QUARTERLY REPORT 2017

INNERGEX

INNERGEX RENEWABLE ENERGY INC.

FOR THE PERIOD ENDED
SEPTEMBER 30, 2017

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

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 in Canada, in France and in Idaho, USA. The Corporation's shares are listed on the Toronto Stock Exchange ("TSX") 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, 2017, and reflects all material events up to November 9, 2017, 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, 2017, and with the Corporation's Financial Review at December 31, 2016.

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, 2017, along with the 2016 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.

HIGHLIGHTS

- Production was 90% of the long-term average ("LTA") for the third quarter and 91% of the LTA for the nine-month period ended September 30, 2017.
- Revenues increased 56% to $108.2 million in the third quarter and 33% to $292.3 million for the nine-month period ended September 30, 2017, compared with the corresponding periods last year.
- Adjusted EBITDA rose 60% to $81.8 million in the third quarter and 32% to $218.7 million for the nine-month period ended September 30, 2017, compared with the corresponding periods last year.
- Innergex completed the acquisition of two wind projects (Plan Fleury and Les Renardières) with a total aggregate capacity of 43 MW in France's Champagne-Ardenne. The Plan Fleury facility was commissioned in September 2017 and the Les Renardières wind project is still under construction.

TABLE OF CONTENTS

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: (a) there were no material weaknesses relating to the DC&P and ICFR for the three-month period ended September 30, 2017; (b) they have limited the scope of the Corporation's design of DC&P and ICFR to exclude the control policies and procedures of Montjean Energies, Theil Rabier Energies, Eoles-Yonne SAS, Energies du Plateau Central (Rougemont-1), Energies du Plateau Central 2 (Rougemont-2), Energie du Rechet (Vaite); Éole de Plan Fleury and Les Renardières; and (c) there was no change to the ICFR that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR during the three-month period ended September 30, 2017. The design and evaluation of the operating effectiveness of the DC&P and ICFR for the Montjean Energies, Theil Rabier Energies, Eoles-Yonne SAS, Energies du Plateau Central, Energies du Plateau Central 2, Energie du Rechet; Éole de Plan Fleury and Les Renardières will be completed in the 12 months following the dates of acquisition. A summary of the financial information about Montjean Energies, Theil Rabier Energies, Eoles-Yonne SAS, Energies du Plateau Central, Energies du Plateau Central 2, Energie du Rechet; Éole de Plan Fleury and Les Renardières is presented in the Non-wholly Owned Subsidiaries section of this MD&A.

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”), including, but not limited to, statements relating to the anticipated completion of the Alterra Transaction and timing for such completion, sources and impact of funding of the Alterra Transaction, and strategic, operational and financial benefits and accretion expected to result from the Alterra Transaction, the Corporation and/or Alterra’s power production, prospective projects, successful development, construction and financing of the projects under construction and the advanced-stage prospective projects, estimates of recoverable geothermal energy resources, business strategy, future development and growth prospects, business integration, governance, business outlook, objectives, plans and strategic priorities, and other statements that are not historical facts. 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 and estimated project costs, to inform readers of the potential financial impact of expected results, of the expected commissioning of Development Projects, of the potential financial impact of the acquisitions, of the Corporation's ability to sustain current dividends 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, geothermal resources and solar irradiation, performance of operating facilities, project performance, economic, financial and financial market conditions, the Corporation’s success in developing new facilities, expectations and assumptions concerning availability of capital resources and the timing of receipt of the requisite shareholder, court, regulatory and other third-party approvals required for the Alterra Transaction.

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; the risks associated with the renewable energy industry in general such as execution of strategy; ability to develop the Corporation's and Alterra's projects on time and within budget; the Corporation's 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; the ability to secure new power purchase agreements or to renew any power purchase agreement on equivalent terms and conditions; health, safety and environmental risks; uncertainties surrounding the development of new facilities; obtainment of permits; performance of existing projects; equipment failure or unexpected operations and maintenance activity; interest rate fluctuations and refinancing risk; currency exchange rates; variation in merchant price of electricity; financial leverage and restrictive covenants governing current and future indebtedness; the possibility that the Corporation may not declare or pay a dividend; changes in governmental support to increase electricity to be generated from renewable sources by independent power producers; variability of installation performance and related penalties; the ability to attract new talent or to retain officers or key employees; litigation; performance of major counterparties; relationship with public utilities; social acceptance of renewable energy projects; relationships with stakeholders; equipment supply; the exposure to many different forms of taxation in various jurisdictions; 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; foreign market growth and development risks; foreign exchange fluctuations; 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*; cybersecurity; sufficiency of insurance coverage limits and exclusions; a credit rating that may not reflect the Corporation's actual performance 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.

Risks inherent to the Alterra Transaction: There are also risks inherent to the Alterra Transaction, including incorrect assessments of the value of the other entity; failure to satisfy the closing conditions; exercise of termination rights by the Corporation or Alterra; failure to obtain the requisite Alterra's shareholders approval, court, regulatory and other third-party approvals, including approval by the Competition Bureau, the Federal Energy Regulatory Commission (FERC), the Federal Trade Commission and similar authorities in other jurisdictions, as well as the TSX. Accordingly, there can be no assurance that the Alterra Transaction will occur, or that it will occur on the terms and conditions, or at the time, contemplated in this news release. The Alterra Transaction could be modified, restructured or terminated. There can also be no assurance that the strategic, operational or financial benefits expected to result from the Alterra Transaction will be realized.

If the Alterra Transaction is not completed, and the Corporation and Alterra continue as separate entities, there are risks that the announcement of the Alterra Transaction and the dedication of substantial resources of the Corporation to the completion of the Alterra Transaction could have an impact on the Corporation's business and strategic relationships (including with future and prospective employees, customers, distributors, suppliers and partners), operating results and businesses generally, and could have a material adverse effect on the current and future operations, financial condition and prospects of the Corporation.

The Corporation is relying on certain assumptions that it believes are reasonable at this time, including assumptions as to the time required to prepare meeting materials for mailing, the timing of receipt of the shareholder, court, regulatory and other third-party approvals and the time necessary to satisfy the conditions to the closing of the Alterra Transaction. These dates may change for a number of reasons, including unforeseen delays in preparing meeting materials, inability to secure necessary regulatory or court approvals in a timely manner or the need for additional time to satisfy the conditions to the completion of the Alterra Transaction. Accordingly, readers should not place undue reliance on the forward-looking statements contained in this MD&A concerning these times.

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
Expected production 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).	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 and maintenance activity Natural disaster
Projected revenues 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).	Production levels below the LTA caused mainly by the risks and uncertainties mentioned above Unexpected seasonal variability in the production and delivery of electricity Lower-than-expected inflation rate Changes in the purchase price of electricity upon renewal of a PPA
Projected Adjusted EBITDA 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 (excludes Umbata Falls and Viger-Denonville, which are 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.	Lower revenues caused mainly by the risks and uncertainties mentioned above Variability of facility performance and related penalties Unexpected maintenance expenditures
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 the projected costs provided by the engineering, procurement and construction ("EPC") contractor retained for the project. 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.	Performance of counterparties, such as the EPC contractors Delays and cost overruns in the design and construction of projects Obtainment of permits Equipment supply Interest rate fluctuations and financing risk Relationships with stakeholders Regulatory and political risks Higher-than-expected inflation Natural disaster Outcome of insurance claims

Principal Assumptions	Principal Risks and Uncertainties
Projected Free Cash Flow and intention to pay dividend quarterly The Corporation estimates Projected Free Cash Flow as projected cash flows from operating activities 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 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 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), 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. The Corporation estimates the annual dividend it intends to distribute based on the Corporation operating results, cash flows, financial conditions, debt covenants, long term growth prospects, solvency, test imposed under corporate law for declaration of dividends and other relevant factors.	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 Possibility that the Corporation may not declare or pay a dividend
Intention to submit projects under requests for proposals 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.	Regulatory and political risks Ability of the Corporation to execute its strategy for building shareholder value Ability to secure new PPAs
Alterra's Expected Production For each project listed in this press release, expected production is determined, 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; for geothermal power, the historical geothermal resources, natural depletion of geothermal resources over time, the technology used and the potential of energy loss to occur before delivery 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.	Improper assessment of water, wind, geothermal and sun resources and associated electricity production Variability in hydrology, wind regimes, geothermal resources and solar irradiation Natural depletion of geothermal resources Change in the hydrological balance of the resource Equipment failure or unexpected operations and maintenance activity Natural disaster
Alterra's Projected Revenues For each facility, expected annual revenues estimated by multiplying expected production by the price of the associated power purchase agreement or secured financial power hedge contract. Any pricing mechanisms within these contracts which stipulate price adjustment depending on merchant prices reflect management's current views and expectations, subject to change, of the merchant prices. HS Orka Projected Revenues are calculated from total generation produced by HS Orka assets multiplied by a mix of long- and short-term industrial and retail contracts, as well as revenue from hot and cold water sales and other revenues. Projected Revenues excludes revenue generated from purchased power subsequently re-sold. U.S. dollar and Icelandic króna figures converted to Canadian dollars at USDCAD rate of 1.289 and USDISK rate of 105.	Production levels below the expected production caused mainly by the risks and uncertainties mentioned above Unexpected seasonal variability in the production and delivery of electricity Lower than expected inflation rate Change in the purchase price of electricity upon renewal of a PPA Negative change of merchant price of electricity Negative change of the currency exchange rates
Alterra's Projected Gross Adjusted EBITDA and Net Adjusted EBITDA For each facility, the annual operating earnings is estimated by subtracting from the estimated Projected 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), and cost of power (if applicable).	Lower revenues caused mainly by the risks and uncertainties mentioned above Variability of facility performance and related penalties Unexpected maintenance expenditures

NON-IFRS MEASURES

This MD&A has been prepared in accordance with 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, Adjusted EBITDA Margin, Adjusted Net Earnings, 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 in this document to "Adjusted EBITDA Margin" are to Adjusted EBITDA divided by revenues.

References to "Adjusted Net Earnings" are to net earnings or losses of the Corporation, to which the following elements are added (subtracted): unrealized net (gain) loss on financial instruments; realized (gain) loss on financial instruments; income tax expense (recovery) related to the above items; and the share of unrealized net (gain) loss on derivative financial instruments of joint ventures, net of related tax. Innergex uses derivative financial instruments to hedge its exposure to various risks, such as interest rate and foreign exchange risks. Accounting for derivatives under International Accounting Standards requires that all derivatives are marked-to-market with changes in the mark-to-market of the derivatives for which hedge accounting is not applied being taken to the profit and loss account. The application of this accounting standard results in a significant amount of profit and loss volatility arising from the use of derivatives that are not designated for hedge accounting. The Adjusted Net Earnings of the Corporation aims to eliminate the impact of the mark-to-market rules on derivatives on the profit and loss of the Corporation.

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 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 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), 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 and Adjusted Net Earnings 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.

ADDITIONAL INFORMATION AND UPDATES

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 sedar.com or on the Corporation's website at 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.

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:

- 52 facilities in commercial operation (the "Operating Facilities"). Commissioned between 1992 and September 2017, the facilities have a weighted average age of approximately 7.4 years. They sell the generated power under long-term Power Purchase Agreements ("PPA") that have a weighted average remaining life of 19.8 years (based on gross long-term average production);

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

- Two projects scheduled to begin commercial operations in the fourth quarter of 2017 (the "Development Projects");
- 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 features 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:	731.5 MW	-	990.0 MW
Net capacity[1]:	558.8 MW	-	840.0 MW
Wind			
Gross capacity:	1015.2 MW	65.5 MW	2,800.0 MW
Net capacity[1]:	486.0 MW	45.6 MW	2,570.0 MW
Solar			
Gross capacity:	33.2 MW	-	150.0 MW
Net capacity[1]:	33.2 MW	-	150.0 MW
Total			
Gross capacity:	1779.9 MW	65.5 MW	3,940.0 MW
Net capacity[1]:	1078.0 MW	45.6 MW	3,560.0 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.

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 currently distributes a quarterly dividend of $0.165 per common share, corresponding to an annual dividend of $0.66 per common share.

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.

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

Use of 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, Adjusted Net Earnings 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 31 hydroelectric facilities, which draw on 27 watersheds, 20 wind farms and 1 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:

Consolidated long-term average production[1]									
In GWh and %	Q1		Q2		Q3		Q4		Total
HYDRO	369.7	12%	1,065.7	35%	1,002.7	33%	581.2	19%	3,019.3
WIND	584.3	30%	417.0	22%	369.2	19%	555.7	29%	1,926.2
SOLAR	7.2	19%	12.4	33%	12.5	33%	5.7	15%	37.8
Total	961.2	19%	1,495.1	30%	1,384.4	28%	1,142.6	23%	4,983.3

1. The consolidated long-term average production is the annualized LTA for the facilities in operation at November 9, 2017. 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.

THIRD QUARTER UPDATE

Summary of Operating and Financial Performance

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
PRODUCTION				
Power generated (MWh)	1,243,099	831,840	3,288,151	2,672,678
LTA (MWh)	1,374,068	924,439	3,631,564	2,526,725
Production as percentage of LTA	90%	90%	91%	106%
STATEMENT OF EARNINGS				
Revenues	108,234	69,255	292,290	219,520
Adjusted EBITDA	81,803	51,176	218,664	165,720
Adjusted EBITDA Margin	75.6%	73.9%	74.8%	75.5%
Net earnings	4,384	409	16,150	23,282
DIVIDENDS				
Dividend declared per Class A Preferred Share	0.2255	0.2255	0.6765	0.6765
Dividend declared per Class C Preferred Share	0.359375	0.359375	1.078125	1.078125
Dividend declared per common share	0.165	0.160	0.495	0.480

For the three-month period ended September 30, 2017, production was 90% of the LTA, due mainly to lower production from post-commissioning activities at the Upper Lillooet River and the Mesgi'g Ugju's'n facilities related to post-commissioning activities, low wind regimes and outages created by Hydro-Québec also at the Mesgi'g Ugju's'n wind farm (outages for which we should be compensated) and from below-average wind regimes in France, partly offset by above-average water flows in Quebec and Ontario. Production increased 49%, revenues increased 56% and Adjusted EBITDA increased 60% compared with the same period last year. These increases are attributable mainly to the contribution of the Mesgi'g Ugju's'n wind farm commissioned in 2016, to the Upper Lillooet River and Boulder Creek hydro facilities commissioned in 2017 and to the recently acquired Montjean, Theil Rabier, Yonne, Rougemont 1-2, Vaite and Plan Fleury wind facilities.

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

For the nine-month period ended September 30, 2017, production was 91% of the LTA, due mainly to lower production from post-commissioning activities at the Upper Lillooet River and Mesgi'g Ugju's'n facilities during the period and below-average wind regimes in Quebec and France, partly offset by above-average water flows in Quebec and Ontario. Production increased 23%, revenues increased 33% and Adjusted EBITDA increased 32% compared with the same period last year. These increases are attributable mainly to the contribution of the Big Silver Creek, Mesgi'g Ugju's'n, Upper Lillooet River and Boulder Creek facilities and to the wind farms acquired in 2016 and 2017 in France; they were partly offset by lower production at most of our British Columbia hydro facilities and Quebec wind farms. The Adjusted EBITDA was also impacted by a $3.2 million aggregate payment for water rights, which were reassessed for the years 2011 and 2012 for Fire Creek, Lamont Creek, Stokke Creek, Tipella Creek and Upper Stave River. This payment resulted from the decision by the British Columbia Ministry of Forests, Lands and Natural Resource Operations to apply higher rental rates based on the facilities' combined production rather than applying lower rates for each facility based on its individual production, as had previously been the ministry's practice. The Corporation has filed an appeal of this decision with the Environmental Appeal Board. Since 2013, these facilities' water rights fees have been paid at the higher rental rates. A 49.99% portion of the water rights payment is allocated to the non-controlling interests.

The $4.4 million in net earnings for the three-month period ended September 30, 2017, compared with $0.4 million in net earnings for the same period last year, is attributable mainly to an increase in revenues due to the recently commissioned and acquired facilities. As a result, the increase in Adjusted EBITDA was partly offset by higher finance costs, depreciation and amortization and income tax expenses related primarily to the greater number of operating facilities.

The $16.2 million in net earnings for the nine-month period ended September 30, 2017, compared with $23.3 million in net earnings for the same period last year, is attributable mainly to this year's below-average production compared with last year's above-average production, which explains the decrease in net earnings as opposed to the increase in revenues. As a result, the increase in finance costs and depreciation and amortization were only partly offset by the increase in Adjusted EBITDA, the decrease in income tax expenses, the higher share of earnings of joint ventures and the higher unrealized net gain on financial instruments.

Adjusted Net Earnings

When evaluating its operating results and to provide a more accurate picture of its renewable energy operating results, a key performance analysis for the Corporation is the "Adjusted Net Earnings", which is a non-IFRS measure of the Corporation.

Impact on net earnings of financial instruments	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Net earnings	4,384	409	16,150	23,282
Add (Subtract):				
Unrealized net loss (gain) on financial instruments	1,009	1,312	(3,596)	(2,120)
Income tax expense (recovery) related to above items	22	(451)	656	748
Share of unrealized net (gain) loss on financial instruments of joint ventures, net of related income tax	(468)	61	(874)	765
Adjusted Net Earnings	4,947	1,331	12,336	22,675

Excluding gains and losses on financial instruments and the related income taxes, net earnings for the three-month period ended September 30, 2017, would have been $4.9 million, compared with net earnings of $1.3 million in 2016. The increase is attributable mainly to the increase in revenues due mainly to the recently commissioned and acquired facilities. As a result, the $30.6 million increase in Adjusted EBITDA was partly offset by the $13.1 million increase in finance costs and the $10.3 million increase in depreciation and amortization and the $2.7 million increase in deferred income taxes.

Excluding gains and losses on financial instruments and the related income taxes, net earnings for the nine-month period ended September 30, 2017, would have been $12.3 million, compared with net earnings of $22.7 million in 2016. The decrease is attributable mainly to this year's below-average production compared with last year's above-average production, which explains the decrease in net earnings as opposed to the increase in revenues. As a result, the $37.3 million increase in finance costs and the $30.3 million increase in depreciation and amortization were only partly offset by the $52.9 million increase in Adjusted EBITDA, the $4.4 million decrease in deferred income taxes and the $3.3 million increase in share of earnings of joint ventures.

