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## First Quarter Report

Renewable energy.  
Stable returns.



Innergex Power Income Fund



INNERGEX

## Summary Table of Facilities

Facility	Percentage Owned	Installed Capacity (MW)	Expected Annual Production (MW-hr)	Electricity Purchaser	Expiry of Power Purchase Agreement
Saint-Paulin	100.0%	8.0	41,082	Hydro-Québec	2014
Windsor	100.0%	5.5	31,000	Hydro-Québec	2016
Chaudière	100.0%	24.0	116,651	Hydro-Québec	2019
Portneuf-1	100.0%	8.0	40,822	Hydro-Québec	2021
Portneuf-2	100.0%	9.9	68,496	Hydro-Québec	2021
Portneuf-3	100.0%	8.0	42,379	Hydro-Québec	2021
Montmagny	100.0%	2.1	8,000	Hydro-Québec	2021
Rutherford Creek	100.0%	49.9	180,000	BCHPA <sup>(1)</sup>	2024
Batawa	100.0%	5.0	32,938	OEFC <sup>(2)</sup>	2029
Horseshoe Bend	100.0%	9.5	46,800	Idaho Power Company	2030
Baie-des-Sables	38.0%	41.6 <sup>(3)</sup>	113,360 <sup>(3)</sup>	Hydro-Québec	2026
Anse-à-Valleau	38.0%	38.2 <sup>(3)</sup>	113,240 <sup>(3)</sup>	Hydro-Québec	2027
<b>TOTAL</b>		<b>209.7</b>	<b>834,768</b>	<b>REMAINING WEIGHTED AVERAGE LIFE OF POWER PURCHASE AGREEMENTS</b>	<b>15.1 YEARS</b>

(1) British Columbia Hydro and Power Authority

(2) Ontario Electricity Financial Corporation

(3) Represents the percentage of the facilities owned by the Fund

Highlights	Three-month period ended March 31, 2009	Three-month period ended March 31, 2008
Power generated (MW-hr)	163,912	160,939
Gross operating revenues	\$ 13,941,003	\$ 13,596,921
EBITDA	\$ 11,089,751	\$ 10,888,183
Net earnings (net loss)	\$ 3,019,454	\$ (760,993)
Net distributable cash	\$ 7,387,619	\$ 5,431,277
Net distributable cash per trust unit	\$ 0.251	\$ 0.185
Distributions declared	\$ 7,349,305	\$ 7,348,128
Distributions declared per trust unit	\$ 0.250	\$ 0.250
Distribution payout ratio	99%	135%

# Consolidated financial statements

## Consolidated balance sheets

	March 31, 2009 (Unaudited)	December 31, 2008 (Audited)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 7,525,925	\$ 8,636,864
Accounts receivable	6,938,805	7,411,947
Funds held in trust	56,064	1,585,550
Current portion of reserve accounts	272,134	464,562
Current future income tax assets	219,898	553,412
Derivative financial instruments	921,997	144,163
Other current assets	1,820,659	2,352,555
	<b>\$ 17,755,482</b>	<b>\$ 21,149,053</b>
Reserve accounts	\$ 14,729,611	\$ 14,632,011
Property, plant and equipment	343,126,524	345,218,225
Intangible assets	127,201,392	129,577,067
Derivative financial instruments	6,954,995	7,484,770
Future income tax assets	3,096,902	3,041,471
Goodwill	8,905,029	8,905,029
	<b>\$ 521,769,935</b>	<b>\$ 530,007,626</b>
<b>Liabilities and Unitholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 8,421,250	\$ 11,535,154
Distributions payable to unitholders	2,450,552	2,449,376
Derivative financial instruments	5,249,198	4,590,761
Current portion of long-term debt	2,610,362	2,563,035
	<b>\$ 18,731,362</b>	<b>\$ 21,138,326</b>
Derivative financial instruments	\$ 17,919,812	\$ 18,903,969
Long-term debt	226,795,978	226,866,338
Asset retirement obligations	920,006	901,252
Future income tax liabilities	69,067,453	69,532,083
Unitholders' equity	188,335,324	192,665,658
	<b>\$ 521,769,935</b>	<b>\$ 530,007,626</b>

See accompanying notes to the unaudited consolidated financial statements.

**Consolidated financial statements**  
**Consolidated statements of earnings**  
(Unaudited)

	<b>Three-month period ended March 31, 2009</b>	<b>Three-month period ended March 31, 2008</b>
Gross operating revenue	\$ 13,941,003	\$ 13,596,921
Operating expenses	1,912,983	1,888,299
Operating income	\$ 12,028,020	\$ 11,708,622
General and administrative expenses	938,269	820,439
Earnings before interest, provision for income taxes, depreciation and amortization, other revenues and expenses and minority interest (EBITDA)	\$ 11,089,751	\$ 10,888,183
Interest on long-term debt	3,337,169	3,070,745
Depreciation and amortization	5,337,408	5,100,264
Other (revenues) and expenses (Note 3)	(475,808)	3,280,689
Earnings (loss) before provision for income taxes and minority interest	\$ 2,890,982	\$ (563,515)
Provision for income taxes		
Income taxes payable (recoverable)	\$ (53,835)	\$ 93,112
Future income taxes	(74,637)	(439,764)
	\$ (128,472)	\$ (346,652)
Earnings (loss) before minority interest	\$ 3,019,454	\$ (216,863)
Earnings allocated to minority interest	-	544,130
Net earnings (net loss)	\$ 3,019,454	\$ (760,993)
Weighted average number of trust units outstanding	29,404,276	29,404,276
Net earnings (net loss) per trust unit	\$ 0.10	\$ (0.03)

See accompanying notes to the unaudited consolidated financial statements.

**Consolidated financial statements**  
**Consolidated statements of comprehensive income**  
(Unaudited)

	Three-month period ended March 31, 2009	Three-month period ended March 31, 2008
Net earnings (net loss)	\$ 3,019,454	\$ (760,993)
Other comprehensive income		
Unrealized foreign exchange gain on translation of self-sustaining foreign subsidiary	\$ 119,557	\$ 83,673
Unrealized foreign exchange loss on portion of the US\$ denominated debt designated as a hedge of the investment in a self-sustaining foreign subsidiary	(120,040)	(82,407)
	\$ (483)	\$ 1,266
Comprehensive income	\$ 3,018,971	\$ (759,727)

**Consolidated statements of changes in unitholders' equity**  
(Unaudited)

	Three-month period ended March 31, 2009	Three-month period ended March 31, 2008
Number of units – beginning and end	29,404,276	29,404,276
Unitholders' capital account – beginning and end	\$ 309,681,275	\$ 309,681,275
Deficit – beginning	\$ (117,113,511)	\$ (84,482,827)
Net earnings (net loss)	3,019,454	(760,993)
Distributions declared to unitholders	(7,349,305)	(7,348,128)
Deficit – end	\$ (121,443,362)	\$ (92,591,948)
Cumulative other comprehensive income – beginning	\$ 97,894	\$ 90,297
Other comprehensive income	(483)	1,266
Cumulative other comprehensive income – end	\$ 97,411	\$ 91,563
Total deficit and cumulative other comprehensive income	\$ (121,345,951)	\$ (92,500,385)
Unitholders' equity – end	\$ 188,335,324	\$ 217,180,890

See accompanying notes to the unaudited consolidated financial statements.

