



INNERGEX RENEWABLE ENERGY INC (TSX: INE)

AUGUST 2014



INNERGEX

FORWARD-LOOKING INFORMATION

This document contains forward-looking information within the meaning of securities legislations (“Forward-Looking Information”), which can generally be identified by the use of words such as “projected”, “potential”, “expect”, “estimate”, or other comparable terminology that states that certain events will or will not occur. It represents the estimates and expectations of the Corporation relating to future results and developments as of the date of this document. It includes **future-oriented financial information**, such as projected Adjusted EBITDA, estimated project costs and expected project financing, Free Cash Flow and Payout Ratio to inform readers of the potential financial impact of commissioning existing development projects and of integrating the recently acquired SM-1 hydroelectric facility. This information may not be appropriate for other purposes.

Forward-Looking Information in this document is based on certain **key assumptions** made by the Corporation. The following table outlines certain Forward-Looking Information contained in this document, 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.

The material **risks and uncertainties** that may cause actual results and developments to be materially different from current expressed Forward-Looking Information are referred to in the Corporation's *Annual Information Form* under 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; variability in hydrology, wind regimes and solar irradiation; delays and cost overruns in the design and construction of projects, uncertainty surrounding the development of new facilities; variability of installation performance and related penalties; the ability to secure new power purchase agreements or to renew existing ones; and the ability to realize the benefits of acquiring the SM-1 hydroelectric facility.

Although the Corporation believes that the expectations and assumptions on which Forward-Looking Information is based are reasonable, readers of this document are cautioned not to rely unduly on this Forward-Looking Information since no assurance can be given that it will prove to be correct. 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 of this document, unless required by legislation.

FORWARD-LOOKING INFORMATION IN THIS DOCUMENT

PRINCIPAL ASSUMPTIONS

PROJECTED ADJUSTED EBITDA

For each facility, the Corporation determines an annual long-term average level of electricity production (LTA) over the expected life of the facility, based on several factors that include, without limitations, historically observed water flows or wind or solar irradiation conditions, turbine or panel technology, 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. The Corporation then estimates expected annual revenues for each facility by multiplying its 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. In most cases, power purchase agreements also contain an annual inflation adjustment based on a portion of the Consumer Price Index. The Corporation then 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 Corporation estimates annual Adjusted EBITDA by adding the projected operating earnings of all the facilities in operation that it consolidates*, 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.

*Excludes Umbata Falls and Viger-Denonville accounted for using the equity method.

PRINCIPAL RISKS AND UNCERTAINTIES

- Improper assessment of water, wind and sun resources and associated electricity production
- Variability in hydrology, wind regimes and solar irradiation
- Equipment failure or unexpected operations & maintenance activity
- Unexpected seasonal variability in the production and delivery of electricity
- Variability of facility performance and related penalties
- Changes to water and land rental expenses
- Unexpected maintenance expenditures
- Lower inflation rate than expected

ESTIMATED PROJECT COSTS, EXPECTED OBTAINMENT OF PERMITS, START OF CONSTRUCTION, WORK CONDUCTED AND START OF COMMERCIAL OPERATION FOR DEVELOPMENT PROJECTS OR PROSPECTIVE PROJECTS

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 projected costs provided by the engineering, procurement and construction contractor retained for the project. The Corporation provides indications regarding scheduling and construction (EPC) progress for its development projects and indications regarding its prospective projects, based on its extensive experience as a developer.

- Performance of counterparties, such as EPC contractors
- Delays and cost overruns in project design construction
- Obtainment of permits
- Equipment supply
- Relationships with stakeholders
- Regulatory and political risks
- Interest rate fluctuations and financing risk
- Higher inflation rate than expected

EXPECTED PROJECT FINANCING

The Corporation provides indications of its intention to secure non-recourse project-level debt financing for its development projects, based on the expected LTA production and the expected costs of each project, expected PPA term, a leverage ratio of approximately 75%-85%, as well as its extensive experience in project financing and its knowledge of the capital markets.

