



**INNERGEX RENEWABLE  
ENERGY INC.**  
**(TSX: INE)**

MAY 2017



**INNERGEX**

# CAUTIONARY STATEMENTS

## FORWARD-LOOKING INFORMATION

This document contains forward-looking information within the meaning of securities legislations (“Forward-Looking Information”), which can generally be identified by the use of words such as “approximately”, “may”, “will”, “could”, “believes”, “expects”, “intends”, “should”, “plans”, “potential”, “project”, “anticipates”, “estimates”, “scheduled” or “forecasts”, or other comparable terminology that states that certain events will or will not occur. It represents the estimates and expectations of the Corporation relating to future results and developments as of the date of this document. It includes future-oriented financial information, such as projected Adjusted EBITDA, estimated project costs and expected project financing, Free Cash Flow and Payout Ratio to inform readers of the potential financial impact of commissioning existing development projects. This information may not be appropriate for other purposes. Forward-Looking Information in this document is based on certain key assumptions made by the Corporation, including those concerning hydrology, wind regimes and solar irradiation, performance of operating facilities, financial market conditions, and the Corporation’s success in developing new facilities.

The material risks and uncertainties that may cause actual results and developments to be materially different from current expressed Forward-Looking Information are referred to in the Corporation’s Annual Information Form in the “Risk Factors” section and include, without limitation: the ability of the Corporation to execute its strategy for building shareholder value; its ability to raise additional capital and the state of capital markets; liquidity risks related to derivative financial instruments; variability in hydrology, wind regimes and solar irradiation; delays and cost overruns in the design and construction of projects, uncertainty surrounding the development of new facilities; variability of installation performance and related penalties; and the ability to secure new power purchase agreements or to renew existing ones. The principal assumptions, risks and uncertainties concerning specific Forward-Looking Information contained in this document are more fully outlined on page 23.

Although the Corporation believes that the expectations and assumptions on which forward-looking information is based are reasonable, readers of this document are cautioned not to rely unduly on this Forward-Looking Information since no assurance can be given that it will prove to be correct. The Corporation does not undertake any obligation to update or revise any Forward-Looking Information, whether as a result of events or circumstances occurring after the date of this document, unless required by legislation.

## NON IFRS MEASURES




Adjusted EBITDA, Free Cash Flow and Payout Ratio are not measures recognized by International Financial Reporting Standards (IFRS) and have no meaning prescribed by it. References to “Adjusted EBITDA” are to revenues less operating expenses, general and administrative expenses and prospective project expenses. References to “Free Cash Flow” are to cash flows from 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) and 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 should not be construed as an alternative to net earnings and Free Cash Flow should not be construed as an alternative to cash flows from operating activities, as determined in accordance with IFRS.

Innergex believes that these indicators are important, as they provide management and the reader with additional information about the Corporation’s production and cash generation capabilities, its ability to sustain current dividends and dividend increases and its ability to fund its growth. These indicators also facilitate comparison of results over different periods.

**ALL AMOUNTS SHOWN ARE IN CANADIAN DOLLARS.**

# COMPANY OVERVIEW

- Innergex is a leading independent renewable power producer based in Canada

<b>HISTORY</b>	FOUNDED <b>1990</b>	FIRST IPO <b>2003</b>	FIRST LISTING IN THE S&P/TSX COMPOSITE INDEX <b>2013</b>
<b>SOURCES OF RENEWABLE ENERGY</b>	 HYDRO  WIND  SOLAR	<b>INSTALLED CAPACITY</b> <b>1,683 MW</b> (1,011 MW NET)	<b>MARKETS</b> QUEBEC, ONTARIO AND BRITISH COLUMBIA, CANADA FRANCE IDAHO, USA
<b>PUBLIC LISTING</b> <b>TSX:INE</b>	<b>DIVIDEND / YIELD</b> <b>\$0.66</b> <b>4.7%</b>	<b>INVESTMENT GRADE CREDIT RATING</b> <b>BBB- (S&amp;P)</b>	<b>MARKET CAP*</b> <b>\$1.5 billion</b> <b>ENTERPRISE VALUE</b> <b>\$4.6 billion</b>
<b>SERIES A PREFERRED SHARES</b> <b>INE.PR.A</b>	<b>SERIES C PREFERRED SHARES</b> <b>INE.PR.C</b>	<b>4.25% CONVERTIBLE DEBENTURES</b> <b>INE.DB.A</b>	

\*As at March 31, 2017.