# Consolidated financial statements

## Consolidated statements of cash flows

(Unaudited)

	Three-month period ended March 31, 2009	Three-month period ended March 31, 2008
<b>Cash flows from operating activities</b>		
Net earnings (net loss)	\$ 3,019,454	\$ (760,993)
Adjustments for:		
Depreciation of property, plant and equipment	2,890,052	2,815,000
Amortization of intangible assets	2,447,356	2,285,264
Accretion expense on asset retirement obligations	18,754	17,300
Provision for future income taxes	(74,637)	(439,764)
Unrealized (gain) loss on derivative financial instruments	(573,779)	1,629,279
Earnings allocated to minority interest	-	544,130
Unrealized foreign exchange loss	96,460	94,843
Effect of exchange rate fluctuations	48,713	46,785
Change in non-cash working capital items (Note 4)	435,243	1,302,111
	<b>\$ 8,307,616</b>	<b>\$ 7,533,955</b>
<b>Cash flows from financing activities</b>		
Distributions paid to unitholders	\$ (7,348,129)	\$ (7,263,356)
Repayment of long-term debt	(623,728)	(1,100,560)
	<b>\$ (7,971,857)</b>	<b>\$ (8,363,916)</b>
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	\$ (1,609,958)	\$ (18,699)
Net funds withdrawn from the levelization reserve	397,203	559,354
Investments in other reserve accounts	(245,000)	(240,662)
	<b>\$ (1,457,755)</b>	<b>\$ 299,993</b>
Translation adjustment on cash and cash equivalents	\$ 11,057	\$ 9,592
Net change in cash and cash equivalents	\$ (1,110,939)	\$ (520,376)
Cash and cash equivalents – beginning	8,636,864	12,150,357
Cash and cash equivalents – end	<b>\$ 7,525,925</b>	<b>\$ 11,629,981</b>
<b>Cash and cash equivalents:</b>		
Cash	\$ 3,165,878	\$ 5,974,381
Short-term investments	4,360,047	5,655,600
	<b>\$ 7,525,925</b>	<b>\$ 11,629,981</b>
<b>Supplemental cash flow information:</b>		
Interest paid	\$ 2,869,541	\$ 3,241,320
Income taxes paid	\$ 71,300	\$ 298,989
Unpaid additions to property, plant and equipment	\$ 86,390	\$ 3,760,209

See accompanying notes to the unaudited consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the three-month period ended March 31, 2009 (Unaudited)

Innergex Power Income Fund (the "Fund") is an unincorporated open-ended trust established on October 25, 2002 under the laws of the Province of Quebec. An unlimited number of trust units may be issued pursuant to the trust indenture. The Fund, which began operations on July 4, 2003, was established to indirectly acquire and own interests in renewable power generating facilities (the "Facilities") and to indirectly acquire loans relating to some of the Facilities.

As at March 31, 2009, the Fund indirectly held interests in the following subsidiaries:

- (i) Innergex, Limited Partnership ("Innergex LP"), which owns the three Portneuf facilities, the Chaudière facility, and the Saint-Paulin facility.
- (ii) Trent-Severn Power, Limited Partnership ("Trent LP"), which owns the Batawa facility.
- (iii) Innergex Montmagny, Limited Partnership ("Innergex Montmagny LP"), which owns the Montmagny facility.
- (iv) Hydro-Windsor, Limited Partnership ("Hydro-Windsor LP"), which owns the Windsor facility.
- (v) Horseshoe Bend Hydroelectric Company ("Horseshoe Bend"), which owns the Horseshoe Bend facility.
- (vi) Rutherford Creek Power Limited Partnership ("Rutherford LP"), which owns the Rutherford Creek facility.
- (vii) Innergex BDS, Limited Partnership ("BDS LP"), which as undivided joint owner owns 38% of the Baie-des-Sables wind farm.
- (viii) Innergex AAV, Limited Partnership ("AAV LP"), which as undivided joint owner owns 38% of the L'Anse-à-Valleau wind farm.

Innergex Renewable Energy Inc., (the "Manager"), administers the Fund and manages Innergex Power Trust ("IPT"), a wholly owned subsidiary of the Fund; IPT indirectly owns the Fund's assets and investments. The Manager also provides management services to the operators of the Fund's Facilities.

## 1. Basis of Presentation :

The interim consolidated financial statements included in this report reflect normal and recurring adjustments which are, in the opinion of the Fund's Manager, considered necessary for a fair presentation. These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles. The same accounting policies and methods of application as described in the Fund's latest annual report have been used, with the exception of the changes described in Note 2. However, these consolidated financial statements do not include all disclosures required under Canadian Generally Accepted Accounting Principles and, accordingly, should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Fund's latest annual report.

The Fund's revenues vary by season and, as a result, the earnings of interim periods should not be considered indicative of results for an entire year. These interim financial statements have neither been audited nor reviewed by the Fund external auditors.

# Notes to the Consolidated Financial Statements

For the three-month period ended March 31, 2009 (Unaudited)

## 2. Changes in accounting policies:

### (a) Changes made in 2009:

CICA Handbook Section 3064, "Goodwill and Intangible Assets", replaces Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs." Various changes related to standardization were made to other sections of the CICA Handbook. The new section, issued in February 2008, applies to the financial statements of fiscal years beginning on or after October 1, 2008. Consequently, the Fund adopted the new standard for its fiscal year beginning on January 1, 2009. This Section provides new guidelines for the recognition, measurement, presentation and disclosure of goodwill after initial recognition and intangible assets of profit-oriented organizations. The goodwill standards are the same as the standards in the old Section 3062. The application of Section 3064 by the Fund had no impact on its consolidated financial statements.

### (b) International Financial Reporting Standards:

The Canadian Accounting Standards Board has announced the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") for publicly-listed companies. The official changeover date for using IFRS, replacing Canadian GAAP, is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Fund has begun assessing major items requiring adjustment in connection with the adoption of IFRS. A schedule has been prepared of the steps to be followed by the Fund in order to meet the changeover date.

### (c) Future accounting changes:

CICA Handbook Section 1582, "Business Combinations", will be applicable to business combinations for which the acquisition date is on or after the Fund's interim and fiscal year beginning January 1, 2011. Early adoption is permitted. This section improves the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects.

CICA Handbook Section 1601, "Consolidated financial statements", will be applicable to financial statements relating to the Fund's interim and fiscal year beginning on or after January 1, 2011. Early adoption is permitted. This section establishes standards for the preparation of consolidated financial statements. The Fund has not yet determined the impact of the adoption of this new Section on the consolidated financial statements.

## 3. Other (revenues) and expenses:

The item Other (revenues) and expenses includes the following:

	Three-month period ended March 31, 2009	Three-month period ended March 31, 2008
Investment revenues	\$ (48,056)	\$ (288,698)
Unrealized (gain) loss on derivative financial instruments	(573,779)	1,629,279
Realized loss on a derivative financial instrument	-	1,832,025
Realized foreign exchange loss	49,567	13,240
Unrealized foreign exchange loss	96,460	94,843
	\$ (475,808)	\$ 3,280,689

# Notes to the Consolidated Financial Statements

For the three-month period ended March 31, 2009 (Unaudited)

## 4. Additional information concerning consolidated statements of cash flows:

Changes in non-cash working capital items	Three-month period ended March 31, 2009	Three-month period ended March 31, 2008
Accounts receivable	\$ 473,142	\$ 4,730,827
Funds held in trust	1,529,486	270,775
Other current assets	531,896	(231,086)
Accounts payable and accrued liabilities	(2,099,281)	(3,468,405)
	\$ 435,243	\$ 1,302,111

## 5. Segment information:

### (a) Geographic sectors

The Fund has operations in Canada and the United States. The segment information by geographic area is as follows:

Gross operating revenue	Three-month period ended March 31, 2009	Three-month period ended March 31, 2008
Canada	\$ 13,552,732	\$ 13,306,866
United States	388,271	290,055
	\$ 13,941,003	\$ 13,596,921

Property, plant and equipment, intangible assets and goodwill	March 31, 2009	December 31, 2008
<b>Property, plant and equipment</b>		
Canada	\$ 337,240,403	\$ 339,488,480
United States	5,886,121	5,729,745
	\$ 343,126,524	\$ 345,218,225
<b>Intangible assets</b>		
Canada	\$ 125,128,767	\$ 127,552,048
United States	2,072,625	2,025,019
	\$ 127,201,392	\$ 129,577,067
<b>Goodwill</b>		
Canada	\$ 8,905,029	\$ 8,905,029

### (b) Reportable sectors

The Fund has two reportable segments: hydroelectric generation and wind power generation.

The hydroelectric generation segment sells electricity generated by hydroelectric facilities to public utilities. The wind power generation segment sells electricity generated by wind farms to public utilities.

# Notes to the Consolidated Financial Statements

For the three-month period ended March 31, 2009 (Unaudited)

The accounting policies for the reportable segments are identical to those described in the summary of significant accounting policies of the latest annual report. The Fund evaluates the total return based on earnings before interest, provisions for income taxes, depreciation and amortization, other revenues and expenses and minority interest ("EBITDA").

