management costs and simple, proven technologies.

Portfolio of Assets

As at the date of this MD&A, the Corporation owns interests in three groups of power-generating projects:

- 34 facilities in commercial operation (the “Operating Facilities”). Commissioned between November 1994 and October 2015, the facilities have a weighted average age of approximately 7.8 years. They sell the generated power under long-term Power Purchase Agreements (“PPA”) that have a weighted average remaining life of 18.4 years (based on gross long-term average production);
- Four projects scheduled to begin commercial operation by the end of 2016 (the “Development Projects”). Construction is ongoing at all four of these projects; and
- Numerous projects that have secured land rights, for which an investigative permit application has been filed or for which a proposal has either been or could be submitted under a Request for Proposal or a Standing Offer Program (collectively the “Prospective Projects”). These projects are at various stages of development.

The following chart diagrams the Corporation's direct and indirect interests in the Operating Facilities, Development Projects and Prospective Projects.

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	Operating Facilities	Development Projects	Prospective Projects
Hydro			
Gross capacity:	568.2 MW	147.3 MW	1,020.0 MW
Net capacity ¹ :	438.9 MW	111.7 MW	970.0 MW
Wind			
Gross capacity:	614.1 MW	150.0 MW	2,270.0 MW
Net capacity ¹ :	236.3 MW	75.0 MW	2,180.0 MW
Solar			
Gross capacity:	33.2 MW	-	40.0 MW
Net capacity ¹ :	33.2 MW	-	40.0 MW
Total			
Gross capacity:	1,215.5 MW	297.3 MW	3,330.0 MW
Net capacity ¹ :	708.4 MW	186.7 MW	3,190.0 MW

1. Net capacity represents the proportional share of the total capacity attributable to Innergex, based on its ownership interest in these facilities and projects. The remaining capacity is attributable to the partners' ownership share.

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BUSINESS STRATEGY

The Corporation's strategy for building shareholder value is to develop or acquire high-quality renewable power production facilities that generate sustainable cash flows and provide an attractive risk-adjusted return on invested capital and to distribute a stable dividend.

Dividend Policy

The Corporation intends to distribute an annual dividend of \$0.62 per common share, payable quarterly.

The Corporation's dividend policy is determined by its Board of Directors and is based on the Corporation's operating results, cash flows, financial condition, debt covenants, long-term growth prospects, solvency tests imposed under corporate law for the declaration of dividends and other relevant factors.

Use Key Performance Indicators

The Corporation measures its performance using key performance indicators that include or could include comparing power generated in megawatt-hours ("MWh") and gigawatt-hours ("GWh") with a long-term average, Adjusted EBITDA and Adjusted EBITDA Margin, Free Cash Flow and Payout Ratio. These indicators are not recognized measures under IFRS, have no standardized meaning prescribed by IFRS and therefore may not be comparable with those presented by other issuers. The Corporation believes that these indicators are important, as they provide management and the reader with additional information about the Corporation's production and cash generating capabilities, its ability to sustain current dividends and dividend increases and its ability to fund its growth. These indicators also facilitate the comparison of results over different periods. Please refer to the "Non-IFRS Measures" section for more information.

Maintain Diversification of Energy Sources

The amount of electricity generated by the Operating Facilities is generally dependent on the availability of water flows, wind regimes and solar irradiation. Lower-than-expected water flows, wind regimes or solar irradiation in any given year could have an impact on the Corporation's revenues and hence on its profitability. Innergex owns interests in 27 hydroelectric facilities, which draw on 24 watersheds, six wind farms and one solar farm, providing significant diversification in terms of operating revenue sources. Furthermore, the nature of hydroelectric, wind and solar power generation partially offsets any seasonal variations, as illustrated in the following table and charts:

In GWh and %	Consolidated long-term average production ¹								
	Q1		Q2		Q3		Q4		Total
HYDRO	335.4	14%	848.4	35%	740.9	31%	491.1	20%	2,415.9
WIND	213.6	32%	142.8	21%	112.8	17%	207.3	31%	676.5
SOLAR ²	7.3	19%	12.5	33%	12.6	33%	5.8	15%	38.2
Total	556.3	18%	1,003.7	32%	866.3	28%	704.2	22%	3,130.5

1. Annualized long-term average production ("LTA") for the facilities in operation at November 10, 2015. The LTA is presented in accordance with revenue recognition accounting rules under IFRS and excludes production from facilities that are accounted for using the equity method, which is presented in the "Investments in Joint Ventures" section.

2. Solar farm LTA diminishes over time due to expected solar panel degradation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

THIRD QUARTER UPDATE

Summary of operating and financial performance

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Power generated (MWh)	777,975	826,617	2,340,575	2,142,547
LTA (MWh)	849,747	849,838	2,363,711	2,283,675
Production as percentage of LTA	92%	97%	99%	94%
Revenues	62,680	66,371	190,578	173,619
Adjusted EBITDA	48,550	51,668	144,920	130,814
Adjusted EBITDA Margin	77.5%	77.8%	76.0%	75.3%
Net earnings (loss)	1,316	(4,518)	(13,988)	(56,812)
Dividend declared per Class A Preferred Share	0.3125	0.3125	0.9375	0.9375
Dividend declared per Class C Preferred Share	0.359375	0.359375	1.078125	1.078125
Dividend declared per common share	0.1550	0.1500	0.4650	0.4500

For the three-month period ended September 30, 2015, production was 92% of the LTA, due mainly to below-average water flows in British Columbia, partially offset by above-average water flows in Quebec and Ontario as well as above-average wind regimes and solar irradiation. Production, revenues and Adjusted EBITDA decreased 6% compared with the same period last year, due mainly to lower water flows and wind regimes.

For the nine-month period ended September 30, 2015, production was 99% of the LTA, due mainly to average water flows in almost all markets as well as above-average wind and solar regimes. Production increased 9%, revenues increased 10% and Adjusted EBITDA increased 11% compared with the same period last year, due mainly to higher water flows and wind regimes and to the contribution of the SM-1 hydroelectric facility acquired in June 2014.

The \$1.3 million net earnings for the three-month period ended September 30, 2015, compared with a \$4.5 million net loss for the same period last year, is attributable mainly to the smaller negative impact of derivative financial instruments ("Derivatives"), namely a \$27.0 million realized loss on Derivatives partly offset by a \$24.3 million unrealized gain on Derivatives, compared with a \$8.4 million realized loss and a \$6.9 million unrealized net loss on Derivatives last year.

The \$14.0 million net loss for the nine-month period ended September 30, 2015, compared with a \$56.8 million net loss for the same period last year, is also attributable mainly to the smaller negative impact of Derivatives, namely a \$119.6 million realized loss on Derivatives partly offset by a \$79.4 million unrealized gain on Derivatives, compared with a \$8.4 million realized loss and a \$72.1 million unrealized loss on Derivatives last year.

Excluding the realized loss on Derivatives, the unrealized net gain or loss on Derivatives and the related income taxes, the net earnings for the three- and nine-month periods ended September 30, 2015, would have been \$3.9 million and \$17.5 million respectively, compared with net earnings of \$7.1 million and \$5.1 million respectively in 2014. The decrease in net earnings during the three-month period would be due mainly to lower production levels; the increase in net earnings for the nine-month period would be due mainly to the increase in production, the smaller increase in operating expenses and the lower compensation interest expense on the real return bonds.

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Impact on net earnings (loss) of the realized loss and the unrealized net (gain) loss on derivative financial instruments	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Net earnings (loss)	1,316	(4,518)	(13,988)	(56,812)
<i>Add (Subtract):</i>				
Unrealized net (gain) loss on derivative financial instruments	(24,325)	6,934	(79,406)	72,111
Realized loss on derivative financial instruments	26,984	8,366	119,557	8,366
Income tax recovery related to above items	(321)	(3,874)	(9,820)	(20,330)
Share of unrealized net loss on derivative financial instruments of joint ventures, net of related income tax	293	212	1,189	1,798
	3,947	7,120	17,532	5,133

Payout Ratio

	Trailing 12 months ended September 30	
	2015	2014
Free Cash Flow ¹	84,217	51,674
Payout Ratio ¹	74%	113%

1. For more information on the calculation and explanation of the Corporation's Free Cash Flow and Payout Ratio, please refer to the "Free Cash Flow and Payout Ratio" section.

For the trailing 12-month period ended September 30, 2015, the dividends on common shares declared by the Corporation corresponded to 74% of Free Cash Flow, compared with 113% for the corresponding prior 12-month period. The positive variation is due mainly to the increase in Free Cash Flow, resulting from greater cash flows from operating activities before changes in non-cash operating working capital items and realized losses on Derivatives, partly offset by greater scheduled debt principal payments and the increase in dividends resulting from the higher number of common shares outstanding by virtue of the Dividend Reinvestment Plan, the issuance of 4,027,051 common shares of the Corporation in June 2014 to pay for the acquisition of the SM-1 hydroelectric facility and the issuance of 3,653,422 common shares of the Corporation upon conversion, at the holders' request, of convertible debentures bearing interest at a rate of 5.75%.

Issuance of \$100.0 million of convertible debentures bearing interest at 4.25% and redemption or conversion of \$79.6 million of convertible debentures bearing interest at 5.75%

On July 20, 2015, the Corporation entered into a bought deal agreement for the issuance of \$100.0 million in convertible unsecured subordinated debentures bearing interest at a rate of 4.25%, and it issued a notice of redemption to the holders of its outstanding convertible unsecured subordinated debentures bearing interest at rate of 5.75% and maturing on April 30, 2017.

The \$100.0 million offering of convertible debentures bearing interest at 4.25% was completed on August 10, 2015. The debentures are convertible at the holder's option into Innergex common shares at a conversion price of \$15.00 per share, representing a conversion rate of 66.6667 common shares per \$1,000 principal amount of debentures. They will mature on August 31, 2020, and will not be redeemable before August 31, 2018, except in certain limited circumstances. The debentures are traded on the Toronto Stock Exchange under the symbol "INE.DB.A". The net proceeds of the offering were used to reduce drawings under the revolving term credit facility; the funds available under this facility were used to redeem the debentures described below and can be drawn, when required, to fund future acquisitions, development projects and general corporate purposes.

The redemption or conversion of the outstanding principal amount of \$79.6 million of the convertible debentures bearing interest at 5.75% was completed on August 20, 2015. Of that principal amount, \$38.0 million was converted at the holders' request into 3,566,851 Innergex common shares at a conversion price of \$10.65 per share. The remaining \$41.6 million was redeemed at a price of \$1,000 per debenture, plus accrued and unpaid interest up to August 19, 2015, inclusively and was financed with drawings under the Corporation's revolving term credit facility.

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(in thousands of Canadian dollars, except as noted, and amounts per share)

Amendment of the Normal Course Issuer Bid and implementation of an automatic purchase plan

Effective September 4, 2015, the Corporation's normal course issuer bid was amended in order to increase the maximum number of shares that may be repurchased and to implement an automatic purchase plan. The bid commenced on March 24, 2015 and will terminate on March 23, 2016. The maximum number of common shares that the Corporation may purchase for cancellation has increased from 1,000,000, or approximately 1%, to 2,000,000, or approximately 2%, of its issued and outstanding common shares as at March 18, 2015. No other terms of the bid were amended.

In addition, the Corporation has entered into an automatic purchase plan agreement with a designated broker to allow for purchases of its common shares during times when it would ordinarily not be permitted to do so due to self-imposed blackout periods or regulatory restrictions.

As at September 30, 2015, the Corporation had purchased for cancellation 706,297 common shares.

Closing of the Project Financing for the Mesgi'g Ugju's'n Project

On September 28, 2015, the Corporation and its partner announced the closing of a \$311.7 million non-recourse construction and term project financing for the Mesgi'g Ugju's'n wind project located in Quebec. The financing comprises three facilities or tranches:

- A \$49.2 million floating-rate construction loan carrying a swap-fixed interest rate of 2.41%; following the start of the wind farm's commercial operation, it will be repaid with the proceeds of the scheduled reimbursement by Hydro-Québec for the Mesgi'g Ugju's'n electrical substation;
- A \$103.0 million floating-rate construction loan carrying a swap-fixed interest rate of 3.54%; following the start of the wind farm's commercial operation, it will convert into a 9.5-year term loan and the principal will be amortized over the term of the loan;
- A \$159.5 million construction loan carrying a fixed interest rate of 4.28%; following the start of the wind farm's commercial operation, it will convert into a 19.5-year term loan and the principal will begin to be amortized after the maturity of the 9.5-year term loan.

The financing was arranged and underwritten by National Bank Financial Markets, as co-lead arranger and sole book runner, and SunLife Assurance Company of Canada, as co-lead arranger.

Concurrent with the closing of the financing, the Corporation settled the bond forward contracts used to hedge the interest rate prior to the closing of the financing in order to protect the expected returns on the projects, giving rise to a \$27.0 million realized loss on Derivatives. This is equivalent to a fixed interest rate of approximately 4.97% on the loans and well within the parameters of the economic model for this project. Please refer to the "Financial Position" section for more information.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

COMMISSIONING ACTIVITIES

	Ownership %	Gross installed capacity (MW)	Gross estimated LTA ¹ (GWh)	PPA term (years)	Total project costs		Expected year-one	
					Estimated ¹ (\$M)	As at Sept. 30 (\$M)	Revenues ¹ (\$M)	Adjusted EBITDA ¹ (\$M)
<i>HYDRO (British Columbia)</i>								
Tretheway Creek	100.0	21.2	81.0	40	111.5	99.2 ²	8.7	7.2

1. This information is intended to inform readers of the projects' potential impact on the Corporation's results. Actual results may vary.

2. Total project costs should reach approximately \$104.5 million.

Tretheway Creek

The construction of this hydroelectric facility began in October 2013. As at the date of this MD&A, construction and commissioning activities were completed, on time and approximately \$7.0 million under budget. The facility began commercial operations with an effective commissioning date of October 27, 2015. Tretheway Creek's average annual production is estimated to reach 81,000 MWh, enough to power more than 7,300 BC households. In its first full year of operation, it is expected to generate revenues and Adjusted EBITDA of approximately \$8.7 million and \$7.2 million respectively. The \$0.3 million reduction in these estimates compared with prior guidance reflects a lower inflation rate in adjusting the expected selling price for electricity. All of the electricity the facility produces is covered by a 40-year fixed-price power purchase agreement with BC Hydro, which was obtained under that province's 2008 Clean Power Call Request for Proposals and which provides for an annual adjustment to the selling price based on a portion of the Consumer Price Index.

DEVELOPMENT PROJECTS

PROJECTS UNDER CONSTRUCTION	Ownership %	Gross installed capacity (MW)	Expected COD ¹	Gross estimated LTA ^{2,3} (GWh)	PPA term (years)	Total project costs		Expected year-one	
						Estimated ² (\$M)	As at Sept. 30 (\$M)	Revenues ² (\$M)	Adjusted EBITDA ² (\$M)
<i>HYDRO (British Columbia)</i>									
Upper Lillooet River	66.7	81.4	2016 ⁵	334.0	40	315.0 ⁴	190.8 ⁴	33.0 ⁴	27.5 ⁴
Boulder Creek	66.7	25.3	2016 ⁵	92.5	40	119.2 ⁴	56.9 ⁴	9.0 ⁴	7.5 ⁴
Big Silver Creek	100.0	40.6	2016	139.8	40	216.0	159.6	18.0	15.0
<i>WIND (Quebec)</i>									
Mesgi'g Ujju's'n	50.0	150.0	2016	515.0	20	340.0 ⁴	49.3 ⁴	55.0 ⁴	48.0 ⁴
		297.3		1081.3		990.2	456.6	115.0	98.0

1. Commercial operation date.

2. This information is intended to inform readers of the projects' potential impact on the Corporation's results. Actual results may vary. There have been no changes to these estimates since December 31, 2014.

3. Upon commissioning, LTA figures may be updated to reflect design optimization or constraints or selection of different turbines. Please refer to the "Forward-Looking Information" section for more information.

4. Corresponding to 100% of this facility.

5. There is a possibility that COD could be delayed until the spring of 2017 due to the fire that forced the interruption of construction activities in July and August, however the Corporation expects to be indemnified for such delays by virtue of its insurance coverage.

Upper Lillooet River and Boulder Creek (the "Upper Lillooet Hydro Project" or "ULHP")

The construction of the Upper Lillooet River and Boulder Creek hydroelectric facilities began in October 2013. On March 17, 2015, the Corporation announced the closing of \$491.6 million non-recourse construction and term project financing for both these projects. As at the date of this MD&A, construction activities had fully resumed after being halted for two months due to a forest fire that swept through the area on July 4. Fortunately, damage to the project site from the fire was very limited and all structures and equipment remained intact, except for a portion of the transmission line between the two powerhouses. Construction resumed on August 28 and the installation of the joint transmission line, both powerhouses, intakes and tunnels were progressing well. The Corporation and its contractors are working closely to adjust construction schedules, possibly keeping the construction site active throughout the winter to make up for some of the lost time. The insurance claims process is ongoing and will take time to complete. In any case, the Corporation expects to be indemnified and to suffer no significant adverse financial consequences from the forest fire.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Big Silver Creek

Construction of this hydroelectric facility began in June 2014. As of the date of this MD&A, excavation of the tunnel and installation of the penstock had been completed and construction of the powerhouse and procurement of electrical equipment and turbines were all progressing as planned. On June 22, 2015, the Corporation announced the closing of \$197.2 million non-recourse construction and term project financing for this project.

Mesgi'g Ugju's'n

Construction of this wind farm began in May 2015. As at the date of this MD&A, access roads had been completed or upgraded, and foundation excavation and concrete pouring had also been completed at all the turbine sites. On September 28, 2015, the Corporation and its partner announced the closing of \$311.7 million non-recourse construction and term project financing for this project. Please refer to the "Financial Position" section for more information.

