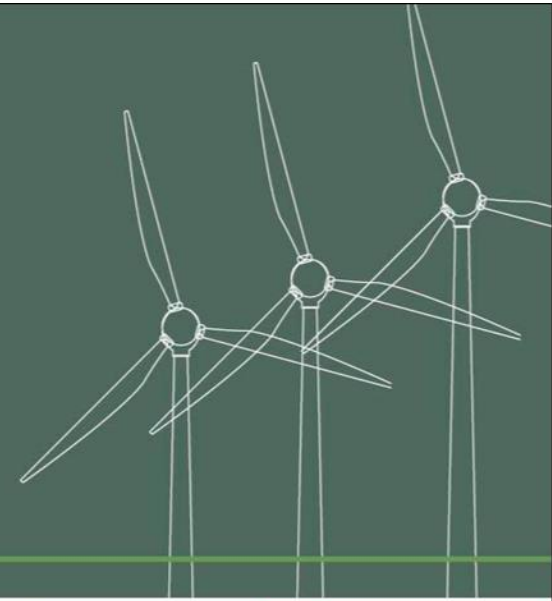
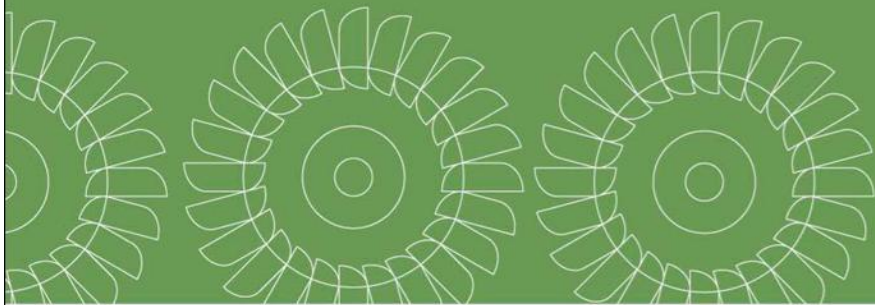


# Strategic Combination of Innergex Power Income Fund and Innergex Renewable Energy



## Summary, Rationale and Benefits of the Transaction



INNERGEX



February 2010



# Disclaimer

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This document contains forward-looking statements and information concerning the business, operations and financial condition of Innergex Renewable Energy Inc. (“INE”), Innergex Power Income Fund (the “Fund”) and the entity resulting from the combination of INE and the Fund (“Combined Innergex”). Forward-looking statements state that certain actions, events or results will be taken, occur or be achieved. Although INE and the Fund believe that their respective anticipated future results performance or achievements expressed or implied by the forward-looking statements and information are based on reasonable assumptions and expectations, they can give no assurance that such assumptions and expectations will prove to have been correct. Forward-looking statements and information involve assumptions, known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of INE, the Fund or Combined Innergex to be materially different from anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information.

These factors and other risk factors, as described under “Risk Factors” in both INE and the Fund’s Annual Information Forms and as supplemented by the section “Risk Factors” in the joint information prepared in connection with the transaction, represent risks that INE and the Fund believe are material. Other factors not presently known to INE and the Fund or that INE and the Fund presently believe are not material, could also cause actual results to differ materially from those expressed in the forward-looking statements and information contained and incorporated by reference herein. Accordingly, undue reliance should not be placed on these forward-looking statements or information. INE, the Fund and Combined Innergex disclaim any obligation to update publicly or to revise any of the forward-looking statements or information contained in this document, whether as a result of new information, future events or otherwise, except as required by applicable law.

All amounts are in Canadian dollars.



