IFRS Impact on Reporting

Summary of major elements

June 7, 2011

Overview

- Innergex adopted the IFRS as of January 1, 2011
- Comparative figures for year 2010 were adjusted to be IFRS compliant
- Most majors differences between IFRS and Canadian GAAP were for the period before the Combination of Innergex Renewable Energy Inc. with Innergex Power Income Fund (the “Fund”) on March 29, 2010
- One difference that impacts results of Innergex is the transaction expenses related to acquisitions that need to be expensed under IFRS while they were capitalized to the assets acquired under Canadian GAAP
- Detailed conciliation and explanations between Canadian GAAP and IFRS are included into Notes 1 and 2 of the Q1-2011 financial statements

Business impact

- Modifications to accounting rules have no effect on business
- Most effects on statement of earnings are non-cash items or reclassification
- One difference that impacts results of Innergex is the transaction expenses related to acquisitions that need to be expensed under IFRS while they were capitalized to the assets acquired under Canadian GAAP. This doesn't modify the benefits of an acquisition nor its cash flows. Innergex will continue to incorporate transactions expenses as part of the decision making process and profitability assessment of an acquisition
- Key performance indicators, as restated under IFRS, used in the MD&A are showing comparative figures between 2010 and 2011

Major differences between IFRS and Canadian GAAP on the balance sheet

- Up to the Combination on March 29, 2010:
  - As of January 1, 2010, Unitholders' capital of the Fund ($309.7M) is reclassified as a liability and accounted for as a financial instrument at fair value ($270.5M)
  - Difference of $39.2M between these two values reduced the deficit
  - Impairment test performed as of January 1, 2010 resulted in a non-cash $12M reduction of intangible assets
  - Upon Combination, Unitholders' capital is reclassified from a liability to Share capital
  - Combination purchase price is higher under IFRS resulting in a $36.6M additional value allocated to Intangible assets

- For the remainder of the year 2010:
  - No other major differences than the ones identified for the period prior to the Combination

Major differences between IFRS and Canadian GAAP on the statement of earnings

- Up to the Combination on March 29, 2010:
  - Unitholders' capital of the Fund is reclassified as a liability, on January 1, 2010, and accounted for as a financial instrument at fair value
  - Fair value of the unitholders' capital increased by $51.8M from January 1, 2010 to March 29, 2010
  - The increase of the fair value of the unitholders' capital classified as a liability resulted in a $51.8M unrealized loss in the Statement of earnings for Q1-2010
  - $7.2M distributions declared to unitholders are deducted from the computation of net earnings for Q1-2010 since related to unitholders' capital accounted for as a liability and not as equity on the balance sheet
  - Under IFRS, $5.3M transactions costs related to the Combination are deducted from the computation of net earnings for Q1-2010 instead of being capitalized to the assets acquired under Canadian GAAP
- For the remainder of the year 2010:
  - No other major differences than the ones identified for the period prior to the Combination