PROSPECTIVE PROJECTS

With a combined potential net installed capacity of 3,190 MW (gross 3,330 MW), all the Prospective Projects are in the preliminary development stage. Some Prospective Projects are targeted toward specific future requests for proposals, such as the current request for proposals for new wind and solar energy in Ontario, or Standing Offer Programs, such as the one in British Columbia. Other Prospective Projects will be available for future requests for proposals yet to be announced or are targeted toward negotiated power purchase agreements with public utilities or other creditworthy counterparties. There is no certainty that any Prospective Project will be realized.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

OPERATING RESULTS

Production of electricity for the third quarter was 92% of the long-term average due mainly to below-average water flows in British Columbia.

Production, revenues and Adjusted EBITDA decreased by 6% for the third quarter of 2015 compared with the same period last year. These results are attributable mainly to lower water flows in all markets except Quebec and to lower wind regimes.

The Corporation's operating results for the three- and nine-month periods ended September 30, 2015, are compared with the operating results for the same periods in 2014.

Electricity Production

When evaluating its operating results, a key performance indicator for the Corporation is to compare actual electricity generation with a long-term average ("LTA") for each hydroelectric facility, wind farm and solar farm. These long-term averages are determined to allow long-term forecasting of the expected power generation for each of the Corporation's facilities.

Three months ended September 30	2015				2014			
	Production (MWh) ¹	LTA (MWh)	Production as a % of LTA	Average price (\$/MWh) ²	Production (MWh) ¹	LTA (MWh)	Production as a % of LTA	Average price (\$/MWh) ²
HYDRO								
Quebec	205,081	180,225	114%	67.82	164,461	180,225	91%	68.83
Ontario	10,354	8,233	126%	65.53	13,892	8,233	169%	65.20
British Columbia	400,651	519,156	77%	75.74	479,461	519,156	92%	75.14
United States	14,480	16,694	87%	110.37	15,630	16,694	94%	91.03
Subtotal	630,567	724,308	87%	73.79	673,444	724,308	93%	73.76
WIND								
Quebec	134,377	112,803	119%	79.45	139,972	112,803	124%	79.68
SOLAR								
Ontario	13,031	12,636	103%	420.00	13,201	12,727	104%	420.00
Total	777,975	849,747	92%	80.57	826,617	849,838	97%	80.29

1. The Umbata Falls hydroelectric facility and the Viger-Denonville wind farm are treated as joint ventures and accounted for using the equity method; their revenues are not included in the Corporation's consolidated revenues and, for the sake of consistency, their electricity production figures have been excluded from the production table. For more information on the Corporation's joint ventures, please refer to the "Investments in Joint Ventures" section.

2. Including all payment adjustments related to the month, day and hour of delivery, to environmental attributes and to the ecoENERGY Initiative, as applicable.

During the three-month period ended September 30, 2015, the Corporation's facilities produced 778 GWh of electricity or 92% of the LTA of 850 GWh. Overall, the hydroelectric facilities produced 87% of their LTA, due mainly to below-average water flows in British Columbia, partially offset by above-average water flows in Quebec and Ontario. Overall, the wind farms produced 119% of their LTA, due mainly to above-average wind regimes during the quarter. The Stardale solar farm produced 103% of its LTA, due mainly to above-average solar regimes. For more information on operating segment results, please refer to the "Segment Information" section.

The production decrease of 6% compared with the same period last year is attributable mainly to lower water flows in all markets except Quebec and to lower wind regimes.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Nine months ended September 30	2015				2014			
	Production (MWh) ¹	LTA (MWh)	Production as a % of LTA	Average price (\$/MWh) ²	Production (MWh) ¹	LTA (MWh)	Production as a % of LTA	Average price (\$/MWh) ²
HYDRO								
Quebec	545,285	518,445	105%	74.17	421,775	438,176	96%	75.18
Ontario	49,771	53,332	93%	67.33	58,078	53,332	109%	67.63
British Columbia	1,152,409	1,248,760	92%	76.16	1,105,586	1,248,760	89%	74.10
United States	40,374	41,577	97%	89.43	42,330	41,577	102%	75.17
Subtotal	1,787,839	1,862,114	96%	75.60	1,627,769	1,781,845	91%	74.18
WIND								
Quebec	519,515	469,213	111%	79.80	479,945	469,213	102%	79.69
SOLAR								
Ontario	33,221	32,384	103%	420.00	34,833	32,617	107%	420.00
Total	2,340,575	2,363,711	99%	81.42	2,142,547	2,283,675	94%	81.03

1. The Umbata Falls hydroelectric facility and the Viger-Denonville wind farm are treated as joint ventures and accounted for using the equity method; their revenues are not included in the Corporation's consolidated revenues and, for the sake of consistency, their electricity production figures have been excluded from the production table. For more information on the Corporation's joint ventures, please refer to the "Investments in Joint Ventures" section.

2. Including all payment adjustments related to the month, day and hour of delivery, to environmental attributes and to the ecoENERGY Initiative, as applicable.

During the nine-month period ended September 30, 2015, the Corporation's facilities produced 2,341 GWh of electricity or 99% of the LTA of 2,364 GWh. Overall, the hydroelectric facilities produced 96% of their LTA, due mainly to below-average water flows in all markets except Quebec. Overall, the wind farms produced 111% of their LTA, due mainly to above-average wind regimes. The Stardale solar farm produced 103% of its LTA, due mainly to above-average solar regimes. For more information on operating segment results, please refer to the "Segment Information" section.

The production increase of 9% compared with the same period last year is attributable mainly to higher water flows in Quebec and British Columbia, higher wind regimes and the contribution of the SM-1 hydroelectric facility acquired in June 2014.

The overall performance of the Corporation's facilities for the three- and nine-month periods ended September 30, 2015, demonstrates the benefits of geographic diversification and the complementarity of hydroelectric, wind and solar power generation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Financial Results

	Three months ended September 30				Nine months ended September 30			
	2015		2014		2015		2014	
Revenues	62,680	100.0%	66,371	100.0%	190,578	100.0%	173,619	100.0%
Operating expenses	9,406	15.0%	9,968	15.0%	29,753	15.6%	28,638	16.5%
General and administrative expenses	2,992	4.8%	3,079	4.6%	10,890	5.7%	9,963	5.7%
Prospective project expenses	1,732	2.8%	1,656	2.5%	5,015	2.6%	4,204	2.4%
Adjusted EBITDA	48,550	77.5%	51,668	77.8%	144,920	76.0%	130,814	75.3%
Finance costs	22,075		21,682		63,032		65,815	
Other net expenses	27,200		8,776		119,679		7,864	
Depreciation and amortization	18,793		18,652		56,371		56,430	
Share of loss (earnings) of joint ventures (note 1)	352		390		(704)		1,182	
Unrealized net (gain) loss on derivative financial instruments	(24,325)		6,934		(79,406)		72,111	
Income tax (recovery of)	3,139		(248)		(64)		(15,776)	
Net earnings (loss)	1,316		(4,518)		(13,988)		(56,812)	
Net earnings (loss) attributable to:								
Owners of the parent	5,804		(725)		(532)		(35,979)	
Non-controlling interests	(4,488)		(3,793)		(13,456)		(20,833)	
	1,316		(4,518)		(13,988)		(56,812)	
Basic net earnings (loss) per share (\$)	0.04		(0.02)		(0.06)		(0.42)	

1. The Umbata Falls hydroelectric facility and Viger Denonville wind farm are treated as joint ventures and the Corporation's interests in these facilities are required to be accounted for using the equity method. For more information on the Corporation's joint ventures, please refer to the "Investments in Joint Ventures" section.

Revenues

For the three-month period ended September 30, 2015, the Corporation recorded revenues of \$62.7 million, compared with \$66.4 million in 2014. This 6% decrease is attributable mainly to lower water flows in all markets except Quebec and to lower wind regimes.

For the nine-month period ended September 30, 2015, the Corporation recorded revenues of \$190.6 million, compared with \$173.6 million in 2014. This 10% increase is attributable mainly to higher water flows in Quebec and British Columbia, higher wind regimes and the contribution of the SM-1 hydroelectric facility acquired in June 2014.

Expenses

Operating expenses consist primarily of the operators' salaries, insurance premiums, expenditures related to operation and maintenance, property taxes and royalties. For the three- and nine-month periods ended September 30, 2015, the Corporation recorded operating expenses of \$9.4 million and \$29.8 million respectively (\$10.0 million and \$28.6 million respectively in 2014). This decrease of 6% for the quarter and increase of 4% for the nine-month period is due mainly to varying costs associated with the production levels in British Columbia as well as the addition of the SM-1 hydroelectric facility.

General and administrative expenses consist primarily of salaries, professional fees and office expenses. For the three- and nine-month periods ended September 30, 2015, general and administrative expenses totalled \$3.0 million and \$10.9 million respectively (\$3.1 million and \$10.0 million respectively in 2014). The 9% increase for the nine-month period reflects the Corporation's larger size, larger number of employees and normal salary increases.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Prospective project expenses include the costs incurred for the development of Prospective Projects. They result from the number of Prospective Projects that the Corporation chooses to advance and the resources required to do so. For the three- and nine-month periods ended September 30, 2015, prospective project expenses totalled \$1.7 million and \$5.0 million respectively (\$1.7 million and \$4.2 million respectively in 2014). This 19% increase for the nine-month period is related mainly to the advancement of a number of prospective projects, to pursuing opportunities in new international markets and to the current request for proposals in Ontario.

Adjusted EBITDA

When evaluating its financial results, a key performance indicator for the Corporation is to measure Adjusted EBITDA, which is defined as revenues less operating expenses, general and administrative expenses and prospective project expenses.

For the three-month period ended September 30, 2015, the Corporation recorded Adjusted EBITDA of \$48.6 million, compared with \$51.7 million for the same period last year. This 6% decrease is in line with the decrease in production and revenues explained above. As a result, the Adjusted EBITDA Margin remained stable at 77.5% as opposed to 77.8%.

For the nine-month period ended September 30, 2015, the Corporation recorded Adjusted EBITDA of \$144.9 million, compared with \$130.8 million for the same period last year. This 11% increase is in line with the increase in production and revenues explained above and also reflects the smaller increase in operating expenses. As a result, the Adjusted EBITDA Margin rose from 75.3% to 76.0%.

Finance Costs

Finance costs include interest on long-term debt and convertible debentures, inflation compensation interest, amortization of financing fees, amortization of the revaluation of long-term debt and convertible debentures, accretion expenses on other liabilities, and other finance costs. For the three- and nine-month periods ended September 30, 2015, finance costs totalled \$22.1 million and \$63.0 million respectively (\$21.7 million and \$65.8 million respectively in 2014). While finance costs remained relatively unchanged during the third quarter compared with the same period last year, the decrease for the nine-month period is due mainly to the much lower inflation compensation interest on the real-return bonds of \$3.2 million (compared with inflation compensation interest of \$6.2 million in 2014) due to deflation during the first quarter, which more than offset the increase in interest expenses resulting from higher levels of debt.

As at September 30, 2015, 99% of the Corporation's outstanding debt, including convertible debentures, was fixed or hedged against interest rate movements (90% as at September 30, 2014). The effective all-in interest rate on the Corporation's debt and convertible debentures was 5.17% as at September 30, 2015 (5.25% as at September 30, 2014). The decrease stems mainly from the addition of the SM-1 project debt, which bears a fixed interest rate of 3.30% following its adjustment to fair market value upon consolidation, the addition of the Tretheway Creek project debt, which bears a fixed interest rate of 4.99%, the addition of the Boulder Creek and Upper Lillooet River project debts, which bear a weighted average fixed interest rate of 4.36% and the addition of the Big Silver Creek project debt, which bears a weighted average fixed interest rate of 4.71%, partly offset by the addition of the debenture on the SM-1 facility, which bears a fixed interest rate of 8.00%.

Other Net Expenses

Other net expenses include transaction costs, realized losses on derivative financial instruments, realized losses on foreign exchange, loan impairment, and other net revenues. For the three- and nine-month periods ended September 30, 2015, the Corporation recorded other net expenses of \$27.2 million and \$119.7 million (other net expenses of \$8.8 million and \$7.9 million respectively in 2014). The change for the three-month period stems mainly from the \$27.0 million realized loss on Derivatives resulting from the settlement of the Mesgi'g Ugju's'n bond forward contracts upon closing of the project's financing. The change for the nine-month period stems mainly from the \$119.6 million realized loss on Derivatives resulting from the settlement of the Boulder Creek, Upper Lillooet River, Big Silver Creek and Mesgi'g Ugju's'n bond forward contracts upon closing of the projects' financing in March and June respectively.

Depreciation and Amortization

For the three- and nine-month periods ended September 30, 2015, depreciation and amortization expenses totalled \$18.8 million and \$56.4 million respectively (\$18.7 million and \$56.4 million respectively in 2014).

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Share of Loss (Earnings) of Joint Ventures

For the three- and nine-month periods ended September 30, 2015, the Corporation recorded a share of net loss of joint ventures of \$0.4 million and share of net earnings of joint ventures of \$0.7 million respectively (share of net loss of \$0.4 million and \$1.2 million respectively in 2014). Please refer to the "Investments in Joint Ventures" section for more information.

Derivative Financial Instruments

The Corporation uses derivative financial instruments to manage its exposure to the risk of rising interest rates on its existing and upcoming debt financing and its exposure to the risk of rising foreign currencies on its equipment purchases ("Derivatives"), thereby protecting the economic value of its projects. Innergex also has derivative financial instruments embedded in some of its PPAs (the minimum 3% inflation clause applied to the selling price). The Corporation does not own or issue financial instruments for speculative purposes. Since bond forwards are linked to long-term bonds and interest rate swaps are entered into for a term equal in length to the underlying debt amortization schedule, which can reach 30 years, a Derivative's fair market value can be very sensitive to quarter-to-quarter changes in long-term interest rates.

Since October 2014, the Corporation has used hedge accounting in the treatment of new Derivatives and, since April 1, 2015, it has also decided to use hedge accounting in the treatment of existing Derivatives used to fix the interest rate on the project-level debts (with the exception of Umbata Falls) and on most of its revolving term credit facility in order to reduce the fluctuations in net earnings or losses resulting from unrealized gains or losses on these Derivatives during a given period. Under hedge accounting, most of the unrealized gains or losses on Derivatives that arise from a decrease or increase in the benchmark interest rate will be recorded in other comprehensive income, while only the portion of the unrealized gain or loss related to the "ineffectiveness" and the settlement of the Derivatives will be recorded in net earnings.

For the three- and nine-month periods ended September 30, 2015, the Corporation recognized an unrealized net gain on Derivatives of \$24.3 million and \$79.4 million respectively, due mainly to the reversal of the unrealized loss accrued upon settlement of the bond forward contracts concurrently with the closing of the Boulder Creek and Upper Lillooet River project financing in March, the Big Silver Creek project financing in June and the Mesgi'g Ugju's'n project financing in September. For the corresponding periods last year, Innergex recognized an unrealized net loss on Derivatives of \$6.9 million and \$72.1 million respectively, due mainly to the decrease in benchmark interest rates since December 31, 2013.

In March 2015, the Corporation announced the closing of a \$491.6 million financing and concurrently settled the corresponding bond forward contracts for the Boulder Creek and Upper Lillooet River hydroelectric projects; in June 2015, it announced the closing of a \$197.2 million financing and concurrently settled the corresponding bond forward contracts for the Big Silver Creek hydroelectric project; and in September 2015, it announced the closing of a \$311.7 million financing and concurrently settled the corresponding bond forward contracts for the Mesgi'g Ugju's'n wind project. For the three- and nine-month periods ended September 30, 2015, these bond forward contract settlements resulted in a realized loss of \$27.0 million and \$119.6 million respectively. As at September 30, 2015, the Corporation had no Derivatives to be settled upon the closing of a financing.

Income Tax Expense (Recovery)

For the three-month period ended September 30, 2015, the Corporation recorded a current income tax expense of \$0.8 million (\$0.9 million in 2014) and a deferred income tax expense of \$2.3 million (income tax recovery of \$1.2 million in 2014). The deferred income tax expense is due mainly to the recognition of earnings before tax. The recognition of a deferred, rather than current, income tax expense is due mainly to the existence of accumulated tax losses. The deferred tax recovery for the same period last year is due mainly to the recognition of an accounting loss before income taxes.

For the nine-month period ended September 30, 2015, the Corporation recorded a current income tax expense of \$2.5 million (\$2.5 million in 2014) and a deferred income tax recovery of \$2.5 million (\$18.3 million in 2014). The deferred income tax recovery is due in part to the recognition of an accounting loss before income taxes resulting from the \$119.7 million realized loss on Derivatives resulting from the settlement of Derivatives, partly offset by the \$79.4 million reversal of the unrealized loss accrued upon settlement of these Derivatives. The deferred tax recovery for the same period last year is due mainly to an unrealized net loss on Derivatives.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Net Earnings (Loss)

For the three-month period ended September 30, 2015, the Corporation recorded net earnings of \$1.3 million (basic and diluted net earnings of \$0.04 per share), compared with a net loss of \$4.5 million (basic and diluted net loss of \$0.02 per share) in 2014. This is attributable mainly to the smaller negative impact of derivative financial instruments, namely a \$27.0 million realized loss on Derivatives partly offset by a \$24.3 million unrealized gain on Derivatives, compared with a \$8.4 million realized loss and a \$6.9 million unrealized net loss on Derivatives last year.

For the nine-month period ended September 30, 2015, the Corporation recorded a net loss of \$14.0 million (basic and diluted net loss of \$0.06 per share), compared with a net loss of \$56.8 million (basic and diluted net loss of \$0.42 per share) in 2014. This is attributable mainly to a smaller negative impact of Derivatives, namely a \$119.6 million realized loss on Derivatives partly offset by a \$79.4 million unrealized gain on Derivatives, compared with a \$8.4 million realized loss and a \$72.1 million unrealized loss on Derivatives last year.