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

Payout Ratio

	Trailing 12 months ended September 30	
	2017	2016
Free Cash Flow[1]	88,889	75,847
Payout Ratio[1]	80%	89%

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 twelve-month period ended September 30, 2017, the dividends on common shares declared by the Corporation corresponded to 80% of Free Cash Flow, compared with 89% for the corresponding prior twelve-month period. This positive change results mainly from the recent commissioning of the Mesgi'g Ugju's'n, Upper Lillooet River and Boulder Creek facilities which generated higher Free Cash Flow, partly offset by the increase in annual dividend, higher dividend payments as a result of a higher number of common shares outstanding due to the issuance of 3,906,250 shares to three Desjardins Group-affiliated entities under a private placement of Innergex common shares in April 2016 and to additional shares following the exercise of stock options and issued under the Dividend Reinvestment Plan ("DRIP").

Acquisition of Plan Fleury and Les Renardières

On August 25, 2017, Innergex completed the acquisition of two wind projects in France's Champagne-Ardenne region with an aggregate capacity of 43 MW. Innergex owns a 69.55% interest in the wind farms while Desjardins Group Pension Plan owns the remaining 30.45%.

The equity's purchase price is €27.4 million ($40.8 million), subject to certain adjustments. Innergex's net share of the purchase price amounted to about €16.5 million ($24.2 million) and was paid through funds available under its corporate revolving credit facility. The remainder of the purchase price was paid by Desjardins Group Pension Plan in the amount of €10.7 million ($15.7 million).

Non-recourse debts related to the projects, which were already in place, will amount to €72.0 million ($105.7 million) at the end of construction and will remain at each project level.

The aggregate annual power generation is expected to reach 118,000 MWh once the two projects are in commercial operation, enough to power about 24,775 French households. All the electricity produced by these wind farms will be sold under fixed-price power purchase agreements (PPAs), with a portion of the price being adjusted according to inflation indexes, for an initial term of 15 years, with Electricité de France ("EDF"). Innergex is expecting revenues of approximately €9.9 million ($14.5 million) and Adjusted EBITDA of approximately €8.2 million ($12.0 million) for the first 12 months of operation.

The Plan Fleury (22.0 MW) wind farm began commercial operation during the third quarter. The wind project Les Renardières (21.0 MW) should be fully commissioned in the fourth quarter of 2017.

Normal Course Issuer Bid

On August 15, 2017, Innergex announced that it has received approval from the Toronto Stock Exchange (TSX) to proceed with a normal course issuer bid on its common shares (the "Bid").

Under the Bid, the Corporation may purchase for cancellation up to 2,000,000 of its common shares, corresponding to approximately 1.84% of the 108,640,790 issued and outstanding common share of the Corporation as at August 14, 2017. The Bid commenced on August 17, 2017, and will terminate on August 16, 2018.

Purchases will be made on behalf of the Corporation by a registered broker through the facilities of the TSX at prevailing market prices.

The Corporation believes that the market price of its Common shares may, from time to time, not reflect the inherent value of the Corporation and that purchases of its Common shares pursuant to the Bid may represent an appropriate and desirable use of the Corporation's funds. Therefore, the Corporation believes that it is in its best interest to proceed with the Bid.

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

DEVELOPMENT PROJECT AND COMMISSIONING ACTIVITIES

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)
Wind (France)								
Plan Fleury	69.6	22.0	65.3	15	55.5 [2]	52.9 [2]	8.0 [2]	6.7 [2]

1. This information is intended to inform readers of the projects' potential impact on the Corporation's results. Actual results may vary. These estimates are up-to-date as at the date of the MD&A.
2. Corresponding to 100% of this facility. Euro amounts have been translated at 1.4742.

Plan Fleury

In the third quarter, the Corporation began commercial operation of the 22.0 MW Plan Fleury wind facility located in Champagne-Ardenne, France. Construction began prior to its acquisition by Innergex and was completed in August 2017. The Declaration of Commercial Operation Date (COD) under the purchase agreement with EDF shows an effective commissioning date of September 6, 2017. The Plan Fleury facility's average annual production is estimated to reach 65,266 MWh, enough to power more than 13,750 French households.

In its first full year of operation, it is expected to generate revenues and Adjusted EBITDA of approximately €5.5 million ($8.0 million) and €4.6 million ($6.7 million) respectively. All the electricity the facility produces is covered by an initial 15-year fixed-price PPA with EDF, with a portion of the price being adjusted according to inflation indexes.

Construction Activities

The total project costs for the Development Project were as follows:

PROJECTS UNDER CONSTRUCTION	Ownership %	Gross installed capacity (MW)	Expected COD	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)
Wind (France)									
Rougemont-2	69.6	44.5	2017	100.3	15	100.5 [2]	84.3 [2]	12.4 [2]	9.6 [2]
Les Renardières	69.6	21.0	2017	52.4	15	49.3 [2]	46.9 [2]	6.4 [2]	5.3 [2]

1. This information is intended to inform readers of the projects' potential impact on the Corporation's results. Actual results may vary. These estimates are up-to-date as at the date of the MD&A.
2. Corresponding to 100% of this facility. Euro amounts have been translated at 1.4742.

Rougemont-2

The Rougemont-2 wind project was acquired in the second quarter of 2017. Construction was already under way at the time of the acquisition.

As at the date of this MD&A, all substantial civil works are complete. Eight out of 16 wind turbines have already reached commercial operation. Delivery of the wind turbines' components is complete and installation and commissioning is under way on the remaining eight turbines (six out of these eight wind turbines are already erected and five are already commissioned). Full commissioning is expected in the fourth quarter of 2017.

Les Renardières

The Les Renardières wind project was acquired in the third quarter of 2017. Construction was already under way at the time of the acquisition.

As at the date of this MD&A, all wind turbines had been commissioned and the test runs were in progress. Full commissioning is expected in the fourth quarter of 2017.

PROSPECTIVE PROJECTS

With a combined potential net installed capacity of 3,560 MW (gross 3,940 MW), all the Prospective Projects are in the preliminary development stage.

Some Prospective Projects are targeted toward specific ongoing and future energy procurement processes in the provinces of New Brunswick and Saskatchewan. In addition, in Saskatchewan, Innergex is part of the Yotin Wind Power Limited Partnership, which has been pre-qualified for Stage 2 of SaskPower’s Wind Generation Capacity competition.

Other Prospective Projects are maintained or continue to be advanced and 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 in Alberta, British Columbia, Quebec and Ontario or in other countries, such as France and the United States. There is no certainty that any Prospective Project will be realized.

OPERATING RESULTS

Electricity production in the last quarter was 90% of the LTA production due mainly to lower production from post-commissioning activities at the Upper Lillooet River and Mesgi'g Ugju's'n facilities during the quarter and below-average wind regimes in France, which were partly offset by above-average water flows in the hydroelectric sector in Quebec and Ontario.

Production increased 49%, revenues 56% and Adjusted EBITDA 60%. These increases are attributable mainly to the contribution of Mesgi'g Ugju's'n commissioned in 2016 and Upper Lillooet River and Boulder Creek commissioned in 2017 and to the wind facilities acquired in France in December 2016 and in 2017; they were partly offset by lower production at our Quebec wind farms.

The Corporation's operating results for the three- and nine-month periods ended September 30, 2017, are compared with the operating results for the same periods in 2016.

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

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 for each hydroelectric facility, wind farm and solar farm. These LTA are determined to allow long-term forecasting of the expected power generation for each of the Corporation's facilities.

Three months ended September 30	2017			2016		
	Production (MWh)[1]	LTA (MWh)	Production as a % of LTA	Production (MWh)[1]	LTA (MWh)	Production as a % of LTA
HYDRO						
Quebec	196,858	180,225	109%	176,674	180,225	98%
Ontario	17,537	8,233	213%	3,028	8,233	37%
British Columbia	701,262	796,945	88%	478,033	565,124	85%
United States	15,624	16,694	94%	15,215	16,694	91%
Subtotal	931,281	1,002,097	93%	672,950	770,275	87%
WIND						
Quebec	204,664	247,348	83%	125,638	112,805	111%
France	92,812	112,166	83%	19,333	28,814	67%
Subtotal	297,476	359,514	83%	144,970	141,619	102%
SOLAR						
Ontario	14,342	12,457	115%	13,920	12,545	111%
Total	1,243,099	1,374,068	90%	831,840	924,439	90%

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 consistency's sake, 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.

During the three-month period ended September 30, 2017, the Corporation's facilities produced 1,243,099 MWh of electricity or 90% of the LTA of 1,374,068 MWh. Overall, the hydroelectric facilities produced 93% of their LTA due mainly to lower production from post-commissioning activities at the Upper Lillooet River facility during the quarter, partly offset by above-average water flows in Quebec and Ontario. Overall, the wind farms produced 83% of their LTA attributable to lower production at the Mesgi'g Ugju's'n facility due to post-commissioning activities, low wind regimes and outages from Hydro-Quebec (outages for which we should be compensated) and to wind regimes being below the historical average in France. The Stardale solar farm produced 115% of its LTA due to an above-average solar regime. For more information on operating segment results, please refer to the Segment Information section.

The 49% production increase over the same period last year is due mainly to the contribution of the recently commissioned or acquired facilities and to higher production at our Quebec and Ontario hydro facilities.

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

Nine months ended September 30	2017			2016		
	Production (MWh)[1]	LTA (MWh)	Production as a % of LTA	Production (MWh)[1]	LTA (MWh)	Production as a % of LTA
HYDRO						
Quebec	552,446	518,444	107%	527,761	518,444	102%
Ontario	63,401	53,332	119%	40,091	53,332	75%
British Columbia	1,618,614	1,803,362	90%	1,496,882	1,355,657	110%
United States	32,061	41,577	77%	44,113	41,577	106%
Subtotal	2,266,522	2,416,715	94%	2,108,847	1,969,010	107%
WIND						
Quebec	743,459	892,923	83%	486,054	469,215	104%
France	243,669	290,000	84%	41,616	56,349	74%
Subtotal	987,128	1,182,923	83%	527,670	525,564	100%
SOLAR						
Ontario	34,501	31,926	108%	36,161	32,151	112%
Total	3,288,151	3,631,564	91%	2,672,678	2,526,725	106%

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 consistency's sake, 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.

During the nine-month period ended September 30, 2017, the Corporation's facilities produced 3,288,151 MWh of electricity or 91% of the LTA of 3,631,564 MWh. Overall, the hydroelectric facilities produced 94% of their LTA due mainly to lower production from post-commissioning activities at the Upper Lillooet River facility during the period and below-average water flows in British Columbia, partly offset by above-average water flows in Quebec and Ontario. Overall, the wind farms produced 83% of their LTA due to lower production from post-commissioning activities at the Mesgi'g Ugju's'n facility and below-average wind regimes in Quebec and France. Wind regimes in France have lately trended well below the historical average, which explains the lower production. The Stardale solar farm produced 108% of its LTA due to an above-average solar regime. For more information on operating segment results, please refer to the Segment Information section.

The 23% production increase over the same period last year is due mainly to the contribution of the recently commissioned or acquired facilities and to higher production at our Quebec and Ontario hydro facilities, which was partly offset by lower production at most of our British Columbia hydro facilities and to lower production at our Quebec wind farms.

The overall performance of the Corporation's facilities for the period ended September 30, 2017, demonstrates the benefits of geographic diversification and the complementarity of hydroelectric, wind and solar power generation.

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

Financial Results

	Three months ended September 30				Nine months ended September 30			
	2017		2016		2017		2016	
Revenues	108,234	100.0%	69,255	100.0%	292,290	100.0%	219,520	100.0%
Operating expenses	18,092	16.7%	12,170	17.6%	51,396	17.6%	35,785	16.3%
General and administrative expenses	4,689	4.3%	2,915	4.2%	14,024	4.8%	10,546	4.8%
Prospective project expenses	3,650	3.4%	2,994	4.3%	8,206	2.8%	7,469	3.4%
Adjusted EBITDA	81,803	75.6%	51,176	73.9%	218,664	74.8%	165,720	75.5%
Finance costs	38,007		24,923		106,368		69,025	
Other net expenses (revenues)	746		(224)		(26)		(631)	
Depreciation and amortization	33,407		23,116		94,952		64,688	
Share of (earnings) loss of joint ventures (note 1)	(394)		416		(2,931)		393	
Unrealized net loss (gain) on financial instruments	1,009		1,312		(3,596)		(2,120)	
Income taxes expenses	4,644		1,224		7,747		11,083	
Net earnings	4,384		409		16,150		23,282	
Net earnings attributable to:								
Owners of the parent	5,871		3,419		22,895		26,132	
Non-controlling interests	(1,487)		(3,010)		(6,745)		(2,850)	
	4,384		409		16,150		23,282	
Basic net earnings per share ($)	0.04		0.02		0.17		0.20	

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, 2017, the Corporation recorded revenues of $108.2 million, compared with $69.3 million for the three-month period ended September 30, 2016. This 56% increase is attributable mainly to the contribution of the Mesgi'g Ugju's'n wind farm commissioned in 2016 and of the Upper Lillooet River and Boulder Creek hydro facilities commissioned in 2017 as well as to the acquisition of the Montjean, Theil Rabier, Yonne, Rougemont 1-2, Vaite and Plan Fleury wind facilities in 2016 and 2017 in France, which was partly offset by lower production at our Quebec wind farms.

For the nine-month period ended September 30, 2017, the Corporation recorded revenues of $292.3 million, compared with $219.5 million for nine-month period ended September 30, 2016. This 33% increase is attributable mainly to the facilities commissioned in 2016 and 2017 and wind facilities acquired in 2016 and 2017 in France, which was partly offset by lower production at most of our British Columbia hydro facilities and at our Quebec wind farms.

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, 2017, the Corporation recorded operating expenses of $18.1 million and $51.4 million respectively ($12.2 million and $35.8 million in 2016). The 49% increase for the quarter and 44% increase for the nine-month period are attributable mainly to the commissioning of the Big Silver Creek hydro facility in July 2016, the Mesgi'g Ugju's'n wind farm in December 2016, the Upper Lillooet River hydro facility in March 2017 and the Boulder Creek hydro facility in May 2017 as well as to the acquisition of wind facilities in France between April 2016 and May 2017. Operating expenses for the nine-month period were also impacted by a $3.2 million aggregate payment related to water rights for 2011 and 2012 for Fire Creek, Lamont Creek, Stokke Creek, Tipella Creek and Upper Stave River, which were reassessed following the decision by the British Columbia Ministry of Forests, Lands and Natural Resource Operations to apply higher rental rates based on the facilities' combined production rather than apply lower rates for each facility based on its individual production, as had previously been the ministry's practice. The Corporation has filed an appeal of this decision with the Environmental Appeal Board. Since 2013, these facilities' water rights fees have been paid at the higher rates. A 49.99% portion of the water rights payment is allocated to the non-controlling interests.

General and administrative expenses consist primarily of salaries, professional fees and office expenses. For the three- and nine-month periods ended September 30, 2017, general and administrative expenses totalled $4.7 million and $14.0 million respectively ($2.9 million and $10.5 million in 2016). The 61% increase for the quarter and 33% increase for the nine-month period stem mainly from the greater number of facilities in operation and the opening of an office in Lyon, France.

Prospective project expenses include the costs incurred for the development of Prospective Projects. They are related to 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, 2017, prospective project expenses totalled $3.7 million ($3.0 million in 2016) and $8.2 million ($7.5 million in 2016) respectively. The 22% increase for the quarter and 10% increase for the nine-month period are mainly attributable to pursuing opportunities in new international markets, to current and future requests for proposals and expressions of interest in Canadian provinces and to the advancement of a number of prospective projects.

Adjusted EBITDA

Adjusted EBITDA, which is defined as revenues less operating expenses, general and administrative expenses and prospective project expenses, is a key performance indicator when evaluating the Corporation's financial results.

For the three- and nine-month periods ended September 30, 2017, the Corporation recorded Adjusted EBITDA of $81.8 million and $218.7 million respectively, compared with $51.2 million and $165.7 million for the same periods last year. These increases of 60% for three-month period and 32% for the nine-month period are due mainly to production and revenues from new facilities, partly offset by higher operating expenses, general and administrative expenses and prospective project expenses. The Adjusted EBITDA Margin increased from 73.9% to 75.6% for the quarter mainly due to the increase in revenues net of operating expenses. The Adjusted EBITDA Margin decreased from 75.5% to 74.8% for the nine-month period due mainly to the payment related to water rights for 2011 and 2012 in British Columbia made in the first quarter of 2017.

Finance Costs

Finance costs include interest on long-term debt and convertible debentures, inflation compensation interest, amortization of financing fees, accretion of long-term debt and convertible debentures, accretion expenses on other liabilities and other finance costs. For the three-month period ended September 30, 2017, finance costs totalled $38.0 million ($24.9 million in 2016). The increase is due mainly to expenses related to recently commissioned or acquired facilities (the Mesgi'g Ugju's'n wind farm commissioned in December 2016, Upper Lillooet River and Boulder Creek hydroelectric facilities respectively commissioned in March 2017 and May 2017 and the Montjean, Theil Rabier, Yonne, Rougemont 1-2 and Vaite wind facilities in France acquired in December 2016, February 2017 and May 2017).

For the nine-month period ended September 30, 2017, finance costs totalled $106.4 million ($69.0 million in 2016). The increase is due mainly to expenses related to the recently commissioned or acquired facilities.

The effective all-in interest rate on the Corporation's debt and convertible debentures was 4.38% as at September 30, 2017 (4.79% as at December 31, 2016).

Depreciation and Amortization

For the three- and nine-month periods ended September 30, 2017, depreciation and amortization expenses totalled $33.4 million and $95.0 million respectively ($23.1 million and $64.7 million in 2016). These increases are attributable mainly to the Mesgi’g Ugju’s’n wind farm commissioned in December 2016, to the Upper Lillooet River hydro facility commissioned in March 2017, to the Boulder Creek hydro facility commissioned in May 2017 and to the French wind farms acquired in April 2016, December 2016, February 2017 and May 2017.