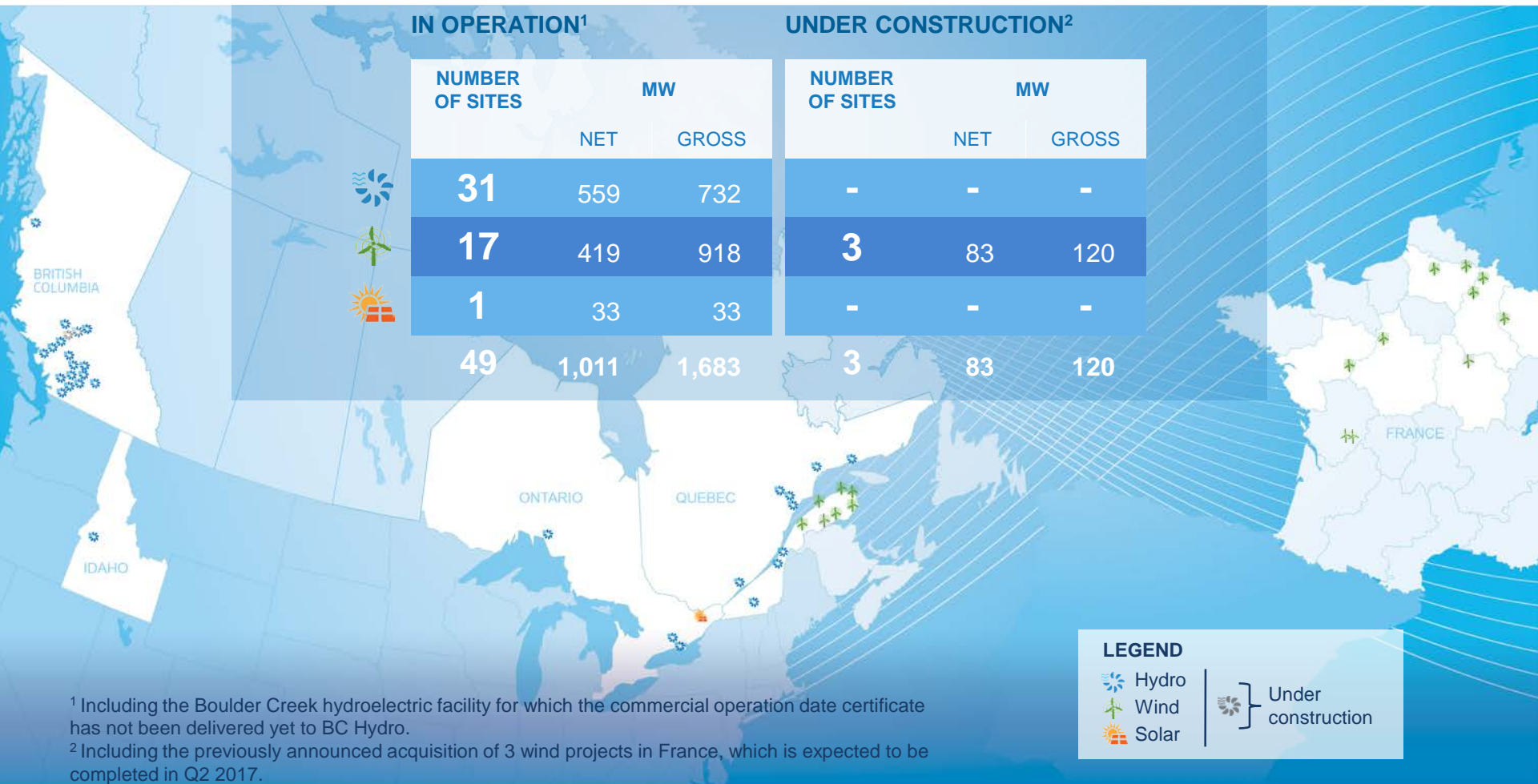
# HIGHLIGHTS

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- **Consistent and predictable cash flows**  
from high quality, long-life contracted assets
  - **Pure play in renewable energy**  
with a focus on hydro assets
  - **Long and successful history**  
with over 25 years in developing, owning and operating run-of-river hydroelectric facilities, wind farms and solar photovoltaic farms
  - **Strong management**  
cumulating many years of experience with Innergex and in the industry, with specific development and operations experience, engineering expertise, and financial acumen
  - **Growth**  
from projects currently under development in Canada and from an international expansion strategy into Europe, USA and Latin America
  - **Dividend**  
that is sustainable and growing
- Low-risk business model with a stable and growing dividend

# MAP OF OPERATIONS

- Based in Canada, in France and in the USA, Innergex is a pure play in renewable energy with a focus on hydro assets.

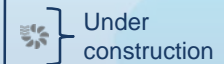


<sup>1</sup> Including the Boulder Creek hydroelectric facility for which the commercial operation date certificate has not been delivered yet to BC Hydro.

<sup>2</sup> Including the previously announced acquisition of 3 wind projects in France, which is expected to be completed in Q2 2017.