Main items explaining the change in net earnings for the three-month period ended September 30, 2015, compared with the net loss for the corresponding period in 2014

Main items – Positive impact	Change	Explanation
Unrealized net (gain) loss on derivative financial instruments	\$31,259	Due mainly to the reversal of an unrealized loss upon settlement of the Mesgi'g Ugju's'n bond forward contracts, compared with an unrealized net loss on Derivatives resulting from an decrease in benchmark interest rates for the same period last year.
Main items – Negative impact	Change	Explanation
Revenues	\$3,691	Due mainly to the decrease in production resulting from lower water flows and wind regimes.
Other net expenses	\$18,424	Due mainly to a realized net loss on Derivatives of \$27.0 million resulting from the settlement of the Mesgi'g Ugju's'n bond forwards upon closing of the project financing.
Deferred income tax expense	\$3,471	Due mainly to an unrealized net gain on derivative financial instruments, compared with an unrealized net loss on derivative financial instruments for the same period last year.

Main items explaining the change in a net loss for the nine-month period ended September 30, 2015, compared with the net loss for the corresponding period in 2014

Main items – Positive impact	Change	Explanation
Revenues	\$16,959	Due mainly to the increase in production resulting from higher water flows in Quebec and British Columbia, higher wind regimes and the contribution of the SM-1 hydroelectric facility acquired in June 2014.
Unrealized net (gain) loss on derivative financial instruments	\$151,517	Due mainly to the reversal of unrealized losses upon settlement of the Boulder Creek, Upper Lillooet River, Big Silver Creek and Mesgi'g Ugju's'n bond forward contracts, compared with an unrealized net loss on Derivatives resulting from a decrease in benchmark interest rates for the same period last year.
Main items – Negative impact	Change	Explanation
Other net expenses	\$111,815	Due mainly to a realized net loss on Derivatives of \$119.6 million resulting from the settlement of the Boulder Creek, Upper Lillooet River, Big Silver Creek and Mesgi'g Ugju's'n bond forwards upon closing of the project financings during the first nine months of 2015.
Deferred recovery of income tax	\$15,712	Due mainly to the recognition of an unrealized gain on Derivatives mentioned above compared with an unrealized loss on Derivatives for the same period last year, partly offset by the recognition of a realized net loss on Derivatives, also mentioned above.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Non-controlling Interests

Non-controlling interests are related to the six hydroelectric facilities of the Harrison Hydro Limited Partnership, the Creek Power Inc. subsidiaries, the Kwoiek Creek Resources Limited Partnership, the Mesgi'g Ugnu's'n (MU) Wind Farm, L.P., the Magpie Limited Partnership, the Innergex Sainte-Marguerite S.E.C. entity and their respective general partners. For the three- and nine-month periods ended September 30, 2015, the Corporation allocated losses of \$4.5 million and \$13.5 million respectively to non-controlling interests (losses of \$3.8 million and \$20.8 million respectively in 2014). Please refer to the "Non-Wholly Owned Subsidiaries" section for more information.

Number of Shares Outstanding

Weighted average number of common shares outstanding (000s)	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Weighted average number of common shares	102,975	100,326	101,712	97,571
Effect of dilutive elements on common shares ¹	192	221	302	192
Diluted weighted average number of common shares	103,167	100,547	102,014	97,763

1. Stock options for which the exercise price was above the average market price of common shares were excluded from the calculation of diluted weighted average number of shares outstanding. For the three-month period ended September 30, 2015, 1,640,000 of the 3,425,684 stock options (1,243,000 of the 3,073,684 for the three-month period ended September 30, 2014) were excluded. For the nine-month period ended September 30, 2015, none of the 3,425,684 stock options (1,243,000 of the 3,073,684 for the nine-month period ended September 30, 2014) were excluded.

Furthermore, during the three- and nine-month periods ended September 30, 2015, none of the 6,666,667 shares that can be issued on conversion of convertible debentures were dilutive (none of the 7,558,684 shares were dilutive in 2014).

As at September 30, 2015, the Corporation had a total of 104,350,670 common shares, 100,000 convertible debentures bearing interest at a rate of 4.25%, 3,400,000 Series A Preferred Shares, 2,000,000 Series C Preferred Shares and 3,425,684 stock options outstanding. As at September 30, 2014, it had 100,372,867 common shares, 80,500 convertible debentures bearing interest at a rate of 5.75%, 3,400,000 Series A Preferred Shares, 2,000,000 Series C Preferred Shares and 3,073,684 stock options outstanding. The increase in the number of common shares since September 30, 2014, is attributable mainly to the conversion, at the holders' request, of a portion of the 5.75% convertible debentures as well as to the Dividend Reinvestment Plan ("DRIP"), partly offset by the purchase and cancellation of 706,297 shares under the Corporation's normal course issuer bid. The variation in the number of convertible debentures during the nine-month period is due to the issuance of 100,000 convertible debentures bearing interest at a rate of 4.25% in August 2015 and the redemption or conversion of 80,500 convertible debentures bearing interest at a rate of 5.75%.

As at the date of this MD&A, the Corporation had a total of 104,057,105 common shares, 100,000 convertible debentures bearing interest at a rate of 4.25%, 3,400,000 Series A Preferred Shares, 2,000,000 Series C Preferred Shares and 3,425,684 stock options outstanding. The decrease in the number of common shares since September 30, 2015, is attributable to the purchase and cancellation of shares under the Corporation's normal course issuer bid, partly offset by the DRIP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

LIQUIDITY AND CAPITAL RESOURCES

For the nine-month period ended September 30, 2015, the Corporation used cash flows from operating activities of \$0.8 million, compared with generating \$57.3 million for the same period last year. During this period, the Corporation generated funds from financing activities of \$340.3 million and used funds for investing activities of \$363.3 million, mainly to pay for the construction of its Development Projects. As at September 30, 2015, the Corporation had cash and cash equivalents amounting to \$31.4 million, compared with \$54.6 million as at December 31, 2014.

Cash Flows from Operating Activities

For the nine-month period ended September 30, 2015, cash flows used by operating activities totalled \$0.8 million (\$57.3 million generated in 2014). The change is attributable mainly to the \$119.6 million realized loss on derivative financial instruments, which more than offset the increase in revenues.

Cash Flows from Financing Activities

For the nine-month period ended September 30, 2015, cash flows generated by financing activities totalled \$340.3 million (\$99.0 million generated in 2014). The change is attributable mainly to a \$345.1 million net increase in long-term debt, resulting mainly from the addition of the Boulder Creek, Upper Lillooet River and Big Silver Creek project-level debts, and to net proceeds of \$95.5 million from the issuance of convertible debentures bearing interest at 4.25%. These increases were partly offset by scheduled debt principal payments, by a \$194.6 million refund on the revolving term credit facility, by the \$41.6 million redemption of outstanding convertible debentures bearing interest at 5.75% and by the \$7.3 million purchase and cancellation of common shares under the Corporation's normal course issuer bid.

Use of Financing Proceeds	Nine months ended September 30	
	2015	2014
Proceeds from issuance of long-term debt	900,352	224,266
Repayment of long-term debt (including revolving term credit facility)	(546,813)	(83,419)
Payment of deferred financing costs	(8,469)	(252)
Sub-total: net increase in long-term debt	345,070	140,595
Net proceeds from issuance of convertible debentures	95,533	—
Payment of redemption of convertible debentures	(41,591)	—
Payment of buyback of common shares	(7,271)	—
Proceeds from exercise of share options	394	—
Generation of financing proceeds	392,135	140,595
Business acquisitions	—	(37,901)
(Increase) decrease of restricted cash and short-term investments	(141,355)	20,917
Net funds (invested into) withdrawn from the reserve accounts	(2,621)	7,141
Additions to property, plant and equipment	(189,840)	(138,383)
Additions to project development costs	(29,104)	(23,435)
Withdrawals from joint ventures	—	2,259
(Additions to) reductions of other long-term assets	(426)	25,660
Net use of financing proceeds	(363,346)	(143,742)
Increase (reduction) in working capital	28,789	(3,147)

During the nine-month period ended September 30, 2015, the Corporation borrowed \$900.4 million mainly to pay for construction of the Development Projects, the reduction in drawings under the revolving term credit facility and the \$119.6 million realized loss on derivative financial instruments resulting from the settlement of the Boulder Creek, Upper Lillooet River, Big Silver Creek and Mesgi'g Ugu's'n bond forward contracts. It also increased restricted cash by \$141.4 million, as the use of cash to pay for construction costs related to the Development Projects was more than offset by the addition of proceeds received from these projects' debts. During the corresponding period of 2014, the Corporation borrowed \$224.3 million to pay for the construction of the Tretheway Creek, Boulder Creek, Upper Lillooet River and Big Silver Creek projects, for the pre-construction development of the Mesgi'g Ugu's'n project and for the acquisition of the SM-1 hydroelectric facility and to repay long-term debt; it also used \$20.9 million in restricted cash mainly to pay accounts payable related to the Kwoiek Creek and Northwest Stave River facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Cash Flows from Investing Activities

For the nine-month period ended September 30, 2015, cash flows used by investing activities amounted to \$363.3 million (\$143.6 million in 2014). During this period, additions to property, plant and equipment accounted for a \$189.8 million outflow (\$138.4 million outflow in 2014), an increase in restricted cash and short-term investments accounted for a \$141.4 million outflow (\$20.9 million inflow in 2014), additions to project development costs accounted for a \$29.1 million outflow (\$23.4 million outflow in 2014) and investments in reserve accounts accounted for a \$2.6 million outflow (\$7.1 million inflow in 2014).

Cash and Cash Equivalents

For the nine-month period ended September 30, 2015, cash and cash equivalents decreased by \$23.2 million (increased by \$12.8 million in 2014) as a net result of its operating, financing and investing activities. As at September 30, 2015, the Corporation had cash and cash equivalents amounting to \$31.4 million (\$54.6 million as at December 31, 2014).

DIVIDENDS

The following dividends were declared by the Corporation:

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Dividends declared on common shares ¹	16,174	15,056	47,535	44,448
Dividends declared on common shares (\$/share) ¹	0.1550	0.1500	0.4650	0.4500
Dividends declared on Series A Preferred Shares	1,063	1,063	3,188	3,188
Dividends declared on Series A Preferred Shares (\$/share)	0.3125	0.3125	0.9375	0.9375
Dividends declared on Series C Preferred Shares	719	719	2,157	2,157
Dividends declared on Series C Preferred Shares (\$/share)	0.359375	0.359375	1.078125	1.078125

1. The increase in dividends declared on common shares is attributable mainly to increase in the annual dividend from \$0.60 to \$0.62 per common share, payable quarterly, announced on February 24, 2015, the issuance of 4,027,051 new common shares to pay for the acquisition of the SM-1 hydroelectric facility, and the issuance of 3,653,422 new common shares upon conversion, at the holders' request, of convertible debentures bearing interest at 5.75%.

The following dividends will be paid by the Corporation on January 15, 2016:

Date of announcement	Record date	Payment date	Dividend per common share (\$)	Dividend per Series A Preferred Share (\$)	Dividend per Series C Preferred Share (\$)
11/10/2015	12/31/2015	1/15/2016	0.1550	0.3125	0.359375

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

FINANCIAL POSITION

As at September 30, 2015, the Corporation had \$2,995 million in total assets, \$2,467 million in total liabilities, including \$1,997 million in long-term debt, and \$527.7 million in shareholders' equity.

Also as at September 30, 2015, the Corporation had a working capital ratio of 1.73:1.00 (0.91:1.00 as at December 31, 2014). In addition to cash and cash equivalents amounting to \$31.4 million, the Corporation had restricted cash and short-term investments of \$227.2 million and reserve accounts of \$44.1 million.

The explanations below highlight the most significant changes in statement of financial position items during the nine-month period ended September 30, 2015.

Assets

Highlights of significant changes in total assets during the nine-month period ended September 30, 2015

- An \$118.1 million net increase in cash and cash equivalents and restricted cash and short-term investments, due mainly to the addition of a portion of the financing received from the Boulder Creek, Upper Lillooet River and Big Silver Creek project-level debts, which more than offset the amounts drawn to pay for construction of the Development Projects as well as the Kwoiek Creek and Northwest Stave River facilities;
- A \$180.6 million increase in property, plant and equipment, due mainly to construction of the Development Projects and to the transfer of the Mesgi'g Ugju's'n project into property, plant and equipment, partly offset by depreciation and by a \$6.6 million subsequent adjustment pertaining to purchase price allocation for the SM-1 hydroelectric facility out of property, plant and equipment and into intangible assets;
- A \$9.8 million decrease in intangible assets, due mainly to amortization, partly offset by a \$6.6 million subsequent adjustment pertaining to purchase price allocation for the SM-1 hydroelectric facility into intangible assets from property, plant and equipment; and
- A \$9.3 million decrease in project development costs, due mainly to the transfer of the Mesgi'g Ugju's'n project from project development costs and into property, plant and equipment since construction of the project began in May.

Working Capital Items

As at September 30, 2015, working capital was positive at \$128.1 million with a working capital ratio of 1.73:1.00. As at December 31, 2014, working capital was negative at \$17.4 million with a working capital ratio of 0.91:1.00. The increase in the working capital ratio over this period is due mainly to a \$141.4 million increase in restricted cash and short-term investments and a \$88.6 million decrease in the current liability portion of derivative financial instruments, which are explained separately below. These items were partly offset by a \$59.0 million increase in accounts payable, also explained separately below.

The Corporation considers its current level of working capital to be sufficient to meet its needs. The Corporation can also use its \$425.0 million revolving term credit facility if necessary. As at September 30, 2015, the Corporation had drawn \$127.3 million and US\$13.9 million as cash advances, while \$117.1 million had been used for issuing letters of credit.

Restricted cash and short-term investments amounted to \$227.2 million as at September 30, 2015, of which \$6.1 million was related to the Harrison Hydro L.P., \$0.7 million to the Kwoiek Creek loan, \$0.7 million to the Northwest Stave River loan, \$25.4 million to the Tretheway Creek loan, \$160.0 million to the Boulder Creek and Upper Lillooet River loan and \$19.8 million to the Big Silver Creek loan and \$14.5 million to a Mesgi'g Ugju's'n equity injection (compared with \$85.8 million as at December 31, 2014, of which \$6.7 million was related to the Harrison Hydro L.P., \$23.5 million to the Kwoiek Creek loan, \$6.5 million to the Northwest Stave River loan and \$49.1 million to the Tretheway Creek loan). The increase stems mainly from the addition of a portion of the financing from the Boulder Creek, Upper Lillooet River, and Big Silver Creek loans, which more than offset the amounts drawn to pay for construction of the Development Projects. The remainder of the Boulder Creek, Upper Lillooet River and Big Silver Creek loans will be received in monthly installments.

Accounts receivable increased from \$35.3 million as at December 31, 2014, to \$35.8 million as at September 30, 2015, due mainly to revenues generated.

Accounts payable and other payables increased from \$45.6 million as at December 31, 2014, to \$104.6 million as at September 30, 2015, due mainly to construction activities related to the Development Projects and to the settlement of the Mesgi'g Ugju's'n bond forward contracts.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Derivative financial instruments included in current liabilities decreased from \$104.1 million as at December 31, 2014, to \$15.5 million as at September 30, 2015, due mainly to the decrease in bond forward contracts entered into to hedge the interest rate on future project-level financing for the Development Projects following the close of the Boulder Creek, Upper Lillooet River, Big Silver Creek and Mesgi'g Ugnu's'n project financings.

Reserve Accounts

Reserve accounts consist of a hydrology/wind reserve, established at the start of commercial operation at a facility to compensate for the variability of cash flows related to fluctuations in hydrology or wind regime and to other unpredictable events, and a major maintenance reserve, established in order to prefund any major plant repairs that may be required to maintain the Corporation's generating capacity. The Corporation had \$43.2 million in long-term reserve accounts as at September 30, 2015, compared with \$40.7 million as at December 31, 2014. The increase stems mainly from the reserves for the Kwoiek Creek facility put in place during the first quarter.

The availability of funds in the hydrology/wind and major maintenance reserve accounts may be restricted by credit agreements.

Property, Plant and Equipment

Property, plant and equipment are comprised mainly of hydroelectric facilities, wind farms and a solar farm that are either in operation or under construction. They are recorded at cost less accumulated depreciation and accumulated impairment losses, if any. The Corporation had \$2,076 million in property, plant and equipment as at September 30, 2015, compared with \$1,896 million as at December 31, 2014. The increase stems mainly from construction of the Development Projects and from the transfer of the Mesgi'g Ugnu's'n project to property, plant and equipment, partly offset by depreciation and by a \$6.6 million subsequent adjustment pertaining to purchase price allocation for the SM-1 hydroelectric facility out of property, plant and equipment into intangible assets.

Intangible Assets

Intangible assets consist of various power purchase agreements, permits and licenses. They also include the extended warranty for the Montagne Sèche and Gros-Morne wind farm turbines. The Corporation had \$477.5 million in intangible assets as at September 30, 2015, compared with \$487.3 million as at December 31, 2014. The decrease is due mainly to amortization, partly offset by a \$6.6 million subsequent adjustment pertaining to purchase price allocation for the SM-1 hydroelectric facility into intangible assets from property, plant and equipment.

Project Development Costs

Project development costs are the costs to acquire and develop Development Projects and to acquire Prospective Projects. Depending on their nature, these costs are transferred either to property, plant and equipment or to intangible assets once the project reaches the construction phase. The Corporation had \$51.7 million in project development costs as at September 30, 2015, compared with \$61.0 million as at December 31, 2014. The decrease stems from the transfer of the Mesgi'g Ugnu's'n project out of project development costs and into property, plant and equipment since construction of the project began last May.