Share of (Earnings) Loss of Joint Ventures

For the three- and nine-month periods ended September 30, 2017, the Corporation recorded a share of net earnings of joint ventures of $0.4 million and $2.9 million respectively (share of net loss of $0.4 million and $0.4 million in 2016). Please refer to the Investments in Joint Ventures section for more information.

Unrealized Net Loss (Gain) on Financial Instruments

Derivatives are used by the Corporation to manage its exposure to the risk of rising interest rates on its existing and upcoming debt financing and to reduce the Corporation's foreign exchange risk, thereby protecting the economic value of its projects.

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

For the three- and nine-month periods ended September 30, 2017, the Corporation recognized a $1.0 million unrealized net loss on financial instruments and a $3.6 million unrealized net gain on financial instruments respectively. The unrealized net loss for the quarter is attributable to an unrealized net loss on the foreign exchange rate swap due to an unfavourable change in the CAD-EUR foreign exchange rate and a loss on the conversion of an intragroup loan partly offset by the amortization of the accumulated losses from the period prior to using hedge accounting. The unrealized net gain for the nine-month period is due to an unrealized gain on the conversion of an intragroup loan and the amortization of the accumulated losses from the pre-hedge accounting period, partly offset by an unrealized net loss on the foreign exchange rate swap due to an unfavourable change in the CAD-EUR foreign exchange rate.

For the corresponding periods last year, the Corporation recognized an unrealized net loss on derivative financial instruments of $1.3 million and unrealized net gain of $2.1 million due mainly to variation on foreign exchange rate swap, interest rate swap and foreign exchange on intragroup loan.

For the period ended September 30, 2017, the Corporation had no Derivatives to be settled upon the closing of project financing, as all the project financings were put in place in prior periods.

Income Tax Expense

For the three-month period ended September 30, 2017, the Corporation recorded a current income tax expense of $1.8 million ($1.0 million in 2016) and a deferred income tax expense of $2.9 million (deferred income tax expense of $0.2 million in 2016). The increases in the current and deferred income tax expenses are due to the increase in earnings before income taxes and the higher income tax rate on the income earned in France.

For the nine-month period ended September 30, 2017, the Corporation recorded a current income tax expense of $3.5 million ($2.5 million in 2016) and a deferred income tax expense of $4.2 million (deferred income tax expense of $8.6 million in 2016). The $1.0 million increase in the current income tax expense is due to the higher income tax rate on the income earned in France. The $4.4 million decrease in the deferred income tax expense is due to the decrease in earnings before income taxes.

Net Earnings

For the three-month period ended September 30, 2017, the Corporation recorded net earnings of $4.4 million (basic and diluted net earnings of $0.04 per share), compared with net earnings of $0.4 million (basic and diluted net earnings of $0.02 per share) in 2016. The $4.0 million increase in net earnings is attributable mainly to the increase in revenues mainly due to the recently commissioned and acquired facilities. As a result, the $30.6 million increase in Adjusted EBITDA was partly offset by the $13.1 million increase in finance costs, the $10.3 million increase in depreciation and amortization and the $3.4 million increase in income taxes expenses.

For the nine-month period ended September 30, 2017, the Corporation recorded net earnings of $16.2 million (basic and diluted net earnings of $0.17 per share), compared with net earnings of $23.3 million (basic and diluted net earnings of $0.20 per share) in 2016. The $7.1 million decrease in net earnings is attributable mainly to this year's below-average production, compared with last year's above-average production, which explains the decrease in net earnings as opposed to the increase in revenues. As a result, the $37.3 million increase in finance costs and the $30.3 million increase in depreciation and amortization were only partly offset by the $52.9 million increase in Adjusted EBITDA, the $3.3 million decrease in income taxes expenses and the $3.3 million increase in share of earnings of joint ventures.

Main items explaining the change in net earnings for the three-month period ended September 30, 2017, compared with the net earnings for the corresponding period in 2016

Main items – Positive impact	Change	Explanation
Adjusted EBITDA	30,627	Due mainly to production and revenues from new facilities, partly offset by higher operating, general and administrative and prospective project expenses.
Main items – Negative impact	Change	Explanation
Finance costs	13,084	Due mainly to expenses related to recently commissioned or acquired facilities.
Depreciation and amortization	10,291	Due mainly to recently commissioned or acquired facilities.
Deferred income tax expense	2,664	Due to the increase in earnings before income taxes and the higher income tax rate on the income earned in France.

Main items explaining the change in net earnings for the nine-month period ended September 30, 2017, compared with the net earnings for the corresponding period in 2016		
Main items – Positive impact	Change	Explanation
Adjusted EBITDA	52,944	Due mainly to production and revenues from new facilities, partly offset by higher operating, general and administrative and prospective project expenses.
Share of (earnings) loss of joint ventures	3,324	Due mainly to unrealized net gains on financial instruments for both Umbata Falls L.P. and Viger-Denonville L.P.
Deferred income tax expense	4,364	Due to the decrease in earnings before income taxes.
Unrealized net loss (gain) on financial instruments	1,476	Due to an unrealized gain on the conversion of an intragroup loan and the amortization of the accumulated losses from the pre-hedge accounting period, partly offset by an unrealized net loss on the foreign exchange rate swap due to an unfavourable change in the CAD-EUR foreign exchange rate.
Main items – Negative impact	Change	Explanation
Finance costs	37,343	Due mainly to expenses related to the recently commissioned or acquired facilities.
Depreciation and amortization	30,264	Due mainly to the recently commissioned or acquired facilities.

Non-controlling Interests

Non-controlling interests are related to the Harrison Hydro Limited Partnership ("HHLP"), the Creek Power Inc. subsidiaries ("Creek Power"), the Mesgi'g Ugju's'n (MU) Wind Farm, L.P. ("MU"), the Innergex Europe (2015) Limited Partnership ("Innergex Europe"), the Kwoiek Creek Resources Limited Partnership ("Kwoiek"), the Magpie Limited Partnership, the Innergex Sainte-Marguerite S.E.C. entity and the Cayoose Creek Power Limited Partnership and their respective general partners. For the three-month period ended September 30, 2017, the Corporation allocated losses of $1.5 million to non-controlling interests (loss of $3.0 million in 2016) mainly due to a loss in Innergex Europe related to weaker-than-anticipated production during the period and an unrealized loss on derivative financial instruments and to a loss in HHLP, partly offset by revenues allocated to Kwoiek, Creek Power and MU during the period.

For the nine-month period ended September 30, 2017, the Corporation allocated losses of $6.7 million to non-controlling interests (loss of $2.9 million in 2016) mainly related to losses at Innergex Europe due to weak revenues and an unrealized loss on derivative financial instruments, at Creek Power due to challenging post-commissioning activities at Upper Lillooet River and at HHLP due to a payment related to water rights for 2011 and 2012, partly offset by revenues at MU.

Number of Common Shares Outstanding

Weighted average number of common shares outstanding (000s)	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Weighted average number of common shares	108,567	108,021	108,447	106,451
Effect of dilutive elements on common shares[1]	854	1,070	821	866
Diluted weighted average number of common shares	109,421	109,091	109,268	107,317

1. During the three-month period ended September 30, 2017, 2,656,851 of the 2,782,599 stock options (all of the 3,457,432 for the three-month period ended September 30, 2016) were dilutive. During the nine-month period ended September 30, 2017, 2,579,684 of the 2,782,599 stock options (3,331,684 of the 3,457,432 for the nine-month period ended September 30, 2016) were dilutive. During the three- and nine-month periods ended September 30, 2017, none of the 6,666,667 shares that can be issued on conversion of convertible debentures were dilutive (none of the 6,666,667 shares were dilutive for the same periods in 2016).

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

The Corporation's Equity Securities

As at	November 9, 2017	September 30, 2017	September 30, 2016
Number of common shares	108,664,165	108,640,790	108,116,175
Number of 4.25% convertible debentures	100,000	100,000	100,000
Number of Series A Preferred Shares	3,400,000	3,400,000	3,400,000
Number of Series C Preferred Shares	2,000,000	2,000,000	2,000,000
Number of stock options outstanding	2,782,599	2,782,599	3,457,432

As at the date of this MD&A and since September 30, 2017, the increase in the number of common shares of the Corporation is attributable to the Corporation's Dividend Reinvestment Plan ("DRIP").

As at September 30, 2017, the increase in the number of common shares since September 30, 2016, is attributable mainly to the issuance of 121,378 shares following the exercise of stock options and to 403,237 shares related to the DRIP.

LIQUIDITY AND CAPITAL RESOURCES

For the nine-month period ended September 30, 2017, the Corporation generated cash flows from operating activities of $109.8 million, compared with cash flows of $104.7 million for the same period last year. During this nine-month period, the Corporation generated funds from financing activities of $119.0 million and used funds for investing activities of $212.8 million, mainly to pay for the acquisition of the Yonne, Rougemont 1-2, Vaite, Plan Fleury and Les Renardières wind farms and the construction of Upper Lillooet River, Boulder Creek, Rougemont 1-2 and Vaite facilities, partly offset by a decrease in restricted cash and short-term investments. As at September 30, 2017, the Corporation had cash and cash equivalents amounting to $71.2 million, compared with $56.2 million as at December 31, 2016.

Cash Flows from Operating Activities

For the nine-month period ended September 30, 2017, cash flows generated by operating activities totalled $109.8 million ($104.7 million generation in 2016). The $5.1 million increase is attributable to a $52.9 million increase in Adjusted EBITDA, partly offset by a $31.1 million increase in interest paid and a $14.6 million increase in non-cash operating working capital items.

Cash Flows from Financing Activities

For the nine-month period ended September 30, 2017, cash flows generated by financing activities totalled $119.0 million (compared with $147.9 million generated in 2016). The cash flows from the financing activities are attributable mainly to a $161.2 million net increase in long-term debt partly offset by the payment of $52.8 million in dividends.

The $161.2 million net increase in long-term debt is attributable mainly to the issuance of debentures carrying an 8.0% interest rate to Desjardins for its investment in the acquisitions of the Yonne, Rougemont 1-2, Vaite, Plan Fleury and Les Renardières facilities, to drawings made on the revolving credit facility related to same facility acquisitions, to drawings made on Mesgi'g Ugju's'n project financing and to the raising of subordinated debt from a French infrastructure fund via the French subsidiaries, which funds were used to finance a portion of the acquisition of the Yonne facility in France in February 2017. The subordinated loan carries an interest rate of 7.25% and has an eight-year tenor; its principal will be reimbursed at maturity.

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

Use of Financing Proceeds	Nine months ended September 30	
	2017	2016
Proceeds from issuance of long-term debt (including revolving credit facility)	516,072	642,267
Repayment of long-term debt (including revolving credit facility)	(354,071)	(493,007)
Payment of deferred financing costs	(845)	(2,171)
Subtotal: net increase in long-term debt	161,156	147,089
Proceeds from issuance of common shares	—	50,000
Proceeds from exercise of share options	—	1,034
Investments from non-controlling interests	16,842	6,392
Generation of financing proceeds	177,998	204,515
Business acquisitions	(153,673)	(102,795)
Decrease of restricted cash and short-term investments	29,081	186,441
Net funds withdrawn from the reserve accounts	127	246
Additions to property, plant and equipment	(93,727)	(323,407)
Reductions of (additions to) other long-term assets	22	(14,668)
Net use of financing proceeds	(218,170)	(254,183)
Reduction in working capital	(40,172)	(49,668)

During the nine-month period ended September 30, 2017, the Corporation borrowed a net amount of $161.2 million and Desjardins Group Pension Plan invested $16.8 million in equity, mainly to pay for the acquisition of the Yonne, Rougemont 1-2, Vaite, Les Renardières and Plan Fleury wind facilities in February, May and August 2017. The net amount borrowed was also used for the construction of the Mesgi'g Ugju's'n facility. The Corporation used $29.1 million in restricted cash mainly to continue construction of the Upper Lillooet River, Boulder Creek, Plan Fleury and Les Renardières facilities, which was partly offset by addition of proceeds received from the Mesgi'g Ugju's'n project debt.

Cash Flows from Investing Activities

For the nine-month period ended September 30, 2017, cash flows used by investing activities amounted to $212.8 million ($242.3 million in 2016). During the period, the main investing activities impacting cash flows were as follows: additions to property, plant and equipment accounted for a $93.7 million outflow ($323.4 million outflow in 2016); fluctuations in restricted cash and short-term investments accounted for a $29.1 million inflow ($186.4 million inflow in 2016); reductions to other long-term assets accounted for a small inflow (additions to other long-term assets for a $14.7 million outflow in 2016); and business acquisitions accounted for a $153.7 million outflow ($102.8 million outflow in 2016) for the acquisition of the Yonne, Rougemont 1-2, Vaite, Les Renardières and Plan Fleury facilities in February, May and August 2017.

Cash and Cash Equivalents

As at September 30, 2017, the Corporation had cash and cash equivalents amounting to $71.2 million ($56.2 million as at December 31, 2016). For the nine-month period ended September 30, 2017, cash and cash equivalents increased by $14.9 million (increased by $8.5 million in 2016) as a net result of its operating, financing and investing activities.

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

DIVIDENDS

The following dividends were declared by the Corporation:

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Dividends declared on common shares[1]	17,926	17,276	53,701	51,215
Dividends declared on common shares ($/share)	0.165	0.160	0.495	0.480
Dividends declared on Series A Preferred Shares	767	767	2,300	2,300
Dividends declared on Series A Preferred Shares ($/share)	0.2255	0.2255	0.6765	0.6765
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 to the increase in annual dividend, the issuance of 3,906,250 shares to three Desjardins Group-affiliated entities under a private placement of Innergex common shares in April 2016, to the issuance of shares following the exercise of stock options and to the issuance of shares under the DRIP.

The following dividends will be paid by the Corporation on January 15, 2018:

Date of announcement	Record date	Payment date	Dividend per common share ($)	Dividend per Series A Preferred Share ($)	Dividend per Series C Preferred Share ($)
11/09/2017	12/29/2017	1/15/2018	0.1650	0.2255	0.359375

On February 23, 2017, the Board of Directors increased the quarterly dividend from $0.160 to $0.165 per common share, corresponding to an annual dividend of $0.66 per common share.

FINANCIAL POSITION

As at September 30, 2017, the Corporation had $4,265 million in total assets, $3,794 million in total liabilities, including $3,212 million in long-term debt, and $470.7 million in shareholders' equity. The Corporation also had a working capital ratio of 1.06:1.00 (1.14:1.00 as at December 31, 2016). In addition to cash and cash equivalents amounting to $71.2 million, the Corporation had restricted cash and short-term investments of $99.3 million and reserve accounts of $49.6 million. The explanations below highlight the most significant changes in the statement of financial position items during the nine-month period ended September 30, 2017.

Assets

Highlights of significant changes in total assets during the nine-month period ended September 30, 2017

- A $473.5 million increase in property, plant and equipment, due mainly to the acquisition of the wind facilities in France in 2017 and the construction of the Upper Lillooet River and Boulder Creek facilities, partly offset by the depreciation for the period;
- A $135.5 million increase in intangible assets, due to the acquisition of the wind facilities in France in 2017, partly offset by the amortization for the period.

Working Capital Items

Working capital was positive at $17.6 million, as at September 30, 2017, with a working capital ratio of 1.06:1.00. As at December 31, 2016, working capital was positive at $31.9 million, with a working capital ratio of 1.14:1.00. The decrease in the working capital ratio is due to current portion of long-term debt related mainly to the Mesgi'g Ugju's'n facility and the recently acquired facilities and higher accounts payable, partly offset by higher cash and cash equivalents, higher accounts receivable and higher restricted cash and short-term investments.

The Corporation considers its current level of working capital to be sufficient to meet its needs. The Corporation can also use its $475.0 million revolving term credit facility if necessary. As at September 30, 2017, the Corporation had $425.0 million in revolving term credit facility and had drawn $278.2 million and US$13.9 million as cash advances, while $37.7 million had been used for issuing letters of credit, leaving $91.9 million available.

Cash and cash equivalents amounted to $71.2 million as at September 30, 2017, compared with $56.2 million as at December 31, 2016. The increase stems from a greater number of facilities in operation and from the cash acquired with the Yonne, Plan Fleury and Les Renardières facilities in 2017.

Restricted cash and short-term investments amounted to $99.3 million as at September 30, 2017, compared with $89.7 million as at December 31, 2016. The increase stems mainly from the cash cumulated and not distributed since the commissioning of the Mesgi'g Ugju's'n, Upper Lillooet River and Boulder Creek facilities, as the non-recourse construction and term project financings are not converted into term loans and from the restricted cash acquired with Rougemont 1-2, Vaite, Plan Fleury and Les Renardières facilities, partly offset by the amounts used to pay for construction of the Upper Lillooet River and Boulder Creek facilities and by the cash released upon the conversion of the Big Silver Creek non-recourse construction and term project financing into a term loan.

Accounts receivable increased from $98.8 million to $128.5 million between December 31, 2016, and September 30, 2017, due mainly to the commissioning of the Upper Lillooet River and Boulder Creek hydro facilities and to the acquisition of the Yonne, Rougemont 1-2, Vaite, Plan Fleury and Les Renardières wind facilities.

Accounts payable and other payables from December 31, 2016, to September 30, 2017, increased from $85.9 million to $106.8 million, due mainly to the accounts payable acquired with the Yonne, Rougemont 1-2, Vaite, Plan Fleury and Les Renardières facilities and to the construction costs for Mesgi'g Ugju's'n, partly offset by payment of construction costs related to the Montjean, Theil Rabier, Upper Lillooet River and Boulder Creek facilities.

Current portion of long-term debt amounted to $149.7 million as at September 30, 2017, compared with $99.4 million as at December 31, 2016. The increase stems mainly from the portion of the Mesgi'g Ugju's'n facility's debt payable in the short-term and its substation loan as well as from the acquisition of the Montjean, Theil Rabier, Yonne, Rougemont 1-2, Vaite, Plan Fleury and Les Renardières facilities. The substation loan, in the amount of $49.3 million, will be completely repaid out of the accounts receivable from Hydro-Québec for the Mesgi'g Ugju's'n substation reimbursement.