The Fund's reportable segments conduct their operations using different means of generation or types of activities managed by different teams since each segment has different operating skill requirements.

Reportable Segments	Hydroelectric Generation	Wind Power Generation	Total
<b>Three-month period ended March 31, 2009</b>			
Gross operating revenues from external clients	\$ 8,726,013	\$ 5,214,990	\$ 13,941,003
Operating expenses	1,469,981	443,002	1,912,983
Operating income	\$ 7,256,032	\$ 4,771,988	\$ 12,028,020
General and administrative expenses	677,524	260,745	938,269
EBITDA	\$ 6,578,508	\$ 4,511,243	\$ 11,089,751
<b>Three-month period ended March 31, 2008</b>			
Gross operating revenues from external clients	\$ 8,650,445	\$ 4,946,476	\$ 13,596,921
Operating expenses	1,430,226	458,073	1,888,299
Operating income	\$ 7,220,219	\$ 4,488,403	\$ 11,708,622
General and administrative expenses	746,198	74,241	820,439
EBITDA	\$ 6,474,021	\$ 4,414,162	\$ 10,888,183
<b>As at March 31, 2009</b>			
Goodwill	\$ 8,905,029	\$ -	\$ 8,905,029
Total assets	\$ 332,250,929	\$ 189,519,006	\$ 521,769,935
Acquisition of property, plant and equipment since the beginning of the year	\$ 486,965	\$ 108,370	\$ 595,335
<b>As at December 31, 2008</b>			
Goodwill	\$ 8,905,029	\$ -	\$ 8,905,029
Total assets	\$ 339,979,718	\$ 190,027,908	\$ 530,007,626

## 6. Comparative figures:

Certain amounts were reclassified to conform to the financial statement presentation adopted for the current year.

# Management's Discussion and Analysis

For the quarter ended March 31, 2009

This Management's Discussion and Analysis ("MD&A") was prepared on May 11, 2009.

## OVERVIEW

Innergex Power Income Fund (the "Fund") is an unincorporated open-ended trust that indirectly owns interests in ten hydroelectric power plants and two wind farms with a total net installed capacity of 210 MW. These hydroelectric power plants and wind farms are managed by Innergex Renewable Energy Inc. (the "Manager") under long-term agreements with the Fund. The objective of the Fund is to distribute on a monthly basis the cash flows it generates to the unitholders. Standard & Poor's Rating Service ("S&P") has issued a stability rating of SR-2 ("stable outlook, with a moderate distribution profile") to the Fund's units, indicating a high level of cash distribution stability.

The purpose of this MD&A is to provide the reader with an overview of the financial position, operating results and cash flows of the Fund for the quarter ended March 31, 2009. This MD&A should be read in conjunction with the accompanying unaudited consolidated financial statements of the Fund for the quarter ended March 31, 2009, and with the notes thereto as well as the Fund's 2008 Annual Report. The consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The Fund reports its results in Canadian dollars. Certain amounts included in this MD&A are rounded to make reading easier. These rounded numbers may affect certain sums.

## EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES

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

- Disclosure controls and procedures ("DC&P") to provide reasonable assurance that (i) the information required to be disclosed by the Fund in its annual filings, interim filings or other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time periods; and, (ii) material information regarding the Fund is accumulated and communicated by others to the Fund's Manager, including its President and Chief Executive Officer and the Vice President and Chief Financial Officer, in a timely manner, particularly during the period in which the interim filings are being prepared.
- internal controls 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 Canadian GAAP.

During the period beginning January 1, 2009, and ended March 31, 2009, there was no change in the ICFR that has materially affected, or is reasonably likely to affect, the ICFR.

## FORWARD-LOOKING STATEMENTS

In order to inform holders of units of the Fund as well as potential investors on future prospects of the Fund, sections of this MD&A may contain forward-looking statements within the meaning of securities legislation ("Forward-Looking Statements"). Forward-Looking Statements can generally be identified by the use of words and phrases, such as "may," "will," "estimates," "anticipates," "plans," "expects" or "does not expect," "is expected," "budget," "scheduled," "forecasts," "intends" or "believes," or variations on such words and phrases that state that certain events will occur. Forward-Looking Statements represent, as at the date of this MD&A, the estimates, forecasts, projections, expectations or opinions of the Manager relating to future events or results. Forward-Looking Statements involve known and unknown risks, uncertainties and other important factors which may cause the actual results or performance to be materially different from those expressed or implied by the Forward-Looking Statements. The material risks and uncertainties that may cause the actual results and developments to be materially different from the current expressed expectations are discussed in this MD&A under the heading "Risk and Uncertainties" and include risks relating to operations, hydrology and wind regime, large customers, interest rates, exchange rate, separation agreement, tax treatment of distributions, amendments to laws, regulations and permits and conversion into a corporation. Although the Manager believes that the expectations instigated by the Forward-Looking Statements are based on reasonable and valid hypotheses, there is a risk that the Forward-Looking Statements may be incorrect. The reader of this MD&A is cautioned not to rely unduly on these Forward-Looking Statements. The Forward-Looking Statements, expressed verbally or in writing, by the Fund or by a person acting on its behalf, are expressly qualified by this cautionary statement. The Fund does not undertake any obligation to update or revise any Forward-Looking Statements, whether as a result of events or circumstances occurring after the date hereof, unless required by legislation.

# Management's Discussion and Analysis

For the quarter ended March 31, 2009

## IMPACT OF THE FINANCIAL CRISIS

In view of the current period of volatility and uncertainty with which most developed countries are dealing, this section is intended to inform investors about five key parameters that have changed due to the crisis: (i) credit availability and cost; (ii) customer demand; (iii) exchange rates; (iv) raw materials; and (v) counterparties.

### Credit Availability and Cost

Although the financial institutions are continuing to lend, they are doing so much more cautiously and imposing conditions that can increase the cost of or restrict access to credit. However, the Manager considers that the Fund has the credit facilities and loans necessary to smoothly run its operations, as all the financing required for the Fund is in place and the Fund does not face any debt maturity before May 2013.

### Customer Demand

The Fund sells its electrical power to major public utilities under long-term Power Purchase Agreements ("PPA") that had a remaining weighted average life of 15.1 years at March 31, 2009. These public utilities have credit ratings issued by S&P that range from BBB to AAA. Furthermore, they all benefit (with the exception of Idaho Power Company) from the support of their respective provincial governments (Quebec, Ontario and British Columbia), which guarantee most of their respective indebtedness. As such, the financial crisis has no impact on the Fund's customers demand for its electricity. However, the financial crisis could ultimately result in a decrease in overall electricity consumption by the end-customers of these public utilities. However, the Fund believes that renewable energy will continue to be the favoured source of supply for new energy and that the public utilities will continue to favour this power source for meeting their objectives relating to the renewal and growth on their electrical power generating capacity.

### Exchange Rate

The Fund owns a power plant in the United States that represents approximately 6% of its total estimated annual production. In order to lessen the exchange rate risk associated with this asset, the Manager decided to draw a portion of the Fund's long-term debt into U.S. dollars. This strategy provides a hedge between revenue and outflows in U.S. dollars. The Manager considers that the Fund does therefore not have significant exposure to exchange rate fluctuations.

### Raw Materials

The Fund generates electrical power from water and wind, which are renewable sources, and all of its facilities are operational. The Fund is therefore not subject to fluctuations in the price of raw materials.

### Counterparties

The financial crisis may affect various economic players such as customers, suppliers and financial institutions, among others. The Fund considers that its counterparty risk is not significant for the following reasons:

- i. Its customers are major public utilities that have credit ratings issued by S&P that range from BBB to AAA.
- ii. The Fund has no facilities currently under construction. It is therefore not exposed to contractors' or subcontractors' performance or credit risk.
- iii. The Fund has entered into its loan agreements and derivative financial instruments with major financial institutions.