- Interest rate fluctuations and financing risk
- Financial leverage and restrictive covenants governing current and future indebtedness

INTENTION TO SUBMIT PROJECTS UNDER REQUESTS FOR PROPOSALS

The Corporation provides indications of its intention to submit projects under future requests for proposals (RFP), based on the state of readiness of some of its prospective projects and their compatibility with the announced terms of the RFP.

- Regulatory and political risks
- Ability of the Corporation to execute its strategy for building shareholder value
- Ability to secure new power purchase agreements

FORWARD-LOOKING INFORMATION IN THIS DOCUMENT – CONT'D

PRINCIPAL ASSUMPTIONS

PROJECTED FREE CASH FLOW AND PAYOUT RATIO

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.

The Corporation estimates the Payout Ratio by dividing the most recent declared annual common share dividend by the projected Free Cash Flow.

PRINCIPAL RISKS AND UNCERTAINTIES

- Adjusted EBITDA below expectations caused mainly by the risks and uncertainties mentioned above and by higher prospective project expenses
- Projects costs above expectations caused mainly by the performance of counterparties and delays and cost overruns in the design and construction of projects
- Regulatory and political risk
- Interest rate fluctuations and financing risk
- Financial leverage and restrictive covenants governing current and future indebtedness
- Unexpected maintenance capital expenditures
- The Corporation may not declare or pay a dividend

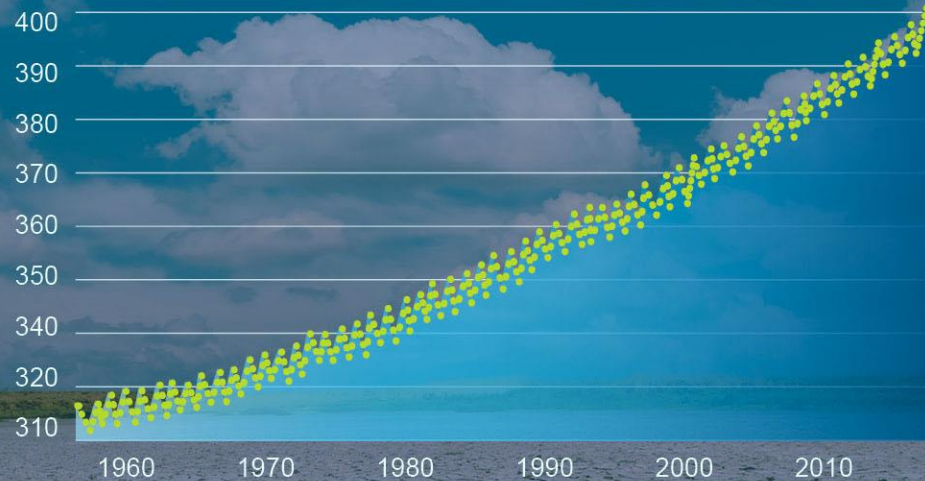
NON-IFRS MEASURES IN THIS DOCUMENT

Adjusted EBITDA, Free Cash Flow and Payout Ratio are not measures recognized by International Financial Reporting Standards (IFRS) and have no meaning prescribed by it. References 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 operations 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 L.P. for the wheeling services to be provided to other facilities owned by the Corporation over the course of their power purchase agreement, plus or minus other elements 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. 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.

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 comparison of results over different periods.

RENEWABLES: A POLITICAL CHALLENGE

CONCENTRATIONS
OF CO₂ AT THE
MAUNA LOA
OBSERVATORY



IN 2013, GLOBAL
CONCENTRATIONS OF
CO₂ SURPASS 400 PPM
FOR THE FIRST TIME
IN HISTORY

**CLIMATE CHANGE
IS REAL**

RENEWABLE ENERGY
A CLEAN, COMPETITIVE
AND SUSTAINABLE
ALTERNATIVE TO
FOSSIL ENERGY

THE CHALLENGE
GOVERNMENTS'
DETERMINATION TO
PLAN THEIR ENERGY
NEEDS WITH A LONG-
TERM VIEW AND A
COMMITMENT TO
REDUCING GHG