Reserve Accounts

Reserve accounts consist of a hydrology/wind reserve, which was 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 regimes and to other unpredictable events, and a major maintenance reserve, which was established in order to prefund any major plant repairs that may be required to maintain the Corporation's generating capacity. The Corporation had $49.6 million in long-term reserve accounts as at September 30, 2017, compared with $49.5 million as at December 31, 2016. The increase is mainly due to mandatory investments during the period, partly offset by drawings on reserve accounts.

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

Property, Plant and Equipment

*Property, plant and equipmen*t are comprised mainly of hydroelectric facilities, wind farms and a solar farm that are either in operation or under construction. As at September 30, 2017, the Corporation had $3,173 million in property, plant and equipment, compared with $2,700 million as at December 31, 2016. The increase stems mainly from the acquisition of the Yonne, Rougemont 1-2, Vaite, Plan Fleury and Les Renardières facilities in 2017 and the construction of the Upper Lillooet River and Boulder Creek facilities, partly offset by the depreciation for the period.

Intangible Assets

Intangible assets consist of various power purchase agreements, permits and licenses. The Corporation had $680.3 million in intangible assets as at September 30, 2017, compared with $544.9 million as at December 31, 2016. The increase is due mainly to the acquisition of the Yonne, Rougemont 1-2 , Vaite, Plan Fleury and Les Renardières facilities, partly offset by the amortization.

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 exchange rate fluctuations on the future repatriation of cash flows from its French operations. The Corporation does not own or issue any Derivatives for speculation purposes.

Interest rate swap contracts allow the Corporation to eliminate the risk of interest rate increases on actual floating-rate debts. These totalled $958.5 million as at September 30, 2017.

Overall, Derivatives had a net negative value of $55.7 million at September 30, 2017 (net negative value of $60.1 million at December 31, 2016). The decrease in negative value is due mainly to the unrealized net gain recognized in the period, partly offset by the negative value of the Derivatives acquired with the 2017 acquisitions.

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. As at September 30, 2017, accrual for acquisition of long-term assets was nil ($37.4 million as at December 31, 2016). The $37.4 million decrease results mainly from payments made in relation to the Mesgi'g Ugju's'n facility and the Montjean and Theil Rabier facilities acquired in December 2016, for which drawings were made from the long-term financing in place.

Long-Term Debt

As at September 30, 2017, long-term debt totalled $3,212 million ($2,607 million as at December 31, 2016). The $605.7 million increase results mainly from the addition of the Yonne, Rougemont 1-2, Vaite, Plan Fleury and Les Renardières facilities, additional drawings on Innergex's credit facility and the Mesgi'g Ugju's'n, Theil Rabier and Montjean financings, the issuance of debentures carrying an 8.0% interest rate to Desjardins for its investment in the acquisition of the Yonne, Rougemont 1-2, Vaite, Plan Fleury and Les Renardières facilities and the addition of the subordinated debt financing for two of the French subsidiaries, partly offset by the scheduled repayment of project-level debts.

On February 21, 2017, Innergex executed a Fifth Amended and Restated Credit Agreement of its existing $425 million revolving credit facility. These amendments increase the Corporation's flexibility in borrowing euros through EURIBOR loans. The Corporation also extended its revolving term from 2020 to 2021 to provide greater financing flexibility. Moreover, a Letter of Credit Facility of up to $15 million guaranteed by Export Development Canada (EDC) was added and put in place.

On October 31, 2017, Innergex increased its revolving credit facility by $50 million and added a new lender to the syndicate of lenders. It also extended the maturity of its revolving facility from December 2021 to December 2022 to provide greater financing flexibility. The revolving credit facility now stands at $475 million.

As at September 30, 2017, 93% of the Corporation's outstanding debt, including convertible debentures, was fixed or hedged against interest rate movements (99% as at December 31, 2016).

Since the beginning of the 2017 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.

Other Liabilities

Other liabilities, including amounts shown in current liabilities, consist of contingent considerations, asset retirement obligations, various liabilities related to future ownership rights owned by First Nations and interest payable on Innergex Sainte-Marguerite, S.E.C. debenture relating to the Corporation's facilities. As at September 30, 2017, other liabilities was $58.5 million ($27.5 million in 2016). The increase is mostly attributable to the $20.8 million actualized liabilities related to future ownership rights owned by First Nations for the Upper Lillooet River, Boulder Creek, Big Silver Creek and Tretheway Creek facilities.

Shareholders' Equity

As at September 30, 2017, the Corporation's shareholders' equity totalled $470.7 million, including $20.0 million of non-controlling interests, compared with $485.2 million as at December 31, 2016, and which included $14.7 million of non-controlling interests. This $14.6 million decrease in total shareholders' equity is attributable mainly to $58.2 million in dividends declared on common and preferred shares, partly offset by the recognition of $16.2 million in net earnings, the recognition of other items of comprehensive income totaling $12.2 million, a $10.8 million net investment of non-controlling interest and $4.8 million in shares issued under the DRIP.

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

Off-Balance-Sheet Arrangements

As at September 30, 2017, the Corporation had issued letters of credit totaling $94.7 million to meet its obligations under its various PPAs and other agreements. Of this amount, $37.7 million was issued under its revolving term credit facility, for the most part on a temporary basis during the construction of the Upper Lillooet River and Boulder Creek facilities which ended recently, with the remainder being issued under the projects' non-recourse credit facilities. As at that date, Innergex had also issued a total of $29.8 million in corporate guarantees used mainly to support the performance of the Brown Lake and Miller Creek hydroelectric facilities and the construction of the Mesgi'g Ugju's'n facility and to guarantee the long-term currency hedging instruments of its European operations.

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	
	2017	2016
Cash flows from operating activities	80,801	110,026
Add (Subtract) the following items:		
Changes in non-cash operating working capital items	71,215	22,767
Maintenance capital expenditures net of proceeds from disposals	(2,414)	(3,920)
Scheduled debt principal payments	(48,219)	(43,028)
Free Cash Flow attributed to non-controlling interests[1]	(9,888)	(6,137)
Dividends declared on Preferred shares	(5,942)	(6,238)
Adjust for the following elements:		
Transaction costs related to realized acquisitions	3,336	2,377
Free Cash Flow	88,889	75,847
Dividends declared on common shares	71,010	67,326
Payout Ratio - before the impact of the DRIP	80%	89%
Dividends declared on common shares and paid in cash[2]	65,875	64,116
Payout Ratio - after the impact of the DRIP	74%	85%

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. 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.

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

For the trailing twelve-month period ended September 30, 2017, the Corporation generated Free Cash Flow of $88.9 million, compared with $75.8 million for the corresponding period last year. Despite lower cash flows from operating activities, the increase in Free Cash Flow is due mainly to higher changes in non-cash operating working capital items, partly offset by greater scheduled debt principal payments and higher free cash flows attributed to non-controlling interests.

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 twelve-month period ended September 30, 2017, the dividends on common shares declared by the Corporation amounted to 80% of Free Cash Flow, compared with 89% for the corresponding period last year. This positive change results mainly from the recent commissioning of the Mesgi'g Ugju's'n, Upper Lillooet River and Boulder Creek facilities which generated higher Free Cash Flow, partly offset by the increase in annual dividend, higher dividend payments as a result of a higher number of common shares outstanding due to the issuance of 3,906,250 shares to three Desjardins Group-affiliated entities under a private placement of Innergex common shares in April 2016 and to additional shares following the exercise of stock options and issued under the DRIP.

The Payout Ratio reflects the Corporation's decision to invest yearly 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 twelve-month period ended September 30, 2017, the Corporation incurred prospective project expenses of $11.0 million, compared with $10.5 million for the corresponding period last year. This 5% increase is attributable mainly 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 have been approximately 9% points lower for the 12-month period ended September 30, 2017, and approximately 11% points lower for the prior 12-month period.

Furthermore, the Corporation does not expect to require additional equity in order to complete its Rougemont-2 and Les Renardières projects under construction, given the anticipated increase in cash flows from operations, the project-level financing secured for the project and the additional equity provided by the DRIP.

SEGMENT INFORMATION

Geographic Segments

As at September 30, 2017, the Corporation had interests in 30 hydroelectric facilities, seven wind farms and one solar farm in Canada, 13 wind farms in Europe and one hydroelectric facility in the United States. The Corporation operates in three principal geographical areas, which are detailed below.

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Revenues				
Canada	94,788	65,206	259,142	210,335
Europe	11,771	2,400	30,097	5,212
United States	1,675	1,649	3,051	3,973
	108,234	69,255	292,290	219,520

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

As at	September 30, 2017	December 31, 2016
Non-current assets, excluding derivatives financial instruments and deferred tax assets		
Canada	2,990,503	3,005,720
Europe	930,733	318,924
United States	6,698	7,365
	3,927,934	3,332,009

Canada

For the three- and nine-month periods ended September 30, 2017, the Corporation recorded revenues in Canada of $94.8 million and $259.1 million respectively, compared with $65.2 million and $210.3 million last year. The increases in Canadian revenues are attributable mainly to the contribution of the recently commissioned facilities, namely the Big Silver Creek hydro facility commissioned in July 2016, the Mesgi'g Ugju's'n wind farm commissioned in December 2016, the Upper Lillooet River hydro facility commissioned in March 2017 and the Boulder Creek hydro facility commissioned in May 2017, which were partly offset by lower revenues from the Quebec wind farms. Revenues for the nine-month period were also impacted by lower revenues from the British Columbia hydro facilities.

For the period ended September 30, 2017, the decrease in non-current assets, excluding derivative financial instruments and deferred income tax assets in Canada, stems mainly from amortization and depreciation, partly offset by the construction of the Mesgi'g Ugju's'n, Upper Lillooet River and Boulder Creek facilities.

Europe

For the three- and nine-month periods ended September 30, 2017, the Corporation recorded revenues in Europe of $11.8 million and $30.1 million respectively, compared with $2.4 million and $5.2 million for each period last year. The increases in European revenues are attributable mainly to the Montjean and Theil Rabier facilities acquired on December 22, 2016, the Yonne facility acquired on February 21, 2017, the Rougemont 1-2 and Vaite facilities acquired on May 24, 2017, and Plan Fleury acquired on August 25, 2017. The increase in revenues for the nine-month period ended September 30, 2017, was also due to the acquisition of seven wind farms in France on April 15, 2016.

For the period ended September 30, 2017, the increase in non-current assets, excluding derivative financial instruments and deferred income tax assets in Europe, stems from the wind facilities acquired in France between February and August 2017.

United States

For the three- and nine-month periods ended September 30, 2017, the Corporation recorded revenues in the United States of $1.7 million and $3.1 million respectively, compared with $1.6 million and $4.0 million last year. The increase in United States revenues for the quarter is attributable to slightly higher water flows compared with the same quarter last year. The decrease in revenues for the nine-month period can mainly be explained by a voluntary limitation in production of the Horseshoe Bend hydro facility in the second quarter due to unusually high volumes of water; this prevented sand accumulation in the canal, which can damage the facility and be more costly to remove.

For the period ended September 30, 2017, the decrease in non-current assets stems mainly from depreciation.

Operating Segments

As at September 30, 2017, the Corporation had four operating segments: hydroelectric generation, wind power generation, solar power generation and site development. For the segment descriptions, please refer to the Operating Segments section of the Corporation's Financial Review at December 31, 2016.

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

SUMMARY OPERATING RESULTS Three months ended September 30, 2017	Hydroelectric Generation	Wind Power Generation	Solar Power Generation	Site Development	Total
Power generated (MWh)	931,281	289,720	14,342	7,756	1,243,099
Revenues	72,055	29,177	6,023	979	108,234
Expenses:					
Operating expenses	11,029	6,495	176	392	18,092
General and administrative expenses	2,613	1,961	33	82	4,689
Prospective project expenses	—	—	—	3,650	3,650
Adjusted EBITDA	58,413	20,721	5,814	(3,145)	81,803
Three months ended September 30, 2016					
Power generated (MWh)	672,950	144,970	13,920	—	831,840
Revenues	50,954	12,455	5,846	—	69,255
Expenses:					
Operating expenses	8,410	3,597	163	—	12,170
General and administrative expenses	1,714	797	29	375	2,915
Prospective project expenses	—	—	—	2,994	2,994
Adjusted EBITDA	40,830	8,061	5,654	(3,369)	51,176

SUMMARY OPERATING RESULTS Nine months ended September 30, 2017	Hydroelectric Generation	Wind Power Generation	Solar Power Generation	Site Development	Total
Power generated (MWh)	2,266,522	975,821	34,501	11,307	3,288,151
Revenues	180,589	95,846	14,490	1,365	292,290
Expenses:					
Operating expenses	32,510	17,788	520	578	51,396
General and administrative expenses	8,123	5,321	121	459	14,024
Prospective project expenses	—	—	—	8,206	8,206
Adjusted EBITDA	139,956	72,737	13,849	(7,878)	218,664
Nine months ended September 30, 2016					
Power generated (MWh)	2,108,847	527,670	36,161	—	2,672,678
Revenues	160,138	44,194	15,188	—	219,520
Expenses:					
Operating expenses	26,194	9,070	521	—	35,785
General and administrative expenses	5,698	2,948	109	1,791	10,546
Prospective project expenses	—	—	—	7,469	7,469
Adjusted EBITDA	128,246	32,176	14,558	(9,260)	165,720

FINANCIAL POSITION As at September 30, 2017	Hydroelectric Generation	Wind Power Generation	Solar Power Generation	Site Development	Total
Goodwill	8,269	—	—	—	8,269
Total assets	2,459,942	1,497,833	103,964	203,094	4,264,833
Total liabilities	2,130,664	1,403,378	107,071	153,062	3,794,175
Acquisition of property, plant and equipment during the period	28,327	346,001	12	162,101	536,441
As at December 31, 2016					
Goodwill	8,269	—	—	—	8,269
Total assets	1,993,033	1,003,964	108,231	498,976	3,604,204
Total liabilities	1,537,791	847,148	113,538	620,495	3,118,972
Acquisition of property, plant and equipment during the year	3,420	219,813	11	369,723	592,967

Hydroelectric Generation Segment

For the three-month period ended September 30, 2017, this segment produced 93% of the LTA and generated revenues of $72.1 million compared with production at 87% of the LTA and revenues of $51.0 million last year. The 41% increase in revenues in this segment is due mainly to the contribution of the Big Silver Creek, Upper Lillooet River and Boulder Creek hydroelectric facilities, which began commercial operation in July 2016, March 2017 and May 2017 respectively, and to higher production at most of our hydro facilities.

For the nine-month period ended September 30, 2017, this segment produced 94% of the LTA and generated revenues of $180.6 million compared with production at 107% of the LTA and revenues of $160.1 million last year. The 13% increase in revenues compared with last year is due mainly to the contribution of the Big Silver Creek, Upper Lillooet River and Boulder Creek hydroelectric facilities commissioned between July 2016 and May 2017, partly offset by lower production at most of our British Columbia hydro facilities. Expenses in the period were higher due mainly to a greater number of facilities in operation and a $3.2 million aggregate payment related to water rights for 2011 and 2012 for Fire Creek, Lamont Creek, Stokke Creek, Tipella Creek and Upper Stave River, which were reassessed following the decision by the British Columbia Ministry of Forests, Lands and Natural Resource Operations to apply higher rental rates based on the facilities' combined production rather than applying lower rates for each facility based on its individual production, as had previously been the ministry's practice. Since 2013, the facilities' water rights fees have been paid at the higher rates. A 49.99% portion of the water rights payment is allocated to the non-controlling interests.

The increase in total assets since December 31, 2016, stems mainly from the Upper Lillooet River and Boulder Creek hydroelectric projects being transferred from the Site Development Segment to the Hydroelectric Generation Segment following their commissioning in March and May 2017 respectively, which was partly offset by depreciation of property, plant and equipment and amortization of intangible assets.

The increase in total liabilities since December 31, 2016, is attributable mainly to the transfer of the project financing of the Upper Lillooet River and Boulder Creek projects from the Site Development Segment to the Hydroelectric Generation Segment following their commissioning, which was partly offset by the scheduled repayment of long-term debt.

Wind Power Generation Segment

For the three-month period ended September 30, 2017, this segment produced 83% of the LTA and generated revenues of $29.2 million compared with production at 102% of the LTA and revenues of $12.5 million for the same period last year. The decrease in the percentage of the LTA is due mainly to the lower wind regimes in Quebec and in France and to post-commissioning activities at the Mesgi'g Ugju's'n facility. The revenues increased due mainly to the commissioning of the Mesgi'g Ugju's'n wind farm and to the Montjean, Theil Rabier, Yonne, Rougemont 1-2, Vaite and Plan Fleury wind facilities acquired in December 2016, February 2017, May 2017 and August 2017.

For the nine-month period ended September 30, 2017, this segment produced 83% of the LTA and generated revenues of $95.8 million compared with production at 100% of the LTA and revenues of $44.2 million for the same period last year. The decrease in the percentage of the LTA is due mainly to the lower wind regimes in Quebec and post-commissioning activities at the Mesgi'g Ugju's'n facility. The revenues increased due mainly to the commissioning of the Mesgi'g Ugju's'n wind farm and to the wind facilities acquired in France in 2016 and 2017.

The increase in total assets since December 31, 2016, is mainly attributable to the acquisition of the Yonne, Rougemont 1, Vaite and Plan Fleury facilities in February, May and August 2017 respectively and to the cash cumulated and not distributed since the commissioning of the Mesgi'g Ugju's'n, as the non-recourse construction and term project financing has not been converted into a term loan. The increase was partly offset by depreciation of property, plant and equipment and amortization of intangible assets.

The increase in total liabilities since December 31, 2016, is attributable mainly to the acquisition of the Yonne, Rougemont 1, Vaite and Plan Fleury facilities in February, May and August 2017, which was partly offset by the scheduled repayment of long-term debt.

Solar Power Generation Segment

For the three-month period ended September 30, 2017, this segment produced 115% of the LTA and generated revenues of $6.0 million compared with production at 111% of the LTA and revenues of $5.8 million for the same period last year. The increase in revenues can be explained by higher solar irradiation than last year.