## KEY PERFORMANCE INDICATORS

The Fund measures its performance using key performance indicators that include power generated in megawatt-hours ("MW-hr"), net distributable cash, net distributable cash per trust unit, adjusted net earnings (loss) and EBITDA, defined as earnings before interest, provision for income taxes, depreciation and amortization, other revenues and expenses, and minority interest. Other revenues and expenses include investment revenues, realized or unrealized losses and gains on derivative financial instruments and realized or unrealized foreign exchange losses and gains. These indicators are not recognized measures under Canadian GAAP. Consequently, they may not be comparable to measures presented by other issuers. The Fund believes that these indicators are important since they provide the reader with additional information about production, available cash and the Fund's ability to meet its cash distribution objectives to unitholders. The Fund also believes that they facilitate the comparison of results over different periods.

### Seasonality

The Fund's results have a seasonal aspect due to variations in water and wind conditions from quarter to quarter in a typical year. The second and fourth quarters of the year are generally those in which gross operating revenues are at their highest. Interim results should not be considered representative of the results of a full year. The complementary nature of production from hydroelectric facilities and from wind farms mitigates seasonal variations.

# Management's Discussion and Analysis

For the quarter ended March 31, 2009

## Adjusted Net Earnings

The Manager believes that adjusted net earnings represent important additional information for the reader because it provides a profitability measure which excludes certain elements that have no impact on cash on hand. Adjusted net earnings exclude unrealized foreign exchange loss/gain and unrealized loss/gain on derivative financial instruments as well as any future income tax impact associated. Adjusted net earnings also exclude some non-recurring items such as the impact on future income taxes emanating from modifications to fiscal laws or from changes in tax rates. The Fund calculates adjusted net earnings as shown below:

Adjusted Net Earnings	Three-month period ended March 31, 2009	Three-month period ended March 31, 2008
Net earnings (net loss)	\$ 3,019,454	\$ (760,993)
Add / (deduct):		
Unrealized (gain) loss on derivative financial instruments	(573,779)	1,629,279
Unrealized foreign exchange loss	96,460	94,843
Future income taxes relating to unrealized (losses) gains on foreign exchange and on derivative financial instruments	(86,318)	(439,905)
Adjusted net earnings	\$ 2,455,817	\$ 523,224
Adjusted net earnings per unit	\$ 0.08	\$ 0.02

## OPERATING RESULTS

The Fund's operating results for the first quarter of 2009 are compared with the operating results for the same period in 2008.

When evaluating its operating results, the Fund compares generation of electricity with a long-term average for each hydroelectric power plant and each wind farm. These long-term averages are determined carefully and prudently to allow long-term forecasting of the expected generation of each of the Fund's facilities.

To define the long-term average of a power generating facility, independent engineers carry out studies that take into consideration a number of important factors: for hydroelectricity, engineers consider the historically observed flows of the river, the operating head and the reserved aesthetic and ecological flows; and for wind energy, they consider wind conditions. The engineers also take into account the site topography, installed capacity, energy losses, operational features, maintenance, etc. Year to year, production will fluctuate, but over an extended period, production should approach the forecast long-term average.

Production	Operating period January 1 to March 31, 2009		Operating period January 1 to March 31, 2008	
	Production (MW-hr)	Long-term average (MW-hr)	Production (MW-hr)	Long-term average (MW-hr)
Saint-Paulin	11,170	7,434	12,125	7,434
Portneuf-1	4,431	4,290	4,427	4,290
Portneuf-2	10,314	10,033	10,358	10,033
Portneuf-3	4,482	4,398	4,537	4,398
Chaudière	36,806	25,999	37,593	25,999
Batawa	12,150	10,803	10,104	10,803
Montmagny	1,651	1,433	1,159	1,433
Windsor	10,440	9,730	11,477	9,730
Rutherford Creek	543	11,000	666	11,000
Horseshoe Bend	5,479	7,927	5,281	7,927
Baie-des-Sables ("BDS") <sup>1</sup>	34,320	35,697	34,320	35,697
Anse-à-Valleau ("AAV") <sup>1</sup>	32,126	38,185	28,892	38,185
Total	163,912	166,929	160,939	166,929

<sup>1</sup> Representing the 38% interest in the wind farm.

# Management's Discussion and Analysis

For the quarter ended March 31, 2009

## Production

The Fund's facilities produced 163,912 MW-hr during the first quarter of 2009, compared with 160,939 MW-hr in the corresponding quarter of 2008, a 2% increase and 2% lower than the long-term average.

The performance of the AAV wind farm, which produced 11% more than last year, is the determining factor in the rise in production in the first quarter of 2009. This production increase is the result of the AAV wind farm operating at full capacity since in the first quarter of 2008, the wind farm was still in its commissioning period following the start of commercial operations in November 2007.

When compared with the long-term averages, the Fund's facilities generated a total level of electrical power slightly less than these averages. The hydroelectric facilities located in Quebec experienced more favourable hydrology conditions. These conditions were offset by the weaker hydrology conditions and wind regimes that affected the Rutherford Creek and Horseshoe Bend facilities and BDS and AAV wind farms. This demonstrates the benefits of the geographic diversification of the Fund's facilities and the complementarity of hydroelectric and wind power generation.

The production of the Portneuf 1-2-3 facilities was similar to that in the corresponding quarter of 2008 and 3% more than the long-term average. These three facilities are exempt from annual hydrological variations due to the "virtual energy" provisions included in the long-term PPAs with Hydro-Québec. These facilities must remain in operation in order to receive financial compensation.

<b>Operating Results</b>	<b>Three-month period ended March 31, 2009</b>	<b>Three-month period ended March 31, 2008</b>
Gross operating revenue	\$ 13,941,003	\$ 13,596,921
Operating expenses	1,912,983	1,888,299
General and administrative expenses	938,269	820,439
EBITDA	\$ 11,089,751	\$ 10,888,183
Interest on long-term debt	3,337,169	3,070,745
Depreciation and amortization	5,337,408	5,100,264
Other (revenues) and expenses	(475,808)	3,280,689
Recovery of income taxes	(128,472)	(346,652)
Earnings allocated to minority interest	-	544,130
Net earnings (net loss)	\$ 3,019,454	\$ (760,993)

## Gross Operating Revenues

The Fund generated \$13.9 million in gross operating revenues in the first quarter of 2009, an increase of \$0.3 million or 3% over the same period of 2008. This performance is due to the rise in production and to selling price increases. The latter are the result of increases in electricity rates associated with inflation clauses under the long-term PPAs with Hydro-Québec and the British Columbia Hydro and Power Authority. With regard to the hydroelectric facilities located in Quebec, the PPAs provide for rate increases based on changes in the Consumer Price Index ("CPI") for a minimum of 3% and a maximum of 6% per year. The PPA for the Rutherford Creek facility located in British Columbia includes an electricity rate adjustment of 50% of the increase in the CPI. Lastly, the PPAs for the two wind farms located in Quebec include electricity rate increases of approximately 18% of the increase in the CPI. Generally speaking, inflation has a positive impact on the Fund's results, since the related increase in revenues exceeds the increase in operating costs.

## EXPENSES

### Operating Expenses

Operating expenses for the most recent quarter stood at \$1.91 million, an increase of \$0.02 million or 1% over the corresponding quarter of 2008. This increase was mainly due to maintenance work carried out at the Chaudière facility, which was mostly offset by the lower maintenance costs at the Rutherford Creek facility.

### General and Administrative Expenses

General and administrative expenses grew \$0.1 million to total \$0.9 million in the first quarter of 2009. This increase is due to the capital tax applicable since the Fund's acquisition of IHI Hydro Inc. ("IHI") on May 29, 2008.

# Management's Discussion and Analysis

For the quarter ended March 31, 2009

## Interest on Long-Term Debt

For the quarter ended March 31, 2009, interest expenses totalled \$3.3 million, compared with interest expenses of \$3.1 million for the first quarter of 2008. This increase is mainly due to the increased debt incurred as part of the acquisition of IHI.

As at March 31, 2009, 91% of the Fund's total debt was fixed or hedged against interest rate movements. Please see the "Risk Management" section for more information. Given this hedging, the Fund is not significantly affected by interest rate fluctuations. Accordingly, the average interest rate was 5.82% for the most recent quarter of 2009, compared with an average rate of 5.69% in the corresponding quarter of 2008. This change is due to the increase in the margins applicable to variable-rate debts, partially offset by the decrease in interest rates.