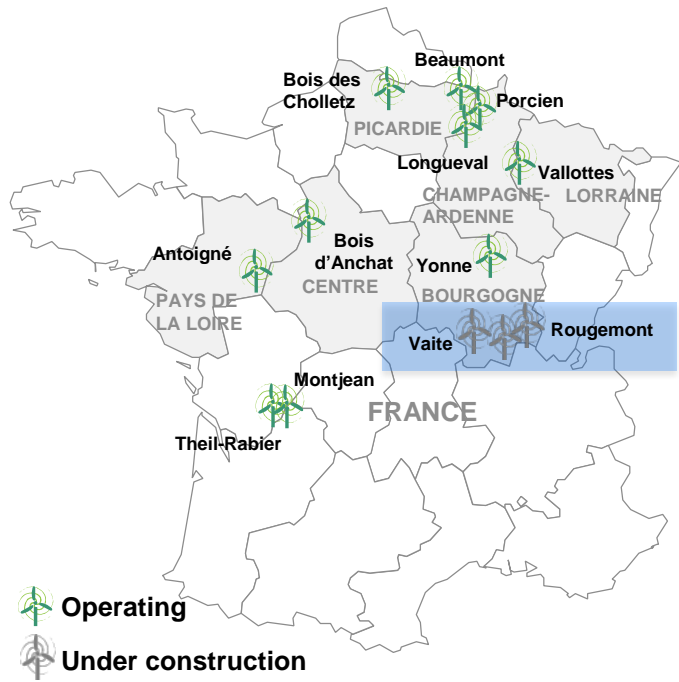
## LEGEND

-  Hydro
-  Wind
-  Solar



Under construction

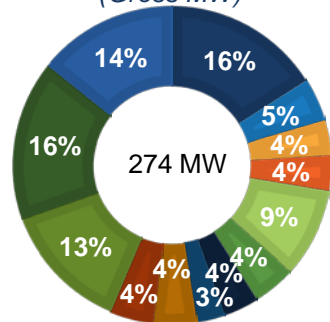
# FRANCE PORTFOLIO OVERVIEW<sup>1</sup>



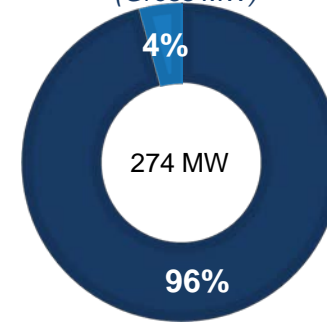
- On May 3, 2017, a final agreement has been signed for the acquisition of three wind projects located in the Bourgogne-Franche-Comté region of France.
- As of May 3, 2017, 97.3 MW out of 119.5 MW (or 81%) have reached mechanical completion.
- Full commissioning is expected in phases until the end of the year.
- Innergex ownership: 69.55%

Project	Gross Capacity (MW)	COD (year)	PPA Expiry (year)	Off-Taker	Off-Taker Credit Rating (S&P)
<b>Operating</b>					
Porcien	10.0	2009	2024	EDF	A+
Longueval	10.0	2009	2024	EDF	A+
Antoigné	8.0	2010	2025	EDF	A+
Vallottes	12.0	2010	2025	EDF	A+
Bois d'Anchat	10.0	2014	2029	EDF	A+
Beaumont	25.0	2015	2029	EDF	A+
Bois des Cholletz	11.8	2015	2030	SICAE Oise	Unrated
Theil-Rabier	12.0	2016	2031	EDF	A+
Montjean	12.0	2016	2031	EDF	A+
Yonne	44.0	2016	2031	EDF	A+
<b>Under construction</b>					
Rougemont-1	36.1	Q3-2017	2032	EDF	A+
Rougemont-2	44.5	Q4-2017	2032	EDF	A+
Vaite	38.9	Q2-2017	2032	EDF	A+
<b>Total</b>	<b>274.3</b>				

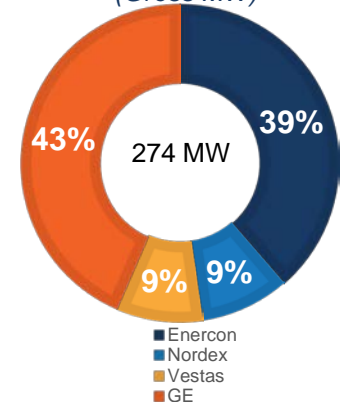
Breakdown by Project (Gross MW)



Off-Taker (Gross MW)



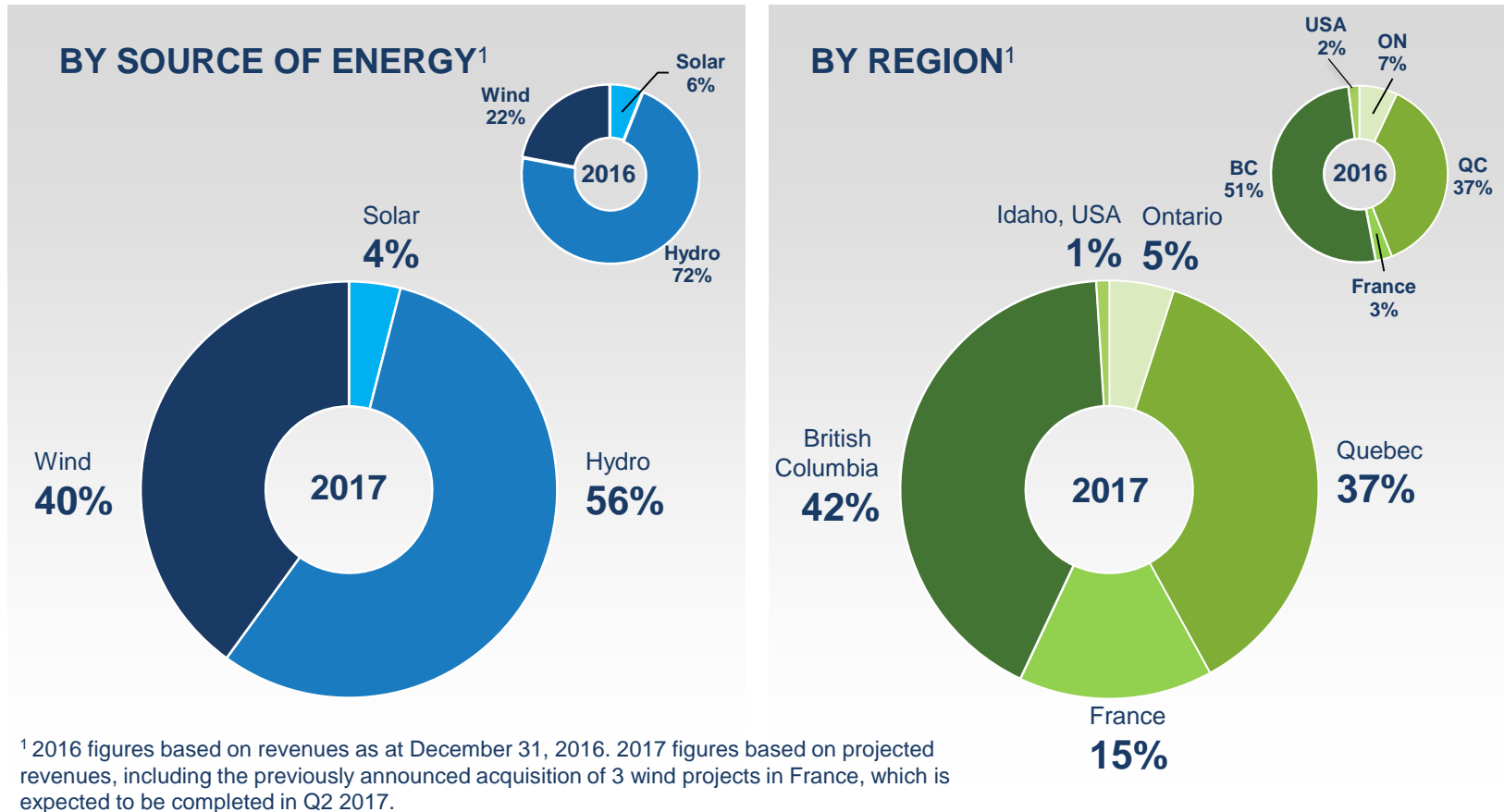
Turbine Manufacturer (Gross MW)