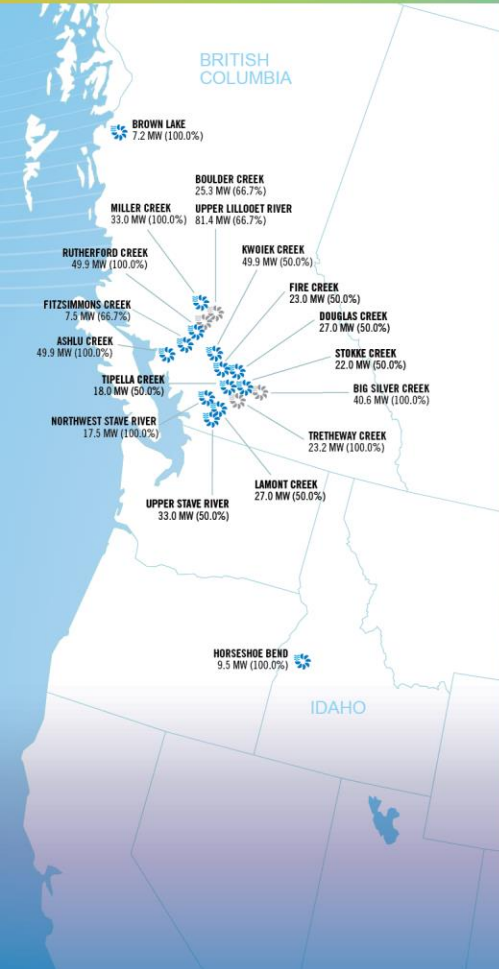
OUR MISSION



OUR MISSION IS TO INCREASE OUR PRODUCTION OF RENEWABLE ENERGY BY DEVELOPING AND OPERATING HIGH-QUALITY FACILITIES WHILE RESPECTING THE ENVIRONMENT AND SERVING THE BEST INTERESTS OF THE HOST COMMUNITIES, OUR PARTNERS, AND OUR INVESTORS.

PORTNEUF HYDROELECTRIC FACILITY, IN QUEBEC

PURE PLAY IN CANADIAN RENEWABLE ENERGY



33

IN OPERATION
(NET/GROSS)

687 / 1,194 MW

26 HYDRO FACILITIES (418/547 MW)

6 WIND FARMS (236/614 MW)

1 SOLAR FARM (33/33 MW_{DC})

5

UNDER DEVELOPMENT
(NET/GROSS)