## Depreciation and Amortization

For the three-month period ended March 31, 2009, depreciation and amortization totalled \$5.3 million, compared with \$5.1 million in 2008. This increase is mainly due to the acquisition of IHI on May 29, 2008.

## Other Revenues and Expenses

Other revenues and expenses include investment revenues, realized and unrealized losses and gains on derivative financial instruments and realized and unrealized foreign exchange losses and gains. Investment revenues consist of interest earned on the reserve accounts and cash on hand.

Other (Revenues) and Expenses	Three-month period ended March 31, 2009	Three-month period ended March 31, 2008
Investment revenues	\$ (48,056)	\$ (288,698)
Unrealized (gain) loss on derivative financial instruments	(573,779)	1,629,279
Realized loss on derivative financial instruments	-	1,832,025
Realized foreign exchange loss	49,567	13,240
Unrealized foreign exchange loss	96,460	94,843
	<u>\$ (475,808)</u>	<u>\$ 3,280,689</u>

In the most recent quarter, investment revenues decreased by \$0.24 million to \$0.05 million. This decrease is due mainly to the lower rate of return obtained. The Fund also recorded a \$0.6 million unrealized gain on derivative financial instruments, compared with a \$1.6 million loss in 2008. These variations represent the changes in the fair market valuations of the derivative financial instruments imbedded in the PPAs and swap contracts. These variations do not have an impact on the Fund's distributable cash. In the first quarter of 2008, the Fund had a loss of \$1.8 million (nil in 2009) on the settlement of derivative financial instruments used to hedge interest rate fluctuations.

It should be noted that these derivative financial instruments provide the Fund's assets with an economic hedge and ensure the long-term stability of its cash flows. Through its hedging program, the Fund is protecting itself from changes in interest rates and is ensuring the stability of the financing costs of its projects. The Fund does not own or issue financial instruments for speculative purposes.

## Provision for Income Taxes

For the first quarter of 2009, the Fund recorded a current income tax recovery of \$0.05 million and a future income tax recovery of \$0.07 million, giving a total income tax recovery of \$0.13 million. For the corresponding period of 2008, a \$0.09 million provision for current income taxes and a future income tax recovery of \$0.44 million were recorded, for a total income tax recovery of \$0.35 million.

## Earnings Allocated to Minority Interest

On May 29, 2008, the Fund completed the IHI acquisition. IHI owned a net interest of 22.4% in five hydroelectric facilities of the Fund, namely the Saint-Paulin and Chaudière facilities as well as the three Portneuf facilities. The minority interest represents the share of earnings attributable to IHI. Since IHI was acquired in the second quarter of 2008, no amount was allocated to this item in the first quarter of 2009. In comparison, the Fund allocated an amount of \$0.5 million in the corresponding quarter of 2008 following the good results of the facilities in which IHI held an interest during that quarter. The Fund does not have any minority interest since the IHI acquisition on May 29, 2008.

# Management's Discussion and Analysis

For the quarter ended March 31, 2009

## Net Earnings (Net Loss)

For the first quarter of 2009, the Fund recorded net earnings of \$3.0 million (\$0.10 per trust unit), compared with a net loss of \$0.8 million (net loss of \$0.03 per trust unit) in the corresponding quarter of 2008.

The earnings per trust unit for the quarters ended March 31, 2009 and 2008, are based on a weighted average number of 29,404,276 outstanding trust units.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flows from Operating Activities

In the most recent quarter of 2009, the Fund generated \$8.3 million in cash flows from operating activities, compared with \$7.5 million in 2008. This increase is mainly due to the \$1.8 million loss realized on a derivative financial instrument recorded in the first quarter of 2008 (nil in 2009), partially offset by the \$0.4 million positive change in non-cash working capital items in 2009, which was less than that in 2008, when it brought a \$1.3 million increase in cash on hand. In the first quarter of 2009, a decrease in accounts receivable, the collection of funds held in trust and a decrease in other short-term assets offset by a decrease in accounts payable and accrued liabilities were the main factors responsible for this \$0.4 million change.

### Cash Flows from Financing Activities

Disbursements related to financing activities for the first quarter of 2009 totalled \$8.0 million, compared with \$8.4 million for the corresponding quarter of 2008. The difference is mainly due to the decrease in long-term debt repayments following the \$52.6 million debt refinancing related to the BDS wind farm.

### Cash Flows from Investing Activities

Cash flows from investing activities for the first quarter of 2009 represented a net cash outflow of \$1.5 million, compared with a cash inflow of \$0.3 million for the same quarter of 2008. During the most recent quarter of 2009, the Fund paid \$1.6 million in additions to property, plant and equipment, deposited \$0.2 million into the Major maintenance reserve accounts and withdrew \$0.4 million from the Levelization reserve. Acquisitions of capital assets were mainly related to the Rutherford Creek facility and to unpaid property, plant and equipment since the acquisition of the AAV wind farm, which were paid for during the period. In the same three-month period of 2008, \$0.02 million was invested in acquisitions of property, plant and equipment, \$0.2 million was deposited in the Major maintenance reserve accounts and \$0.6 million was withdrawn from the Levelization reserve.

### Cash and Cash Equivalents

The Fund used \$1.1 million in cash and cash equivalents during the first quarter of 2009, compared with \$0.5 million in 2008. As at March 31, 2009, the Fund held \$7.5 million in cash and cash equivalents, compared with \$11.6 million on the same date in 2008.

## FINANCIAL POSITION

### Assets

As at March 31, 2009, the Fund's assets totalled \$521.8 million, compared with total assets of \$530.0 million as at December 31, 2008. This decrease is due to the reduction in cash and cash equivalents, to the decrease in the funds held in trust, to the depreciation of property, plant and equipment and to the amortization of intangible assets. As at March 31, 2009, working capital was negative at \$1.0 million with a working capital ratio of 0.95:1, whereas at December 31, 2008, working capital was nearly zero with a working capital ratio of 1.00:1. The Fund considers its current working capital to be sufficient to meet all of its short-term liquidity needs. If necessary, the Fund can use a \$10.0 million bank credit facility of which only \$0.5 million had been used as at March 31, 2009 to issue letters of credit. The Fund can also count on significant reserves as shown in the following table:

### Reserve Accounts

Reserve Accounts Breakdown	March 31, 2009	December 31, 2008
Levelization reserve	\$ 1,131,305	\$ 1,528,508
Hydrology / wind power reserve	10,820,477	10,774,548
Major maintenance reserve	3,049,963	2,793,517
Total	\$ 15,001,745	\$ 15,096,573

# Management's Discussion and Analysis

For the quarter ended March 31, 2009

The Fund holds three reserve accounts designed to help ensure the stability of cash distributions. The first is the Levelization reserve, which was established using a portion of the proceeds from the initial public offering and was increased following the acquisition of the Windsor facility. The second is the Hydrology/wind power reserve, which was also created using a portion of the proceeds from the initial public offering and was increased following the Fund's acquisitions in 2004, 2005 and 2007. This reserve is to be used in the event that the net distributable cash for any year is lower than expected due to normal changes in hydrology or wind conditions or other unpredictable factors. Lastly, amounts invested quarterly in the Major maintenance reserve account total approximately \$980,000 on an annual basis. The Major maintenance reserve account was established in order to fund any major plant repairs that may be required to maintain the Fund's generating capacity.

The availability of funds in the reserve accounts may be restricted by credit agreements. The Fund has not invested any amount in any form of asset-backed commercial paper.

## Long-Term Debt

As at March 31, 2009, the Fund's long-term debt totalled \$229.4 million, and the debt-to-enterprise value ratio was 46.4%, compared with a similar total debt of \$229.4 million and a debt-to-enterprise value ratio of 45.9% as at December 31, 2008. There were no changes made to the long-term debt in the first quarter of 2009.

If they are not met, certain financial and non-financial covenants included in the credit agreements or PPAs entered into by certain subsidiaries of the Fund could limit the capacity of these subsidiaries to transfer sums, including amounts from their reserve accounts, to the Fund. These transfer restrictions could have a negative impact on the Fund's capacity to meet its obligations, such as cash distributions paid to unitholders. Since the beginning of 2009, the Fund and its subsidiaries have met all the financial and non-financial conditions of their credit agreements and PPAs.