<sup>1</sup> Including the previously announced acquisition of 3 wind projects in France, which is expected to be completed in Q2 2017.

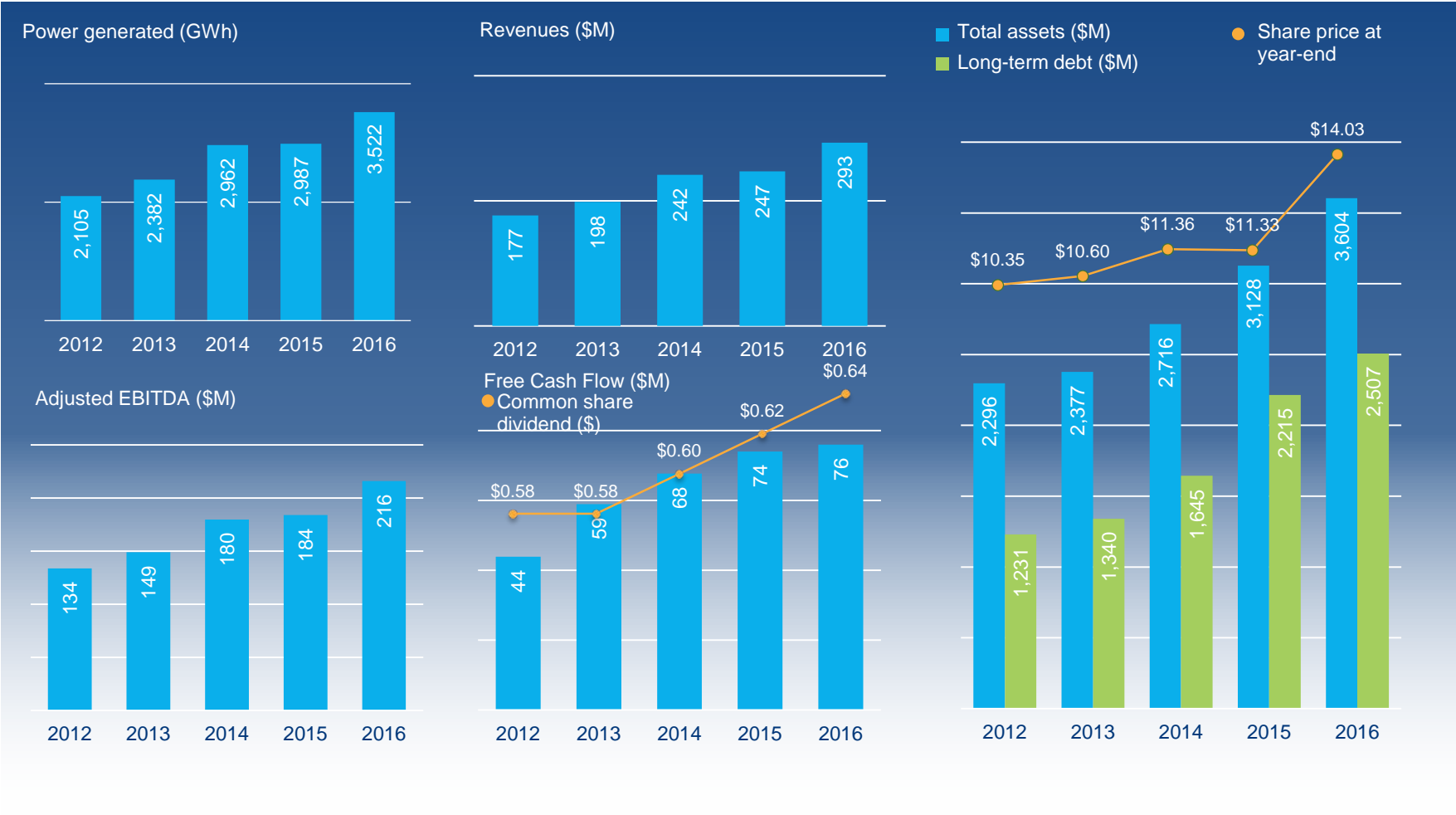
# PRODUCTION PROFILE

- Multiple energy sources and regions reduce our exposure to variability in water, wind and solar regimes and to any one market