For the nine-month period ended September 30, 2017, this segment produced 108% of the LTA and generated revenues of $14.5 million compared with production at 112% of the LTA and revenues of $15.2 million for the same period last year. The decrease in revenues can be explained by lower solar irradiation than last year.

The decrease in total assets since December 31, 2016, results mainly from depreciation of property, plant and equipment and from amortization of intangible assets.

The decrease in total liabilities since December 31, 2016, results mainly from the scheduled repayment of long-term debt.

Site Development Segment

For the three- and nine-month periods ended September 30, 2017, site development net expenses were $3.1 million and $7.9 million respectively, compared with $3.4 million and $9.3 million in 2016. These decreases stem partly from more time and effort being devoted to closing the Yonne, Rougemont 1-2, Vaite, Plan Fleury and Les Renardières acquisitions and from their costs being classified as transaction costs upon closing. Production and revenues recorded in the three- and nine-month periods ended September 30, 2017 result from the commissioning of eight turbines from Rougemont-2, a project under construction which is expected to reach full commissioning in the fourth quarter of 2017.

The decrease in total assets since December 31, 2016, stems mainly from the Upper Lillooet River and Boulder Creek projects being transferred from the Site Development Segment to the Hydroelectric Generation Segment following their commissioning in March and May 2017, partly offset by the addition of the Rougemont-2 and Les Renardières wind projects acquired in May and August 2017.

Since December 31, 2016, the decrease in total liabilities is mainly due to the transfer of the Upper Lillooet River and Boulder Creek projects from the Site Development Segment to the Hydroelectric Generation Segment following their commissioning in March and May 2017, partly offset by the addition of the Rougemont-2 and Les Renardières wind projects acquired in May and August 2017.

QUARTERLY FINANCIAL INFORMATION

	Three months ended			
(in millions of dollars, unless otherwise stated)	Sept. 30, 2017	June 30, 2017	Mar. 31, 2017	Dec. 31, 2016
Power generated (MWh)	1,243,099	1,322,781	722,273	848,967
Revenues	108.2	109.5	74.5	73.3
Adjusted EBITDA	81.8	85.9	50.9	50.3
Realized and unrealized net (loss) gain on financial instruments	(1.0)	(0.5)	5.1	2.2
Impairment of project development costs	—	—	—	—
Net earnings (loss)	4.4	14.1	(2.3)	8.8
Net earnings attributable to owners of the parent	5.9	14.6	2.5	9.8
Net earnings attributable to owners of the parent ($ per share – basic and diluted)	0.04	0.12	0.01	0.08
Dividends declared on preferred shares	1.5	1.5	1.5	1.5
Dividends declared on common shares	17.9	17.9	17.9	17.3
Dividends declared on common shares, $ per share	0.165	0.165	0.165	0.160

	Three months ended			
(in millions of dollars, unless otherwise stated)	Sept. 30, 2016	June 30, 2016	Mar. 31, 2016	Dec. 31, 2015
Power generated (MWh)	831,840	1,176,451	664,387	647,062
Revenues	69.3	87.8	62.5	56.3
Adjusted EBITDA	51.2	66.9	47.7	38.8
Realized and unrealized net (loss) gain on financial instruments	(1.3)	2.2	1.3	2.0
Impairment of project development costs	—	—	—	(51.7)
Net earnings (loss)	0.4	15.7	7.2	(34.4)
Net earnings (loss) attributable to owners of the parent	3.4	14.4	8.3	(30.6)
Net earnings (loss) attributable to owners of the parent ($ per share – basic and diluted)	0.02	0.12	0.07	(0.31)
Dividends declared on preferred shares	1.5	1.5	1.5	1.8
Dividends declared on common shares	17.3	17.3	16.6	16.1
Dividends declared on common shares, $ per share	0.160	0.160	0.160	0.155

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 61% 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 factors responsible for the largest fluctuations in net earnings (loss) are the impairment of project development costs and the unrealized and realized gains (losses) on financial instruments arising from the increase (decrease) in benchmark interest rates, and foreign exchange fluctuations. Historical analysis of net earnings (losses) should take these factors into account. It should be borne in mind that the unrealized changes in market value of derivative financial instruments result from interest rate fluctuations and foreign exchange fluctuations and do not have an impact on the Corporation's Adjusted EBITDA, finance costs, cash flows from operating activities, Free Cash Flow or Payout Ratio.

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	2017			2016		
	Production (MWh)[1]	LTA (MWh)[1]	Production as a % of LTA	Production (MWh)[1]	LTA (MWh)[1]	Production as a % of LTA
Umbata Falls	14,164	21,314	66%	14,234	21,314	67%
Viger-Denonville	14,175	16,350	87%	12,924	16,350	79%

1. Corresponds to 100% of the facility's electricity production and LTA.

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

Nine months ended September 30	2017			2016		
	Production (MWh)[1]	LTA (MWh)[1]	Production as a % of LTA	Production (MWh)[1]	LTA (MWh)[1]	Production as a % of LTA
Umbata Falls	91,282	76,064	120%	83,627	76,064	110%
Viger-Denonville	49,179	52,100	94%	49,556	52,100	95%

1. Corresponds to 100% of the facility's electricity production and LTA.

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	
	2017	2016	2017	2016
Revenues	1,205	1,208	7,771	7,102
Operating and general and administrative expenses	225	243	676	708
Adjusted EBITDA	980	965	7,095	6,394
Finance costs	597	626	1,805	1,890
Other net revenues	(12)	(8)	(30)	(24)
Depreciation and amortization	1,004	1,004	3,013	3,013
Unrealized net (gain) loss on financial instruments	(1,080)	193	(1,859)	2,316
Net earnings (loss) and comprehensive income (loss)	471	(850)	4,166	(801)

For the three- and nine-month periods ended September 30, 2017, production was 66% and 120% of the LTA respectively. The quarter was impacted by maintenance activities in the tunnel, which caused the plant to cease operations for three weeks. Above-average water flows were recorded during the nine-month period.

The increase in Adjusted EBITDA for the three-month period ended September 30, 2017, is due mainly to lower operating and general and administrative expenses in the periods. The increase in Adjusted EBITDA for the nine-month period is attributable to higher production levels and revenues compared with the same period last year.

For the three- and nine-month periods ended September 30, 2017, Umbata Falls L.P. recorded net earnings and comprehensive income of $0.5 million and $4.2 million respectively, compared with $0.9 million and $0.8 million in net loss and comprehensive loss for the same period last year. The increases reflect the impact of an unrealized net gain on financial instruments as opposed to a net loss for the same period last year.

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

As at	September 30, 2017	December 31, 2016
Current assets	1,246	2,090
Non-current assets	61,818	64,647
	63,064	66,737
Current liabilities	2,706	3,033
Non-current liabilities	42,189	46,173
Partners' equity	18,169	17,531
	63,064	66,737

As at September 30, 2017, the increase in partners' equity stems from the recognition of $4.2 million in net earnings and comprehensive income, partly offset by a $1.7 million distribution to the partners. To manage its exposure to the risk of increasing interest rates on its debt financing, Umbata Falls, L.P. uses a derivative financial instrument but does not own or issue any derivative financial instruments for speculation purposes. An amortizing interest-rate swap totaling $42.0 million used to hedge the interest rate on the Umbata Falls loan had a net negative value of $5.7 million at September 30, 2017 (negative value of $7.6 million at December 31, 2016).

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

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	
	2017	2016	2017	2016
Revenues	2,125	1,932	7,372	7,407
Operating and general and administrative expenses	428	415	1,375	1,356
Adjusted EBITDA	1,697	1,517	5,997	6,051
Finance costs	858	908	2,599	2,744
Other net revenues	(10)	(11)	(27)	(22)
Depreciation and amortization	730	731	2,189	2,192
Unrealized net gain on financial instruments	(209)	(167)	(544)	(456)
Net earnings	328	56	1,780	1,593
Other comprehensive income (loss)	877	(228)	1,395	(2,448)
Total other comprehensive income (loss)	1,205	(172)	3,175	(855)

For the three- and nine-month periods ended September 30, 2017, production was 87% and 94% of the LTA due mainly to below-average wind regime.

For the three-month period ended September 30, 2017, the Adjusted EBITDA increased due mainly to higher revenues compared with the same period last year. For the nine-month period ended September 30, 2017, the Adjusted EBITDA decreased due mainly to slightly lower production levels and revenues than for the same period last year.

For the three- and nine-month periods ended on September 30, 2017, the increases in net earnings compared with the same period last year are due mainly to lower finance costs and a higher unrealized net gain on financial instruments.

For the three- and nine-month periods ended on September 30, 2017, the increases in other comprehensive income are mainly attributable to unrealized net gains on financial instruments.

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

As at	September 30, 2017	December 31, 2016
Current assets	1,951	2,249
Non-current assets	54,413	56,583
	56,364	58,832
Current liabilities	4,188	4,375
Non-current liabilities	50,672	54,223
Partners' equity	1,504	234
	56,364	58,832

As at September 30, 2017, the increase in partners' equity stems mainly from the recognition of $3.2 million in net earnings and other comprehensive income, partly offset by a $0.9 million distribution to the partners. 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 derivative financial instruments for speculation purposes. An amortizing interest-rate swap totaling $49.8 million used to hedge the interest rate of the Viger-Denonville loan had a net negative value of $3.6 million at September 30, 2017 (negative $5.5 million at December 31, 2016).

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

NON-WHOLLY OWNED SUBSIDIARIES

Montjean, Theil Rabier, Yonne, Rougemont 1-2, Vaite, Plan Fleury and Les Renardières facilities

The following figures are excluded from the Corporation's control policies and procedures, as stated in the Establishment and Maintenance of DC&P and ICFR section of this MD&A.

Summary financial information about the Montjean, Theil Rabier, Yonne, Rougemont 1-2, Vaite, Plan Fleury and Les Renardières is set out below:

Summary Statements of Earnings and Comprehensive Income – Montjean, Theil Rabier

	Three months ended September 30, 2017	Nine months ended September 30, 2017
Revenues	1,358	5,322
Adjusted EBITDA	920	3,994
Net earnings[1]	1,332	505
Other comprehensive income	6	12
Total comprehensive income	1,338	517

1. Net earnings include non-cash expenses such as depreciation and amortization of a total amount of $2,922 for the nine-month period ended September 30, 2017.

Summary Statements of Financial Position – Montjean, Theil Rabier

As at	September 30, 2017	December 31, 2016
Current assets	12,164	12,971
Non-current assets	84,871	84,451
	97,035	97,422
Current liabilities	13,683	16,529
Non-current liabilities	65,875	64,592
Equity	17,477	16,301
	97,035	97,422

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

Summary Statements of Earnings and Comprehensive Income (Loss) – Yonne

	Three months ended September 30, 2017	Period of 222 days ended September 30, 2017
Revenues	1,854	5,319
Adjusted EBITDA	1,322	4,158
Net earnings (loss)[1]	75	(471)
Other comprehensive (loss) income	(56)	319
Total comprehensive income (loss)	19	(152)

1. Net earnings (loss) include non-cash expenses such as depreciation and amortization of a total amount of $3,376 for the 222-day period ended September 30, 2017.

Summary Statement of Financial Position – Yonne

As at	September 30, 2017
Current assets	11,155
Non-current assets	145,803
	156,958
Current liabilities	13,025
Non-current liabilities	121,851
Equity	22,082
	156,958

Summary Statement of Earnings and Comprehensive (Loss) Income – Rougemont 1-2 and Vaite

	Three months ended September 30, 2017	Period of 129 days ended September 30, 2017
Revenues	4,747	6,271
Adjusted EBITDA	3,895	4,913
Net loss[1]	(191)	(774)
Other comprehensive (loss) income	(298)	501
Total comprehensive loss	(489)	(273)

1. Net loss includes non-cash expenses such as depreciation and amortization of a total amount of $4,103 for the 129-day period ended September 30, 2017.

Summary Statement of Financial Position – Rougemont 1-2 and Vaite

As at	September 30, 2017
Current assets	21,962
Non-current assets	327,370
	349,332
Current liabilities	27,544
Non-current liabilities	284,567
Equity	37,221
	349,332

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

Summary Statement of Earnings and Comprehensive Income – Plan Fleury and Les Renardières

	Period of 37 days ended September 30, 2017
Revenues	393
Adjusted EBITDA	373
Net loss[1]	(26)

1. Net loss includes non-cash expenses such as depreciation and amortization of a total amount of $362 for the 37-day period ended September 30, 2017.

Summary Statement of Financial Position – Plan Fleury and Les Renardières

As at	September 30, 2017
Current assets	25,993
Non-current assets	154,748
	180,741
Current liabilities	24,903
Non-current liabilities	117,146
Equity	38,692
	180,741

ACCOUNTING CHANGES

IFRS Issued but Not Yet Effective

IFRS 2 – Share-based Payments

In June 2016, the IASB issued amendments to IFRS 2 Share-based Payments, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Employees of the Corporation took training course in order to start evaluating the impact this standard is expected to have on its consolidated financial statements. They are reviewing the application of the standard to the Corporation.

IFRS 9 – Financial Instruments (2014)

In July 2014, the IASB issued the complete IFRS 9 (2014), Financial Instruments ("IFRS 9 (2014)"). IFRS 9 (2014) differs in some regards from IFRS 9 (2013) which the Corporation early adopted effective October 1, 2014. IFRS 9 (2014) includes updated guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new expected credit loss model for calculating impairment. The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018, and must be applied retrospectively with some exemptions. Early adoption is permitted. The Corporation has reviewed this standard and has concluded that it will not have a significant impact on its consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, IASB issued IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”). This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue-Barter Transactions Involving Advertising Services. IFRS 15 applies to all contracts with customers except those that are within the scope of other IFRSs. IFRS 15 is effective for annual periods commencing on or after January 1, 2018, with early adoption permitted. The Corporation has reviewed this standard and has concluded that it will not have a significant impact on its consolidated financial statements.

IFRS 16 – Leases (IFRS 16)

On January 13, 2016, the IASB issued IFRS 16 that provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretive guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, IFRS 16 does not include significant changes to the requirements for lessors. IFRS 16 is effective January 1, 2019, with earlier application permitted. Employees of the Corporation took training course in order to start evaluating the impact this standard is expected to have on its consolidated financial statements. Identification of the leases to which this standard might apply has begun.

SUBSEQUENT EVENTS

Increase and Extension of the Credit Facility

On October 31, 2017, the Corporation announced that it had increased its revolving credit facility by $50 million and added a new lender to the syndicate of lenders. It also extended the maturity of its revolving facility from December 2021 to December 2022 to provide greater flexibility. The revolving credit facility now stands at $475 million.

Arrangement Agreement to acquire Alterra Power Corp.

On October 30, 2017, the Corporation and Alterra Power Corp. announced that they had entered into an arrangement agreement (the "Arrangement Agreement") pursuant to which Innergex will acquire at a price of $8.25 per share all of the issued and outstanding common shares of Alterra ("Alterra Common Shares") for an aggregate consideration of $1.1 billion, including the assumption of Alterra's debt (the "Transaction"). The Transaction is subject to approval by Alterra's shareholders and other customary closing conditions. Pursuant to the Transaction, Alterra shareholders will receive an aggregate consideration, which will consist of approximately 25% in cash and 75% in common shares of Innergex (the “Innergex Common Shares”).

OPERATIONAL AND FINANCIAL HIGHLIGHTS
Alterra will complement Innergex’s current operating, under construction and prospective projects, resulting in increased geographic and technological diversification through meaningful presence in the United States and Icelandic power markets as well as the addition of geothermal power generation to Innergex’s production mix. We believe that the transaction significantly accelerates Innergex’s growth profile.

Alterra’s and Innergex’s experienced management teams, with a track record of successfully developing and operating renewable energy projects in various jurisdictions, will play an important role in developing the large growth pipeline of the combined company.

The Transaction is expected to be accretive to Innergex’s distributable cash flow per share upon completion of Alterra’s projects currently under construction and some of the advanced-stage prospective projects.

TRANSACTION DETAILS
Under the terms of the Arrangement Agreement, Innergex is offering to acquire all of the issued and outstanding Alterra Common Shares by way of a plan of arrangement. Alterra shareholders will receive, at the election of each such shareholder, either (i) $8.25 in cash or (ii) 0.5563 Innergex Common Shares for each Alterra Common Share, subject in each case to the pro-ration, such that the aggregate consideration paid to all of Alterra shareholders will consist of approximately 25% in cash and 75% in Innergex Common Shares. Giving full effect to the pro-ration, the consideration of each Alterra Common Share represents $2.06 in cash and 0.4172 Innergex Common Shares. The share consideration is based on Innergex’s common share closing price of $14.83 on the TSX on October 27, 2017.

The Innergex Common Shares issuable to Alterra shareholders in connection with the Transaction represent a pro forma ownership of approximately 19% of the combined company. One member of the current Board of Directors of Alterra will join the Board of Directors of Innergex upon closing of the Transaction.

The Transaction is subject to approval of at least 66⅔% Alterra Common Shares represented in person or by proxy at a special meeting of Alterra shareholders to be called to consider the Transaction - expected to be held in December 2017 (the “Special

Meeting"). The Board of Directors of Alterra, having received a unanimous recommendation from a special committee comprised solely of independent directors (the "Special Committee"), has unanimously approved the Transaction and recommends that Alterra shareholders vote in favour of the Transaction. The Special Committee of Alterra has received an opinion from its financial advisor, Raymond James Ltd., that the consideration to be received pursuant to the Arrangement Agreement is fair, from a financial point of view, to the Alterra shareholders.

In addition to Alterra shareholder approval, the Transaction is subject to court and certain regulatory approvals in Canada and U.S., key third-party consents and other customary closing conditions. The Transaction is not subject to approval by Innergex shareholders.

The Arrangement Agreement provides for customary non-solicitation covenants on the part of Alterra and a right in favour of Innergex to match any unsolicited superior proposal. If Innergex does not exercise its right to match, Innergex would receive a termination fee of approximately $18 million from Alterra in the event the Arrangement Agreement is terminated as a result of a superior proposal. Subject to the receipt of all required regulatory approvals and key third-party consents, closing of the Transaction is expected to occur in the first quarter of 2018.