Long-Term Debt	March 31, 2009	December 31, 2008
<b>Bank credit facility</b>	\$ -	\$ -
<b>Facility 1</b>		
Prime-rate advances renewable until May 2013 (2.63%; 3.63% in 2008)	93,000	93,000
Bankers' acceptances renewable until May 2013 (1.78%; 2.78% in 2008)	51,200,000	51,200,000
LIBOR advances, US\$5,000,000 renewable until May 2013 (average rate of 5.35%; US\$5,000,000, 5.35%, in 2008)	6,306,500	6,090,000
<b>Facility 2</b>		
LIBOR advances, US\$8,872,875 renewable until May 2013 (average rate of 2.43%; US\$8,872,875, 2.97%, in 2008)	11,191,355	10,807,161
<b>Facility 3</b>		
Bankers' acceptances renewable until May 2013 (1.78%; 2.78% in 2008)	52,600,000	52,600,000
<b>Term loans</b>		
8.25% fixed-rate loan maturing in 2016	7,112,373	7,279,574
6.88% fixed-rate loan maturing in 2024	50,000,000	50,000,000
Floating-rate loan maturing in 2026	51,611,000	52,110,000
<b>Deferred financing costs</b>	(707,888)	(750,362)
	\$ 229,406,340	\$ 229,429,373
<b>Current portion of long-term debt</b>	(2,610,362)	(2,563,035)
	\$ 226,795,978	\$ 226,866,338

# Management's Discussion and Analysis

For the quarter ended March 31, 2009

As at March 31, 2009, an amount of \$499,320 (\$832,200 as at December 31, 2008) of the bank credit facility was used as security for a letter of credit. The unused and available portion of the credit facility amounted to \$9,500,680. No other changes were made to the bank credit facility during the first three months of 2009.

## Trust Units

The Fund has only one authorized category of trust units, with 29,404,276 units outstanding as at May 11, 2009.

## Derivative Financial Instruments

The Fund does not use hedge accounting for its derivative financial instruments. As at March 31, 2009, the fair market value of the interest rate swaps was negative at \$23.2 million, whereas it was negative at \$23.5 million as at December 31, 2008. The increase in long-term benchmark interest rates on the market explains this result.

Since most of the Fund's debt is at variable interest rates, the Fund uses interest rate swaps to fix interest rates applicable to its debt in order to protect the economic return of its hydroelectric and wind facilities. The Fund does not intend to settle its derivative financial instruments before maturity since it does not own or issue any of these instruments for speculative purposes; unrealized losses as at March 31, 2009 will reverse over time. Only the exercise of the early termination option by the counterparty provided in only two swaps of the Fund could result in the realization of the loss or gain of the related swap. This option may be exercised only on one specific occasion during the term of these two swaps. In the event of an exercise of the early termination option on one of these two swaps, any realized loss would be offset by the savings realized on future interest expense because a negative swap value would be the result of an environment where interest rates would be lower than the one embedded in the existing swap. Historically, no counterparty has exercised this option.

As at March 31, 2009, the fair market value of the derivative financial instruments related to the PPAs with Hydro-Québec was positive at \$7.9 million. As at December 31, 2008, it was positive at \$7.6 million. This increase is explained by the decrease in the inflation rate. These instruments represent the value attributed to inflation clauses included in the PPA contracts.

## Risk Management

Swap Contract Notional Amounts	Early Termination Option	March 31, 2009	December 31, 2008
Interest rate swaps, rates ranging from 3.96% to 4.09%, expiring in June 2015	None	\$ 15,000,000	\$ 15,000,000
Interest rate swap, 4.27%, expiring in November 2016	None	3,000,000	3,000,000
Interest rate swap, 4.41%, expiring in June 2018	June 2013	30,000,000	30,000,000
Interest rate swap, 4.27%, expiring in June 2018	June 2013	52,600,000	52,600,000
Interest rate swap, 4.93%, amortized until March 2026	None	51,611,000	52,110,000
		\$ 152,211,000	\$ 152,710,000

The Fund uses derivative financial instruments to manage its exposure to the risk of fluctuations in interest rates on its debt financing. As these financial instruments were entered into with large financial institutions, the Fund considers the illiquidity and counterparty default risks on them to be low despite the prevailing financial and economic environment as at March 31, 2009.

Taken together, these swap contracts allow the Fund to eliminate the risk of an increase in interest rates on a total of \$152.2 million in long-term debt. When combined with the \$57.1 million in existing fixed-rate loans, 91% of the Fund's total indebtedness is unaffected by interest rates changes.

None of these contracts was changed in the first quarter of 2009.

# Management's Discussion and Analysis

For the quarter ended March 31, 2009

## DISTRIBUTABLE CASH AND CASH DISTRIBUTIONS

Net distributable cash is calculated on the basis of cash flows from operating activities, from which the Fund deducts the capital assets acquired to obtain standardized distributable cash. This is adjusted to eliminate the effect of changes in non-cash working capital items that are influenced by, among other things, seasonal variations, and that would be financed with short-term debt. The Fund considers net amounts used for repayment of long-term debt as funds not available for distribution. In addition, the Fund adds back amounts for acquisitions of capital assets related to enterprise expansion. To obtain net distributable cash, the Fund adds or deducts amounts that are withdrawn from or invested in the Hydrology/wind power reserve with the exception of amounts invested at the time of a business acquisition. The Fund also adds or deducts amounts that are withdrawn from or invested in the Levelization or the Major maintenance reserve accounts. The Hydrology/wind power reserve could be used in instances where distributable net cash would be lower than forecast because of normal fluctuations in hydrology or wind conditions or other unforeseen events. The Levelization reserve was established in order to levelize cash contributions from the facilities to pay out distributions. The Fund invests a yearly sum in the Major maintenance reserve account in order to finance any major maintenance of the facilities and wind farms that would be required to maintain the Fund's generation capacity.

The Fund calculates net distributable cash as follows:

Net Distributable Cash	Three-month period ended March 31, 2009	Three-month period ended March 31, 2008
Cash flow from operating activities	\$ 8,307,616	\$ 7,533,955
Acquisition of capital assets	(1,609,958)	(18,699)
Standardized distributable cash	\$ 6,697,658	\$ 7,515,256
Change in non-cash working capital items	(435,243)	(1,302,111)
Standardized distributable cash before change in non-cash working capital items	\$ 6,262,415	\$ 6,213,145
Add (Deduct):		
Net repayment of long-term debt	(623,728)	(1,100,560)
Acquisition of capital assets related to business expansion	1,194,453	-
Gross distributable cash	\$ 6,833,140	\$ 5,112,585
Compensation used for equipment replacement	402,276	-
Net funds withdrawn from the Levelization reserve	397,203	559,354
Investments in the Major maintenance reserve	(245,000)	(240,662)
Net distributable cash	\$ 7,387,619	\$ 5,431,277
Weighted average number of trust units issued	29,404,276	29,404,276
Net distributable cash per trust unit	\$ 0.251	\$ 0.185
Distributions declared	\$ 7,349,305	\$ 7,348,128
Distributions declared per trust unit	\$ 0.250	\$ 0.250
Distribution payout ratio	99%	135%

For the quarter ended March 31, 2009, the Fund generated standardized distributable cash amounting to \$6.7 million, compared with \$7.5 million for the corresponding quarter of 2008. This \$0.8 million decrease is due to the increase in acquisitions of capital assets, partially offset by the rise in cash flow from operating activities. It should be noted that most of the capital asset acquisitions were related to the Rutherford Creek facility and to unpaid property, plant and equipment since the acquisition of the AAV wind farm, which were paid for in the most recent quarter.

# Management's Discussion and Analysis

For the quarter ended March 31, 2009

After reversing the change in non-cash working capital items, deducting net repayments of long-term debt and adding the amount invested to acquire capital assets for business expansion; gross distributable cash totalled \$6.8 million in the first quarter of 2009. It should be noted that \$1.2 million in capital assets related to enterprise expansion related to property, plant and equipment unpaid since the acquisition of the AAV wind farm, which were paid for in the first quarter of 2009. During the same quarter, the Fund also used a \$0.4 million portion of the total \$0.6 million in compensation received in 2008 related to the Rutherford Creek facility following a settlement with the main contractor at this facility. The Fund plans to use the \$0.2 million balance in 2009. These funds, which had been deducted as part of the calculation of net distributable cash upon their reception, are added back since they have been reserved for equipment replacements. Lastly, the Fund withdrew \$0.4 million from the Levelization reserve and invested \$0.2 million in the Major maintenance reserve, bringing net distributable cash to \$7.4 million. Declared cash distributions totalled \$7.3 million, or \$0.25 per trust unit.