Investments in Joint Ventures

Investments in joint ventures represent the Corporation's ownership portion of joint ventures, which are accounted for using the equity method. As at September 30, 2015, the Corporation had \$9.0 million in investments in joint ventures, compared with \$14.5 million as at December 31, 2014. This \$5.6 million decrease reflects \$6.3 million in distributions made by the joint ventures to the Corporation during the first nine months of the year, partly offset by the recognition of \$0.7 million in net earnings. Please refer to the "Investments in Joint Ventures" section for more information.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Liabilities and Shareholders' Equity

Derivative Financial Instruments and Risk Management

The Corporation uses derivative financial instruments ("Derivatives") to manage its exposure to the risk of increasing interest rates on its debt financing and its exposure to the risk of rising foreign currencies on its equipment purchases. The Corporation does not own or issue any Derivatives for speculation purposes. Since October 2014, the Corporation has used hedge accounting in the treatment of new Derivatives, and since April 1, 2015 has also adopted hedge accounting in the treatment of existing Derivatives used to fix the interest rate on the project-level debts (with the exception of Umbata Falls') and on most of its revolving term credit facility in order to reduce fluctuations in net earnings or losses resulting from unrealized gains or losses on these Derivatives during a given period. Under hedge accounting, most of the unrealized gains or losses on Derivatives that arise from a decrease or increase in the benchmark interest rate will be recorded in other comprehensive income, while only the portion of the unrealized gain or loss related to the "ineffectiveness" and the settlement of the Derivatives will be recorded in net earnings.

Interest rate swap contracts allow the Corporation to eliminate the risk of interest rate increases in actual floating-rate debts. These totalled \$451.1 million as at September 30, 2015. Consequently, as at September 30, 2015, interest rate swaps related to outstanding debts combined with the \$1,727 million in existing fixed-rate debts and \$93.1 million in convertible debentures mean that 99% of outstanding debts are protected from interest rate increases.

Bond forward contracts allow the Corporation to eliminate the risk of interest rate increases in planned long-term debt that it will need to secure for its Development Projects. Upon closing the fixed-rate or interest-swapped long-term financing, the Corporation will settle the corresponding derivative financial instruments, which will result in a realized gain or loss on derivative financial instruments. These gains or losses will serve to offset a higher or lower interest rate on the project-level debt.

In March 2015, the Corporation announced the closing of a \$491.6 million financing for the Boulder Creek and Upper Lillooet River hydroelectric projects. The concurrent settlement of the Boulder Creek and Upper Lillooet River bond forward contracts gave rise to a \$68.0 million realized loss on derivative financial instruments. This loss results from a decrease in benchmark interest rates between the date the bond forwards were entered into (between September and December 2013) and the settlement date (March 17, 2015) and will be compensated for by the low weighted average fixed interest rate of 4.36% for these 25- to 40-year term loans. In June 2015, the Corporation closed a \$197.2 million financing for the Big Silver Creek hydroelectric project. The concurrent settlement of the Big Silver Creek bond forward contracts gave rise to a \$24.7 million realized loss on derivative financial instruments. This loss results from a decrease in benchmark interest rates between the date the bond forwards were entered into (between December 2013 and January 2014) and the settlement date (June 22, 2015) and will be compensated for by the low weighted average fixed interest rate of 4.71% for these 25- to 40-year term loans. In September 2015, the Corporation announced the closing of a \$311.7 million financing for the Mesgi'g Ugnu's'n wind project. The concurrent settlement of the Mesgi'g Ugnu's'n bond forward contracts gave rise to a \$27.0 million realized loss on derivative financial instruments. This loss results from a decrease in benchmark interest rates between the date the bond forwards were entered into (in March 2014) and the settlement date (September 28, 2015) and will be compensated for by the low weighted average fixed interest rate of 4.2% for these 9.5- to 19.5-year term loans.

As at September 30, 2015 and as at the date of this MD&A, the Corporation had secured the project financing for all of its existing Development Projects and had no outstanding bond forward contracts (\$535.0 million for the Upper Lillooet River, Boulder Creek, Big Silver Creek and Mesgi'g Ugnu's'n Development projects as at December 31, 2014).

As at the date of this MD&A, the Corporation had no euro foreign exchange forward contracts outstanding (\$78.4 million at December 31, 2014), as the foreign exchange forward contract it had entered into to eliminate the risk of a euro appreciation versus the Canadian dollar on equipment purchases for the Mesgi'g Ugnu's'n project was settled upon maturity and the exchange rate for the euro portion of the turbine supply contract was fixed, eliminating any further euro exposure.

Overall, Derivatives had a net negative value of \$69.7 million at September 30, 2015 (negative \$145.8 million at December 31, 2014). The decrease is due mainly to the settlement of the Boulder Creek, Upper Lillooet River, Big Silver Creek and Mesgi'g Ugnu's'n bond forward contracts. These figures exclude the impact of Derivatives used to hedge loans of the Corporation's joint ventures. For information on the impact of derivative financial instruments used in the Corporation's joint ventures, please refer to the "Investments in Joint Ventures" section.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Accrual for Acquisition of Long-Term Assets

Accrual for acquisition of long-term assets consists of long-term debt commitments that have been secured and will be drawn to finance the Corporation's projects currently under construction or under development. As at September 30, 2015, accrual for acquisition of long-term assets was nil (\$25.3 million as at December 31, 2014). The \$25.3 million decrease results from payments made in relation to the construction of the Development Projects. Because the Corporation is receiving proceeds of the project financings for its Development Projects before incurring expenditures, no accruals for acquisition of long-term assets are expected to be recorded for these projects.

Long-Term Debt

As at September 30, 2015, long-term debt totalled \$1,997 million (\$1,645 million as at December 31, 2014). The \$352.0 million increase results mainly from the addition of the Boulder Creek and Upper Lillooet River debts in the amount of \$384.0 million out of the \$491.6 million project financing closed on March 17 and the addition of the Big Silver Creek debt in the amount of \$189.3 million out of the \$197.2 million project financing closed on June 22 as well as from drawings under the revolving term credit facility to pay for the redemption of \$41.6 million in convertible debentures bearing interest at 5.75% pursuant to the Corporation's issuing a notice of redemption. This increase was partly offset by the scheduled repayment of project-level debts and the reduction of drawings under the revolving term credit facility using the proceeds of the issuance of convertible debentures bearing interest at 4.25% as well as a portion of the proceeds of the Boulder Creek, Upper Lillooet River and Big Silver Creek financings to reimburse the excess equity invested in the projects by the Corporation.

Since the beginning of the 2015 fiscal year, the Corporation and its subsidiaries have met all the financial and non-financial conditions related to their credit agreements, trust indentures and PPAs. Were they not met, certain financial and non-financial covenants included in the credit agreements or trust indentures entered into by various subsidiaries of the Corporation could limit the capacity of these subsidiaries to transfer funds to the Corporation. These restrictions could have a negative impact on the Corporation's ability to meet its obligations.

Convertible debentures

During the third quarter, the Corporation redeemed or converted the outstanding principal amount of convertible debentures bearing interest at 5.75% per annum, pursuant to the issuance of a notice of redemption. The Corporation also issued subordinate unsecured convertible debentures bearing interest at a rate of 4.25% for a total notional amount of \$100.0 million. The net proceeds of \$95.5 million were used to reduce drawings under the revolving term credit facility; the funds available under this facility were used to redeem the outstanding convertible debentures bearing interest at 5.75% and can be drawn, when required, to fund future acquisitions, development projects and general corporate purposes.

As at September 30, 2015, the liability portion of convertible debentures stood at \$93.1 million and the equity portion stood at \$1.9 million (\$80.0 million and \$1.3 million as at December 31, 2014). The convertible debentures currently outstanding bear interest at a rate of 4.25% per annum, payable semi-annually on August 31 and February 28 each year, commencing on February 28, 2016. They are convertible at the holder's option into common shares of the Corporation at a conversion price of \$15.00 per share, representing a conversion rate of 66.6667 common shares per each \$1,000 of principal amount of convertible debentures. They will mature on August 31, 2020 and will not be redeemable before August 31, 2018, except in certain limited circumstances.

The convertible debentures are subordinated to all other indebtedness of the Corporation.

Shareholders' Equity

As at September 30, 2015, the Corporation's shareholders' equity totalled \$527.7 million, including \$26.3 million of non-controlling interests, compared with \$562.2 million, including \$47.4 million of non-controlling interests, as at December 31, 2014. This \$34.6 million decrease in total shareholders' equity is attributable mainly to dividends declared on preferred and common shares of \$52.9 million and the recognition of a \$14.0 million net loss, partly offset by the issuance of 3,653,422 common shares at a price of \$10.65 per share, upon conversion, at the holders' request, of convertible debentures bearing interest at 5.75%.

Off-Balance-Sheet Arrangements

As at September 30, 2015, the Corporation had issued letters of credit totalling \$129.1 million to meet its obligations under its various PPAs and other agreements. Of this amount, \$117.1 million was issued under its revolving term credit facility, for the most part on a temporary basis during the construction of the Development Projects, with the remainder being issued under the projects' non-recourse credit facilities. As at that date, Innergex had also issued a total of \$50.3 million in corporate guarantees used mainly to support the performance of the Brown Lake hydroelectric facility and the construction of the Mesgi'g Ugju's'n project.

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(in thousands of Canadian dollars, except as noted, and amounts per share)

FREE CASH FLOW AND PAYOUT RATIO

Free Cash Flow

When evaluating its operating results, a key performance indicator for the Corporation is the cash flows available for distribution to common shareholders and for reinvestment to fund the Corporation's growth. Free Cash Flow is a non-IFRS measure that the Corporation calculates as cash flows from operating activities before changes in non-cash operating working capital items, less maintenance capital expenditures net of proceeds from disposals, scheduled debt principal payments and preferred share dividends declared. It also subtracts the portion of Free Cash Flow attributed to non-controlling interests regardless of whether an actual distribution to non-controlling interests is made in order to reflect the fact that such distribution may not occur in the period the Free Cash Flow is generated, and adds back cash receipts by the Harrison Hydro L.P. for the wheeling services to be provided to other facilities owned by the Corporation over the course of their PPAs. The Corporation also adjusts for other elements that represent cash inflows or outflows that are not representative of the Corporation's long-term cash generating capacity. Such adjustments include adding back transaction costs related to realized acquisitions (which are financed at the time of the acquisition) and adding back realized losses or subtracting realized gains on derivative financial instruments used to hedge the interest rate on project-level debt prior to securing such debt or the exchange rate on equipment purchases.

Free Cash Flow and Payout Ratio calculation	Trailing 12 months ended September 30		
	2015	2014	2013
Cash flows from operating activities	29,616	92,798	150,909
<i>Add (Subtract) the following items:</i>			
Changes in non-cash operating working capital items	(21,045)	(13,705)	(56,548)
Maintenance capital expenditures net of proceeds from disposals	(3,145)	(2,822)	(2,136)
Scheduled debt principal payments	(32,008)	(28,426)	(25,148)
Free Cash Flow attributed to non-controlling interests ¹	(4,963)	(96)	(8,069)
Dividends declared on Preferred shares	(7,125)	(7,125)	(6,673)
Cash receipt for wheeling services to be provided by the Harrison Hydro L.P. to other facilities ²	3,327	2,092	4,916
<i>Adjust for the following elements:</i>			
Transaction costs related to realized acquisitions	3	592	1,135
Realized losses on derivative financial instruments	119,557	8,366	3,259
Free Cash Flow	84,217	51,674	61,645
Dividends declared on common shares	62,636	58,318	54,678
Payout Ratio - before the impact of the DRIP	74%	113%	89%
Dividends declared on common shares and paid in cash ³	54,465	48,127	36,603
Payout Ratio - after the impact of the DRIP	65%	93%	59%

1. The portion of Free Cash Flow attributed to non-controlling interests is subtracted, regardless of whether or not an actual distribution to non-controlling interests is made, in order to reflect the fact that such distributions may not occur in the period they are generated.

2. These amounts represent cash receipts by the Harrison Hydro L.P. for the wheeling services to be provided to the Big Silver, Tretheway Creek and Northwest Stave River facilities respectively, 49.99% of which was included in the Free Cash Flow attributed to non-controlling interests.

3. Represents dividends declared on common shares outstanding that were not registered in the DRIP at the time of the declaration; the dividends declared on common shares registered in the DRIP were paid in common shares.

For the trailing 12 months ended September 30, 2015, the Corporation generated Free Cash Flow of \$84.2 million, compared with \$51.7 million for the same period last year. This increase is due mainly to greater cash flows from operating activities before changes in non-cash operating working capital items and realized losses on derivative financial instruments, partly offset by greater scheduled debt principal payments.

During the third quarter, the Corporation used \$7.3 million of its Free Cash Flows to purchase for cancellation 706,297 common shares under its normal course issuer bid.

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(in thousands of Canadian dollars, except as noted, and amounts per share)

Payout Ratio

The Payout Ratio represents the dividends declared on common shares divided by Free Cash Flow. The Corporation believes it is a measure of its ability to sustain current dividends and dividend increases as well as its ability to fund its growth.

For the trailing 12 months ended September 30, 2015, the dividends on common shares declared by the Corporation corresponded to 74% of Free Cash Flow, compared with 113% for the corresponding prior 12-month period. This positive change is due mainly to the increase in Free Cash Flow explained above, which more than offset the increase in dividends resulting from the higher number of common shares outstanding by virtue of the DRIP, the issuance of 4,027,051 common shares of the Corporation in June 2014 to pay for the acquisition of the SM-1 hydroelectric facility and the issuance of 3,653,422 common shares of the Corporation upon conversion, at the holders' request, of convertible debentures bearing interest at a rate of 5.75%.

The Payout Ratio reflects the Corporation's decision to invest each year in advancing the development of its Prospective Projects, which investments must be expensed as incurred. The Corporation considers such investments essential to its long-term growth and success, as it believes that the greenfield development of renewable energy projects offers the greatest potential internal rates of return and represents the most efficient use of management's expertise and value-added skills. For the trailing 12 months ended September 30, 2015, the Corporation incurred prospective project expenses of \$6.5 million, compared with \$6.1 million for the corresponding prior period. This 7% increase is attributable mainly to the recent request for proposals in Quebec and the current request for proposals in Ontario, to the advancement of a number of prospective projects and to pursuing opportunities in new international markets. Excluding these discretionary expenses, the Corporation's Payout Ratio would be approximately five percentage points lower for the trailing 12 months ended September 30, 2015, and approximately 12 percentage points lower for the corresponding prior period.

Furthermore, the Corporation does not expect to require additional equity in order to complete its current four Development Projects, given the anticipated increase in cash flows from operations once these projects have been commissioned, the project-level financing that the Corporation has secured for these projects and the additional equity provided by the DRIP.

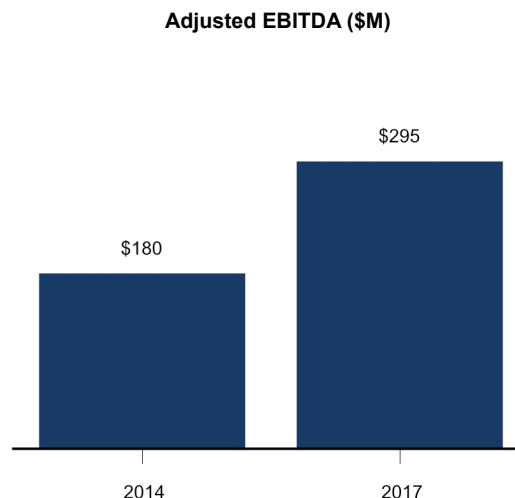
OUTLOOK FOR 2017

The Corporation makes certain projections to provide readers with an indication of its business activities and operating performance once the four existing Development Projects have been commissioned. Please refer to the "Development Projects" section for more information on these projects. These projections do not take into account possible acquisitions, divestments or additional Development Projects following the award of any new power purchase agreements.

Once the four Development Projects have been commissioned, the Corporation expects its annualized consolidated LTA production to increase from 3,050 GWh at the end of 2014 to 4,211 GWh starting in 2017, corresponding to a 38% increase.

Projected Adjusted EBITDA

A key performance indicator for the Corporation is Adjusted EBITDA generation. Once the four Development Projects have been commissioned, the Corporation expects to generate annualized Adjusted EBITDA starting in 2017 of approximately \$295.0 million (adjusted for an inflation component thereafter), compared with \$179.6 million in 2014. This represents an annual compound growth rate of approximately 18% for the 2014-2017 period. Adjusted EBITDA is presented in accordance with revenue recognition accounting rules under IFRS and excludes the Umbata Falls and Viger-Denonville facilities that are treated as joint ventures and accounted for using the equity method. The annual Adjusted EBITDA for these facilities combined attributable to the Corporation is approximately \$8.0 million.

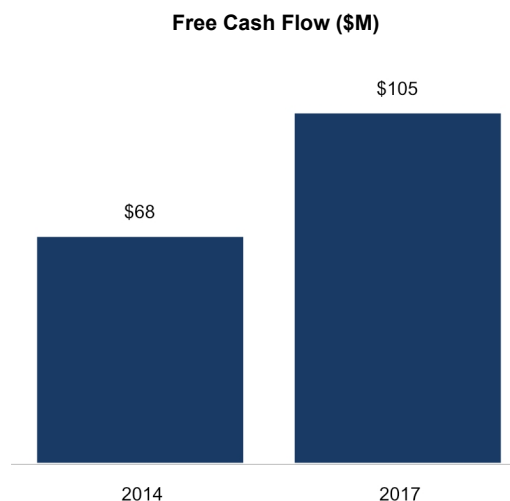


MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Projected Free Cash Flow

Another key performance indicator for the Corporation is the Free Cash Flow generated from its operations and available for distribution to common shareholders and for reinvestment to fund its growth. Once the four existing Development Projects have been commissioned, the Corporation expects to generate Free Cash Flow in 2017 of approximately \$105.0 million, compared with \$67.7 million in 2014. This represents an annual compound growth rate of approximately 16% for the 2014-2017 period and will reflect the cash flows generated by the Corporation's 38 Operating Facilities at that time, after taking into account maintenance capital expenditures, scheduled debt principal payments, preferred share dividends and the portion of Free Cash Flow attributed to non-controlling interests. The increase from guidance provided as at December 31, 2014, of \$95.0 million in Free Cash Flow starting in 2017 is due mainly to more favourable debt amortization schedules on the project-level debts that the Corporation has secured over the past several months.



MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

SEGMENT INFORMATION

Geographic Segments

As at September 30, 2015, the Corporation had interests in 25 hydroelectric facilities, six wind farms and one solar farm in Canada and one hydroelectric facility in the United States. For the three- and nine-month periods ended September 30, 2015, the revenues generated by the Horseshoe Bend hydroelectric facility in the United States totalled \$1.6 million and \$3.6 million respectively (\$1.4 million and \$3.2 million respectively in 2014), corresponding to a contribution of 2.6% and 1.9% respectively (2.1% and 1.8% in 2014) to the Corporation's consolidated revenues for these periods. Lower production during these periods compared with the same periods last year was offset by higher selling prices expressed in Canadian dollars.

Operating Segments

As at September 30, 2015, the Corporation had four operating segments: hydroelectric generation, wind power generation, solar power generation and site development.

Through its hydroelectric, wind power and solar power generation segments, the Corporation sells electricity produced by its hydroelectric, wind and solar facilities to publicly owned utilities or other creditworthy counterparties. Through its site development segment, Innergex analyzes potential sites and develops hydroelectric, wind and solar facilities up to the commissioning stage.

The accounting policies for these segments are the same as those described in the "Significant Accounting Policies" section of the Corporation's audited consolidated financial statements for the year ended December 31, 2014. The Corporation evaluates performance based on Adjusted EBITDA and accounts for inter-segment and management sales at cost. Any transfers of assets from the site development segment to the hydroelectric, wind or solar power generation segments are accounted for at cost.

The operations of the Corporation's operating segments are conducted by different teams, as each segment has different skill requirements.

SUMMARY OPERATING RESULTS Three months ended September 30, 2015	Hydroelectric Generation	Wind Power Generation	Solar Power Generation	Site Development	Total
Power generated (MWh)	630,567	134,377	13,031	—	777,975
Revenues	46,531	10,676	5,473	—	62,680
Expenses:					
Operating expenses	7,190	2,066	150	—	9,406
General and administrative expenses	1,621	729	33	609	2,992
Prospective project expenses	—	—	—	1,732	1,732
Adjusted EBITDA	37,720	7,881	5,290	(2,341)	48,550
Three months ended September 30, 2014					
Power generated (MWh)	673,444	139,972	13,201	—	826,617
Revenues	49,674	11,153	5,544	—	66,371
Expenses:					
Operating expenses	7,530	2,173	265	—	9,968
General and administrative expenses	2,179	473	78	349	3,079
Prospective project expenses	—	—	—	1,656	1,656
Adjusted EBITDA	39,965	8,507	5,201	(2,005)	51,668

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

SUMMARY OPERATING RESULTS Nine months ended September 30, 2015	Hydroelectric Generation	Wind Power Generation	Solar Power Generation	Site Development	Total
Power generated (MWh)	1,787,839	519,515	33,221	—	2,340,575
Revenues	135,169	41,456	13,953	—	190,578
Expenses:					
Operating expenses	22,445	6,774	534	—	29,753
General and administrative expenses	5,996	2,619	118	2,157	10,890
Prospective project expenses	—	—	—	5,015	5,015
Adjusted EBITDA	106,728	32,063	13,301	(7,172)	144,920
September 30, 2014					
Power generated (MWh)	1,627,769	479,945	34,833	—	2,142,547
Revenues	120,741	38,248	14,630	—	173,619
Expenses:					
Operating expenses	21,134	6,651	853	—	28,638
General and administrative expenses	6,531	1,989	243	1,200	9,963
Prospective project expenses	—	—	—	4,204	4,204
Adjusted EBITDA	93,076	29,608	13,534	(5,404)	130,814

SUMMARY BALANCE SHEET As at September 30, 2015	Hydroelectric Generation	Wind Power Generation	Solar Power Generation	Site Development	Total
Goodwill	8,269	—	—	—	8,269
Total assets	1,695,336	333,240	117,714	848,720	2,995,010
Total liabilities	1,228,311	220,261	108,880	909,896	2,467,348
Acquisition of property, plant and equipment during the period	2,779	694	13	188,790	192,276
December 31, 2014					
Goodwill	8,269	—	—	—	8,269
Total assets	1,752,495	352,723	120,957	489,840	2,716,015
Total liabilities	1,241,530	238,450	111,814	561,996	2,153,790
Acquisition of property, plant and equipment during the year	123,185	549	161	223,405	347,300

Hydroelectric Generation Segment

For the three-month period ended September 30, 2015, this segment produced 87% of the LTA and generated revenues of \$46.5 million, compared with production at 93% of the LTA and revenues of \$49.7 million for the same period last year. The production decrease and corresponding revenue decrease are due mainly to lower water flows at most facilities in British Columbia, Ontario and the US, partially offset by water flows that were higher in Quebec.

For the nine-month period ended September 30, 2015, this segment produced 96% of the LTA and generated revenues of \$135.2 million, compared with production at 91% of the LTA and revenues of \$120.7 million for the same period last year. The production increase and corresponding revenue increase are due mainly to higher water flows in British Columbia and Quebec and to the contribution of the SM-1 hydroelectric facility acquired in June 2014.

The decrease in total assets since December 31, 2014, is attributable mainly to depreciation of property, plant and equipment and amortization of intangible assets.

The decrease in total liabilities since December 31, 2014, is attributable mainly to the scheduled repayment of long-term debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Wind Power Generation Segment

For the three-month period ended September 30, 2015, this segment produced 119% of the LTA and generated revenues of \$10.7 million, compared with production at 124% of the LTA and revenues of \$11.2 million for the same period last year. The slight production decrease and corresponding revenue decrease are due mainly to lower wind regimes.

For the nine-month period ended September 30, 2015, this segment produced 111% of the LTA and generated revenues of \$41.5 million, compared with production at 102% of the LTA and revenues of \$38.2 million for the same period last year. The production increase and corresponding revenue increase are due mainly to higher wind regimes.

The decrease in total assets since December 31, 2014, is attributable mainly to depreciation of property, plant and equipment and amortization of intangible assets.

The decrease in total liabilities since December 31, 2014, is attributable mainly to the scheduled repayment of long-term debt.

Solar Power Generation Segment

For the three-month period ended September 30, 2015, this segment produced 103% of the LTA and generated revenues of \$5.5 million, compared with production at 104% of the LTA and revenues of \$5.5 million for the same period last year. For the nine-month period ended September 30, 2015, this segment produced 103% of the LTA and generated revenues of \$14.0 million, compared with production at 107% of the LTA and revenues of \$14.6 million for the same period last year. The stability in production and revenues stems mainly from solar irradiation similar to the same periods last year.

The decrease in total assets since December 31, 2014, results mainly from depreciation of property, plant and equipment and from amortization of intangible assets.

The decrease in total liabilities since December 31, 2014, is attributable mainly to the scheduled repayment of long-term debt.

Site Development Segment

For the three- and nine-month periods ended September 30, 2015, site development expenses were \$2.3 million and \$7.2 million respectively, compared with \$2.0 million and \$5.4 million respectively in 2014. The increase is due mainly to prospective project expenses incurred for the advancement of a number of prospective projects and the current request for proposals in Ontario and to pursuing opportunities in new international markets.

The increase in total assets since December 31, 2014, is attributable mainly to payments made for costs incurred for the construction of the Development Projects and to the increase in restricted cash from the addition of a portion of the financing received from the Boulder Creek, Upper Lillooet River and Big Silver Creek project-level debts.

The increase in total liabilities since December 31, 2014, is attributable mainly to the addition of a portion of the Boulder Creek, Upper Lillooet River and Big Silver Creek project financings and to drawings on the revolving term credit facility to pay for construction activities on the Mesgi'g Ugnu's'n project.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

QUARTERLY FINANCIAL INFORMATION

(in millions of dollars, unless otherwise stated)	Three months ended			
	Sept. 30, 2015	June 30, 2015	Mar. 31, 2015	Dec. 31, 2014
Power generated (MWh)	777,975	904,172	658,427	819,903
Revenues	62.7	70.2	57.7	68.2
Adjusted EBITDA	48.6	53.4	43.0	48.7
Realized and unrealized net (loss) gain on derivative financial instruments	(2.7)	18.6	(56.0)	(49.6)
Net earnings (loss)	1.3	22.5	(37.8)	(27.6)
Net earnings (loss) attributable to owners of the parent	5.8	22.8	(29.1)	(18.9)
Net earnings (loss) attributable to owners of the parent (\$ per share – basic)	0.04	0.21	(0.31)	(0.21)
Dividends declared on preferred shares	1.8	1.8	1.8	1.8
Dividends declared on common shares	16.2	15.7	15.7	15.1
Dividends declared on common shares, \$ per share	0.155	0.155	0.155	0.150

(in millions of dollars, unless otherwise stated)	Three months ended			
	Sept. 30, 2014	June 30, 2014	Mar. 31, 2014	Dec 31, 2013
Power generated (MWh)	826,617	898,722	417,209	496,613
Revenues	66.4	69.6	37.6	41.4
Adjusted EBITDA	51.7	53.8	25.3	25.6
Realized and unrealized net (loss) gain on derivative financial instruments	(15.3)	(29.1)	(36.0)	11.7
Net (loss) earnings	(4.5)	(14.2)	(38.1)	3.4
Net (loss) earnings attributable to owners of the parent	(0.7)	(7.8)	(27.4)	6.3
Net (loss) earnings attributable to owners of the parent (\$ per share – basic)	(0.02)	(0.10)	(0.30)	0.05
Dividends declared on preferred shares	1.8	1.8	1.8	1.8
Dividends declared on common shares	15.1	15.0	14.4	13.9
Dividends declared on common shares, \$ per share	0.150	0.150	0.150	0.145

Comparing the results for the most recent quarters illustrates the seasonality that is characteristic of the Corporation's production and the variability of power generated, revenues and Adjusted EBITDA from quarter to quarter. As the Corporation's annualized consolidated LTA is 77% hydroelectric, this seasonality can be explained by water flows that are normally at their highest in the second quarter due to the snow melt season and at their lowest in the first quarter due to the cold temperatures, which limit precipitation in the form of rain. However, premiums for the electricity generated during the coldest months of the year included in some PPAs of the Corporation's hydroelectric facilities attenuate this seasonality. Wind regimes are generally best in the first quarter, while solar irradiation is at its highest during the summer months and at its lowest during the winter months.

Readers may expect the net earnings or losses to reflect this seasonality characteristic of run-of-river hydroelectric facilities, wind farms and solar farms. However, other factors also influence these figures, some of which have a relatively stable quarter-to-quarter impact while others are more variable. For the Corporation, the factor responsible for the largest fluctuations in net earnings (loss) is the unrealized and realized gains (losses) on Derivatives arising from the increase (decrease) in benchmark interest rates. Historical analysis of net earnings (loss) should therefore take this factor into account. It is important to bear in mind that changes in the market value of derivative financial instruments result from interest rate fluctuations and do not have an impact on the Corporation's Adjusted EBITDA, finance costs, cash flows from operating activities, Free Cash Flow and Payout Ratio.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

INVESTMENTS IN JOINT VENTURES

The Corporation's material joint ventures at the end of the reporting period were Umbata Falls Limited Partnership ("Umbata Falls, L.P.") (49% interest) and Parc éolien communautaire Viger-Denonville, s.e.c. (Viger-Denonville, L.P.) (50% interest). A summary of the electricity production and financial information for the Corporation's material joint ventures is presented below. The summarized financial information corresponds to amounts shown in the joint ventures' financial statements prepared in accordance with IFRS.

Electricity Production

Three months ended September 30	2015				2014			
	Production (MWh) ¹	LTA (MWh) ¹	Production as a % of LTA	Average price (\$/MWh) ²	Production (MWh) ¹	LTA (MWh) ¹	Production as a % of LTA	Average price (\$/MWh) ²
Umbata Falls	19,310	21,314	91%	84.69	14,673	21,314	69%	84.56
Viger-Denonville	15,900	16,350	97%	149.13	16,477	16,350	101%	148.55

Nine months ended September 30	2015				2014			
	Production (MWh) ¹	LTA (MWh) ¹	Production as a % of LTA	Average price (\$/MWh) ²	Production (MWh) ¹	LTA (MWh) ¹	Production as a % of LTA	Average price (\$/MWh) ²
Umbata Falls	88,657	76,064	117%	84.80	75,756	76,064	100%	84.36
Viger-Denonville	59,985	52,100	115%	149.13	53,843	52,100	103%	148.55

1. Corresponds to 100% of the facility's electricity production and LTA.
2. Including payments received from the ecoENERGY Initiative for Umbata Falls.

Umbata Falls, L.P.

Summary Statements of Earnings and Comprehensive Income – Umbata Falls, L.P.

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Revenues	1,636	1,240	7,518	6,391
Operating and general and administrative expenses	224	186	618	599
Adjusted EBITDA	1,412	1,054	6,900	5,792
Finance costs	649	615	1,920	1,836
Other net revenues	(6)	(10)	(27)	(30)
Depreciation and amortization	1,004	1,003	3,016	3,009
Unrealized net loss on derivative financial instruments	1,040	331	1,450	2,472
Net (loss) earnings and comprehensive (loss) income	(1,275)	(885)	541	(1,495)

For the three-month period ended September 30, 2015, production was 91% of the LTA, due mainly to below-average water flows, while, for the nine-month period, production was 117% of the LTA, due mainly to above-average water flows. The increase in Adjusted EBITDA is due mainly to higher production levels than for the same periods last year. The greater net loss for the three-month period reflects a greater unrealized net loss on Derivatives resulting from a greater decrease in the benchmark interest rate compared with the same period last year, while the net earnings for the nine-month period reflect a smaller unrealized net loss on Derivatives resulting from a smaller decrease in the benchmark interest rate compared with the same period last year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Summary Statements of Financial Position – Umbata Falls, L.P.

	As at	September 30, 2015	December 31, 2014
Current assets		1,583	4,229
Non-current assets		69,465	72,116
Current liabilities		3,043	46,824
Non-current liabilities		49,412	5,749
Partners' equity		18,593	23,772

As at September 30, 2015, the reduction in partners' equity stems from a distribution of \$5.7 million, partly offset by the recognition of net earnings for the nine-month period. The decrease in current liabilities and corresponding increase in non-current liabilities result from the successful refinancing of the facility on March 30, 2015. Umbata Falls, L.P. uses a derivative financial instrument to manage its exposure to the risk of increasing interest rates on its debt financing and does not own or issue any Derivatives for speculation purposes. An amortizing interest-rate swap totalling \$44.6 million used to hedge the interest rate on the Umbata Falls loan had a net negative value of \$8.3 million at September 30, 2015 (negative \$6.9 million at December 31, 2014).

Viger-Denonville, L.P.

Summary Statements of Earnings and Comprehensive Income – Viger-Denonville, L.P.

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Revenues	2,371	2,448	8,946	7,998
Operating and general and administrative expenses	420	361	1,379	1,326
Adjusted EBITDA	1,951	2,087	7,567	6,672
Finance costs	909	962	2,738	2,630
Other net revenues	(8)	(33)	(39)	(49)
Depreciation and amortization	731	821	2,189	2,492
Unrealized net (gain) loss on derivative financial instruments	(228)	251	1,800	2,501
Net earnings (loss)	547	86	879	(902)
Other comprehensive (loss) income	(1,330)	—	60	—
Total comprehensive (loss) income	(783)	86	939	(902)

For the three-month period ended September 30, 2015, production was 97% of the LTA, due mainly to below-average wind regimes. The slight decrease in revenues and Adjusted EBITDA is due mainly to lower production levels than for the same period last year. For the nine-month period ended September 30, 2015, production was 115% of the LTA, due mainly to above-average wind regimes. The increase in revenues and Adjusted EBITDA is due mainly to higher production levels than for the same period last year.

Since April 1, 2015, the Corporation has decided to use hedge accounting in the treatment of existing derivative financial instruments used to fix the interest rate on the Viger-Denonville project-level debt in order to reduce the fluctuations in net earnings or losses resulting from unrealized gains or losses on these derivative financial instruments during a given period. Under hedge accounting, most of the unrealized gains or losses on Derivatives that arise from a decrease or increase in the benchmark interest rate will be recorded as other comprehensive income or loss.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Summary Statements of Financial Position – Viger-Denonville, L.P.

	As at	September 30, 2015	December 31, 2014
Current assets		1,808	5,960
Non-current assets		60,309	62,452
Current liabilities		4,381	4,002
Non-current liabilities		57,975	58,588
Partners' (deficit) equity		(239)	5,822

As at September 30, 2015, the reduction in partners' equity stems mainly from a distribution of \$7.0 million, partly offset by the recognition of total comprehensive income for the nine-month period. In addition, Viger-Denonville, L.P. uses a derivative financial instrument to manage its exposure to the risk of increasing interest rates on its debt financing and does not own or issue any Derivatives for speculation purposes. An amortizing interest-rate swap totalling \$54.9 million used to hedge the interest rate of the Viger-Denonville loan had a net negative value of \$6.4 million at September 30, 2015 (negative \$4.7 million at December 31, 2014).

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

NON-WHOLLY OWNED SUBSIDIARIES

Summarized financial information regarding each of the Corporation's subsidiaries that has material non-controlling interests is set out below. Amounts are shown before intragroup eliminations.

Harrison Hydro Limited Partnership ("Harrison Hydro L.P.") and Its Subsidiaries

The Corporation owns a 50.01% interest in Harrison Hydro Limited Partnership, which has interests in six hydroelectric facilities: Douglas Creek, Fire Creek, Lamont Creek, Stokke Creek, Tipella Creek and Upper Stave River.