SUPPORT OF KEY SHAREHOLDERS

Innergex has entered into a support and voting agreement with Mr. Ross Beaty, Executive Chairman of Alterra, and certain related entities who have control over approximately 31% of Alterra's issued and outstanding common shares. Pursuant to the support and voting agreement, Mr. Beaty, together with these related entities, have agreed to: (i) vote all of their Alterra Common Shares in favour of the Transaction at the Special Meeting (ii) a 12-month holding period with respect to the Innergex Common Shares to be received by them as a result of the Transaction; and (iii) elect to receive Innergex Common Shares for the entirety of the Alterra Common Shares held by them. In addition, directors and senior officers of Alterra who beneficially own Alterra Common Shares have also entered into support and voting agreements pursuant to which they have agreed to vote all of their Alterra Common Shares in favour of the Transaction at the Special Meeting. Alterra's directors and senior officers, including Mr. Beaty and related entities, hold approximately 32% of Alterra Common Shares in the aggregate.

Further information regarding the Transaction will be contained in a management proxy circular that Alterra will prepare, file and mail to Alterra shareholders in advance of the Special Meeting. Copies of the Arrangement Agreement, support and voting agreements and management proxy circular will be available on SEDAR under Alterra's profile at www.sedar.com.

FINANCING

Innergex has structured the financing of the cash portion of the Transaction in order to maintain a strong and flexible balance sheet that provides for ample liquidity to fully fund Innergex's development portfolio pro forma for the Transaction. To that end, la Caisse has made a commitment to provide Innergex with a 5-year $150 million subordinated unsecured term loan at a competitive interest rate to be fixed at closing.

Innergex has also obtained commitments from two leading Canadian banks to backstop its existing credit facilities, to implement the Transaction and to upsize its revolving credit facility to an aggregate amount of up to $700 million, representing a $225 million increase from the principal amount of $475 million under its existing revolving credit facility.

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

SUMMARY OF ALTERRA'S PROJECTS

Operating	Energy	Country	Ownership[1]	Net Installed Capacity (MW)	Projected 2018 Revenues ($M)[3 4]	Projected 2018 Gross Adjusted EBITDA[2] ($M)[3 4]	Projected 2018 Net Adjusted EBITDA[5] ($M)[4]
Shannon	Wind	U.S.	50%	102	23.4	12.7	6.4
East Toba	Hydro	Canada	40%	59	75.6 [6]	58.2 [6]	23.3 [6]
Montrose Creek	Hydro	Canada	40%	35			
Reykjanes 1-2	Geothermal	Iceland	54%	54	72.1 [7]	34.9 [7]	18.8 [7]
Svartsengi	Geothermal	Iceland	54%	40			
Dokie 1	Wind	Canada	26%	37	36.6	26.5	6.8
Jimmie Creek	Hydro	Canada	51%	32	19.7	15.6	8.0
Kokomo	Solar	U.S.	90%	5	1.0	0.8	0.7
Operating				**364**			**64.0**

Under Construction	Energy	Country	Ownership[1]	Net Installed Capacity (MW)	Projected Year One Revenues ($M)[3 4]	Expected Full Year One Gross Adjusted EBITDA[2] ($M)[3 4]	Expected Full Year One Net Adjusted EBITDA[5] ($M)[4]
Flat Top	Wind	U.S.	51%	102	26.7	11.9	6.1
Spartan	Solar	U.S.	100%	11	2.0	1.6	1.6
Brúarvirkjun	Hydro	Iceland	54%	5	4.2	3.2	1.7
Under Construction				**118**			**9.4**

Prospective projects[8]	Energy	Country	Ownership	Net Capacity (MW)
Advanced-Stage				
Foard City (PTC Qualified)	Wind	U.S.	100%	350
Reykjanes (4)	Geothermal	Iceland	54%	16
Boswell Springs (PTC Qualified)	Wind	U.S.	100%	320
Advanced-Stage				**686**
Other PTC Qualified				**490**
Other Prospective Projects				**4,350**

1 Shannon, Kokomo, Flat Top and Spartan reflect Alterra's portion of sponsor equity partnership
2 Gross Adjusted EBITDA is not a recognized measure by IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the section "Non-IFRS Measures" of this press release for more information.
3 Corresponding to 100% of the facility
4 U.S. dollar and Icelandic króna figures converted to Canadian dollars at USDCAD rate of 1.289 and USDISK rate of 105
5 Net Adjusted EBITDA is not a recognized measure by IFRS and therefore may not be comparable to those presented by other issuers. It corresponds to Gross Adjusted EBITDA multiplied by ownership percentage. Please refer to the section "Non-IFRS Measures" of this press release for more information.
6 Reflects combined metrics for Toba Montrose (East Toba and Montrose Creek)
7 Reflects combined metrics for HS Orka (Reykjanes 1/2 and Svartsengi)
8 There is no certainty that these projects will materialize on time and on budget and the number of MWs per project could vary

Alterra owns a 54% interest in a subsidiary which owns a 30% stake of the Blue Lagoon Geothermal Spa and Resort located in Iceland. Innergex intends to review the future ownership of this non-core asset.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

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

		Three months ended September 30		Nine months ended September 30	
		2017	2016	2017	2016
	Notes				
Revenues		108,234	69,255	292,290	219,520
Expenses					
Operating	4	18,092	12,170	51,396	35,785
General and administrative		4,689	2,915	14,024	10,546
Prospective projects		3,650	2,994	8,206	7,469
Earnings before finance costs, income taxes, depreciation, amortization, other net expenses (revenues), share of (earnings) loss of joint ventures and unrealized net loss (gain) on financial instruments		81,803	51,176	218,664	165,720
Finance costs	5	38,007	24,923	106,368	69,025
Other net expenses (revenues)	6	746	(224)	(26)	(631)
Earnings before income taxes, depreciation, amortization, share of (earnings) loss of joint ventures and unrealized net loss (gain) on financial instruments		43,050	26,477	112,322	97,326
Depreciation	4, 9	22,932	15,836	68,455	44,689
Amortization	4	10,475	7,280	26,497	19,999
Share of (earnings) loss of joint ventures		(394)	416	(2,931)	393
Unrealized net loss (gain) on financial instruments		1,009	1,312	(3,596)	(2,120)
Earnings before income taxes		9,028	1,633	23,897	34,365
Income taxes expenses					
Current		1,784	1,028	3,528	2,500
Deferred		2,860	196	4,219	8,583
		4,644	1,224	7,747	11,083
Net earnings		4,384	409	16,150	23,282
Net earnings (loss) attributable to:					
Owners of the parent		5,871	3,419	22,895	26,132
Non-controlling interests		(1,487)	(3,010)	(6,745)	(2,850)
		4,384	409	16,150	23,282
Weighted average number of common shares outstanding (in 000s)	7	108,567	108,021	108,447	106,451
Basic net earnings per share ($)	7	0.04	0.02	0.17	0.20
Diluted weighted average number of common shares outstanding (in 000s)	7	109,421	109,091	109,268	107,317
Diluted net earnings per share ($)	7	0.04	0.02	0.17	0.20

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)

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Net earnings	4,384	409	16,150	23,282
Items of comprehensive income (loss) that will be subsequently reclassified to earnings:				
Foreign exchange (loss) gain on translation of self-sustaining foreign subsidiaries	(550)	421	(448)	(670)
Related deferred tax	76	(62)	46	91
Foreign exchange gain (loss) on the designated hedges on the investments in self-sustaining foreign subsidiaries	274	(581)	464	428
Related deferred tax	4	147	23	(17)
Change in fair value of hedging instruments	7,950	(1,964)	14,262	(20,051)
Related deferred tax	(2,109)	523	(3,875)	5,310
Share of change in fair value of hedging instruments of joint venture	439	—	762	—
Related deferred tax	(115)	—	(200)	—
Share of non-controlling interests in:				
Foreign exchange (loss) gain on translation of self-sustaining foreign subsidiaries	(42)	111	154	84
Foreign exchange (loss) on the designated hedges on the investments in self-sustaining foreign subsidiaries	(84)	(166)	(175)	(166)
Change in fair value of hedging instruments	438	(121)	1,378	(1,480)
Related deferred tax	(10)	24	(185)	153
Other comprehensive income (loss)	6,271	(1,668)	12,206	(16,318)
Total comprehensive income (loss)	10,655	(1,259)	28,356	6,964
Other comprehensive income (loss) attributable to:				
Owners of the parent	5,969	(1,516)	11,034	(14,909)
Non-controlling interests	302	(152)	1,172	(1,409)
	6,271	(1,668)	12,206	(16,318)
Total comprehensive income (loss) attributable to:				
Owners of the parent	11,840	1,903	33,929	11,223
Non-controlling interests	(1,185)	(3,162)	(5,573)	(4,259)
	10,655	(1,259)	28,356	6,964

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)

As at	Notes	September 30, 2017	December 31, 2016
Assets			
Current assets			
Cash and cash equivalents		71,173	56,227
Restricted cash and short-term investments		99,285	89,742
Accounts receivable		128,456	98,847
Derivative financial instruments		4,757	1,527
Prepaid and others		11,819	5,886
		315,490	252,229
Non-current assets			
Reserve accounts		49,568	49,489
Property, plant and equipment	9	3,173,478	2,700,007
Intangible assets		680,316	544,865
Investments in joint ventures		9,770	8,758
Derivative financial instruments		12,085	8,117
Deferred tax assets		9,325	11,849
Goodwill		8,269	8,269
Other long-term assets		6,532	20,621
		4,264,833	3,604,204

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)

As at	Notes	September 30, 2017	December 31, 2016
Liabilities			
Current liabilities			
Dividends payable to shareholders		19,411	18,795
Accounts payable and other payables		106,777	85,850
Income tax payable		3,240	1,292
Derivative financial instruments		18,391	14,541
Current portion of long-term debt	10	149,671	99,397
Current portion of other liabilities		437	495
		297,927	220,370
Non-current liabilities			
Derivative financial instruments		54,118	55,194
Accrual for acquisition of long-term assets		—	37,401
Long-term debt	10	3,062,631	2,507,236
Other liabilities	11	58,017	26,966
Liability portion of convertible debentures		95,891	94,840
Deferred tax liabilities		225,591	176,965
		3,794,175	3,118,972
Shareholders' equity			
Common share capital		1,294	162,862
Contributed surplus from reduction of capital on common shares		941,873	775,413
Preferred shares		131,069	131,069
Share-based payment		1,688	2,199
Equity portion of convertible debentures		1,877	1,877
Deficit		(636,419)	(601,157)
Accumulated other comprehensive income (loss)		9,291	(1,743)
Equity attributable to owners		450,673	470,520
Non-controlling interests		19,985	14,712
Total shareholders' equity		470,658	485,232
		4,264,833	3,604,204

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)

	Equity attributable to owners										
Nine months ended September 30, 2017	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) income	Total	Non-controlling interests	Total shareholders' equity
Balance January 1, 2017	108,181	162,862	775,413	131,069	2,199	1,877	(601,157)	(1,743)	470,520	14,712	485,232
Net earnings (loss)							22,895		22,895	(6,745)	16,150
Other items of comprehensive income								11,034	11,034	1,172	12,206
Total comprehensive income (loss)	—	—	—	—	—	—	22,895	11,034	33,929	(5,573)	28,356
Common shares issued through dividend reinvestment plan	338	4,791							4,791		4,791
Reduction of capital on common shares (Note 12a)		(166,460)	166,460						—		—
Share-based payment					(410)				(410)		(410)
Common shares options exercised (Note 12b)	121	101			(101)				—		—
Distributions to non-controlling interests									—	(5,998)	(5,998)
Investments from non-controlling interests									—	16,844	16,844
Dividends declared on common shares							(53,701)		(53,701)		(53,701)
Dividends declared on preferred shares							(4,456)		(4,456)		(4,456)
Balance September 30, 2017	108,640	1,294	941,873	131,069	1,688	1,877	(636,419)	9,291	450,673	19,985	470,658

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)

	Equity attributable to owners										
Nine months ended September 30, 2016	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, 2016	103,938	108,541	775,413	131,069	2,174	1,877	(567,848)	(1,576)	449,650	21,907	471,557
Net earnings (loss)							26,132		26,132	(2,850)	23,282
Other items of comprehensive loss								(14,909)	(14,909)	(1,409)	(16,318)
Total comprehensive income (loss)	—	—	—	—	—	—	26,132	(14,909)	11,223	(4,259)	6,964
Common shares issued on April 15, 2016: private placement	3,906	50,000							50,000		50,000
Common shares issued through dividend reinvestment plan	178	2,278							2,278		2,278
Share-based payment					71				71		71
Common shares options exercised	94	1,112			(78)				1,034		1,034
Distributions to non-controlling interests									—	(5,638)	(5,638)
Investments from non-controlling interests							5,194		5,194	1,225	6,419
Dividends declared on common shares							(51,215)		(51,215)		(51,215)
Dividends declared on preferred shares							(4,456)		(4,456)		(4,456)
Balance September 30, 2016	108,116	161,931	775,413	131,069	2,167	1,877	(592,193)	(16,485)	463,779	13,235	477,014

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)

		Nine months ended September 30	
		2017	2016
	Notes		
Operating activities			
Net earnings		16,150	23,282
Items not affecting cash:			
Depreciation		68,455	44,689
Amortization		26,497	19,999
Share of (earnings) loss of joint ventures		(2,931)	393
Unrealized net gain on financial instruments		(3,596)	(2,120)
Inflation compensation interest	5	2,831	3,772
Amortization of financing fees	5	2,728	785
Accretion of long-term debt and convertible debentures	5	916	1,099
Accretion expenses on other liabilities	5	1,331	387
Share-based payment		(410)	72
Deferred income taxes		4,219	8,583
Others		650	73
Interest on long-term debt and convertible debentures	5	97,327	62,295
Interest paid		(88,644)	(57,535)
(Gain) loss on contingent considerations	6	(822)	210
Distributions received from joint ventures		2,681	2,733
Current income tax expense		3,528	2,500
Net income taxes paid		(1,949)	(2,178)
Effect of exchange rate fluctuations		1,606	1,825
		130,567	110,864
Changes in non-cash operating working capital items	13	(20,744)	(6,182)
		109,823	104,682
Financing activities			
Dividends paid on common shares		(48,293)	(47,749)
Dividends paid on preferred shares		(4,456)	(4,752)
Distributions to non-controlling interests		(5,998)	(4,138)
Investments from non-controlling interests		16,842	6,392
Increase of long-term debt		516,072	642,267
Repayment of long-term debt		(354,071)	(493,007)
Payment of deferred financing costs		(845)	(2,171)
Payment of other liabilities		(246)	—
Proceeds from issuance of common shares		—	50,000
Proceeds from exercise of share options		—	1,034
		119,005	147,876

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)

		Nine months ended September 30	
		2017	2016
	Notes		
Investing activities			
Cash acquired on business acquisitions	3	5,335	11,887
Business acquisitions	3	(153,673)	(102,795)
Decrease of restricted cash and short-term investments		29,081	186,441
Net funds withdrawn from the reserve accounts		127	246
Additions to property, plant and equipment		(93,727)	(323,407)
Reductions of (additions to) other long-term assets		22	(14,668)
Proceeds from disposal of property, plant and equipment		12	—
		(212,823)	(242,296)
Effects of exchange rate changes on cash and cash equivalents		(1,059)	(1,767)
Net increase in cash and cash equivalents		14,946	8,495
Cash and cash equivalents, beginning of period		56,227	40,663
Cash and cash equivalents, end of period		**71,173**	**49,158**
Cash and cash equivalents is comprised of:			
Cash		70,399	48,240
Short-term investments		774	918
		71,173	49,158

Additional information is presented in Note 13.

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

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

DESCRIPTION OF BUSINESS

Innergex Renewable Energy Inc. ("Innergex" or 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 1225 St-Charles Street West, 10th floor, Longueuil, Qc, J4K 0B9, Canada.

These unaudited condensed consolidated financial statements were approved by the Board of Directors on November 9, 2017.

The Corporation's revenues are variable with each season and 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. 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 IFRS

2.1 IFRS issued but not yet effective

IFRS 2- Share-based Payments
In June 2016, the IASB issued amendments to IFRS 2 Share-based Payments, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Employees of the Corporation took training course in order to start evaluating the impact this standard is expected to have on its consolidated financial statements. They are reviewing the application of the standard to the Corporation.

IFRS 9 - Financial Instruments (2014)

In July 2014, the IASB issued the complete IFRS 9 (2014), Financial Instruments ("IFRS 9 (2014)"). IFRS 9 (2014) differs in some regards from IFRS 9 (2013) which the Corporation early adopted effective October 1, 2014. IFRS 9 (2014) includes updated guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new expected credit loss model for calculating impairment. The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018, and must be applied retrospectively with some exemptions. Early adoption is permitted. The Corporation has reviewed this standard and has concluded that it will not have a significant impact on its consolidated financial statements.

IFRS 15- Revenue from Contracts with Customers

In May 2014, IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15"). This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue-Barter Transactions Involving Advertising Services. IFRS 15 applies to all contracts with customers except those that are within the scope of other IFRSs. IFRS 15 is effective for annual periods commencing on or after January 1, 2018, with early adoption permitted.

The Corporation has reviewed this standard and has concluded that it will not have a significant impact on its consolidated financial statements.

IFRS 16 Leases (IFRS 16)

On January 13, 2016, the IASB issued IFRS 16 that provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretive guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, IFRS 16 does not include significant changes to the requirements for lessors. IFRS 16 is effective January 1, 2019, with earlier application permitted. Employees of the Corporation took training course in order to start evaluating the impact this standard is expected to have on its consolidated financial statements. Identification of the leases to which this standard might apply has begun.

3. BUSINESS ACQUISITIONS

a. Acquisition of Yonne wind facility

On February 21, 2017, the Corporation finalized the acquisition of an operating wind facility located in France ("Yonne"). The purchase price for the wind power project is a net cash consideration of €35,184 (all amounts in € are in thousands of €) ($48,983), subject to certain adjustments. A €10,000 ($13,922) deposit had already been provided by the Corporation last year.

All power generated from the operating facility is sold to Electricité de France.