For purposes of comparison, in the quarter ended March 31, 2008, the Fund generated an amount of \$6.2 million in standardized distributable cash before change in non-cash working capital items. After deducting net repayments of long-term debt, gross distributable cash totalled \$5.1 million. In this period, the Fund withdrew \$0.6 million from the Levelization reserve and invested \$0.2 million in the Major maintenance reserve, bringing net distributable cash to \$5.4 million. Cash distributions declared totalled \$7.3 million, or \$0.25 per trust unit.

Distribution payout ratios for the first quarters of 2009 and 2008 were 99% and 135% respectively. This ratio improved due to the decrease in long-term debt repayments and the \$1.8 million loss realized on derivative financial instruments in 2008 (nil in 2009). In the most recent quarter, the Fund transferred the excess of its net distributable cash over distribution to unitholders into its cash accounts. In the corresponding quarter of 2008, the Fund used \$1.9 million from its cash on hand to enhance net distributable cash and maintain distributions to unitholders.

Commencing in 2011, the Fund will be liable for income taxes, which will have a negative effect on the net distributable cash as of that date.

## DISTRIBUTABLE LIQUIDITIES

Distributable Liquidities	Three month period ended March 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Cash flows from operating activities	\$ 8,307,616	\$ 32,352,902	\$ 26,139,994
Net earnings (net loss)	\$ 3,019,454	\$ (3,238,170)	\$ (28,370,027)
Distributions declared relating to the period	\$ 7,349,305	\$ 29,392,514	\$ 24,196,093
Excess (shortfall) of cash flows from operating activities over cash distributions	\$ 958,311	\$ 2,960,388	\$ 1,943,901
Excess (shortfall) of net earnings (net loss) over cash distributions	\$ (4,329,851)	\$ (32,630,684)	\$ (52,566,120)

For the first quarter of 2009, distributions declared were lower than the cash flows from operating activities by \$1.0 million. The surplus was used to repay long-term debt, to pay for property, plant and equipment and to invest in the Major maintenance reserve accounts. However, distributions declared were higher than net earnings by \$4.3 million. This difference is mainly due to a depreciation and amortization expense of \$5.3 million, though this expense had no impact on the Fund's distributable cash.

For the year 2008, the distributions declared were \$3.0 million lower than the cash flows from operating activities. The surplus was used to repay long-term debts and to invest in the Major maintenance reserve accounts. However, distributions declared were \$32.6 million higher than the net loss. The difference stems mainly from a depreciation and amortization expense of \$20.6 million and from a \$21.2 million unrealized loss on derivative financial instruments, partially offset by a future income tax recovery of \$7.6 million, these expenses having no impact on the Fund's distributable cash.

For the year ended December 31, 2007, the distributions declared fell \$1.9 million short of the cash flows from operating activities. The surplus was used to increase cash on hand and invest in the Major maintenance reserve accounts. However, distributions declared exceeded the net loss by \$52.6 million. This difference stems mainly from the recording of a \$40.6 million provision for future income taxes and a \$13.0 million depreciation and amortization expense, which have no impact on the Fund's distributable cash.

Generally speaking, distributions declared have exceeded net earnings, and the Fund expects this trend to continue in the future. In this manner, the Fund returns to its unitholders the capital that is not required for operations or for maintaining its generating capacity.

# Management's Discussion and Analysis

For the quarter ended March 31, 2009

The following table summarizes the distributions declared as at March 31, 2009:

<b>Distributions for 2009</b>			
Record date	Payment date	Amount	Amount per unit
January 30, 2009	February 25, 2009	\$ 2,449,376	\$ 0.08330
February 27, 2009	March 25, 2009	2,449,376	0.08330
March 31, 2009	April 24, 2009	2,450,553	0.08334
		\$ 7,349,305	\$ 0.24994

## SEGMENTED INFORMATION

### a) Geographic Segments

The Fund has nine hydroelectric facilities and two wind farms in Canada and one hydroelectric facility in the United States. The gross operating revenue, property, plant and equipment, intangible assets and goodwill by country are as follows:

Gross revenues	Three-month period ended March 31, 2009	Three-month period ended March 31, 2008
Canada	\$ 13,552,732	\$ 13,306,866
United States	388,271	290,055
	\$ 13,941,003	\$ 13,596,921

  

Property, plant and equipment, intangible assets and goodwill	March 31, 2009	December 31, 2008
<b>Property, plant and equipment</b>		
Canada	\$ 337,240,403	\$ 339,488,480
United States	5,886,121	5,729,745
	\$ 343,126,524	\$ 345,218,225
<b>Intangible assets</b>		
Canada	\$ 125,128,767	\$ 127,552,048
United States	2,072,625	2,025,019
	\$ 127,201,392	\$ 129,577,067
<b>Goodwill</b>		
Canada	\$ 8,905,029	\$ 8,905,029

### b) Reportable Segments

The Fund has two reportable segments: hydroelectric generation and wind power generation.

The hydroelectric generation segment sells electricity generated by hydroelectric facilities to public utilities. The wind power generation segment sells electricity generated by wind farms to public utilities.

The accounting policies for the reportable segments are identical to those described in the summary of significant accounting policies in the 2008 annual report. The Fund evaluates the return of its reportable segments based on EBITDA.

The Fund's reportable segments conduct their operations using different means of generation or types of activities managed by different teams, since each segment has different operating skill requirements.

# Management's Discussion and Analysis

For the quarter ended March 31, 2009

Reportable Segments	Hydroelectric generation	Wind power generation	Total
<b>Three-month period ended March 31, 2009</b>			
Gross operating revenues from external clients	\$ 8,726,013	\$ 5,214,990	\$ 13,941,003
Operating expenses	1,469,981	443,002	1,912,983
Operating income	\$ 7,256,032	\$ 4,771,988	\$ 12,028,020
General and administrative expenses	677,524	260,745	938,269
EBITDA	\$ 6,578,508	\$ 4,511,243	\$ 11,089,751
<b>Three-month period ended March 31, 2008</b>			
Gross operating revenues from external clients	\$ 8,650,445	\$ 4,946,476	\$ 13,596,921
Operating expenses	1,430,226	458,073	1,888,299
Operating income	\$ 7,220,219	\$ 4,488,403	\$ 11,708,622
General and administrative expenses	746,198	74,241	820,439
EBITDA	\$ 6,474,021	\$ 4,414,162	\$ 10,888,183
<b>As at March 31, 2009</b>			
Goodwill	\$ 8,905,029	\$ -	\$ 8,905,029
Total assets	\$ 332,250,929	\$ 189,519,006	\$ 521,769,935
Acquisition of property, plant and equipment since the beginning of the year	\$ 486,965	\$ 108,370	\$ 595,335
<b>As at December 31, 2008</b>			
Goodwill	\$ 8,905,029	\$ -	\$ 8,905,029
Total assets	\$ 339,979,718	\$ 190,027,908	\$ 530,007,626

## Hydroelectric Generation

In the first quarter of 2009, gross operating revenues for the hydroelectric generation segment were up 1% from the corresponding quarter of 2008. This increase is mainly due to an increase in the average price and is responsible for the \$0.1 million (2%) growth in EBITDA.

## Wind Power Generation

The results for the first quarter of 2009 were higher than those for the corresponding quarter of 2008. This improvement is the result of the AAV wind farm operating at full capacity since in the first quarter of 2008, the wind farm was still in its commissioning period following the start of commercial operations in November 2007.

These production periods cannot be extrapolated over a year due to seasonal variations in wind and hydrology conditions, as well as meteorological conditions in areas where the facilities are located.