Summary Statements of Earnings and Comprehensive Income – Harrison Hydro L.P.

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Revenues	6,270	10,241	31,826	33,947
Adjusted EBITDA	4,613	7,632	25,072	25,838
Net loss and comprehensive loss	(7,752)	(3,427)	(7,663)	(11,438)
Net loss and comprehensive loss attributable to:				
Owners of the parent	(4,009)	(1,856)	(4,265)	(6,150)
Non-controlling interests	(3,743)	(1,571)	(3,398)	(5,288)
	(7,752)	(3,427)	(7,663)	(11,438)

For the three-month period ended September 30, 2015, the decrease in revenues and Adjusted EBITDA and the recognition of a greater net loss are due mainly to production levels that were lower than for the same period last year and also lower than the LTA as well as to greater inflation compensation interest on the real return bonds of \$2.5 million (\$1.1 million in 2014) due to inflation during the quarter. For the nine-month period ended September 30, 2015, the smaller net loss is due mainly to lower inflation compensation interest on the real return bonds of \$3.2 million (\$6.2 million in 2014) attributable to deflation during the first quarter of 2015.

Summary Statements of Financial Position – Harrison Hydro L.P.

	As at	September 30, 2015	December 31, 2014
Current assets		14,527	31,079
Non-current assets		635,782	646,421
Current liabilities		15,260	19,582
Non-current liabilities		462,297	462,609
Equity attributable to owners		106,614	118,325
Non-controlling interests		66,138	76,984

The decrease in equity attributable to owners and non-controlling interests is due mainly to a \$14.9 million distribution to the Corporation and its partners and to the recognition of a net loss and comprehensive loss.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Creek Power Inc. and Its Subsidiaries

The Corporation owns a 66 2/3% interest in Creek Power Inc., which has interests in the Fitzsimmons Creek hydroelectric facility and the Upper Lillooet River and Boulder Creek Development Projects. For more information on these projects, please refer to the "Development Projects" sections.

Summary Statements of Earnings and Comprehensive Income – Creek Power Inc.

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Revenues	1,144	1,305	2,743	2,147
Adjusted EBITDA	745	935	1,307	881
Net loss	(773)	(5,457)	(17,620)	(28,139)
Other comprehensive (loss) income	(509)	—	78	—
Total comprehensive loss	(1,282)	(5,457)	(17,542)	(28,139)
Net loss attributable to:				
Owners of the parent	(512)	(3,652)	(11,738)	(18,751)
Non-controlling interest	(261)	(1,805)	(5,882)	(9,388)
	(773)	(5,457)	(17,620)	(28,139)
Total comprehensive loss attributable to:				
Owners of the parent	(851)	(3,652)	(11,686)	(18,751)
Non-controlling interest	(431)	(1,805)	(5,856)	(9,388)
	(1,282)	(5,457)	(17,542)	(28,139)

For the three-month period ended September 30, 2015, the smaller net loss is due mainly to the absence of bond forward contracts following the closing of the Boulder Creek and Upper Lillooet River project financings, compared with an unrealized net loss on Derivatives resulting from a decrease in benchmark interest rates during the same period last year. For the nine-month period ended September 30, 2015, the net loss reflects a \$68.0 million realized loss on Derivatives resulting from the settlement of the Boulder Creek and Upper Lillooet River bond forward contracts upon closing of the financing for these projects on March 17, partly offset by an unrealized gain on Derivatives resulting from the reversal of unrealized losses accumulated at December 31, 2014, upon settlement of these bond forward contracts. For the same period last year, the net loss was due mainly to an unrealized net loss on Derivatives resulting from a decrease in benchmark interest rates.

Since April 1, 2015, the Corporation has decided to use hedge accounting in the treatment of existing Derivatives used to fix the interest rate on its project-level debts in order to reduce the fluctuations in net earnings or losses resulting from unrealized gains or losses on these derivative financial instruments during a given period. Under hedge accounting, most of the unrealized gains or losses on Derivatives that arise from a decrease or increase in the benchmark interest rate will be recorded as other comprehensive income or loss.

Summary Statements of Financial Position – Creek Power Inc.

	As at	September 30, 2015	December 31, 2014
Current assets		162,553	8,707
Non-current assets		300,188	218,832
Current liabilities		37,193	78,882
Non-current liabilities		498,817	204,384
Deficit attributable to owners		(52,617)	(40,931)
Non-controlling interest (deficit)		(20,652)	(14,796)

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

The increase in non-current assets is due mainly to construction spending for the Upper Lillooet River and Boulder Creek projects. The increase in current assets is due mainly to the increase in restricted cash from the unused proceeds of the project financing closed on March 17. The decrease in current liabilities is due to the settlement of the bond forward contracts explained below. The greater deficit attributable to the owners and the negative value of non-controlling interest are due mainly to the recognition of a net loss and comprehensive loss for the nine-month period. On March 17, 2015, the Corporation announced the closing of a \$491.6 million non-recourse construction and term project financing comprised of three tranches and carrying interest rates of 4.22% and 4.46% (weighted average fixed rate of 4.36%). Concurrent with the closing of the financing, the Corporation settled the bond forward contracts used to hedge the interest rate prior to the close of the financing in order to protect the expected returns on the projects, giving rise to a \$68.0 million realized loss on derivative financial instruments. This is equivalent to a fixed interest rate of approximately 5.66% on the loans and well within the parameters of the economic model for these projects. As at September 30, 2015, proceeds of \$384.0 million out of the \$491.6 million project financing had been received.

Kwoiek Creek Resources Limited Partnership

The Corporation owns a 50.0% interest in Kwoiek Creek Resources Limited Partnership, which owns the Kwoiek Creek hydroelectric facility.

Summary Statements of Earnings and Comprehensive Income – Kwoiek Creek Resources Limited Partnership

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Revenues	8,182	8,009	15,928	13,152
Adjusted EBITDA	6,898	6,848	12,601	10,580
Net earnings (loss) and comprehensive income (loss)	2,846	1,351	(173)	(4,137)
Net earnings (loss) and comprehensive income (loss) attributable to:				
Owners of the parent	1,478	759	78	(1,819)
Non-controlling interest	1,368	592	(251)	(2,318)
	2,846	1,351	(173)	(4,137)

For the three-month period ended September 30, 2015, the increase in revenues and Adjusted EBITDA is due mainly to selling prices that were slightly higher than for the same period last year, while the increase in net earnings is due mainly to lower finance costs following the partial repayment of the subordinated non-recourse term loan made by the Corporation with proceeds from the project financing.

For the nine-month period ended September 30, 2015, the increase in revenues and Adjusted EBITDA is due mainly to production levels that were higher than for the same period last year. The decrease in the net loss during the nine-month period is attributable mainly to the increase in production compared with the same period last year as well as the lower finance costs mentioned above.

Summary Statements of Financial Position – Kwoiek Creek Resources Limited Partnership

	As at	September 30, 2015	December 31, 2014
Current assets		10,050	28,098
Non-current assets		179,965	177,749
Current liabilities		9,674	8,362
Non-current liabilities		196,428	213,399
Deficit attributable to owners		(7,850)	(7,928)
Non-controlling interests deficit		(8,237)	(7,986)

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

Mesgi'g Ugju's'n (MU) Wind Farm, L.P. ("Mesgi'g Ugju's'n")

The Corporation owns a 50% interest in Mesgi'g Ugju's'n (MU) Wind Farm, L.P., which owns the Mesgi'g Ugju's'n wind project. For more information on this project, please refer to the "Development Projects" section. The Mesgi'g Ugju's'n subsidiary began its activities on March 21, 2014.

Summary Statement of Earnings and Comprehensive Income – Mesgi'g Ugju's'n

	Three months ended September 30		Nine months ended September 30, 2015	Period of 194 days ended September 30, 2014
	2015	2014		
Revenues	—	—	—	—
Adjusted EBITDA	—	—	—	—
Net loss	(5,373)	(2,816)	(9,986)	(8,490)
Other comprehensive loss	(1,304)	—	(1,304)	—
Total comprehensive loss	(6,677)	(2,816)	(11,290)	(8,490)
Net loss attributable to:				
Owners of the parent	(3,926)	(2,348)	(6,991)	(5,219)
Non-controlling interest	(1,447)	(468)	(2,995)	(3,271)
	(5,373)	(2,816)	(9,986)	(8,490)
Total comprehensive loss attributable to:				
Owners of the parent	(4,971)	(2,348)	(8,036)	(5,219)
Non-controlling interest	(1,706)	(468)	(3,254)	(3,271)
	(6,677)	(2,816)	(11,290)	(8,490)

For the three-month period ended September 30, 2015, the net loss reflects a \$27.0 million realized loss on Derivatives resulting from the settlement of the Mesgi'g Ugju's'n bond forward contracts upon closing of the financing for this project on September 28, partly offset by a \$24.3 million unrealized gain on Derivatives resulting from the reversal of unrealized losses accumulated at June 30, 2015, upon settlement of these bond forward contracts. The net loss for the nine-month period also reflects a \$3.2 million loss realized upon settlement of the Mesgi'g Ugju's'n foreign exchange forward contract used to secure the exchange rate on planned equipment purchases for the project. Concurrently, the exchange rate for the euro portion of the turbine supply contract for this project was fixed, resulting in a realized gain that offsets the realized loss on the foreign exchange forward contract, eliminating any further euro exposure.

For the corresponding periods of 2014, the recognition of a net loss was due mainly to an unrealized net loss on Derivatives resulting from the decrease in benchmark interest rates since the beginning of these periods.

Summary Statement of Financial Position – Mesgi'g Ugju's'n

	As at	September 30, 2015	December 31, 2014
Current assets		15,335	4,907
Non-current assets		51,943	11,807
Current liabilities		27,337	21,688
Non-current liabilities		2,680	1,140
Equity (deficit) attributable to owners		45,515	(855)
Non-controlling interest deficit		(8,254)	(5,259)

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

The increase in non-current assets is due mainly to construction spending for the project. The increase in current assets is due mainly to the increase in restricted cash from the equity provided by the Corporation. The increase in equity attributable to owners is due mainly to a \$54.7 million equity investment made by the Corporation to fund the project's construction activities, partly offset by the recognition of a net loss and comprehensive loss during the nine-month period, which also explains the increase in the non-controlling interest deficit.

On September 28, 2015, the Corporation announced the closing of a \$311.7 million non-recourse construction and term project financing comprised of three tranches and carrying interest rates of 2.41% to 4.28% (weighted average fixed rate of 4.20%). Concurrent with the closing of the financing, the Corporation settled the bond forward contracts used to hedge the interest rate prior to the close of the financing in order to protect the expected returns on the projects, giving rise to a \$27.0 million realized loss on derivative financial instruments. This is equivalent to a fixed interest rate of approximately 4.97% on the loans and well within the parameters of the economic model for these projects. As at September 30, 2015, none of the proceeds of the \$311.7 million project financing had been received yet.

Innergex Sainte-Marguerite, S.E.C. ("SM-1 L.P.")

Since June 20, 2014, the Corporation owns 50.01% of the common units and all of the preferred units of SM-1 L.P., which owns the SM-1 hydroelectric facility.

Summary Statements of Earnings and Comprehensive Income – SM-1 L.P.

	Three months ended September 30		Nine months ended September 30,	Period of 103 days ended September 30,
	2015	2014	2015	2014
Revenues	2,862	2,505	9,149	2,788
Adjusted EBITDA	2,270	1,844	7,319	2,093
Net loss and comprehensive loss	(811)	(1,084)	(1,820)	(1,136)
Net loss and comprehensive loss attributable to:				
Owners of the parent	(405)	(542)	(910)	(568)
Non-controlling interest	(406)	(542)	(910)	(568)
	(811)	(1,084)	(1,820)	(1,136)

For the three- and nine-month periods ended September 30, 2015, revenues and Adjusted EBITDA reflect the operations of the SM-1 hydroelectric facility acquired in June 2014. The recognition of a net loss is attributable mainly to the recording as an expense of the distributions on the preferred units held by the Corporation and the interest on the debentures held by the Corporation's partner.

Summary Statements of Financial Position – SM-1 L.P.

	As at	September 30, 2015	December 31, 2014
Current assets		1,577	2,286
Non-current assets		136,007	138,217
Current liabilities		5,155	6,283
Non-current liabilities		120,514	120,485
Equity attributable to owners		14,201	15,111
Non-controlling interests deficit		(2,286)	(1,376)

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of Canadian dollars, except as noted, and amounts per share)

ACCOUNTING CHANGES

New and revised IFRS issued but not yet effective

IAS 1 - Presentation of Financial Statements

The IASB issued Disclosure Initiative (Amendments to IAS 1), which addressed concerns expressed about some of the existing presentation and disclosure requirements in IAS 1 and ensured that entities are able to use judgement when applying those requirements. In addition, the amendments clarified the requirements in other comprehensive income. Those amendments must be applied for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Corporation is currently assessing the impact of those amendments on its consolidated financial statements.

IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortization

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) When the intangible asset is expressed as a measure of revenue;
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. The Corporation is currently assessing the impact of those amendments on its consolidated financial statements.

SUBSEQUENT EVENTS

Memorandum of understanding with the Comisión Federal de Electricidad of Mexico

On October 13, 2015, the Corporation signed a memorandum of understanding with the Comisión Federal de Electricidad (CFE) of Mexico to jointly study a number of renewable energy project opportunities in Mexico, with the aim of jointly developing selected projects in the future. The main purpose of this agreement is to coordinate efforts and develop activities allowing Innergex and CFE to define their joint participation in the development of prospective renewable energy projects, in particular of small hydroelectric plants of less than 200 MW.

Commissioning of 21.2 MW Tretheway Creek Hydroelectric Facility

On November 9, 2015, the Corporation announced that it had begun commercial operation of the 21.2 MW Tretheway Creek hydroelectric facility located near the community of Harrison Hot Springs, in British Columbia. The facility began commercial operations with an effective commissioning date of October 27, 2015. Please refer to the "Commissioning Activities" section for more information.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

	Notes	Three months ended September 30		Nine months ended September 30	
		2015	2014	2015	2014
Revenues		62,680	66,371	190,578	173,619
Expenses					
Operating	4	9,406	9,968	29,753	28,638
General and administrative		2,992	3,079	10,890	9,963
Prospective projects		1,732	1,656	5,015	4,204
Earnings before finance costs, income taxes, depreciation, amortization, other net expenses, share of loss (earnings) of joint ventures and unrealized net (gain) loss on derivative financial instruments		48,550	51,668	144,920	130,814
Finance costs	5	22,075	21,682	63,032	65,815
Other net expenses	6	27,200	8,776	119,679	7,864
(Loss) earnings before income taxes, depreciation, amortization, share of loss (earnings) of joint ventures and unrealized net (gain) loss on derivative financial instruments		(725)	21,210	(37,791)	57,135
Depreciation	4, 11	13,252	13,577	39,750	40,915
Amortization	4	5,541	5,075	16,621	15,515
Share of loss (earnings) of joint ventures	7	352	390	(704)	1,182
Unrealized net (gain) loss on derivative financial instruments	8	(24,325)	6,934	(79,406)	72,111
Earnings (loss) before income taxes		4,455	(4,766)	(14,052)	(72,588)
Income tax expense (recovery of)					
Current		828	912	2,458	2,508
Deferred		2,311	(1,160)	(2,522)	(18,284)
		3,139	(248)	(64)	(15,776)
Net earnings (loss)		1,316	(4,518)	(13,988)	(56,812)
Net earnings (loss) attributable to:					
Owners of the parent		5,804	(725)	(532)	(35,979)
Non-controlling interests		(4,488)	(3,793)	(13,456)	(20,833)
		1,316	(4,518)	(13,988)	(56,812)
Weighted average number of common shares outstanding (in 000s)	9	102,975	100,326	101,712	97,571
Basic net earnings (loss) per share (\$)	9	0.04	(0.02)	(0.06)	(0.42)
Diluted weighted average number of common shares outstanding (in 000s)	9	103,167	100,547	102,014	97,763
Diluted net earnings (loss) per share (\$)	9	0.04	(0.02)	(0.06)	(0.42)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

	Notes	Three months ended September 30		Nine months ended September 30	
		2015	2014	2015	2014
Net earnings (loss)		1,316	(4,518)	(13,988)	(56,812)
Items of comprehensive income (loss) that will be subsequently reclassified to earnings:	15				
Foreign exchange gain on translation of self-sustaining foreign subsidiaries		662	360	1,286	363
Related deferred tax		(87)	(47)	(169)	(48)
Foreign exchange (loss) on the designated portion of the US dollar denominated debt used as hedge on the investment in self-sustaining foreign subsidiaries		(695)	(375)	(1,315)	(372)
Related deferred tax		91	49	173	49
Change in fair value of hedging instruments		(10,662)	—	(2,397)	—
Related deferred tax		2,811	—	632	—
Share of change in fair value of hedging instruments of joint venture		(665)	—	30	—
Related deferred tax		175	—	(8)	—
Share of non-controlling interests in change in fair value of hedging instruments		(580)	—	(316)	—
Related deferred tax		152	—	83	—
Other comprehensive loss		(8,798)	(13)	(2,001)	(8)
Total comprehensive loss		(7,482)	(4,531)	(15,989)	(56,820)
Other comprehensive loss attributable to:					
Owners of the parent		(8,370)	(13)	(1,768)	(8)
Non-controlling interests		(428)	—	(233)	—
		(8,798)	(13)	(2,001)	(8)
Total comprehensive loss attributable to:					
Owners of the parent		(2,566)	(738)	(2,300)	(35,987)
Non-controlling interests		(4,916)	(3,793)	(13,689)	(20,833)
		(7,482)	(4,531)	(15,989)	(56,820)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