Additional cash flows generated from the asset acquired are expected to further increase the Corporation's liquidity and flexibility to fund the development of future projects. Yonne added an additional gross installed capacity of 44 MW to the Corporation's portfolio of operational wind farms.

The Corporation owns a 69.55% interest in the project and the Régime de rentes du Mouvement Desjardins ("RRMD") owns the remaining 30.45%.

The following table reflects the preliminary allocation of the purchase price to the fair value of the net assets acquired:

	Preliminary purchase price allocation	
	€	$
Cash and cash equivalents	3,583	4,989
Accounts receivable	12,936	18,009
Prepaid and others	351	488
Property, plant and equipment	76,629	106,683
Intangible assets	24,138	33,605
Accounts payable and other payables	(712)	(991)
Long-term debt	(72,753)	(101,287)
Derivative financial instruments	(683)	(951)
Asset retirement obligations	(1,855)	(2,582)
Deferred tax liabilities	(6,450)	(8,980)
Net assets acquired	35,184	48,983

The purchase price allocation remains subject to the completion of the valuation of working capital adjustments, property, plant and equipment, intangible assets, deferred tax liabilities and consequential adjustments.

The transaction costs relating to this acquisition have been expensed as transaction costs of the business combination in accordance with IFRS 3 (see note 6).

If the acquisition had taken place on January 1, 2017, the consolidated revenues and net earnings for the nine-month period ended September 30, 2017 would have been $293,751 and $16,766 respectively.

The amounts of revenues and net loss of the facilities since February 21, 2017 included in the consolidated statement of earnings are $5,319 and $471 respectively for the 222 days ended September 30, 2017.

b. Acquisition of Rougemont 1-2 and Vaite wind facilities

On May 24, 2017, the Corporation finalized the acquisition of Rougemont 1-2 and Vaite projects located in France ("Rougemont 1-2 and Vaite"). The purchase price for Rougemont 1-2 and Vaite is a cash consideration of €51,380 (all amounts in € are in thousands of €) ($77,773), subject to certain adjustments.

All power generated from the operating facilities is sold to Electricité de France.

Additional cash flows generated from the assets acquired are expected to further increase the Corporation's liquidity and flexibility to fund the development of future projects. Rougemont 1-2 and Vaite added an additional gross installed capacity of 119,5 MW to the Corporation's portfolio of wind farms.

The Corporation owns a 69.55% interest in the project and the RRMD owns the remaining 30.45%.

The following table reflects the adjusted preliminary allocation of the purchase price to the fair value of the net assets acquired:

	Preliminary purchase price allocation	Subsequent adjustments	Adjusted preliminary purchase price allocation	
	€	€	€	$
Cash and cash equivalents	45	—	45	68
Restricted cash and short term investments	6,443	—	6,443	9,753
Accounts receivable	4,699	—	4,699	7,113
Prepaid and others	52	—	52	79
Property, plant and equipment	165,183	—	165,183	250,037
Intangible assets	39,833	6,076	45,909	69,492
Accounts payable and other payables	(5,612)	—	(5,612)	(8,495)
Income tax payable	(252)	—	(252)	(382)
Long-term debt	(138,551)	(6,076)	(144,627)	(218,922)
Derivative financial instruments	(6,645)	—	(6,645)	(10,059)
Asset retirement obligations	(2,944)	—	(2,944)	(4,456)
Deferred tax liabilities	(10,871)	—	(10,871)	(16,455)
Net assets acquired	51,380	—	51,380	77,773

The purchase price allocation remains subject to the completion of the valuation of working capital adjustments, property, plant and equipment, intangible assets, deferred tax liabilities and consequential adjustments.

The transaction costs relating to this acquisition have been expensed as transaction costs of the business combination in accordance with IFRS 3 (see note 6).

If the acquisition had taken place on January 1, 2017, the consolidated revenues and net earnings for the nine-month period ended September 30, 2017 would have been $296,368 and $18,093 respectively.

The amounts of revenues and net loss of the facilities since May 24, 2017 included in the consolidated statement of earnings are $6,271 and $774 respectively for the 129 days ended September 30, 2017.

c. Acquisition of Plan Fleury and Les Renardières wind facilities

On August 25, 2017, the Corporation finalized the acquisition of Plan Fleury and Les Renardières projects located in France ("Plan Fleury and Les Renardières"). The purchase price for Plan Fleury and Les Renardières is a cash consideration of €27,352 (all amounts in € are in thousands of €) ($40,839), subject to certain adjustments.

All power generated from the operating facilities is sold to Electricité de France.

Additional cash flows generated from the assets acquired are expected to further increase the Corporation's liquidity and flexibility to fund the development of future projects. Plan Fleury and Les Renardières added an additional gross installed capacity of 43 MW to the Corporation's portfolio of wind farms.

The Corporation owns a 69.55% interest in the project and the RRMD owns the remaining 30.45%.

The following table reflects the preliminary allocation of the purchase price to the fair value of the net assets acquired:

	Preliminary purchase price allocation	
	€	$
Cash and cash equivalents	186	278
Restricted cash and short term investments	19,639	29,322
Accounts receivable	13,123	19,595
Prepaid and others	168	250
Property, plant and equipment	67,579	100,903
Intangible assets	37,498	55,988
Accounts payable and other payables	(24,690)	(36,865)
Long-term debt	(75,107)	(112,142)
Deferred tax liabilities	(11,044)	(16,490)
Net assets acquired	27,352	40,839

The purchase price allocation remains subject to the completion of the valuation of working capital adjustments, property, plant and equipment, intangible assets, deferred tax liabilities and consequential adjustments.

The transaction costs relating to this acquisition have been expensed as transaction costs of the business combination in accordance with IFRS 3 (see note 6).

If the acquisition had taken place on January 1, 2017, the consolidated revenues and net earnings for the nine-month period ended September 30, 2017 would have been $292,290 and $16,110 respectively.

The amounts of revenues and net loss of the facilities since August 25, 2017 included in the consolidated statement of earnings are $393 and $26 respectively for the 37 days ended September 30, 2017.

d. Acquisition of 7 operating wind facilities in France

The final valuation of the April 2016 acquisition of 7 operating wind facilities has been made and no adjustment was required to the purchase price allocation since the latest annual report.

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

4. OPERATING EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Salaries	1,351	1,178	3,872	3,274
Insurance	1,253	767	3,058	2,133
Operation and maintenance	7,756	5,132	20,364	14,531
Property taxes and royalties	7,732	5,093	24,102	15,847
	18,092	12,170	51,396	35,785

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	
	2017	2016	2017	2016
Interest on long-term debt and on convertible debentures	35,509	22,582	97,327	62,295
Inflation compensation interest	—	1,326	2,831	3,772
Amortization of financing fees	1,099	276	2,728	785
Accretion of long-term debt and convertible debentures	148	329	916	1,099
Accretion expenses on other liabilities	851	155	1,331	387
Others	400	255	1,235	687
	38,007	24,923	106,368	69,025

6. OTHER NET EXPENSES (REVENUES)

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Transaction costs	825	426	2,482	1,692
Realized gain on foreign exchange	(479)	(626)	(712)	(1,169)
Loss (gain) on contingent considerations	49	210	(822)	210
Other net revenues	(523)	(234)	(1,837)	(1,062)
Loss on disposal of property, plant and equipment	874	—	863	173
Recovery of loan impairment	—	—	—	(475)
	746	(224)	(26)	(631)

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

7. EARNINGS PER SHARE

The net earnings per share is computed as follows:

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Net earnings attributable to owners of the parent	5,871	3,419	22,895	26,132
Dividends declared on preferred shares	(1,485)	(1,485)	(4,456)	(4,456)
Net earnings available to common shareholders	4,386	1,934	18,439	21,676
Weighted average number of common shares (in 000s)	108,567	108,021	108,447	106,451
Basic net earnings per share ($)	0.04	0.02	0.17	0.20
Weighted average number of common shares (in 000s)	108,567	108,021	108,447	106,451
Effect of dilutive elements on common shares (in 000s) (a)	854	1,070	821	866
Diluted weighted average number of common shares (in 000s)	109,421	109,091	109,268	107,317
Diluted net earnings per share ($)	0.04	0.02	0.17	0.20

a. Stock options for which the exercise price was above the average market price of common shares are excluded from the calculation of diluted weighted average number of shares outstanding. During the three-month period ended September 30, 2017, 2,656,851 of the 2,782,599 stock options (all of the 3,457,432 for the the three-month period ended September 30, 2016) were dilutive. During the nine-month period ended September 30, 2017, 2,579,684 of the 2,782,599 stock options (3,331,684 of the 3,457,432 stock options for the nine-month period ended September 30, 2016) were dilutive.

During the the three-month and nine-month periods ended September 30, 2017, none of the 6,666,667 shares that can be issued on conversion of convertible debentures were dilutive (none of the 6,666,667 shares were dilutive for the same periods in 2016).

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

8. DERIVATIVE FINANCIAL INSTRUMENTS

As part of the Yonne, Rougemont 1-2 and Vaite and Plan Fleury and Les Renardières Acquisitions, the Corporation entered into hedge agreements to reduce the Corporation's foreign exchange risk.

Contracts	Maturity	Early termination option	Notional Amounts September 30, 2017	Notional Amounts December 31, 2016
Contracts used to hedge the foreign exchange risk				
Foreign exchange forwards amortizing until 2041, allowing translation at a fixed rate of CAD 1.7150/Euro	2019	None	113,938	—
Foreign exchange forwards amortizing until 2043, allowing translation at a fixed rate of CAD 1.7890/Euro	2019	None	170,208	—
Foreign exchange forwards amortizing until 2043, allowing translation at a fixed rate of CAD 1.80110/Euro	2019	None	81,882	—
			366,028	—

During the quarter, the Corporation entered into hedge agreements to mitigate the risk of fluctuations in the interest rates on its long-term debt. Also, as part of the Yonne, Rougemont 1-2 and Vaite and Plan Fleury and Les Renardières Acquisitions, the wind farms hold hedge agreements to mitigate the risk of fluctuations in the interest rates on their long-term debt. Hedge accounting is applied on these contracts.

Contracts	Maturity	Early termination option	Notional Amounts September 30, 2017	Notional Amounts December 31, 2016
Contracts used to hedge the interest rate risk				
Interest rate swap, 2.1825%	2027	2021	20,000	—
Interest rate swap, 2.325%	2028	2021	30,000	—
Interest rate swap, 2.3275%	2028	2021	52,600	—
Interest rate swap, 0.78%, amortizing, translated at CAD 1.4742/Euro	2031	None	65,749	—
Interest rate swap, 1.302%, amortizing, translated at CAD 1.4742/Euro	2032	None	72,071	—
Interest rate swap, 1.303%, amortizing, translated at CAD 1.4742/Euro	2032	None	43,761	—
Interest rate swap, 1.475%, amortizing, translated at CAD 1.4742/Euro	2032	None	11,167	—
Interest rate swap, 1.277%, amortizing, translated at CAD 1.4742/Euro	2032	None	77,577	—

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

9. PROPERTY, PLANT AND EQUIPMENT

	Lands	Hydroelectric facilities	Wind farm facilities	Solar facility	Facilities under construction	Other equipments	Total
Cost							
As at January 1, 2017	3,011	1,613,017	876,569	124,303	426,059	10,830	3,053,789
Additions	4	27,631	10,263	12	38,237	2,671	78,818
Business acquisitions (Note 3)	40	—	335,380	—	122,203	—	457,623
Transfer of assets upon commissioning	—	453,495	(1,131)	—	(452,364)	—	—
Dispositions	—	(1,926)	(167)	—	—	(84)	(2,177)
Other changes	—	—	9	—	—	(25)	(16)
Net foreign exchange differences	(4)	(554)	9,638	—	(2,553)	(6)	6,521
As at September 30, 2017	3,051	2,091,663	1,230,561	124,315	131,582	13,386	3,594,558
Accumulated depreciation							
As at January 1, 2017	—	(194,633)	(123,831)	(27,775)	—	(7,543)	(353,782)
Depreciation	—	(28,047)	(33,855)	(4,468)	(916)	(1,169)	(68,455)
Dispositions	—	1,180	38	—	—	84	1,302
Other changes	—	—	—	—	—	25	25
Net foreign exchange differences	—	218	(386)	—	—	(2)	(170)
As at September 30, 2017	—	(221,282)	(158,034)	(32,243)	(916)	(8,605)	(421,080)
Carrying amount as at September 30, 2017	3,051	1,870,381	1,072,527	92,072	130,666	4,781	3,173,478

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 $6,443 of capitalized financing costs incurred prior to its commissioning.

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 credit facility are capitalized for the portion of the financing actually used for a specific property, plant and equipment.

The cost of the facilities were reduced by investment tax credits of $3,003 ($3,003 as at December 31, 2016).

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

10. LONG-TERM DEBT

(references to US$ and € are in thousands)

	Interests rate 2017	Maturity	September 30, 2017
Revolving credit facility (with recourse to the Corporation) including LIBOR advances, US$13,900			
a) Innergex	2.85%-3.08%	2021	295,547
Loans (Non-recourse to the Corporation)			
b) Rougemont 1 (€225)	0.62%	2018	332
b) Vaite (€63)	0.62%	2018	93
c) Plan Fleury (€2,566)	1.80%	2018	3,783
c) Les Renardières (€2,151)	1.80%	2018	3,171
c) Plan Fleury (€37,958)	1.0%-1.80%	2019-2034	55,958
c) Les Renardières (€33,708)	1.05%-1.80%	2019-2034	49,692
b) Rougemont 2 (€51,577)	0.43%-0.62%	2019-2035	76,036
d) Innergex Champagne S.A.S. (€4,250)	7.25%	2025	6,265
d) Innergex Lorraine S.A.S. (€4,250)	7.25%	2025	6,265
e) Yonne (€61,230)	1.08%-1.54%	2028-2031	90,265
b) Rougemont 1 (€54,258)	0.43%	2035	79,987
b) Vaite (€56,805)	0.43%	2035	83,741

a. Revolving credit facility

On February 21, 2017, the Corporation executed a Fifth Amended and Restated Credit Agreement of its existing $425,000 revolving credit facility. These amendments give the Corporation flexibility in borrowing in euros using EURIBOR loans. The Corporation also extended its revolving term from 2020 to 2021 to provide greater financing flexibility, see subsequent events section.

Moreover, a Letter of Credit Facility of an amount of up to $15,000 guaranteed by Export Development Canada (EDC) was added and put in place.

b. Long-term debt for Rougemont 1-2 and Vaite in France

Rougemont 1

As part of the Rougemont 1-2 and Vaite Acquisition, the Corporation assumed the related loan facilities for a total of €51,579.

- A €1,592 loan bearing a variable interest rate at EURIBOR +1% and fully repayable in 2018. It is a bridge financing dedicated to the consumer taxes recoverable from the government. Following the acquisition, the debt decreased by a net amount of €1,367.
- A €49,987 loan bearing a variable interest rate at EURIBOR +1.4 % to 1.95%, repayable in semi-annual installments and maturing in 2035. The principal repayments are set to €1,451 for the twelve month period following the acquisition. The loan was accounted for at its fair market value of €50,948 for an effective rate of 0.81%. As at September 30, 2017, the all-in effective interest rate was 1.97% after accounting for the interest swap. Following the acquisition, the debt increased by €3,345.
- A €2,410 revolving loan facility for a debt service reserve, bearing interest at a variable rate at EURIBOR +1.5% to 1.65%, maturing in 2027. As at September 30, 2017, no funds have been drawn from this facility.

The lenders also agreed to make available a letter of credit facility in an amount not to exceed €1,000. As at September 30, 2017 an amount of €700 has been used to secure letter of credits related to the decommissionning guarantee.The debt is secured by the assets of Énergies du Plateau Central with a carrying value of approximately €70,357.

Rougemont 2

As part of the Rougemont 1-2 and Vaite Acquisition, the Corporation assumed the related loan facilities for a total of €40,758.
• A €776 loan bearing a variable interest rate at EURIBOR +1% and fully repayable in 2019. It is a bridge financing dedicated to the consumer taxes recoverable from the government. Following the acquisition, the debt decreased by a net amount of €104.
• A €31,096 loan bearing a variable interest rate at EURIBOR + 1.4% to 1.95%, repayable in semi-annual installments and maturing in 2035. The principal repayments are set to €833 for the twelve month period following the acquisition. The loan was accounted for at its fair market value of €31,688 for an effective rate of 0.81%. As at September 30, 2017, the all-in effective interest rate was 1.99% after accounting fot the interest swap. Following the acquisition, the debt increased by €993.
• A €8,886 loan bearing a variable interest rate at EURIBOR +1.4% to 1.95%, repayable in semi-annual installments and maturing in 2035. No principal repayments are due for the twelve month period following the acquisition. The loan was accounted for at its fair market value of €9,341 for an effective rate of 0.84%. As at September 30, 2017, the all-in effective interest rate was 1.25% after accounting for the interest swap. Following the acquisition, the debt increased by €8,942.
• A €2,840 revolving loan facility for a debt service reserve, bearing interest at a variable rate at EURIBOR + 1.5% to 1.65%, maturing in 2027. As at September 30, 2017, no funds have been drawn from this facility.

The lenders also agreed to make available a letter of credit facility in an amount not to exceed €1,000. As at September 30, 2017 an amount of €431 has been used to secure letter of credits related to the decommissionning guarantee.The debt is secured by the assets of Énergies du Plateau Central 2 with a carrying value of approximately €67,750.

Vaite

As part of the Rougemont 1-2 and Vaite Acquisition, the Corporation assumed the related loan facilities for a total of €53,545.
• A €552 loan bearing a variable interest rate at EURIBOR +1% and fully repayable in 2018. It is a bridge financing dedicated to the consumer taxes recoverable from the government. Following the acquisition, debt decreased by a net amount of €489.
• A €52,993 loan bearing a variable interest rate at EURIBOR +1.4% to 1.95%, repayable in semi-annual installments and maturing in 2035. The principal repayments are set to €1,612 for the twelve month period following the acquisition. The loan was accounted for at its fair market value of €54,023 for an effective rate of 0.81%. As at September 30, 2017, the all-in effective interest rate was 1.99% after accounting for the interest swap. Following the acquisition, the debt increased by €2,820.
• A €2,520 revolving loan facility for a debt service reserve, bearing interest at a variable rate at EURIBOR +1.5% to 1.65%, maturing in 2027. As at September 30, 2017, no funds have been drawn from this facility.