- Diversification of revenues is an important risk management tool

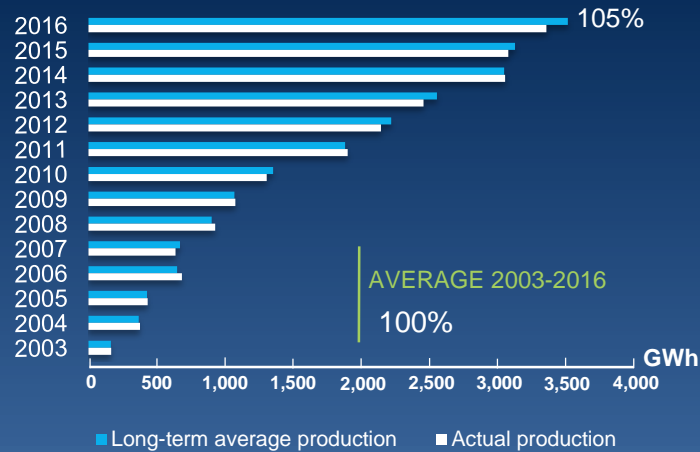
# 2012-2016 FINANCIAL HISTORY



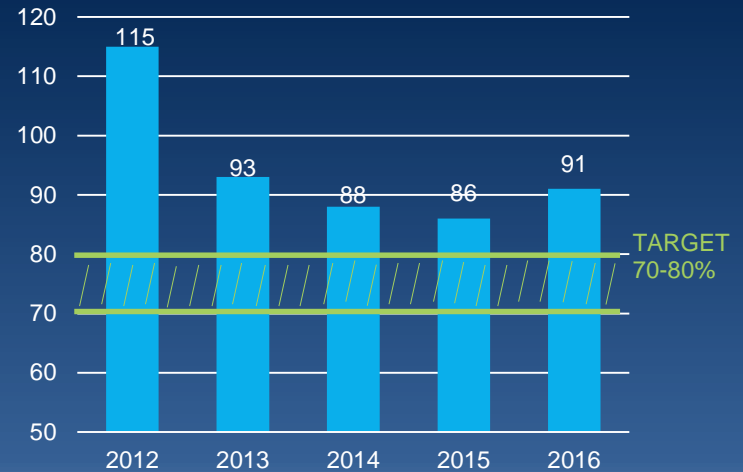


# KEY PERFORMANCE INDICATORS

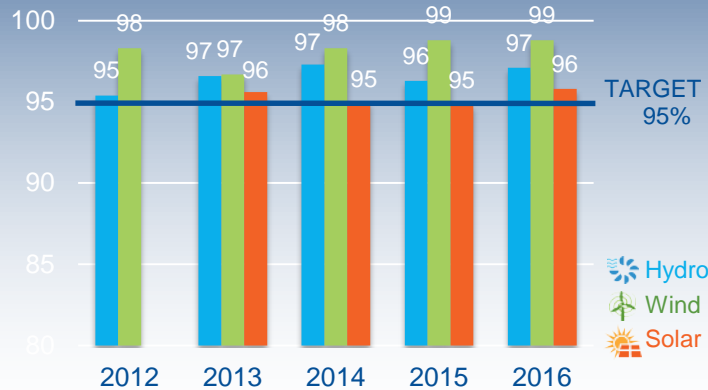
## PRODUCTION PREDICTABILITY



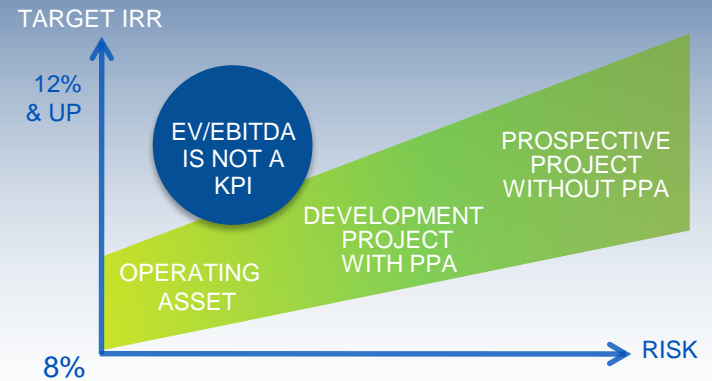
## PAYOUT RATIO (IN %)