# Transaction Summary

- Innergex Power Income Fund (the “Fund”) and Innergex Renewable Energy (“INE”) will combine into a single corporation (“Combined Innergex”)
- Structured as a reverse take-over of INE by the Fund to facilitate conversion to a corporation
  - Tax-deferred combination
  - Structured as unit-for-share exchange
  - Share exchange on the basis of 1.46 INE shares for each Fund unit
- Combined Innergex shareholder structure post-transaction:
  - ~ 61% - former Fund unitholders (other than INE)
  - ~ 39% - former INE shareholders
- Proposed dividend policy:
  - \$0.58 per share per annum
  - Equivalent to \$0.85 per Fund unit (based on 1.46 exchange ratio)
  - Consistent with management guidance on Fund distribution post-SIFT tax in 2011
  - Current Fund distribution to continue through March 31, 2010 (accrued to closing if earlier)



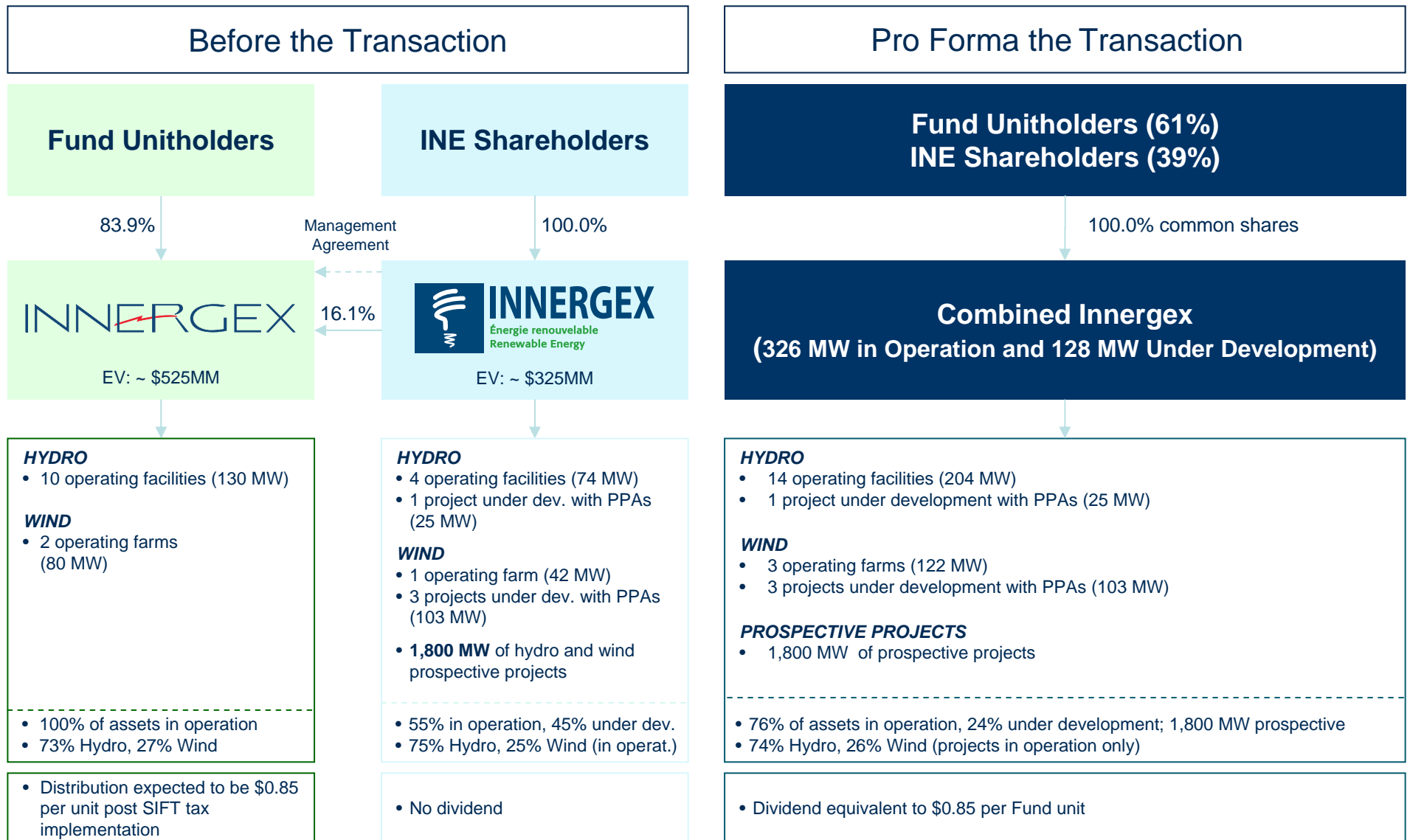
# Transaction Summary (cont'd)