As at		September 30, 2015	December 31, 2014
	Notes		
Assets			
Current assets			
Cash and cash equivalents		31,397	54,609
Restricted cash and short-term investments	10	227,162	85,807
Accounts receivable		35,810	35,271
Reserve accounts		853	651
Income tax receivable		1	93
Derivative financial instruments	8	1,256	2,948
Prepaid and others		7,097	5,269
		303,576	184,648
Reserve accounts		43,234	40,684
Property, plant and equipment	11	2,076,399	1,895,789
Intangible assets		477,486	487,312
Project development costs		51,740	61,020
Investments in joint ventures	7	8,968	14,536
Derivative financial instruments	8	3,069	3,968
Deferred tax assets		16,078	14,025
Goodwill		8,269	8,269
Other long-term assets		6,191	5,764
		2,995,010	2,716,015

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

As at		September 30, 2015	December 31, 2014
	Notes		
Liabilities			
Current liabilities			
Dividends payable to shareholders		17,956	16,882
Accounts payable and other payables		104,629	45,607
Income tax liabilities		1,282	1,408
Derivative financial instruments	8	15,528	104,095
Current portion of long-term debt		35,633	33,799
Current portion of other liabilities		428	244
		175,456	202,035
Construction holdbacks		1,470	10,818
Derivative financial instruments	8	58,500	48,669
Accrual for acquisition of long-term assets		—	25,339
Long-term debt	12	1,960,937	1,610,800
Other liabilities		16,758	13,808
Liability portion of convertible debentures	13	93,075	80,018
Deferred tax liabilities		161,152	162,303
		2,467,348	2,153,790
Shareholders' equity			
Common share capital	14	108,041	62,224
Contributed surplus from reduction of capital on common shares		779,217	784,482
Preferred shares		131,069	131,069
Share-based payment		2,135	2,050
Equity portion of convertible debentures	13	1,878	1,340
Deficit		(519,169)	(466,336)
Accumulated other comprehensive loss	15	(1,783)	(15)
Equity attributable to owners		501,388	514,814
Non-controlling interests		26,274	47,411
Total shareholders' equity		527,662	562,225
		2,995,010	2,716,015

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

For the nine-month period ended September 30, 2015	Equity attributable to owners										
	Number of common shares (In 000s)	Common shares capital account	Contributed surplus from reduction of capital on common shares	Preferred shares	Share-based payment	Equity portion of convertible debentures	Deficit	Accumulated other comprehensive loss	Total	Non-controlling interests	Total shareholders' equity
Balance January 1, 2015	100,672	62,224	784,482	131,069	2,050	1,340	(466,336)	(15)	514,814	47,411	562,225
Net loss							(532)		(532)	(13,456)	(13,988)
Other items of comprehensive loss								(1,768)	(1,768)	(233)	(2,001)
Total comprehensive loss	—	—	—	—	—	—	(532)	(1,768)	(2,300)	(13,689)	(15,989)
Common shares issued through dividend reinvestment plan	687	7,417							7,417		7,417
Buyback of common shares	(706)	(742)	(5,265)				(1,264)		(7,271)		(7,271)
Share-based payment					153				153		153
Share options exercised	45	462			(68)				394		394
Convertible debentures converted into common shares	3,653	38,680				(648)	891		38,923		38,923
Redemption of convertible debentures						(692)	951		259		259
Equity portion of convertibles debentures issued (Net of \$672 of deferred income taxes)						1,878			1,878		1,878
Distributions to non-controlling interests									—	(7,448)	(7,448)
Dividends declared on common shares							(47,535)		(47,535)		(47,535)
Dividends declared on preferred shares							(5,344)		(5,344)		(5,344)
Balance September 30, 2015	104,351	108,041	779,217	131,069	2,135	1,878	(519,169)	(1,783)	501,388	26,274	527,662

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

For the nine-month period ended September 30, 2014	Equity attributable to owners										
	Number of common shares (In 000s)	Common shares capital account	Contributed surplus from reduction of capital on common shares	Preferred shares	Share-based payment	Equity portion of convertible debentures	Deficit	Accumulated other comprehensive income	Total	Non-controlling interests	Total shareholders' equity
Balance January 1, 2014	95,655	10,374	784,482	131,069	1,806	1,340	(344,809)	244	584,506	81,429	665,935
Net loss							(35,979)		(35,979)	(20,833)	(56,812)
Other items of comprehensive loss								(8)	(8)		(8)
Total comprehensive loss	—	—	—	—	—	—	(35,979)	(8)	(35,987)	(20,833)	(56,820)
Common shares issued on June 20, 2014: private placement	4,027	41,720							41,720		41,720
Issuance fees		(60)							(60)		(60)
Common shares issued through dividend reinvestment plan	691	7,229							7,229		7,229
Share-based payment					188				188		188
Distributions to non-controlling interests									—	(6,798)	(6,798)
Investments from non-controlling interests									—	2,305	2,305
Dividends declared on common shares							(44,448)		(44,448)		(44,448)
Dividends declared on preferred shares							(5,344)		(5,344)		(5,344)
Balance September 30, 2014	100,373	59,263	784,482	131,069	1,994	1,340	(430,580)	236	547,804	56,103	603,907

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

		Nine months ended September 30	
		2015	2014
	Notes		
Operating activities			
Net loss		(13,988)	(56,812)
Items not affecting cash:			
Depreciation	11	39,750	40,915
Amortization		16,621	15,515
Share of (earnings) loss of joint ventures		(704)	1,182
Unrealized net (gain) loss on derivative financial instruments		(79,406)	72,111
Inflation compensation interest	5	3,165	6,241
Amortization of financing fees	5	530	702
Amortization of revaluation of long-term debt and convertible debentures	5	725	889
Accretion expenses on other liabilities	5	473	474
Share-based payment		153	188
Deferred income taxes		(2,522)	(18,284)
Effect of exchange rate fluctuations		659	315
Others		178	185
Interest on long-term debt and convertible debentures	5	57,442	56,922
Interest paid		(54,924)	(55,883)
Distributions received from joint ventures		6,303	2,599
Current income tax expense		2,458	2,508
Net income taxes paid		(2,558)	(3,100)
		(25,645)	66,667
Changes in non-cash operating working capital items	15	24,859	(9,403)
		(786)	57,264
Financing activities			
Dividends paid on common shares		(39,045)	(36,032)
Dividends paid on preferred shares		(5,343)	(5,343)
Distributions to non controlling interest		(7,448)	—
Investment from non-controlling interest		—	5
Increase of long-term debt		900,352	224,266
Repayment of long-term debt		(546,813)	(83,419)
Payment of deferred financing costs		(8,469)	(252)
Payment of other liabilities		—	(112)
Payment for redemption of convertible debentures	13a)	(41,591)	—
Net proceeds from issuance of convertible debentures	13b)	95,533	—
Payment for buyback of common shares	14c)	(7,271)	—
Payment of issuance cost of common and preferred shares		—	(83)
Proceeds from exercise of share options		394	—
		340,299	99,030

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

	Notes	Nine months ended September 30	
		2015	2014
Investing activities			
Business acquisitions		—	(37,901)
(Increase) decrease of restricted cash and short-term investments		(141,355)	20,917
Net funds (invested into) withdrawn from the reserve accounts		(2,621)	7,141
Additions to property, plant and equipment		(189,840)	(138,383)
Additions to project development costs		(29,104)	(23,435)
Withdrawals from joint ventures		—	2,259
(Additions to) reductions of other long-term assets		(426)	25,660
Proceeds from disposal of property, plant and equipment		29	166
		(363,317)	(143,576)
Effects of exchange rate changes on cash and cash equivalents		592	105
Net (decrease) increase in cash and cash equivalents		(23,212)	12,823
Cash and cash equivalents, beginning of period		54,609	34,267
Cash and cash equivalents, end of period		31,397	47,090
<i>Cash and cash equivalents is comprised of:</i>			
Cash		12,419	28,748
Short-term investments		18,978	18,342
		31,397	47,090

Additional information is presented in Note 16.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

DESCRIPTION OF BUSINESS

Innergex Renewable Energy Inc. (the "Corporation") was incorporated under the *Canada Business Corporation Act* on October 25, 2002. The Corporation is a developer, owner and operator of renewable power-generating facilities, essentially focused on the hydroelectric, wind power and solar photovoltaic sectors. The head office of the Corporation is located at 1111, St-Charles Street West, East Tower, Suite 1255, Longueuil, Qc, J4K 5G4, Canada.

These unaudited condensed consolidated financial statements were approved by the Board of Directors on November 10, 2015.

The Corporation's revenues are variable with each season and are normally at their lowest in the first quarter due to cold temperature. As a result, earnings of interim periods should not be considered as indicative of results for an entire year.

1. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

These condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). The condensed consolidated financial statements are in compliance with IAS-34 Interim Financial Reporting. The same accounting policies and methods of application as described in the Corporation's latest annual report have been used. However, these condensed consolidated financial statements do not include all disclosures required under IFRS and, accordingly, should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Corporation's latest annual report.

The condensed consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair values as described in the significant accounting policies included in the Corporation's latest annual report.

2. APPLICATION OF NEW AND REVISED IFRS

New and revised IFRS issued but not yet effective

IAS 1 - Presentation of Financial Statements

The IASB issued Disclosure Initiative (Amendments to IAS 1), which addressed concerns expressed about some of the existing presentation and disclosure requirements in IAS 1 and ensured that entities are able to use judgement when applying those requirements. In addition, the amendments clarified the requirements in other comprehensive income. Those amendments must be applied for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Corporation is currently assessing the impact of those amendments on its consolidated financial statements.

IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortization

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) When the intangible asset is expressed as a measure of revenue;
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. The Corporation is currently assessing the impact of those amendments on its consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

3. BUSINESS ACQUISITIONS

3.1 Acquisition of assets of Sainte-Marguerite-1

The purchase price allocation of the acquisition of Sainte-Marguerite-1 has been finalized in the first quarter of 2015. The following table reflects the final purchase price allocation:

	Preliminary purchase price allocation	Subsequent adjustments	Final purchase price allocation
Reserve account	259	—	259
Property, plant and equipment	115,470	(6,591)	108,879
Intangible assets	18,807	6,591	25,398
Current liabilities	(506)	—	(506)
Long-term debt	(37,455)	—	(37,455)
Deferred tax liabilities	(16,487)	—	(16,487)
Net assets acquired	80,088	—	80,088

4. OPERATING EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Salaries	994	994	3,042	2,725
Insurance	663	630	1,942	1,788
Operation and maintenance	3,625	3,621	12,270	11,393
Property taxes and royalties	4,124	4,723	12,499	12,732
	9,406	9,968	29,753	28,638

Depreciation and amortization recorded in the consolidated statements of earnings are mainly related to operating expenses incurred to generate revenues.

5. FINANCE COSTS

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Interest on long-term debt and on convertible debentures	18,571	19,838	57,442	56,922
Inflation compensation interest	2,480	1,148	3,165	6,241
Amortization of financing fees	142	204	530	702
Amortization of revaluation of long-term debt and convertible debentures	448	119	725	889
Accretion expenses on other liabilities	163	158	473	474
Others	271	215	697	587
	22,075	21,682	63,032	65,815

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

6. OTHER NET EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Transaction costs	—	260	—	518
Realized loss on derivative financial instruments	26,984	8,366	119,557	8,366
Realized loss on foreign exchange	463	305	1,024	338
Other net revenues	(247)	(455)	(902)	(1,658)
Loan impairment	—	300	—	300
	27,200	8,776	119,679	7,864

During the first quarter of 2015, the Corporation terminated its \$170,000 of bond forward contracts related to the Upper Lillooet project and its \$65,000 of bond forward contracts related to the Boulder Creek Project for a total cash consideration of \$68,047. This loss is a result of a decrease in benchmark interest rates between the date the bond forwards were entered into (between September and December 2013) and the settlement date (March 17, 2015); it will be compensated by a low weighted average fixed interest rate of 4.36% for the 25- to 40-year term loans, compared with a weighted average interest rate of approximately 5.66% that was set at the time of the hedge.

During the second quarter of 2015, the Corporation terminated its \$110,000 of bond forward contracts related to the Big Silver project for a total cash consideration of \$24,703. This loss is a result of a decrease in benchmark interest rates between the date the bond forwards were entered into (between December 2013 and January 2014) and the settlement date (June 22, 2015); it will be compensated by a low weighted average fixed interest rate of 4.71% for the 25- to 40-year term loans, compared with a weighted average interest rate of approximately 5.60% that was set at the time of the hedge.

Also during the second quarter, the Corporation terminated its \$78,400 foreign exchange forward contract related to the Mesgi'g Ugju's'n project for a total cash consideration of \$3,246. Concurrently, the Corporation fixed the rate of the Euro portion of its turbine supply agreement, therefore realizing a gain of \$3,423.

During the third quarter of 2015, the Corporation terminated its \$190,000 of bond forward contracts related to the Mesgi'g Ugju's'n wind project for a total cash consideration of \$26,984. This loss is a result of a decrease in benchmark interest rates between the date the bond forwards were entered into (between March and April 2014) and the settlement date (September 28, 2015); it will be compensated by a low weighted average fixed interest rate of 4.2% for these 9.5- to 19.5-year term loans, compared with a weighted average interest rate of approximately 4.97% that was set at the time of the hedge.

7. INVESTMENTS IN JOINT VENTURES

Umbata Falls, L.P. 's Debt

On March 30, 2015, the long-term debt was refinanced. The loan consisting of a five-year term loan has been extended to March 2020. The loan will be amortized over a remaining 18.5-year period starting in April 2015. The loan bears interest at the bankers' acceptance rate plus an applicable credit margin. The quarterly repayments will be increased by a cash flow sweep calculated as follow: the percentage of excess of actual production over the forecast production multiply by the quarterly excess cash flow.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

8. DERIVATIVE FINANCIAL INSTRUMENTS

The terms of the contracts reducing the Corporation's risk of interest rate fluctuations and for which hedge accounting started to be applied since the latest annual report are as follows:

Contracts	Maturity	Early termination option	Notional Amounts September 30, 2015
Contracts for which hedge accounting has been applied since April 1, 2015:			
Interest rate swaps, 4.27% to 4.41%	2018	None	82,600
Interest rate swaps, 2.94% to 4.93%, amortizing	2026	None	47,228
Interest rate swaps, from 3.35% to 3.60%, amortizing	2027	None	36,136
Interest rate swap, 3.74%, amortizing	2030	None	89,558
Interest rate swap, 4.22%, amortizing	2030	2016	26,516
Interest rate swap, 4.25%, amortizing	2031	2016	41,874
Interest rate swap, 4.61%, amortizing	2035	2025	98,599
Interest rate swap, 2.85%, amortizing	2041	2016	19,093
			441,604
Contracts for which hedge accounting has been applied since September 28, 2015:			
Interest rate swap, 0.96%, amortizing	2017	None	49,250
Interest rate swap, 1.91%, amortizing	2026	None	103,000
			152,250
			593,854

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

9. EARNINGS PER SHARE

The net earnings (loss) per share is computed as follows:

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Net earnings (loss) attributable to owners of the parent	5,804	(725)	(532)	(35,979)
Dividends declared on preferred shares	(1,781)	(1,781)	(5,344)	(5,344)
Net earnings (loss) available to common shareholders	4,023	(2,506)	(5,876)	(41,323)
Weighted average number of common shares (in 000s)	102,975	100,326	101,712	97,571
Basic net earnings (loss) per share (\$)	0.04	(0.02)	(0.06)	(0.42)
Weighted average number of common shares (in 000s)	102,975	100,326	101,712	97,571
Effect of dilutive elements on common shares (in 000s) (a)	192	221	302	192
Diluted weighted average number of common shares (in 000s)	103,167	100,547	102,014	97,763
Diluted net earnings (loss) per share (\$) (b)	0.04	(0.02)	(0.06)	(0.42)

- a. Stock options for which the exercise price was above the average market price of common shares were excluded from the calculation of diluted weighted average number of shares outstanding. During the three-month period ended September 30, 2015, 1,640,000 of the 3,425,684 stock options (1,243,000 of the 3,073,684 for the three-month period ended September 30, 2014) were excluded. During the nine-month period ended September 30, 2015, none of the 3,425,684 stock options (1,243,000 of the 3,073,684 for the nine-month period ended September 30, 2014) were excluded.

During the three-month and nine-month periods ended September 30, 2015, none of the 6,666,667 shares that can be issued on conversion of convertible debentures were dilutive (none of the 7,558,684 shares were dilutive in 2014).

- b. During the nine-month period ended September 30, 2015, all of the 3,425,684 stock options (1,830,684 of the 3,073,684 for the three-month and the nine-month periods ended September 30, 2014) were excluded from the calculation of diluted net loss per shares as it was anti-dilutive due to a net loss available to common shareholders.

10. RESTRICTED CASH AND SHORT-TERM INVESTMENTS

As part of the Boulder Creek Power LP, Upper Lillooet River Power LP, Kwoiek Creek LP, Northwest Stave LP, Big Silver Creek Power LP, Tretheway LP and Mesgig'g Ugju's'n LP credit agreements, the Corporation maintains restricted cash accounts and restricted proceeds accounts. The balance of the loans proceeds are held in restricted proceeds account managed by the lenders and amounts are transferred from time to time into the restricted cash accounts to finance the construction of the projects. The restricted cash accounts are used to pay the current construction costs of the projects and to hold the construction holdbacks amounts that will be released at the end of the construction of the respective projects.