## AVAILABILITY OF EQUIPMENT

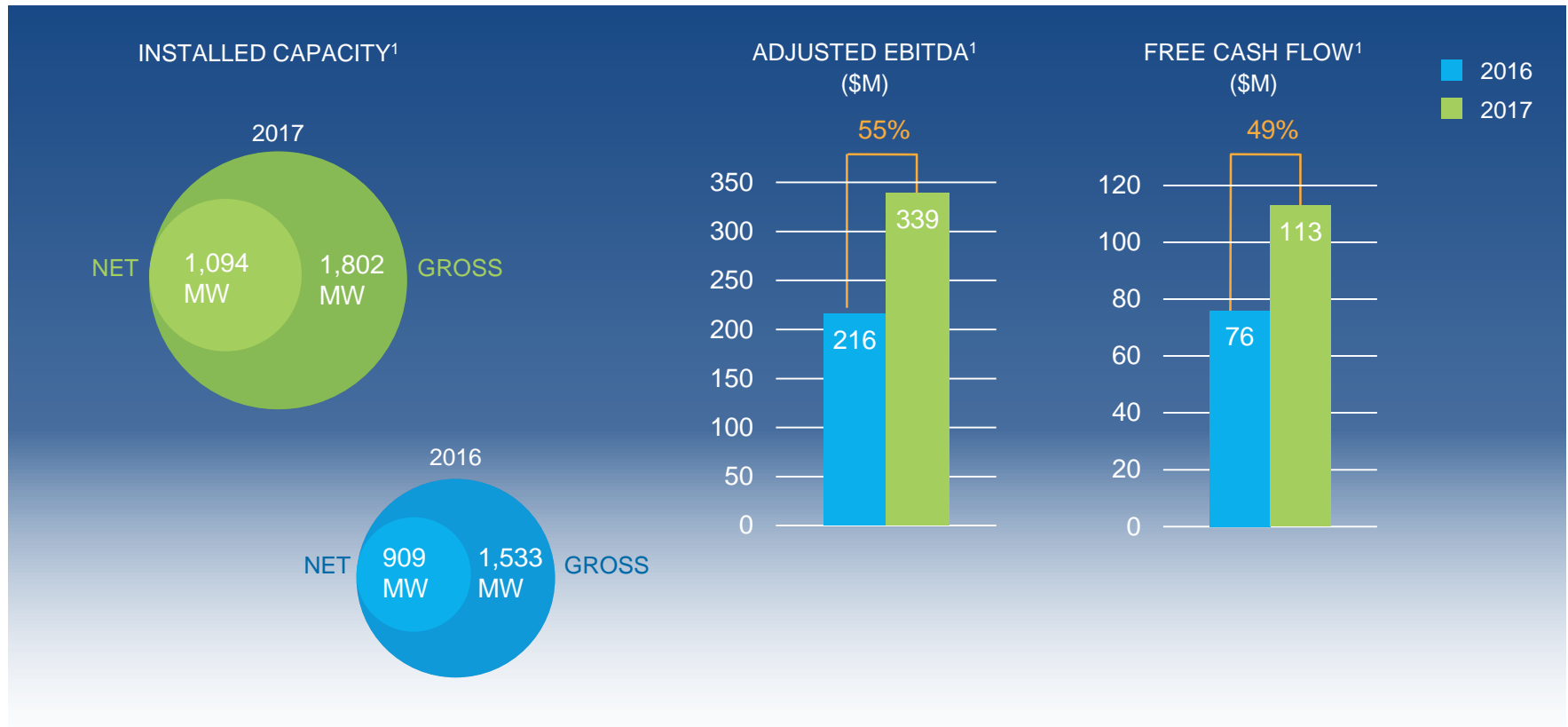


## RISK-RETURN RELATIONSHIP



# GUIDANCE

- In 2017, we will reach an annual run-rate that reflects our project currently under construction



<sup>1</sup> 2016 figures based on revenues as at December 31, 2016. 2017 figures based on projected revenues, including the previously announced acquisition of 3 wind projects in France, which is expected to be completed in Q2 2017.

- Our growth is significant and measurable

# STRATEGY

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Our **strategy** for building shareholder value is to develop or acquire high-quality facilities that generate sustainable cash flows and provide an attractive risk-adjusted return on invested capital, and to distribute a stable dividend.

- Remain **exclusively in renewable energy**
- Ensure strategic priorities **conform to sustainable business practices**
- Consolidate **leadership position in Canada**
- Expand into **selected target markets internationally**
- Develop **partnerships which differentiate us**, especially with First Nations and local communities
- Focus on **key performance indicators**:  
Equipment availability, Project IRRs, Adjusted EBITDA, Free Cash Flow, and Payout Ratio
- Distribute **a stable and growing dividend** to our shareholders

# SUSTAINABLE DEVELOPMENT

- Our **mission** is to increase our production of renewable energy by developing and operating high-quality facilities while respecting the environment and balancing the best interests of the host communities, our partners, and our investors