# Management's Discussion and Analysis

For the quarter ended March 31, 2009

## RELATED PARTY TRANSACTIONS

### The Manager

In the first quarter of 2009, the Manager received a total of \$0.54 million for various services provided to the Fund (\$0.57 million in 2008). This amount is composed of \$0.25 million for management services (\$0.22 million in 2008); \$0.06 million for additional services (\$0.05 million in 2008); \$0.18 million in incentive fees (same in 2008); \$0.03 million for administrative services (same in 2008); and \$0.02 million for services rendered to the operators of the BDS and AAV wind farms (\$0.01 million in 2008). In addition, in 2008 the Manager received \$0.08 million for services rendered during the acquisition of the BDS and AAV wind farms (nil in 2009).

## BUSINESS ACQUISITIONS

No acquisitions were made in the first quarter of 2009.

## ACCOUNTING CHANGES

### a) Changes made in 2009

CICA Handbook Section 3064, "Goodwill and Intangible Assets", replaces Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs." Various changes related to standardization were made to other sections of the CICA Handbook. The new section, issued in February 2008, applies to the financial statements of fiscal years beginning on or after October 1, 2008. Consequently, the Fund adopted the new standard for its fiscal year beginning on January 1, 2009. This Section provides new guidelines for the recognition, measurement, presentation and disclosure of goodwill after initial recognition and intangible assets of profit-oriented organizations. The goodwill standards are the same as the standards in the old Section 3062. The application of Section 3064 by the Fund had no impact on its consolidated financial statements.

### b) International Financial Reporting Standards

The Canadian Accounting Standards Board has announced the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") for publicly-listed companies. The official changeover date for using IFRS, replacing Canadian GAAP, is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Fund has begun assessing major items requiring adjustment in connection with the adoption of IFRS. A schedule has been prepared of the steps to be followed by the Fund in order to meet the changeover date.

### c) Future Accounting Changes

CICA Handbook Section 1582, "Business Combinations", will be applicable to business combinations for which the acquisition date is on or after the Fund's interim and fiscal year beginning January 1, 2011. Early adoption is permitted. This section improves the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects.

CICA Handbook Section 1601, "Consolidated financial statements", will be applicable to financial statements relating to the Fund's interim and fiscal year beginning on or after January 1, 2011. Early adoption is permitted. This section establishes standards for the preparation of consolidated financial statements. The Fund has not yet determined the impact of the adoption of this new Section on the consolidated financial statements.

# Management's Discussion and Analysis

For the quarter ended March 31, 2009

## QUARTERLY FINANCIAL INFORMATION

### Quarterly Financial Information (unaudited) For the three-month periods ended:

(in millions of dollars, unless otherwise stated)	March 31, 2009	Dec. 31, 2008	Sept. 30, 2008	June 30, 2008
Power generated (MW-hr)	163,912	220,299	236,778	244,378
Gross operating revenue	13.9	14.7	15.4	15.8
EBITDA	11.1	11.0	12.5	12.8
Net earnings (net loss)	3.0	(13.8) <sup>a</sup>	3.8	7.5
Net earnings (net loss) (\$/unit)	0.10	(0.47) <sup>a</sup>	0.13	0.26
Cash flows from operating activities	8.3	7.1	11.1	6.7
Change in non-cash working capital items	(0.4)	(0.3)	(1.8)	3.7
Long-term debt repayment	(0.6)	(0.6)	(0.6)	(1.1)
Acquisitions of capital assets to maintain generation capacity	(0.4)	(0.2)	-	-
Gross distributable cash	6.8	6.0	8.7	9.2
Compensation used (obtained) for equipment replacement	0.4	-	(0.6)	-
Net drawings from (investments in) the reserve accounts	0.2	0.9	0.1	(0.9)
Net distributable cash	7.4	6.8	8.2	8.3
Net distributable cash (\$/unit)	0.251	0.233	0.278	0.282
Distributions declared	7.3	7.3	7.3	7.3
Distributions declared (\$/unit)	0.250	0.250	0.250	0.250
Distribution payout ratio	99%	107%	90%	89%

<sup>a</sup> When excluding the unrealized exchange loss of \$0.3 million, the unrealized loss on derivative financial instruments of \$19.5 million and the related future income tax recovery of \$2.6 million, the net earnings for the fourth quarter of 2008 would have been \$3.4 million or \$0.11 per trust unit.

### Quarterly Financial Information (unaudited) For the three-month periods ended:

(in millions of dollars, unless otherwise stated)	March 31, 2008	Dec. 31, 2007	Sept. 30, 2007	June 30, 2007
Power generated (MW-hr)	160,939	153,602	167,988	201,411
Gross operating revenue	13.6	10.6	10.4	12.2
EBITDA	10.9	8.1	8.3	9.7
Net (loss) earnings	(0.8)	8.7	3.5	(41.5) <sup>b</sup>
Net (loss) earnings (\$/unit)	(0.03)	0.33	0.14	(1.68)
Cash flows from operating activities	7.5	8.9	6.7	7.1
Change in non-cash working capital items	(1.3)	(2.7)	(0.2)	1.0
Long-term debt repayment	(1.1)	(0.6)	(0.1)	(0.1)
Acquisitions of capital assets to maintain generation capacity	-	-	-	-
Gross distributable cash	5.1	5.5	6.3	8.0
Net drawings from (investments in) the reserve accounts	0.3	0.5	0.3	(1.2)
Net distributable cash	5.4	6.0	6.6	6.7
Net distributable cash (\$/unit)	0.185	0.231	0.268	0.273
Distributions declared	7.3	6.3	6.0	6.0
Distributions declared (\$/unit)	0.250	0.241	0.241	0.241
Distribution payout ratio	135%	105%	90%	88%

<sup>b</sup> Further to the approval of Bill C-52 on the taxation of trusts by the Government of Canada in June 2007, a future income tax liability of \$46.9 million was recorded. This future income tax liability has no impact on the Fund's distributable cash, distributions to unitholders, or on liquidities, and it is non-recurring.

# Management's Discussion and Analysis

For the quarter ended March 31, 2009

## **RISKS AND UNCERTAINTIES**

For an overview of the risks and uncertainties associated with the Fund's activities, please see the "Risk and Uncertainties" section in the Fund's Annual Report for the fiscal year ended December 31, 2008. The Manager believes that the risk factors discussed in the 2008 Annual Report remain substantially unchanged.

## **OUTLOOK**

The Manager of the Fund continues to stay alert for acquisition opportunities that would be beneficial to unitholders by increasing distributable cash and improving the diversification of its asset base. The Manager continues to manage the Fund using a long-term outlook based on levels of electricity generation that are anticipated to be close to long-term averages.

## **ADDITIONAL INFORMATION AND UPDATES**

Updated information on the Fund is available through its regular press releases, quarterly financial statements, annual reports and annual information forms on the Fund's website at [www.innergex.com](http://www.innergex.com) or on the SEDAR website at [www.sedar.com](http://www.sedar.com).

# Investor Information

## Stock Exchange Listing

Units of Innergex Power Income Fund are listed on the TSX under the symbol IEF.UN.

## Transfer Agent, Registrar and Trustee

### Computershare Trust Company of Canada

1500 University Street, Suite 700, Montreal, Quebec, H3A 3S8

Telephone: 1 800 564-6253 or 514 982-7555

Email: [service@computershare.com](mailto:service@computershare.com)

## Auditors

KPMG LLP

## Electronic Delivery

Innergex Power Income Fund unitholders may elect to receive the Fund documents (such as Quarterly and Annual Reports and the Proxy Circular) in electronic form via the Internet instead of a print copy by mail. Unitholders wishing to use this service should contact Computershare Trust Company of Canada.

## Investor Relations

If you have inquiries, please visit Innergex Power Income Fund's website at [www.innergex.com](http://www.innergex.com) or contact:

Jean Trudel

Vice President – Finance and Investor Relations

Édith Ducharme

Director – Financial Communications and Investor Relations

## Innergex Renewable Energy Inc.

1111 Saint Charles Street West, East Tower, Suite 1255, Longueuil, Quebec, J4K 5G4

Telephone: 450 928-2550

Fax: 450 928-2544

[info@innergex.com](mailto:info@innergex.com)

The logo for Innergex, featuring the word "INNERGEX" in a bold, blue, sans-serif font. A red swoosh underline is positioned under the "E" and "R" of "INNERGEX".

INNERGEX POWER INCOME FUND

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