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- Transaction ruled fair by independent committees of both boards
- Fairness opinion provided by National Bank Financial
  - INE shares valued within a range of \$6.40-\$7.40 per share
  - IEF.UN units valued within a range of \$9.85-\$10.85 per unit
- INE management team to manage Combined Innergex
- Board composition
  - 5 current directors of the Fund, Jean La Couture to be appointed Chairman
  - 3 current directors of INE
  - Michel Letellier, President and CEO
- Support and voting arrangements
  - Agreed to by 47% of INE shareholders
  - Agreed to by 28% of Fund unitholders (44% including INE's 16% ownership of Fund)



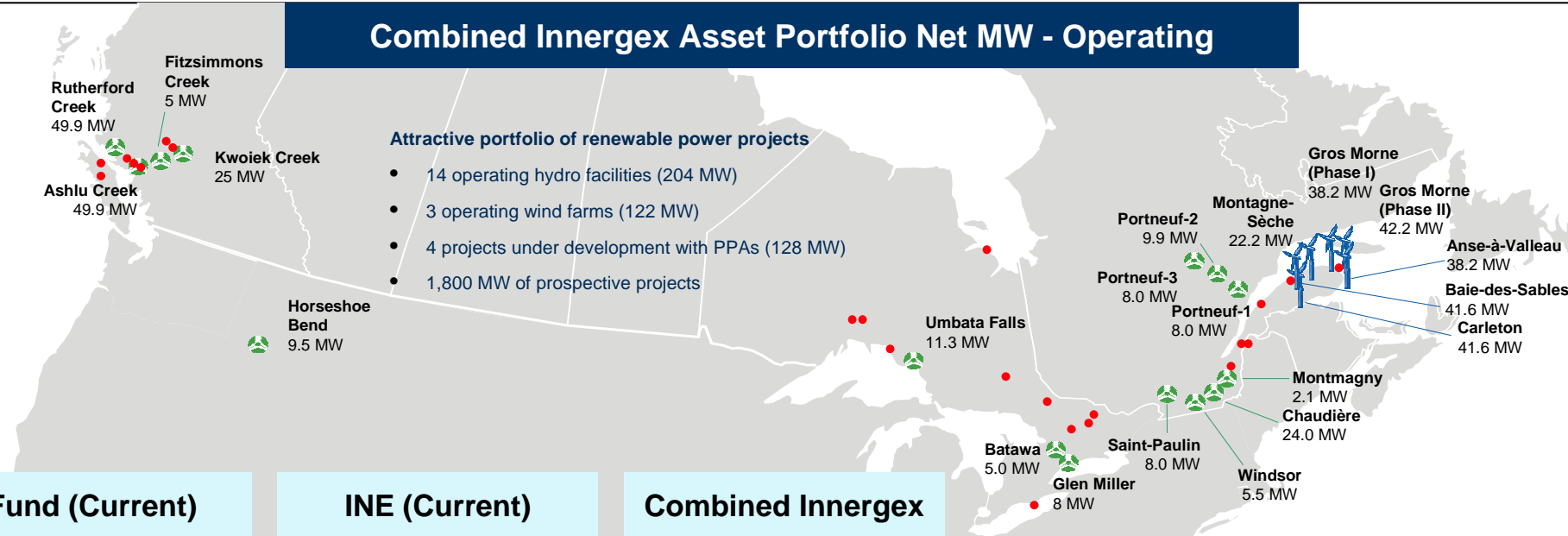
# Structure of Combined Innergex





# Combined Innergex Highlights

## Combined Innergex Asset Portfolio Net MW - Operating

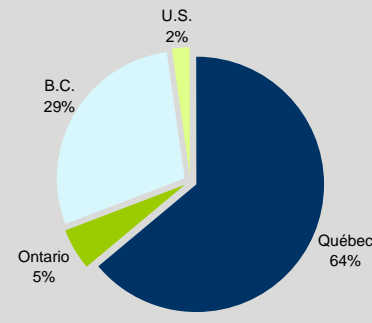
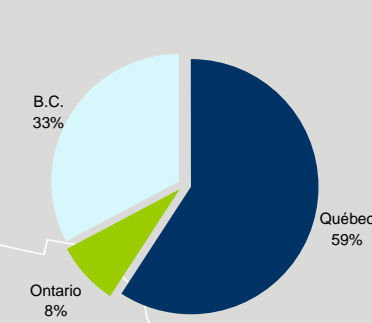
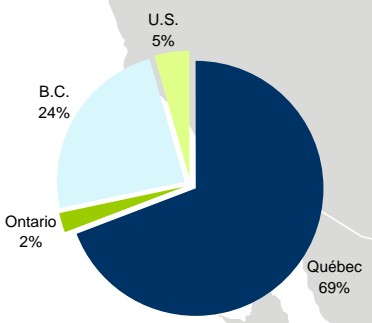


- Attractive portfolio of renewable power projects**
- 14 operating hydro facilities (204 MW)
  - 3 operating wind farms (122 MW)
  - 4 projects under development with PPAs (128 MW)
  - 1,800 MW of prospective projects

**Fund (Current)**

**INE (Current)**

**Combined Innergex**



**LEGEND**

- Hydro
- Wind
- Prospective Projects

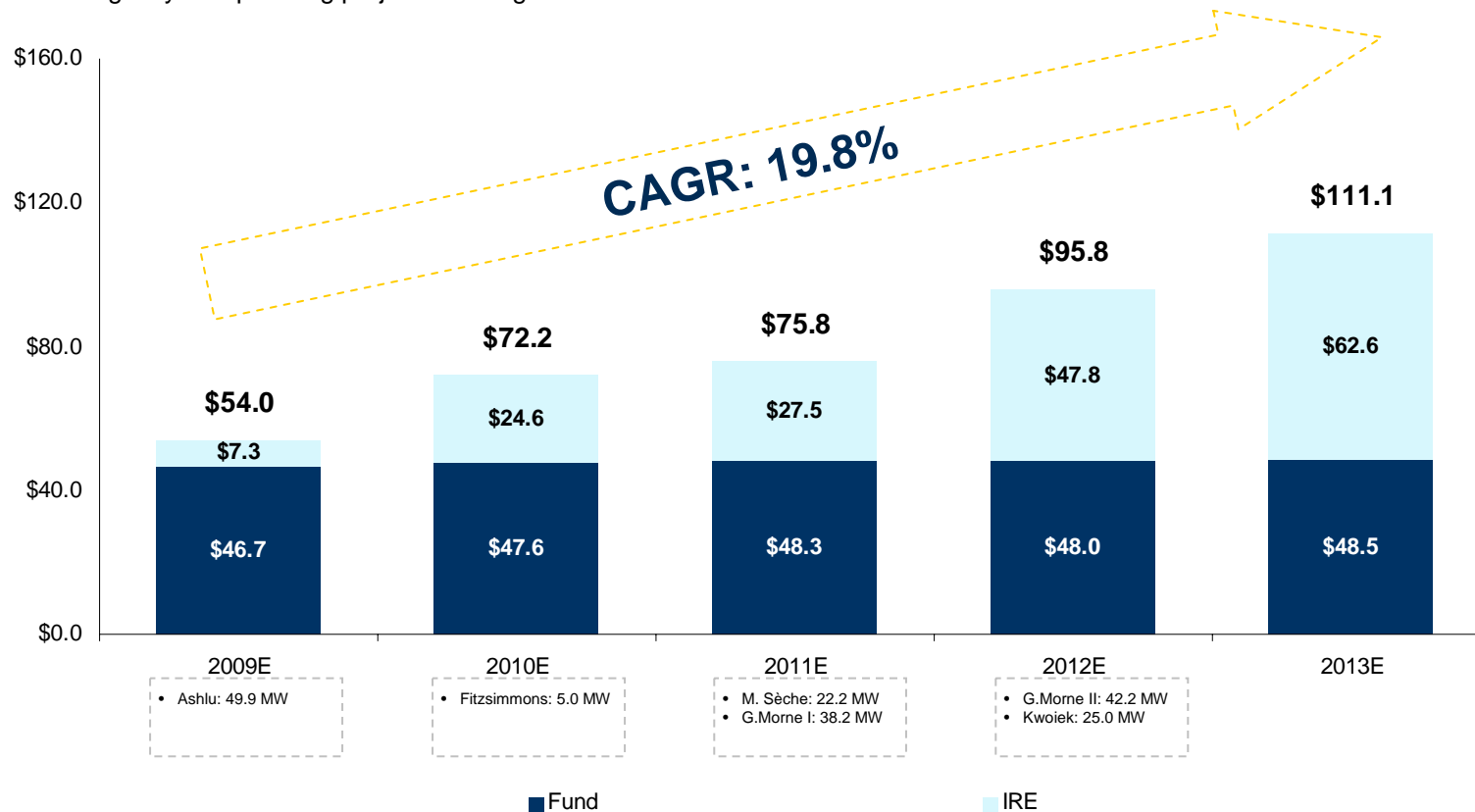
**Diversified portfolio of renewable power projects**