210 / 321 MW

4 HYDRO PROJECTS (135/171 MW)

1 WIND PROJECT (75/150 MW)

PLUS OVER 2,900 MW OF
PROSPECTIVE PROJECTS



LEGEND

- Hydro
- Wind
- Solar

MW shown are net

KEY DIFFERENTIATORS

1

PURE PLAY
IN THE CANADIAN
RENEWABLE ENERGY
INDUSTRY

2

ABILITY TO DEVELOP
SUCCESSFUL LONG-
TERM PARTNERSHIPS
WITH FIRST NATIONS
AND LOCAL
MUNICIPALITIES

3

PREPONDERANCE
OF HYDRO ASSETS

PARTNER OF CHOICE

23 MW


UMBATA FALLS

ONTARIO


JOINT-VENTURE 49-51
WITH THE OJIBWAYS OF THE
PIC RIVER FIRST NATION

50 MW


KWOIEK CREEK

BRITISH COLUMBIA

JOINT-VENTURE 50-50
WITH THE KANAKA BAR
INDIAN BAND

25 MW


VIGER-DENONVILLE

QUÉBEC

JOINT-VENTURE 50-50
WITH THE RIVIERE-DU-LOUP
RCM

150 MW


MESGI'G UGJU'S'N

QUÉBEC

JOINT-VENTURE 50-50
WITH THE MI'GMAQ
COMMUNITIES OF THE
GASPÉ PENINSULA

SUSTAINABLE BUSINESS MODEL