Since the beginning of 2015, the restricted cash and short-term investments increased mainly due to net amounts of \$194,295 added to the restricted proceeds account of Upper Lillooet, Boulder Creek, Big Silver Creek and Mesgig'g Ugju's'n, partly offset by transfers to cash and cash equivalent totaling \$28,592 following the conversion of the Kwoiek Creek LP and Northwest Stave LP construction loans to term loans, and to the usage of \$23,656 for the payment of ongoing construction costs at the facilities. See note 12 for more detail.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Hydroelectric facilities	Wind farm facilities	Solar facility	Facilities under construction	Other equipments	Total
Cost							
As at January 1, 2015	2,541	1,340,129	372,106	124,244	287,401	8,367	2,134,788
Additions	21	2,635	640	—	188,345	635	192,276
Business acquisition (Note 3)	—	(6,591)	—	—	—	—	(6,591)
Transfer from projects under development	—	—	—	—	34,169	—	34,169
Dispositions	—	—	—	—	—	(13)	(13)
Other changes	—	(302)	—	—	—	—	(302)
Net foreign exchange differences	15	1,019	—	—	—	20	1,054
As at September 30, 2015	2,577	1,336,890	372,746	124,244	509,915	9,009	2,355,381
Accumulated depreciation							
As at January 1, 2015	—	(135,670)	(82,528)	(15,866)	—	(4,935)	(238,999)
Depreciation	—	(20,953)	(13,335)	(4,465)	—	(997)	(39,750)
Dispositions	—	—	—	—	—	13	13
Other changes	—	93	—	—	—	—	93
Net foreign exchange differences	—	(322)	—	—	—	(17)	(339)
As at September 30, 2015	—	(156,852)	(95,863)	(20,331)	—	(5,936)	(278,982)
Carrying amount as at September 30, 2015	2,577	1,180,038	276,883	103,913	509,915	3,073	2,076,399

All of the property, plant and equipment are given as securities under the respective project financing or for corporate financing.

Additions in the current period include \$19,592 of capitalized financing costs (\$5,647 for the year ended December 31, 2014) incurred prior to their intended use.

The financing costs related to a specific project financing are entirely capitalized to the specific property, plant and equipment. Financing costs related to the revolving term credit facility are capitalized for the portion of the financing actually used for a specific property, plant and equipment.

The cost of facilities were reduced by investment tax credits of \$2,571 (\$1,408 as at December 31, 2014).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

12. LONG-TERM DEBT

a. Kwoiek Creek

On February 13, 2015, the non-recourse construction loan for the Kwoiek Creek hydroelectric facility was converted into a term loan, to be amortized over a 36-year period ending in 2052. The loan bears interest at a fixed rate of 5.08%.

b. Northwest Stave River

On February 13, 2015, the non-recourse construction loan for the Northwest Stave River hydroelectric facility was converted into a term loan, to be amortized over a 35-year period ending in 2053. The loan bears interest at a fixed rate of 5.30%.

c. Boulder Creek and Upper Lillooet River

On March 17, 2015, Boulder Creek Power Limited Partnership and Upper Lillooet River Power Limited Partnership have jointly closed a \$491,600 non-recourse construction and term project financing for the Boulder Creek and Upper Lillooet River run-of-river hydroelectric projects.

The loan comprises three facilities, or tranches:

- A \$191,600 construction loan carrying a fixed interest rate of 4.22%; following the start of the facilities' commercial operations, it will convert into a 25-year term loan and the principal will be amortized over a 20-year period, starting in the sixth year;
- A \$250,000 construction loan carrying a fixed interest rate of 4.46%; following the start of the facilities' commercial operations, it will convert into a 40-year term loan and the principal will begin to be amortized after the 25-year term loan's maturity;
- A \$50,000 construction loan carrying a fixed interest rate of 4.46%; following the start of the facilities' commercial operations, it will convert into a 40-year term loan and its principal will be reimbursed at maturity.

This debt is secured by Boulder Creek Power L.P.'s and Upper Lillooet River Power L.P.'s assets.

d. Big Silver Creek

On June 22, 2015, Big Silver Creek Power Limited Partnership has closed a \$197,223 non-recourse construction and term project financing for the Big Silver Creek River run-of-river hydroelectric project.

The loan comprises three facilities, or tranches:

- A \$51,012 construction loan carrying a fixed interest rate of 4.565%; following the start of the facilities' commercial operations, it will convert into a 25-year term loan and the principal will begin to be amortized over a 18-year period starting in the seventh year;
- A \$128,311 construction loan carrying a fixed interest rate of 4.761%; following the start of the facilities' commercial operations, it will convert into a 40-year term loan and the principal will be amortized after the 25-year term loan's maturity;
- A \$17,900 construction loan carrying a fixed interest rate of 4.761%; following the start of the facilities' commercial operations, it will convert into a 40-year term loan and its principal will be reimbursed at maturity.

This debt is secured by Big Silver Creek Power L.P.'s assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

e. Mesgig'g Ugju's'n

On September 28, 2015, Mesgig'g Ugju's'n (MU) Wind Farm L.P. has closed a \$311,709 non-recourse construction and term project financing for the Mesgig'g Ugju's'n wind project.

The loan comprises three facilities, or tranches:

- A \$49,250 floating-rate construction loan carrying a swap-fixed interest rate of 2.41%; following the start of the wind farm's commercial operation, it will be repaid with the proceeds of the scheduled reimbursement by Hydro-Québec for the Mesgig'g Ugju's'n electrical substation.
- A \$103,000 floating-rate construction loan carrying a swap-fixed interest rate of 3.54%; following the start of the wind farm's commercial operation, it will convert into a 9.5-year term loan and the principal will be amortized over the term of the loan;
- A \$159,459 construction loan carrying a fixed interest rate of 4.28%; following the start of the wind farm's commercial operation, it will convert into a 19.5-year term loan and the principal will begin to be amortized after the maturity of the 9.5-year term loan;

This debt is secured by Mesgig'g Ugju's'n (MU) Wind Farm L.P.'s assets.

13. CONVERTIBLE DEBENTURES

a. Redemption of 5.75% convertible debentures

During the first quarter of 2015, the convertible debentures were decreased by an aggregate amount of \$922 further to the exercise by debentures holders of their conversion privileges. As a result, 922 debentures have been converted into 86,571 common shares.

On July 20, 2015, the Corporation issued a redemption notice in respect of the aggregate principal amount of \$79,578 of the 5.75% convertible debentures that was outstanding. Of that principal amount, \$37,987 was converted at the holders' request into 3,566,851 common shares of the Corporation at a conversion price of \$10.65 per share. The remaining \$41,591 was redeemed at a price of a thousand dollars per convertible debenture, plus accrued and unpaid interest up to August 19, 2015 inclusively, and was financed with drawings under the Corporation's revolving term credit facility.

b. Issuance of 4.25% convertible debentures

On August 10, 2015, the Corporation issued an aggregate principal amount of \$100,000 of 4.25% convertible debentures at a price of a thousand dollars per convertible debenture, bearing interest at a rate of 4.25% per annum, payable semi-annually on August 31 and February 28 each year, commencing on February 28, 2016. The convertible debentures will be convertible at the holder's option into common shares of the Corporation at a conversion price of \$15.00 per share, representing a conversion rate of 66.6667 common shares per each thousand dollars of principal amount of convertible debentures. The convertible debentures will mature on August 31, 2020 and will not be redeemable before August 31, 2018, except in certain limited circumstances.

Proceeds from issue of convertible debentures	100,000
Transaction costs	(4,575)
Net proceeds	95,425
Amount classified as equity	(2,550)
Liability component of convertible debentures (effective interest rate of 6.09%)	92,875

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

14. SHAREHOLDERS' EQUITY

a. 5.75% Convertible debentures converted in common shares

During the first and the third quarter of 2015, the 5.75% convertible debentures were decreased by an aggregate amount of \$38,909 further to the exercise by debentures holders of their conversion privileges. As a result, 38,909 debentures have been converted into 3,653,422 common shares.

b. Stock option plan

During the first quarter of 2015, 45,000 share options have been exercised at \$8.75 per share resulting in a \$394 proceed.

c. Buyback of common shares

In March 2015, the Corporation announced the approval from the Toronto Stock Exchange to renew its normal course issuer bid. Under the bid, the Corporation was entitled to purchase for cancellation up to 1,000,000 of its common shares. In September 2015, the entitlement was increased to 2,000,000 of common shares. In August 2015, the Corporation began to purchase for cancellation its common shares. Up to September 30, 2015, 706,297 common shares have been purchased and cancelled.

d. Changes to the Dividend Reinvestment Plan

The Corporation has elected to eliminate the 2.5% discount applicable to the purchase price of shares issued to shareholders participating in the Dividend Reinvestment Plan. This change came into effect on August 5, 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

15. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Foreign exchange gain (loss) on translation of self-sustaining foreign subsidiaries	Foreign exchange (loss) gain on the designated portion of the US dollar denominated debt used as hedge on the investment in self-sustaining foreign subsidiaries	Net currency translation reserve	Cash flow hedge interest rate risk	Share of cash flow hedge interest rate risk of joint venture	Total
Balance as at January 1, 2015	409	(171)	238	(253)	—	(15)
Exchange differences on translating foreign operations	1,286	—	1,286	—	—	1,286
Hedging (loss) gain of the reporting period	—	(1,315)	(1,315)	(2,397)	30	(3,682)
Related deferred tax	(169)	173	4	632	(8)	628
Balance as at September 30, 2015	1,526	(1,313)	213	(2,018)	22	(1,783)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

16. ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

a. Changes in non-cash operating working capital items

	Nine months ended September 30	
	2015	2014
Accounts receivable and income tax receivable	(430)	(16,370)
Prepaid and others	(1,818)	(3,219)
Accounts payable and other payables and income tax liabilities	27,107	10,186
	24,859	(9,403)

b. Additional information

	Nine months ended September 30	
	2015	2014
Interest paid (including \$18,845 capitalized interest (\$2,477 in 2014))	73,769	58,360
<i>Non-cash transactions</i>		
in unpaid property, plant and equipment	1,378	24,778
in unpaid development costs	(4,218)	(7,030)
in unpaid transactions costs of convertible debentures	108	—
in common shares issued through the conversion of convertible debentures	(38,680)	—
in common shares issued through share options exercised	(68)	—
in common shares issued through dividend reinvestment plan	(7,417)	(7,230)
acquisition of assets for a project under development in exchange of the increase of a non-controlling interest in a subsidiary	—	(2,300)

17. RELATED PARTY TRANSACTIONS

Harrison Hydro L.P reimbursed the non-interest bearing term loans made by its partners in an amount of \$1,750 during the first quarter of 2015.

18. SEGMENT INFORMATION

Geographic segments

The Corporation owns interests in 25 hydroelectric facilities, six wind farms and one solar farm in Canada and one hydroelectric facility in the United States. For the three- and nine-month periods ended September 30, 2015, revenues generated by the Horseshoe Bend hydroelectric facility located in the United States totalled \$1,598 and \$3,611 (\$1,423 and \$3,182 in 2014), representing a contribution of 2.5% and 1.9% (2.1% and 1.8% in 2014) to the Corporation's consolidated revenues for these periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

Operating segments

The Corporation has four operating segments: (a) hydroelectric generation (b) wind power generation (c) solar power generation and (d) site development.

Through its hydroelectric, wind power and solar power generation segments, the Corporation sells electricity produced by its hydroelectric, wind farm and solar facilities to publicly owned utilities or other creditworthy counterparties. Through its site development segment, it analyzes potential sites and develops hydroelectric, wind and solar facilities up to the commissioning stage.

The accounting policies for these segments are the same as those described in the significant accounting policies. The Corporation evaluates performance based on earnings (loss) before finance costs, income taxes, depreciation, amortization, other net expenses (revenues), share of (earnings) loss of joint ventures and unrealized net (gain) loss on derivative financial instruments. The Corporation accounts for inter-segment and management sales at cost. Any transfers of assets from the site development segment to the hydroelectric, wind power generation or solar power generation segments are accounted for at cost.

The operations of the Corporation's operating segments are conducted by different teams, as each segment has different skill requirements.

Three months ended September 30, 2015					
Operating segments	Hydroelectric generation	Wind power generation	Solar power generation	Site development	Total
Revenues	46,531	10,676	5,473	—	62,680
Expenses:					
Operating	7,190	2,066	150	—	9,406
General and administrative	1,621	729	33	609	2,992
Prospective projects	—	—	—	1,732	1,732
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net expenses, share of loss of joint ventures and unrealized net gain on derivative financial instruments	37,720	7,881	5,290	(2,341)	48,550
Finance costs					22,075
Other net expenses					27,200
Loss before income taxes, depreciation, amortization, share of loss of joint ventures and unrealized net gain on derivative financial instruments					(725)
Depreciation					13,252
Amortization					5,541
Share of loss of joint ventures					352
Unrealized net gain on derivative financial instruments					(24,325)
Earnings before income taxes					4,455

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

Three months ended September 30, 2014					
Operating segments	Hydroelectric generation	Wind power generation	Solar power generation	Site development	Total
Revenues	49,674	11,153	5,544	—	66,371
Expenses:					
Operating	7,530	2,173	265	—	9,968
General and administrative	2,179	473	78	349	3,079
Prospective projects	—	—	—	1,656	1,656
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net expenses, share of loss of joint ventures and unrealized net loss on derivative financial instruments	39,965	8,507	5,201	(2,005)	51,668
Finance costs					21,682
Other net expenses					8,776
Earnings before income taxes, depreciation, amortization, share of loss of joint ventures and unrealized net loss on derivative financial instruments					21,210
Depreciation					13,577
Amortization					5,075
Share of loss of joint ventures					390
Unrealized net loss on derivative financial instruments					6,934
Loss before income taxes					(4,766)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

Nine months ended September 30, 2015					
Operating segments	Hydroelectric generation	Wind power generation	Solar power generation	Site development	Total
Revenues	135,169	41,456	13,953	—	190,578
Expenses:					
Operating	22,445	6,774	534	—	29,753
General and administrative	5,996	2,619	118	2,157	10,890
Prospective projects	—	—	—	5,015	5,015
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net expenses, share of earnings of joint ventures and unrealized net gain on derivative financial instruments	106,728	32,063	13,301	(7,172)	144,920
Finance costs					63,032
Other net expenses					119,679
Loss before income taxes, depreciation, amortization, share of earnings of joint ventures and unrealized net gain on derivative financial instruments					(37,791)
Depreciation					39,750
Amortization					16,621
Share of earnings of joint ventures					(704)
Unrealized net gain on derivative financial instruments					(79,406)
Loss before income taxes					(14,052)

As at September 30, 2015					
Goodwill	8,269	—	—	—	8,269
Total assets	1,695,336	333,240	117,714	848,720	2,995,010
Total liabilities	1,228,311	220,261	108,880	909,896	2,467,348
Acquisition of property, plant and equipment during the period	2,779	694	13	188,790	192,276

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

Nine months ended September 30, 2014					
Operating segments	Hydroelectric generation	Wind power generation	Solar power generation	Site development	Total
Revenues	120,741	38,248	14,630	—	173,619
Expenses:					
Operating	21,134	6,651	853	—	28,638
General and administrative	6,531	1,989	243	1,200	9,963
Prospective projects	—	—	—	4,204	4,204
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net expenses, share of loss of joint ventures and unrealized net loss on derivative financial instruments	93,076	29,608	13,534	(5,404)	130,814
Finance costs					65,815
Other net expenses					7,864
Earnings before income taxes, depreciation, amortization, share of loss of joint ventures and unrealized net loss on derivative financial instruments					57,135
Depreciation					40,915
Amortization					15,515
Share of loss of joint ventures					1,182
Unrealized net loss on derivative financial instruments					72,111
Loss before income taxes					(72,588)

As at December 31, 2014					
Goodwill	8,269	—	—	—	8,269
Total assets	1,752,495	352,723	120,957	489,840	2,716,015
Total liabilities	1,241,530	238,450	111,814	561,996	2,153,790
Acquisition of property, plant and equipment during the year	123,185	549	161	223,405	347,300

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except as noted, and amounts per share) (unaudited)

19. SUBSEQUENT EVENTS

a. Dividends declared by the Board of Directors

Date of announcement	Record date	Payment date	Dividend per common share (\$)	Dividend per Series A Preferred Share (\$)	Dividend per Series C Preferred Share (\$)
11/10/2015	12/31/2015	01/15/2016	0.1550	0.3125	0.359375

b. Commissioning of 21.2 MW Tretheway Creek Hydroelectric Facility

On November 9, 2015, the Corporation announced that it had begun commercial operation of the 21.2 MW Tretheway Creek hydroelectric facility located near the community of Harrison Hot Springs, in British Columbia. The facility began commercial operations with an effective commissioning date of October 27, 2015.

INFORMATION FOR INVESTORS

Stock Exchange Listing

Common shares of Innergex Renewable Energy Inc. are listed on the TSX under the symbol INE.
Series A Preferred Shares of Innergex Renewable Energy Inc. are listed on the TSX under the symbol INE.PR.A.
Series C Preferred Shares of Innergex Renewable Energy Inc. are listed on the TSX under the symbol INE.PR.C.
Convertible Debentures of Innergex Renewable Energy Inc. are listed on the TSX under the symbol INE.DB.A.

Rating Agencies

Innergex Renewable Energy Inc. is rated BBB- by S&P.
Series A Preferred Shares of Innergex Renewable Energy Inc. are rated P-3 by S&P.
Series C Preferred Shares of Innergex Renewable Energy Inc. are rated P-3 by S&P.

Transfer Agent and Registrar

Computershare Investor Services Inc.
1500 Robert-Bourassa Blvd, Suite 700, Montreal, Quebec, H3A 3S8
Telephone: 1 800 564-6253 or 514 982-7555
Email: service@computershare.com

Dividend Reinvestment Plan

Innergex Renewable Energy Inc. implemented a Dividend Reinvestment Plan (DRIP) for its common shareholders, which enables eligible holders of common shares to acquire additional common shares of the Corporation by reinvesting all or part of their cash dividends. For more information about the Corporation's DRIP, please visit our Website or contact the DRIP administrator, Computershare Trust Company of Canada.

Independent Auditor

Deloitte LLP

Investor Relations

If you have inquiries, please visit our website or contact:

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