# Combined Innergex Highlights

## Adjusted EBITDA (C\$ millions) | 2009 – 2013E

\*Accounting only for upcoming projects with signed PPAs



**Growth Profile: Combined Innergex's EBITDA to increase more than twofold from 2009 to 2013**



# Benefits for Fund Unitholders

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- Significantly accretive to distributable cash
  - All projects in operation and development projects with PPAs completed
    - Average accretion of approximately 20% over the next 10 years
- Sustainable dividend
  - \$0.58 per share per annum
    - Equivalent to \$0.85 per Fund unit (based on 1.46 exchange ratio)
    - In line with stated distribution post-SIFT tax implementation in 2011
  - Normalized payout ratio of 80%
    - Once development projects with PPAs reach commercial operation
    - Before reinvestment in future development
- Access to a combined total of approximately \$750M of CCA tax pools





## Benefits for Fund Unitholders (cont'd)

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- Internalized management
- Improved generation profile and growth profile
  - Secures growth pipeline and high-quality assets in operation
  - Improves asset diversification
    - No project representing more than 20% of the total current production
    - No asset representing more than 15% of production once all contracted projects operating
  - Extends average PPA life from 14 to approximately 17 years



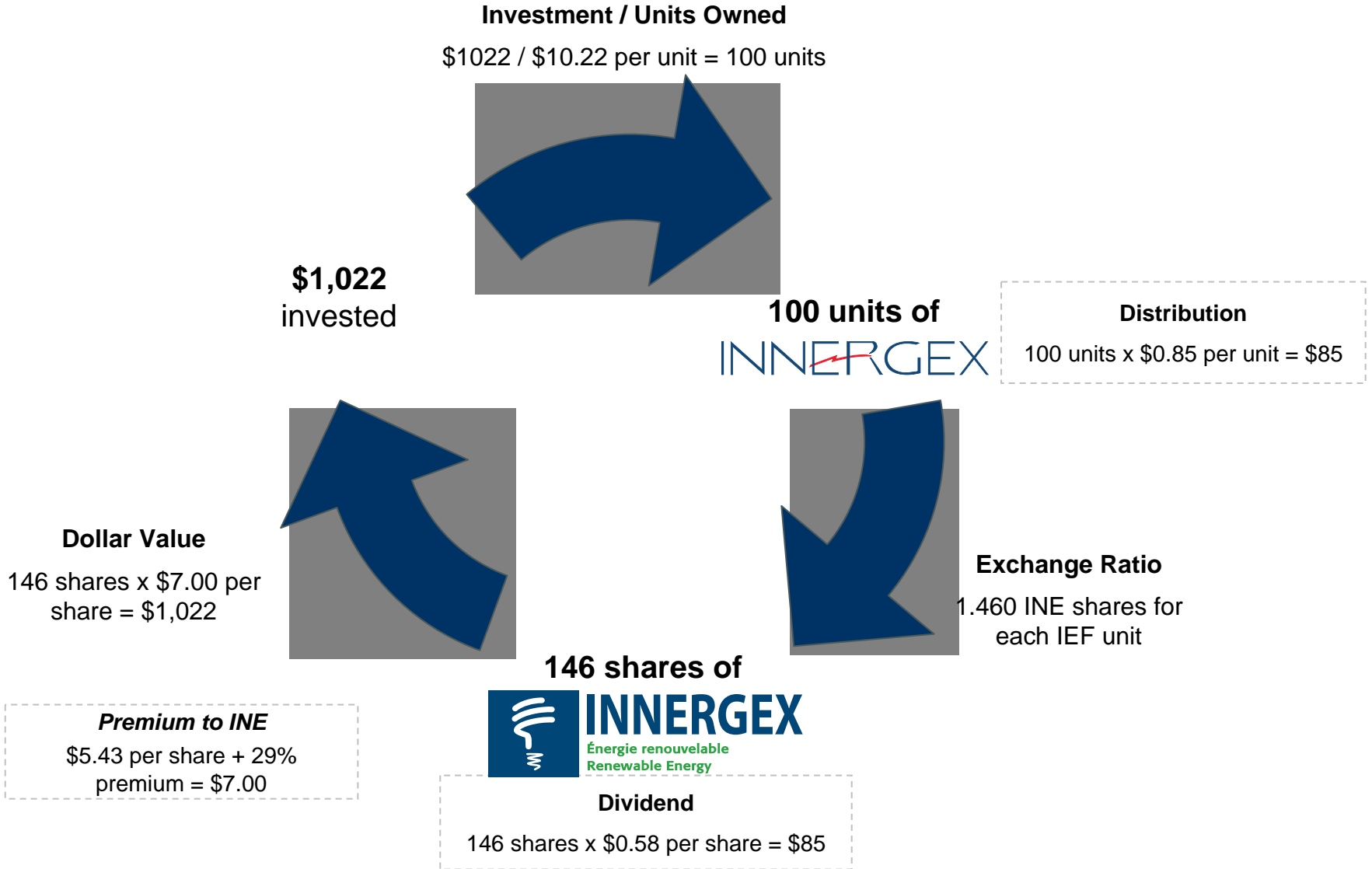
# Benefits for INE Shareholders

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- Attractive implied premium
  - 29% premium over closing price
  - Offer reflects value of INE's current operations and future growth opportunities
- Attractive dividend going forward
  - Sustainable \$0.58 per share per annum
- Participation in substantial value creation opportunities
  - Improved access to capital markets (lower cost of capital)
  - Accelerated development compared to INE stand-alone