**SOCIAL
ACCEPTABILITY**
OF PROJECTS AND
SOCIO-ECONOMIC
BENEFITS FOR THE
COMMUNITIES AND
OUR PARTNERS

**RESPECT FOR
THE ENVIRONMENT**
AVOID, MINIMIZE,
MITIGATE OR
COMPENSATE FOR
ANY IMPACT ON THE
SURROUNDING
ECOSYSTEM

**CORPORATE
PROFITABILITY**
STABILITY AND
GROWTH OF
DIVIDENDS TO
HOLDERS OF
COMMON SHARES

TWOFOLD BUSINESS STRATEGY

SUSTAINABLE DIVIDENDS

FIXED-PRICE LONG-TERM POWER
PURCHASE AGREEMENTS

PORTFOLIO OF HIGH-
QUALITY YOUNG ASSETS

FIXED-RATE NON-RECOURSE
PROJECT FINANCING

GROWTH UPSIDE

PROJECTS UNDER
DEVELOPMENT

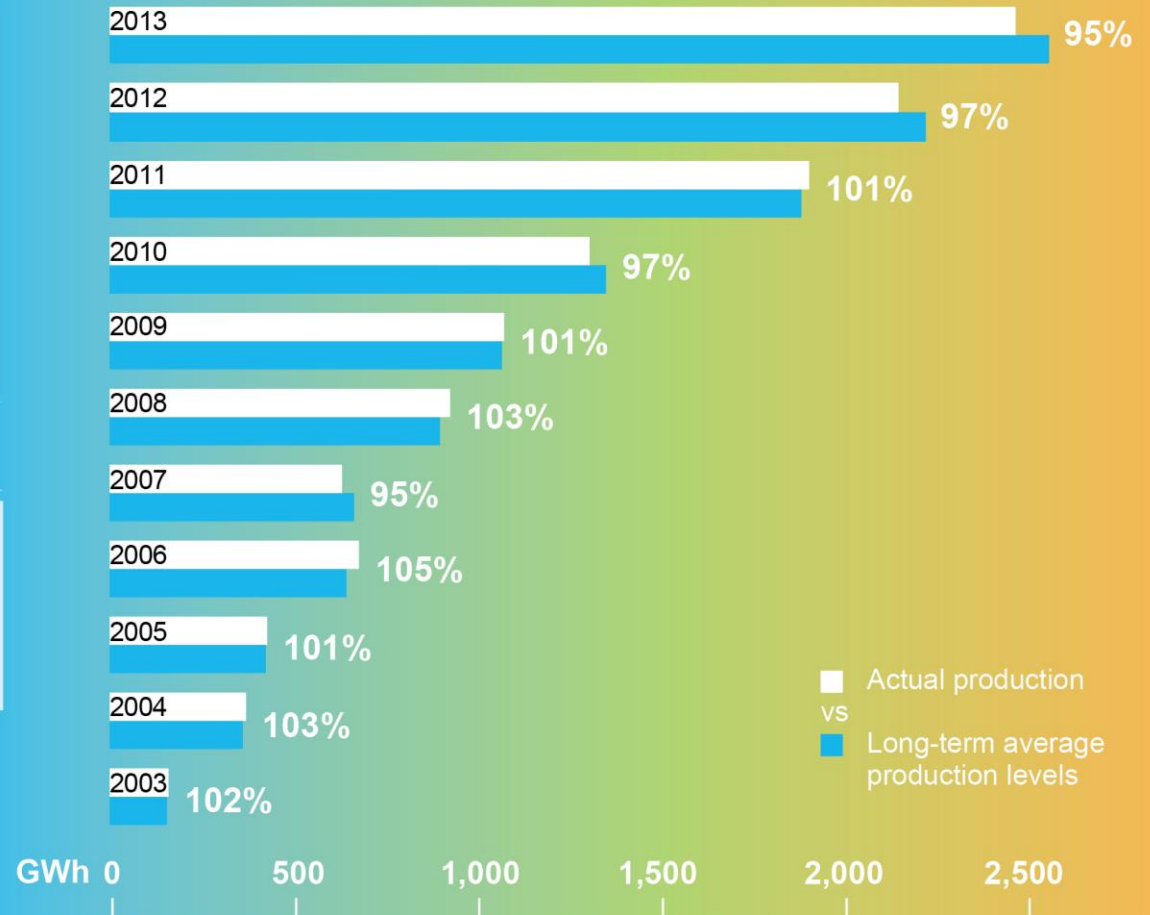
PROSPECTIVE
PROJECTS

M&A
OPPORTUNITIES

PREDICTABLE PRODUCTION

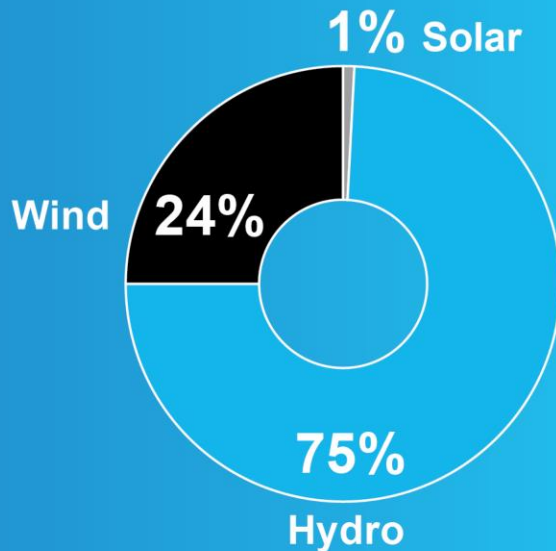
A KEY PERFORMANCE INDICATOR FOR US IS WHETHER PRODUCTION FOR EACH FACILITY CLOSELY TRACKS ITS LONG-TERM AVERAGE.