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



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



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

- We believe that the three pillars of sustainability are mutually reinforcing

# EXISTING PARTNERSHIPS

- We have the ability and the expertise to create partnerships that work

## FIRST NATIONS AND LOCAL COMMUNITIES

 **23 MW**

**UMBATA FALLS**  
ONTARIO

**49-51%**

**PARTNER:**  
**OJIBWAYS OF THE**  
**PIC RIVER FIRST NATION**

 **25 MW**

**VIGER-DENONVILLE**  
QUEBEC

**50-50%**

**PARTNER:**  
**RIVIÈRE-DU-LOUP RCM**

 **41 MW**

**MAGPIE**  
QUEBEC

**70-30%** VOTING RIGHTS

**PARTNER: MINGANIE RCM**

 **50 MW**

**KWOIEK CREEK**  
BRITISH COLUMBIA

**50-50%**

**PARTNER:**  
**KANAKA BAR**  
**INDIAN BAND**

 **150 MW**

**MESGI'G UGJU'S'N**  
QUEBEC

**50-50%**

**PARTNER:**  
**MI'GMAQ FIRST NATIONS**  
**OF QUEBEC**

 **16 MW**

**WALDEN NORTH**  
BRITISH COLUMBIA

**51-49%**

**PARTNER: SEKW'EL'WAS**  
**CAYOOSE CREEK BAND**

## CORPORATIONS

 **114 MW**

**CREEK POWER**  
BRITISH COLUMBIA

**66<sup>2</sup>/<sub>3</sub>-33<sup>1</sup>/<sub>3</sub>%**

OWNER OF FITZSIMMONS CREEK, BOULDER CREEK AND UPPER LILLOOET RIVER HYDRO FACILITIES

**PARTNER:**  
**LEDCOR POWER GROUP LTD**

 **590 MW**

**CARTIER WIND ENERGY**  
QUÉBEC

**38-62%, 50-50%** MANAGEMENT

OWNER OF BAIE-DES-SABLES, L'ANSE-À-VALLEAU, CARLETON, MONTAGNE SÈCHE AND GROS-MORNE FACILITIES

**PARTNER:**  
**TRANSCANADA CORP.**

## FINANCIAL INSTITUTIONS

 **150 MW**

**HARRISON LP**  
BRITISH COLUMBIA

**50-50%**

OWNER OF THE DOUGLAS CREEK, FIRE CREEK, LAMONT CREEK, STOKKE CREEK, TIPELLA CREEK, AND UPPER STAVE RIVER FACILITIES

**PARTNERS:**  
**CC&L AND LPF**  
**(SURFSIDE) DEVELOPMENT**

 **31 MW**

**SM-1**  
QUEBEC

**50-50%**

**PARTNER:**  
**DESJARDINS GROUP PENSION PLAN**

 **155 MW**

**PORTFOLIO OF 10 WIND FARMS**  
FRANCE

**69,55-30,45 %**

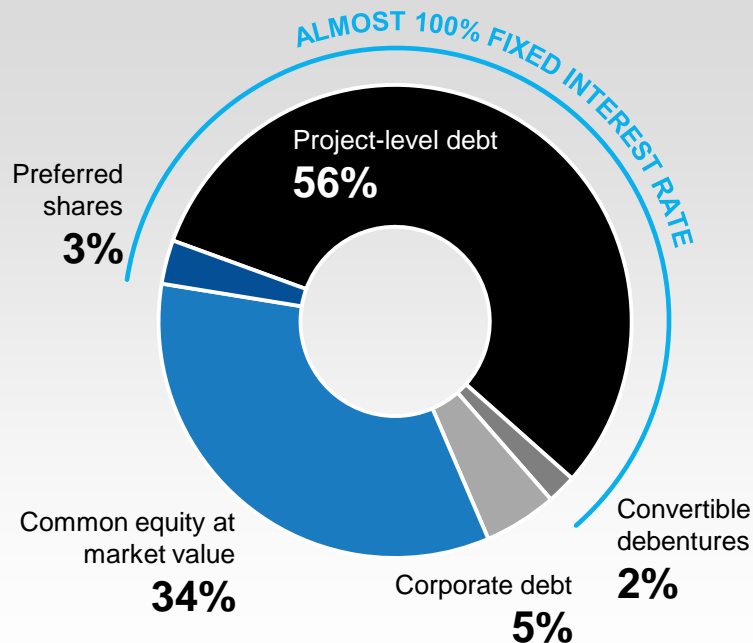
**PARTNER:**  
**DESJARDINS GROUP PENSION PLAN**

- Our partnerships are a competitive differentiator, especially those with First Nations and local communities

# FINANCIAL STRUCTURE

- We **maintain** a balanced capital structure

AS AT MARCH 31, 2017



## Revolving term credit facility supported by 13 unencumbered assets

Saint-Paulin	Montmagny	Glen Miller
Brown Lake	Miller Creek	Portneuf 1-2-3
Batawa	Chaudière	Baie-des-Sables
Gros-Morne	Walden North	

- We financed all of our projects with fixed-rate non-recourse project-level debt

# INTEREST RATE SENSITIVITY

- We have virtually no exposure to interest rate fluctuations

INTEREST EXPENSES		PROJECT IRR		VALUE OF DERIVATIVES		
INTEREST PAYMENT ON REVOLVING TERM CREDIT FACILITY	INTEREST PAYMENT ON PROJECT-LEVEL DEBT	IRR OF DEVELOPMENT PROJECTS	IRR OF PROSPECTIVE PROJECTS	FREE CASH FLOW (FCF)	DERIVATIVE FINANCIAL INSTRUMENTS USED TO HEDGE THE INTEREST RATE ON EXISTING AND FUTURE DEBT	DERIVATIVE FINANCIAL INSTRUMENTS USED TO HEDGE THE INTEREST RATE ON EXISTING AND FUTURE DEBT
Interest rate on majority of revolving term credit facility has been fixed through use of derivative financial instruments	Project-level debts are either at fixed rates or interest rates have been fixed through use of derivative financial instruments	Base interest rates on project financings for development projects have been hedged through use of derivative financial instruments. When financing was secured, forward contracts were settled, resulting in a realized loss on derivative financial instruments that will be offset by a lower interest rate on debt for its duration; this will not affect the economic value of project	Price of any power purchase agreement secured for prospective projects in the future will reflect prevailing interest rates at that time and the expected interest rate on project financing will be hedged through use of derivative financial instruments around the time construction begins	Realized gains or losses arising from settlement of derivative financial instruments will have an immediate impact on cash flows, and an offsetting impact on future cash flows for duration of debt. These gains or losses are excluded from the calculation of the Free Cash Flow as they are not representative of the operating results.	These are unrealized gains and losses, which do not affect Free Cash Flow	Offsetting entry to the unrealized gains or losses are recorded in owners' equity
		NO IMPACT		NO IMPACT ON PV OF FCF STREAM	UNREALIZED GAIN	EQUIVALENT DECREASE IN LIABILITIES
		NO IMPACT		NO IMPACT ON PV OF FCF STREAM	UNREALIZED LOSS	EQUIVALENT INCREASE IN LIABILITIES