  - Increases upcoming projects' anticipated ROE
  - Facilitates development of INE's 1,800 MW of prospective projects
  - 128 MW (25 MW Hydro, 103 MW Wind) on-line in next two years



# Key Transaction Metrics





# Strategic Combination – Investment Highlights

## Creates Premier Renewable IPP

- Pure renewable play with high quality assets
- Strong base of operating assets with extensive growth opportunities
- All assets developed by the same management (natural combination)
- Strong management team with proven track record now focused on a single entity
- Attractive dividend yield
- Combination synergies reduce operating costs and improve tax efficiency

## Increases Scale and Improves Competitive Position

- Strong balance sheet and liquidity
- Enterprise value anticipated to reach over \$1 billion once projects with PPAs are built
- Growth funded through expanded credit facility (from \$170 million on a combined basis to \$210 million), internal cash flow and enhanced access to capital markets
- Greater market capitalization and liquidity
- Better positioned to pursue acquisitions and win future RFPs

## Attractive Portfolio of Assets

- 326 MW of renewable power facilities in operation under long-term contracts
  - 73% hydro / 27% wind
  - 128 MW of renewable power projects with PPAs in advanced stage of development
  - Average remaining PPA term significantly longer than peer average
- Portfolio diversified by geographic location, off-taker and stage of development

**The strategic combination will result in a premier company in the Canadian power generation industry**



# Transaction Timeline

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- Monday, February 1<sup>st</sup>, 2010: Public announcement of the transaction
- March 1, 2010: Meeting Circular filed on SEDAR
- March 24, 2010:
  - INE's Special Meeting to approve the Arrangement
  - The Fund's Special Meeting to approve the Arrangement
- March 26, 2010: Conditional upon security holders approvals, closing of the Transaction