SINCE 2003:
99%

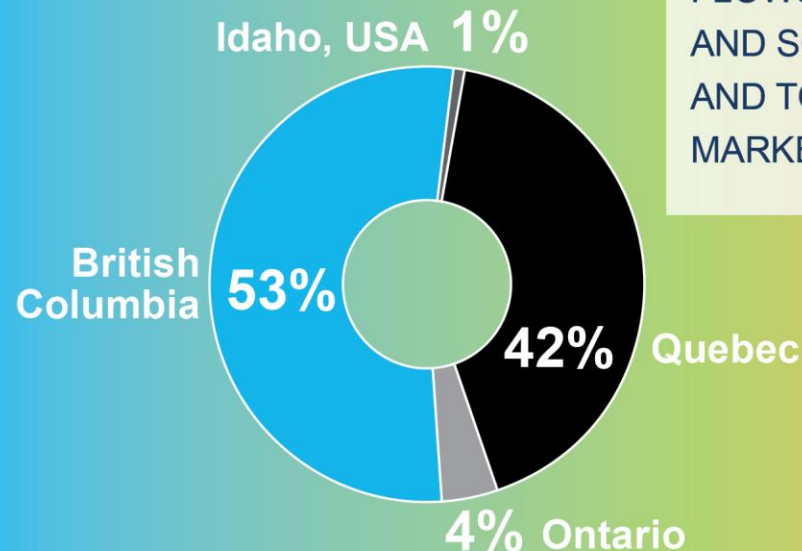


STRATEGIC DIVERSIFICATION

BY SOURCE OF ENERGY 2013¹



BY REGION 2013¹

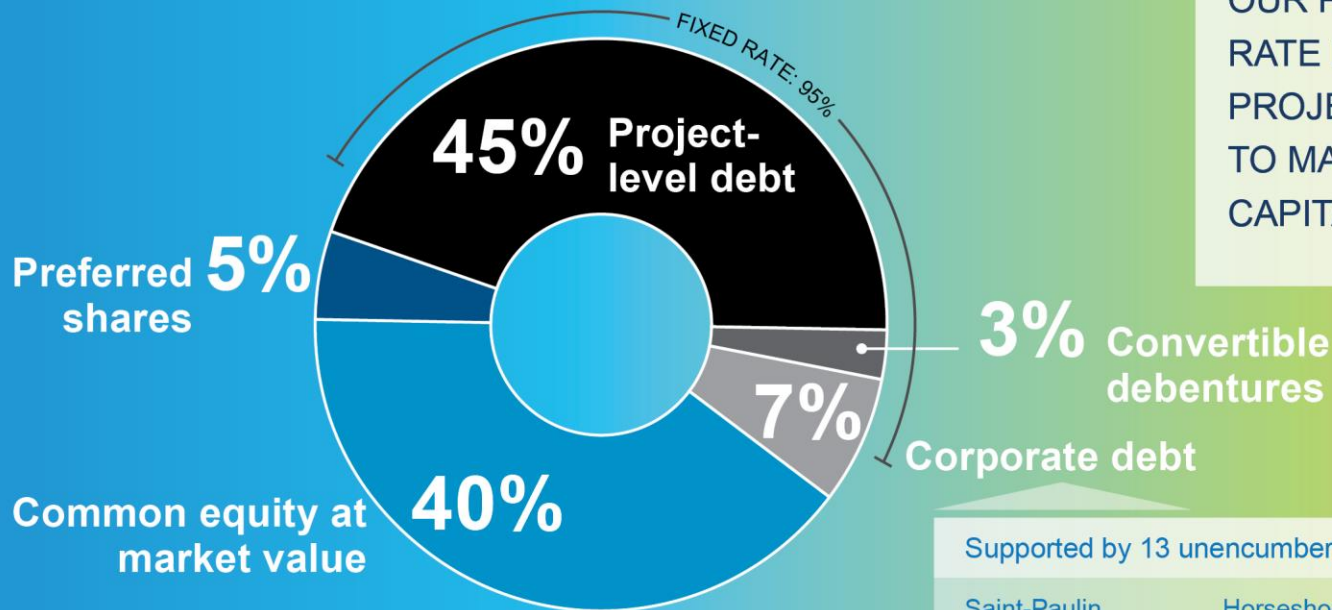


DIVERSIFICATION REDUCES OUR EXPOSURE TO VARIABILITY IN WATER FLOWS, WIND REGIMES AND SOLAR IRRADIATION AND TO ANY ONE MARKET.

¹ Based on annualized consolidated long-term average production.
Note: may not add up to 100% due to rounding.

SOUND CAPITAL STRUCTURE

AT DECEMBER 31, 2013




WE EXPECT TO FINANCE OUR PROJECTS WITH FIXED-RATE NON-RECOURSE PROJECT-LEVEL DEBT AND TO MAINTAIN A BALANCED CAPITAL STRUCTURE.

- Supported by 13 unencumbered assets:
- | | |
|----------------|-----------------|
| Saint-Paulin | Horseshoe Bend |
| Montmagny | Brown Lake |
| Portneuf 1-2-3 | Miller Creek |
| Batawa | Baie-des-Sables |
| Chaudière | Gros-Morne |
| Glen Miller | |

SM-1 ACQUISITION

LONG-TERM
HYDRO ASSET
INSTALLED CAPACITY

30.5  MW

AFTER-TAX INTERNAL
RATE OF RETURN
APPROX.

10%

IMMEDIATELY ACCRETIVE

FREE CASH FLOW (\$) 
APPROX.

5.0 million
per year

PAYOUT RATIO 
APPROX.

3%

SUBSTANTIAL DEVELOPMENT PIPELINE

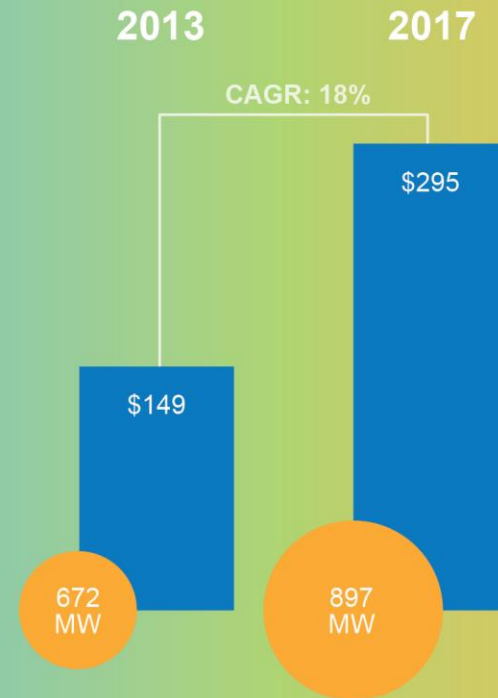
THESE PROJECTS REPRESENT A 27% INCREASE FROM OUR CURRENT GROSS INSTALLED CAPACITY OF 1,194 MW.