# PROJECT-LEVEL DEBT

- We use mainly fixed-rate, non-recourse project-level debt to finance our projects, which provides added discipline and further reduces our risk profile

## PROJECT

**Project debt levels are a function of the cash flows generated by the project** and essentially determined by the “debt service coverage ratio” (EBITDA / interest + principal payments)

Project is pledged as **collateral**

**Repayment** is scheduled over **the life of the power purchase agreement**

Target debt service coverage ratio in the order of **1.4x**

## DISCIPLINED APPROACH OF LENDERS

**Use independent engineers to conduct a thorough due diligence on the project’s construction and operations**, including project design, construction scheduling and costs, and hydro/wind/solar regime assumptions used in determining the expected long-term average production estimates on which the project’s financial model is based

**Conduct an independent legal review** of documents and permits

**Require a debt service reserve**  
Hydrology/wind reserve are set aside to protect the debt service in years with below-average hydro/wind conditions

**Require a major maintenance reserve account** for the life of the debt, in which funds are invested each year to be available for major maintenance, to protect the debt service

**Require business interruption insurance** and property insurance



# CAPITAL ALLOCATION

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- **Reinvest in the business**

We invest \$11-15 million each year in prospective project expenses for greenfield project development in preparation for future requests for proposals or negotiated power purchase agreements.

- **Pay a dividend and grow it over time**

We intend to grow the dividend as Free Cash Flow grows.

- **Make acquisitions**

We seek acquisitions to expand internationally and to consolidate our leadership position in Canada, focusing on acquisitions which are immediately accretive to cash flows.

- **Use normal course issuer bid to buy back shares, as approved by the Board of Directors**

We may purchase for cancellation common shares, if and when we believe the market price of common shares does not reflect their inherent value.

- **Achieve and maintain a Payout Ratio of approximately 70-80%**

# INVESTMENT THESIS

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- **Solid track record of growth**  
delivering projects on time and on budget
- **Strategic plan to replenish sources of long-term growth beyond 2017**  
by expanding into target markets internationally and consolidating leadership position in Canada
- **Low-risk capital structure**  
balanced and flexible
- **Virtually no exposure**  
to interest rate fluctuations
- **Reinvestment and dividend growth**  
focus of capital allocation
- **Clear performance targets**  
with consistent execution

- Solid growth supported by a sound capital structure

# FORWARD-LOOKING INFORMATION CONTAINED IN THIS DOCUMENT

## PRINCIPAL ASSUMPTIONS

### PROJECTED ADJUSTED EBITDA

For each facility, the Corporation determines an annual long-term average level of electricity production (LTA) over the expected life of the facility, based on several factors that include, without limitations, historically observed water flows or wind or solar irradiation conditions, turbine or panel technology, installed capacity, energy losses, operational features and maintenance. Although production will fluctuate from year to year, over an extended period it should approach the estimated long-term average. The Corporation then estimates expected annual revenues for each facility by multiplying its LTA by a price for electricity stipulated in the power purchase agreement secured with a public utility or other creditworthy counterparty. These agreements stipulate a base price and, in some cases, a price adjustment depending on the month, day and hour of delivery. In most cases, power purchase agreements also contain an annual inflation adjustment based on a portion of the Consumer Price Index. The Corporation then estimates annual operating earnings by subtracting from the estimated revenues the budgeted annual operating costs, which consist primarily of operators' salaries, insurance premiums, operations and maintenance expenditures, property taxes, and royalties; these are predictable and relatively fixed, varying mainly with inflation except for maintenance expenditures. On a consolidated basis, the Corporation estimates annual Adjusted EBITDA by adding the projected operating earnings of all the facilities in operation that it consolidates\*, from which it subtracts budgeted general and administrative expenses, comprised essentially of salaries and office expenses, and budgeted prospective project expenses, which are determined based on the number of prospective projects the Corporation chooses to develop and the resources required to do so.

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

## PRINCIPAL RISKS AND UNCERTAINTIES

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

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

For each development project, the Corporation provides an estimate of project costs based on its extensive experience as a developer, directly related incremental internal costs, site acquisition costs and financing costs, which are eventually adjusted for projected costs provided by the engineering, procurement and construction contractor retained for the project. The Corporation provides indications regarding scheduling and construction (EPC) progress for its development projects and indications regarding its prospective projects, based on its extensive experience as a developer.

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

### EXPECTED PROJECT FINANCING

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

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

### PROJECTED FREE CASH FLOW AND PAYOUT RATIO

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

- 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 AND TO GAIN A Foothold IN TARGET MARKETS INTERNATIONALLY

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. It provides indications of its intention to establish a presence in target markets internationally in the coming years based on its strategic plan.

- Regulatory and political risks
- Ability of the Corporation to execute its strategy for building shareholder value
- Ability to secure new PPAs
- Foreign exchange fluctuations

### EXPECTED CLOSING OF THE ACQUISITION OF THE THREE FRENCH WIND PROJECTS UNDER CONSTRUCTION

The Corporation reasonably expects to complete the acquisition of the three French wind projects under construction and it has no indication as of today that the closing conditions will not be satisfied by all parties

- Regulatory and political risks
- Availability of the Capital
- Performance of the counterparties

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**For more information, please contact:**

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