The lenders also agreed to make available a letter of credit facility in an amount not to exceed €1,000. As at September 30, 2017 an amount of €754 has been used to secure letter of credits related to the decommissionning guarantee.The debt is secured by the assets of Énergies du Réchet with a carrying value of approximately €73,732.

c. Long-term debt for Plan Fleury and Les Renardières in France

Plan Fleury

As part of the acquisition of Plan Fleury and Les Renardières, the Corporation assumed the related loan facilities for a total value of €40,302.
• A €2,554 loan bearing a variable interest rate at EURIBOR+1.8% and fully repayable in 2018. It is a short term bridge financing dedicated to pre-finance relevant Value added taxes expenditures recoverable from the government.
• A €27,688 loan bearing a fix interest rate at 1.65% for the first 10 years and a variable rate thereafter, repayable in quarterly installments and maturing in 2032. No principal repayment is due for the twelve month period following the acquisition.
• A €5,273 loan bearing a fix interest rate at 1.65% for the first 10 years and a variable rate thereafter, repayable in quarterly installments and maturing in 2034. No principal repayment is due for the twelve month period following the acquisition.

- A €4,145 loan bearing a fix interest rate at 1% for 3 years, repayable in quarterly installments and maturing in 2019. The principal repayments are set to €1,036 for the twelve month period following the acquisition.
- A €642 loan bearing a fix interest rate at EURIBOR+1.8%, repayable in semi annual installments and maturing in 2019. The principal repayments are set to €259 for the twelve month period following the acquisition. Following the acquisition, the debt increased by €210.
- A €1,585 revolving loan facility for a debt service reserve, bearing interest at a variable rate at EURIBOR+1.8%, maturing in 2033. As at September 30, 2017, no funds have been drawn from this facility.

The debt is secured by the assets of Eole de Plan Fleury with a carrying value of approximately €67,123.

Les Renardières

As part of the acquisition of Plan Fleury and Les Renardières, the Corporation assumed the related loan facilities for a total value of €35,699.

- A €2,131 loan bearing a variable interest rate at EURIBOR+1.8% and fully repayable in 2018. It is a short term bridge financing dedicated to pre-finance relevant Value added taxes expenditures recoverable from the government.
- A €24,769 loan bearing a fix interest rate at 1.70% for the first 10 years and a variable rate thereafter, repayable in quarterly installments and maturing in 2032. No principal repayment is due for the twelve month period following the acquisition.
- A €4,394 loan bearing a fix interest rate at 1.70% for the first 10 years and a variable rate thereafter, repayable in quarterly installments and maturing in 2034. No principal repayment is due for the twelve month period following the acquisition.
- A €3,762 loan bearing a fix interest rate at 1.05% for 3 years, repayable in quarterly installments and maturing in 2019. The principal repayments are set to €940 for the twelve month period following the acquisition.
- A €643 loan bearing a fix interest rate at EURIBOR+1.8%, repayable in semi annual installments and maturing in 2019. The principal repayments are set to €208 for the twelve month period following the acquisition. Following the acquisition, the debt increased by €140.
- A €1,400 revolving loan facility for a debt service reserve, bearing interest at a variable rate at EURIBOR+1.8%, maturing in 2033. As at September 30, 2017, no funds have been drawn from this facility.

The debt is secured by the assets of Les Renardières with a carrying value of approximately €55,446.

d. Financing of two of the French subsidiaries

On February 10, 2017, each of Innergex Champagne S.A.S. and Innergex Lorraine S.A.S. concluded a €4,250 subordinated debt financing with a French Infrastructure fund. The subordinated loans carry an interest rate of 7.25%, have an eight year tenor and their principal will be reimbursed at maturity.

e. Long-term debt for Yonne in France

As part of the Yonne Acquisition, the Corporation assumed the related loan facilities for a total of €70,814.

- A €11,350 loan bearing a variable interest rate at 0.93% and fully repaid in the second quarter of 2017. It was a bridge financing dedicated to the consumer taxes recoverable from the government.
- A €14,864 loan bearing a variable interest rate at EURIBOR +1.90% , repayable in quarterly installments and maturing in 2028. The principal repayments are set to €3,809 for the twelve month period following the acquisition. The loan was accounted for at its fair market value of €15,328 for an effective rate of 1.08%.
- A €44,600 loan bearing a variable interest rate at EURIBOR +1.95%, repayable in quarterly installments and maturing in 2031. No principal repayments are set for the twelve month period following the acquisition. The loan was accounted for at its fair market value of €46,075 for an effective rate of 1.54%. As at September 30, 2017, the all-in effective interest rate was 2.32% after accounting for the interest rate swap.

The debt is secured by the assets of Éoles-Yonne SAS with a carrying value of approximately €106,469.

11. OTHER LIABILITIES

Other liabilities, includes various liabilities related to future ownership rights owned by First Nations for the Upper Lillooet River, Boulder Creek, Big Silver Creek and Tretheway Creek facilities, the counterpart of which is capitalized into the property, plant and equipment.

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

12. SHAREHOLDERS ' CAPITAL

a) Contributed surplus from reduction of capital account on common shares

A special resolution to approve the reduction of the legal stated capital account maintained in respect of the common shares of the Corporation, without any payment or distribution to the shareholders was adopted on May 9, 2017. This resulted in a decrease of the shareholders' capital account and an equivalent increase of the contributed surplus from reduction of capital on common shares account.

b) Stock option plan

During the third quarter of 2017, 752,000 share options have been exercised at $11.00 per share resulting in 121,378 common share issued cashless. The differences between the 752,000 options exercised and the 121,378 shares issued are the result of the exercise of the options without disbursement by the holders and the withholding of deductions at source by the Corporation as authorized by the option plan and the Board of directors.

Also 77,167 share options were granted during the quarter. The options granted under the stock option plan vest in equal amounts on a yearly basis over a period of four years following the grant date. Options must be exercised before August 2024 at an exercise price of $14.52.

c) Normal Course Issuer Bid

On August 15, 2017, Innergex announced that it has received approval from the Toronto Stock Exchange (TSX) to proceed with a normal course issuer bid on its common shares (the Bid).

Under the Bid, the Corporation may purchase for cancellation up to 2,000,000 of its common shares, representing approximately 1.84% of the 108,640,790 issued and outstanding common share of the Corporation as at August 14, 2017. The Bid commenced on August 17, 2017 and will terminate on August 16, 2018. Up to September 30, 2017, no common shares have been purchased and cancelled.

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

13. ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

a. Changes in non-cash operating working capital items

	Nine months ended September 30	
	2017	2016
Accounts receivable and income tax receivable	17,482	4,608
Prepaid and others	(6,335)	(2,364)
Accounts payable and other payables and income tax payable	(31,891)	(8,426)
	(20,744)	(6,182)

b. Additional information

	Nine months ended September 30	
	2017	2016
Interest paid (including $6,304 capitalized interest ($30,039 in 2016))	94,948	87,574
Non-cash transactions		
in unpaid property, plant and equipment	(56,913)	(5,789)
in unpaid other liabilities	20,266	—
in common shares issued through share options exercised	(101)	(78)
distribution unpaid to non-controlling interests in subsidiaries	—	(1,500)
in common shares issued through dividend reinvestment plan	(4,791)	(2,278)
loans to partners in exchange of non-controlling interests in subsidiaries	(2)	(27)

c. Changes in liabilities arising from financing activities

	Nine months ended September 30	
	2017	2016
Long-term debt at beginning of the period	2,606,633	2,215,433
Increase of long-term debt	516,072	642,267
Repayment of long-term debt	(354,071)	(492,994)
Payment of deferred financing costs	(845)	(2,171)
Business acquisitions (Note 3)	432,351	130,170
Other changes	6,189	4,720
Net foreign exchange differences	5,973	(1,370)
Long-term debt at end of the period	3,212,302	2,496,055

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

14. SUBSIDIARIES

Yonne

An investment of $8,568 including a debenture of $6,478 was made by RRMD into Innergex Europe (2015) Limited Partnership to partly finance a portion of the acquisition of Yonne on February 21, 2017.

The summarized financial information below represents amounts before intragroup eliminations.

As at	September 30, 2017
Summary Statement of Financial Position	
Current assets	11,155
Non-current assets	145,803
	156,958
Current liabilities	13,025
Non-current liabilities	121,851
Equity attributable to owners	22,082
	156,958

	Three months ended September 30, 2017	Period of 222 days ended September 30, 2017
Summary Statements of Earnings and Comprehensive Income (Loss)		
Revenues	1,854	5,319
Expenses [1]	1,779	5,790
Net earnings (loss)	75	(471)
Other comprehensive (loss) income	(56)	319
Total comprehensive income (loss)	19	(152)

1. Expenses include non-cash expenses such as depreciation and amortization of a total amount of $3,376 for the 222-day period ended September 30, 2017.

Rougemont 1-2 and Vaite

An investment of $31,119 including a debenture of $22,296 was made by RRMD into Innergex Europe (2015) Limited Partnership to partly finance a portion of the acquisition of Rougemont 1-2 and Vaite on May 24, 2017.

The summarized financial information below represents amounts before intragroup eliminations.

As at	September 30, 2017
Summary Statement of Financial Position	
Current assets	21,962
Non-current assets	327,370
	349,332
Current liabilities	27,544
Non-current liabilities	284,567
Equity attributable to owners	37,221
	349,332

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

	Three months ended September 30, 2017	Period of 129 days ended September 30, 2017
Summary Statement of Earnings and Comprehensive (loss) income		
Revenues	4,747	6,271
Expenses [1]	4,938	7,045
Net loss	(191)	(774)
Other comprehensive (loss) income	(298)	501
Total comprehensive loss	(489)	(273)

1. Expenses include non-cash expenses such as depreciation and amortization of a total amount of $4,103 for the 129-day period ended September 30, 2017.

Plan Fleury and Les Renardières

An investment of $16,923 including a debenture of $10,994 was made by RRMD into Innergex Europe (2015) Limited Partnership to partly finance a portion of the acquisition of Plan Fleury and Les Renardières on August 25, 2017.

The summarized financial information below represents amounts before intragroup eliminations.

As at	September 30, 2017
Summary Statement of Financial Position	
Current assets	25,993
Non-current assets	154,748
	180,741
Current liabilities	24,903
Non-current liabilities	117,146
Equity attributable to owners	38,692
	180,741

	Period of 37 days ended September 30, 2017
Summary Statement of Earnings and Comprehensive income	
Revenues	393
Expenses [1]	419
Net loss	(26)

1. Expenses include non-cash expenses such as depreciation and amortization of a total amount of $362 for the 37-day period ended September 30, 2017.

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

15. SEGMENT INFORMATION

Geographic segments

The Corporation had interests in 30 hydroelectric facilities, seven wind farms and one solar farm in Canada, thirteen wind farms in France and one hydroelectric facility in the United States. The Corporation operates in three principal geographical areas, which are detailed below:

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Revenues				
Canada	94,788	65,206	259,142	210,335
Europe	11,771	2,400	30,097	5,212
United States	1,675	1,649	3,051	3,973
	108,234	69,255	292,290	219,520

As at	September 30, 2017	December 31, 2016
Non-current assets, excluding derivatives financial instruments and deferred tax assets		
Canada	2,990,503	3,005,720
Europe	930,733	318,924
United States	6,698	7,365
	3,927,934	3,332,009

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

Operating segments

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

For the three-month period ended September 30, 2017					
Operating segments	Hydroelectric generation	Wind power generation	Solar power generation	Site development	Total
Revenues	72,055	29,177	6,023	979	108,234
Expenses:					
Operating	11,029	6,495	176	392	18,092
General and administrative	2,613	1,961	33	82	4,689
Prospective projects	—	—	—	3,650	3,650
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net expenses, share of earnings of joint ventures and unrealized net loss on financial instruments	58,413	20,721	5,814	(3,145)	81,803
Finance costs					38,007
Other net expenses					746
Earnings before income taxes, depreciation, amortization, share of earnings of joint ventures and unrealized net loss on financial instruments					43,050
Depreciation					22,932
Amortization					10,475
Share of earnings of joint ventures					(394)
Unrealized net loss on financial instruments					1,009
Earnings before income taxes					9,028

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

For the three-month period ended September 30, 2016 Operating segments	Hydroelectric generation	Wind power generation	Solar power generation	Site development	Total
Revenues	50,954	12,455	5,846	—	69,255
Expenses:					
Operating	8,410	3,597	163	—	12,170
General and administrative	1,714	797	29	375	2,915
Prospective projects	—	—	—	2,994	2,994
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net revenues, share of loss of joint ventures and unrealized net loss on financial instruments	40,830	8,061	5,654	(3,369)	51,176
Finance costs					24,923
Other net revenues					(224)
Earnings before income taxes, depreciation, amortization, share of loss of joint ventures and unrealized net loss on financial instruments					26,477
Depreciation					15,836
Amortization					7,280
Share of loss of joint ventures					416
Unrealized net loss on financial instruments					1,312
Earnings before income taxes					1,633

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

For the nine-month period ended September 30, 2017 Operating segments	Hydroelectric generation	Wind power generation	Solar power generation	Site development	Total
Revenues	180,589	95,846	14,490	1,365	292,290
Expenses:					
Operating	32,510	17,788	520	578	51,396
General and administrative	8,123	5,321	121	459	14,024
Prospective projects	—	—	—	8,206	8,206
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net revenues, share of earnings of joint ventures and unrealized net gain on financial instruments	139,956	72,737	13,849	(7,878)	218,664
Finance costs					106,368
Other net revenues					(26)
Earnings before income taxes, depreciation, amortization, share of earnings of joint ventures and unrealized net gain on financial instruments					112,322
Depreciation					68,455
Amortization					26,497
Share of earnings of joint ventures					(2,931)
Unrealized net gain on financial instruments					(3,596)
Earnings before income taxes					23,897

As at September 30, 2017					
Goodwill	8,269	—	—	—	8,269
Total assets	2,459,942	1,497,833	103,964	203,094	4,264,833
Total liabilities	2,130,664	1,403,378	107,071	153,062	3,794,175
Acquisition of property, plant and equipment during the period	28,327	346,001	12	162,101	536,441

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

For the nine-month period ended September 30, 2016					
Operating segments	Hydroelectric generation	Wind power generation	Solar power generation	Site development	Total
Revenues	160,138	44,194	15,188	—	219,520
Expenses:					
Operating	26,194	9,070	521	—	35,785
General and administrative	5,698	2,948	109	1,791	10,546
Prospective projects	—	—	—	7,469	7,469
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net revenues, share of loss of joint ventures and unrealized net gain on financial instruments	128,246	32,176	14,558	(9,260)	165,720
Finance costs					69,025
Other net revenues					(631)
Earnings before income taxes, depreciation, amortization, share of loss of joint ventures and unrealized net gain on financial instruments					97,326
Depreciation					44,689
Amortization					19,999
Share of loss of joint ventures					393
Unrealized net gain on financial instruments					(2,120)
Earnings before income taxes					34,365

As at December 31, 2016					
Goodwill	8,269	—	—	—	8,269
Total assets	1,993,033	1,003,964	108,231	498,976	3,604,204
Total liabilities	1,537,791	847,148	113,538	620,495	3,118,972
Acquisition of property, plant and equipment during the year	3,420	219,813	11	369,723	592,967

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

16. 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 ($)
11/09/2017	12/29/2017	01/15/2018	0.1650	0.2255	0.359375

b. Revolving credit facility

On October 31, 2017, the Corporation increased its revolving credit facility by $50,000 and added a new lender to the syndicate of lenders. It also extended the maturity of its revolving facility from December 2021 to December 2022 to provide greater financial flexibility. The revolving credit facility now stands at $475,000.

c. Arrangement Agreement to acquire of Alterra Power Corp.

On October 30, 2017, the Corporation and Alterra Power Corp. ("Alterra") announced that they have entered into an arrangement agreement (the "Arrangement Agreement") pursuant to which Innergex will acquire at a price of $8.25 per share all of the issued and outstanding common shares of Alterra ("Alterra Common Shares") for an aggregate consideration of $1.1 billion, including the assumption of Alterra's debt (the "Transaction"). The Transaction is subject to approval by Alterra's shareholders and other customary closing conditions. The Transaction is not subject to approval by Innergex shareholders.

Pursuant to the Transaction, Alterra shareholders will receive an aggregate consideration which will consist of approximately 25% in cash and 75% in common shares of Innergex ("Innergex Common Shares"). The Innergex Common Shares issuable to Alterra shareholders in connection with the Transaction represent a pro forma ownership of approximately 19% of the combined company.

Innergex has entered into a support and voting agreement with Mr. Ross Beaty, Executive Chairman of Alterra, and certain related entities who have control over approximately 31% of Alterra's issued and outstanding common shares. Pursuant to the support and voting agreement, Mr. Beaty, together with these related entities, have agreed to: (i) vote all of their Alterra Common Shares in favour of the Transaction at the Special Meeting (ii) a 12-month holding period with respect to the Innergex Common Shares to be received by them as a result of the Transaction; and (iii) elect to receive Innergex Common Shares for the entirety of the Alterra Common Shares held by them.

Alterra will complement Innergex's current operating, under construction and prospective projects, resulting in increased geographic and technological diversification through meaningful presence in the United States and Icelandic power markets as well as the addition of geothermal power generation to Innergex's production mix. The Corporation believes that the transaction significantly accelerates Innergex's growth profile.

Innergex has structured the financing of the cash portion of the Transaction in order to maintain a strong and flexible balance sheet that provides for ample liquidity to fully fund Innergex's development portfolio pro forma the Transaction. To that end, the Caisse de dépôt et placement du Québec which will provide the Corporation with a 5-year $150,000 subordinated unsecured term loan at a competitive interest rate to be fixed at closing. The Corporation also obtained commitments from two leading Canadian banks to backstop its existing credit facilities, to implement the Transaction and to upsize its revolving credit facility to an aggregate amount of up to $700,000.

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:

Karine Vachon
Director – Communications

INNERGEX
Renewable Energy.
Sustainable Development.

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