PROJECT NAME		LOCATION	GROSS CAPACITY (MW)	ESTIMATED CONSTRUCTION COSTS (\$M)	PROJECT FINANCING (\$M)	EXPECTED IN-SERVICE
TRETHEWAY CREEK	✂	BC	23.2	111.5	70.0	2015
BOULDER CREEK	✂	BC	25.3	119.2	} 370.0	2016
UPPER LILLOOET RIVER	✂	BC	81.4	315.0		2016
BIG SILVER CREEK	✂	BC	40.6	216.0	150.0	2016
MESGI'G UGJU'S'N (MU)		QC	150.0	365.0	300.0	2016
			320.5	1,126.7	890.0	

MEASURABLE GROWTH

A KEY PERFORMANCE INDICATOR FOR US IS THE ADJUSTED EBITDA GENERATED BY THE FACILITIES WE CONSOLIDATE¹.

Adjusted EBITDA (\$M)



- Net Installed Capacity
- Consolidated Adjusted EBITDA²

¹Excludes the Umbata Falls and Viger-Denonville joint ventures, accounted for using the equity method. The annual Adjusted EBITDA for these facilities combined attributable to the Corporation is approximately \$8.0M.

ADDITIONAL SOURCES OF GROWTH

1

RESPOND
TO REQUESTS
FOR PROPOSALS

2

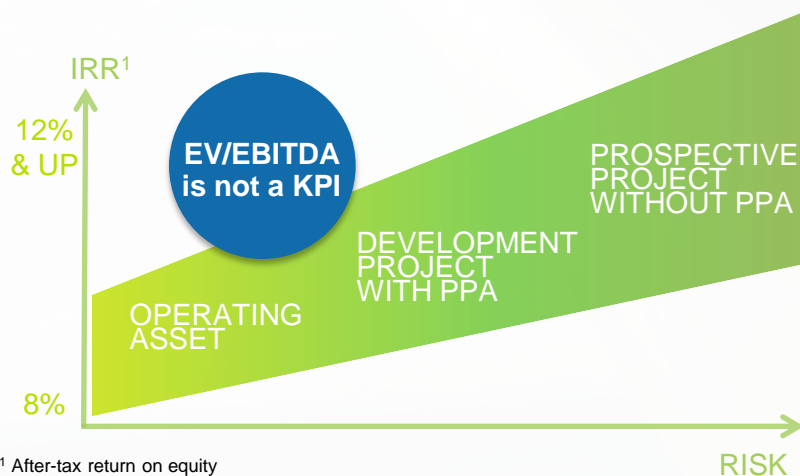
ADVANCE
PROSPECTIVE
PROJECTS IN
PARTNERSHIP WITH
FIRST NATIONS AND
LOCAL COMMUNITIES

3

PURSUE M&A AND
NEW MARKET
OPPORTUNITIES

DEVELOPMENT AND ACQUISITION STRATEGY

RISK-RETURN RELATIONSHIP



GOALS

- DIVERSIFY
 - BY SOURCE OF ENERGY
 - BY GEOGRAPHIC MARKET
- PRODUCE INCREMENTAL FREE CASH FLOW

CRITERIA

- RENEWABLE ENERGY
- PROVEN COMMERCIALY VIABLE TECHNOLOGY
- LONG-TERM PPA
- LONG-LIFE ASSET

AN ATTRACTIVE RISK-RETURN PROPOSITION

1

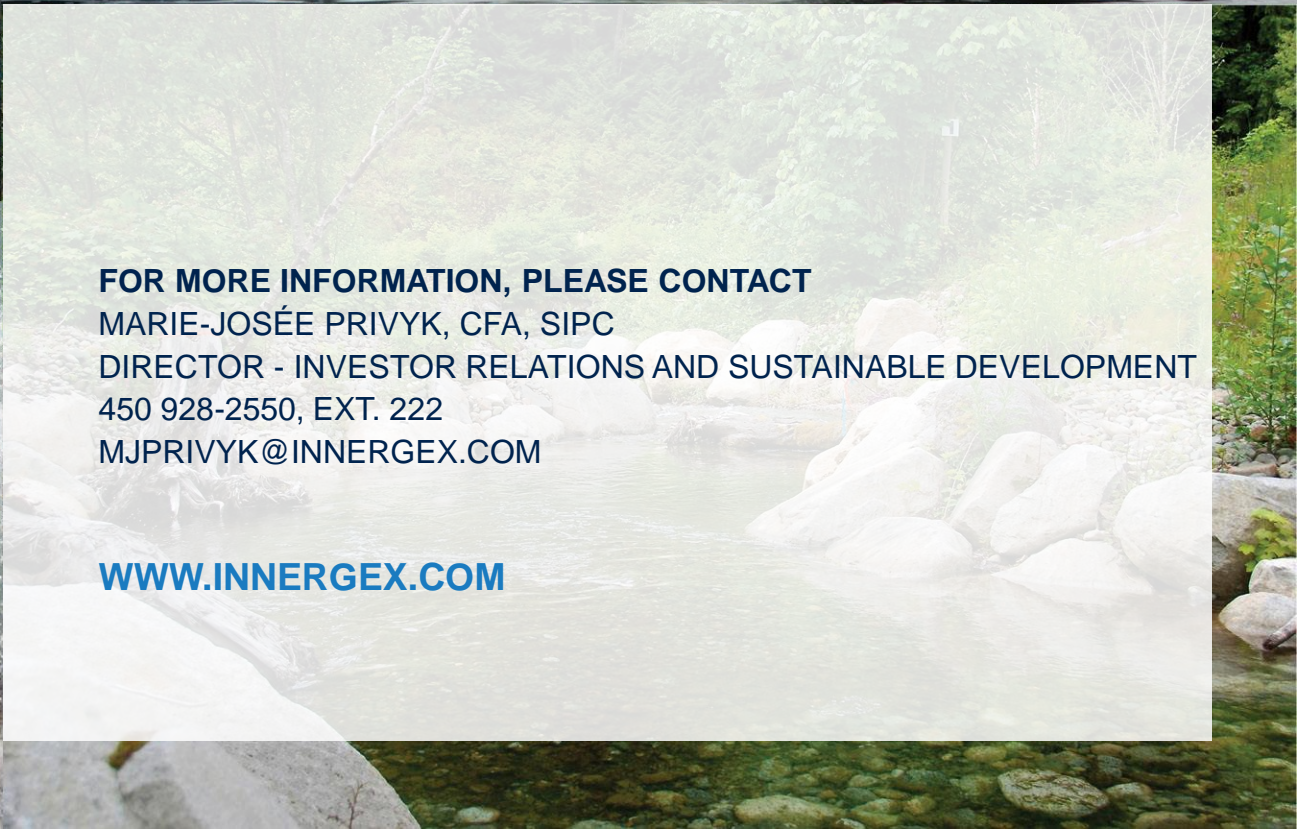
LOW-RISK
BUSINESS MODEL

2

SUSTAINABLE
DIVIDEND

3

GROWTH



FOR MORE INFORMATION, PLEASE CONTACT
MARIE-JOSÉE PRIVYK, CFA, SIPC
DIRECTOR - INVESTOR RELATIONS AND SUSTAINABLE DEVELOPMENT
450 928-2550, EXT. 222
MJPRIVYK@INNERGEX.COM

WWW.INNERGEX.COM

INNERGEX