INNERGEX

Renewable Energy.
Sustainable Development.

QUARTERLY REPORT 2012

FOR THE PERIOD ENDED SEPTEMBER 30, 2012

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following is a discussion of the financial position, operating results and cash flows of Innergex Renewable Energy Inc. ("Innergex" or the "Corporation") for the three- and nine-month periods ended September 30, 2012. This Management's Discussion and Analysis ("MD&A") reflects all material events up to November 6, 2012, the date on which this MD&A was approved by the Corporation's Board of Directors. This MD&A should be read in conjunction with the unaudited condensed consolidated financial statements and the accompanying notes for the three- and nine-month periods ended September 30, 2012, and with the 2011 Annual Report of Innergex. Additional information relating to Innergex, including its Annual Information Form, can be found on the Canadian Securities Administrator's System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com or on the Corporation's website at www.innergex.com.

The unaudited condensed consolidated financial statements contained in this MD&A and the accompanying notes for the three- and nine-month periods ended September 30, 2012, along with the 2011 comparative figures, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Some amounts included in this MD&A have been rounded to make reading easier, which may affect some calculations.

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ESTABLISHMENT AND MAINTENANCE OF DC&P AND ICFR

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

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

- Internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS applicable to the Corporation.

In accordance with *Regulation 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings*, the President and Chief Executive Officer and the Chief Financial Officer and Senior Vice President of the Corporation have certified that there were no material weaknesses relating to the DC&P and ICFR for the three-month period ended September 30, 2012. There was no change to the ICFR during the quarter ended September 30, 2012, that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR other than the following. During the quarter, the Corporation has continued working on the automation of its consolidation process in order to reduce the likelihood of human errors.

FORWARD-LOOKING INFORMATION

In order to inform shareholders of the Corporation as well as potential investors in the Corporation's future prospects, this MD&A contains forward-looking information within the meaning of securities legislation ("Forward-Looking Information"). Forward-Looking Information can generally be identified by the use of words and phrases such as "may," "will," "about," "approximate," "potential," "estimates," "anticipates," "plans," "expects," or "does not expect," "is expected," "budget," "scheduled," "forecasts," "intends" or "believes," or variations of such words and phrases that state that certain events will occur.

The Forward-Looking Information includes forward-looking financial information or financial outlook, within the meaning of securities laws, such as projected revenues, project costs, adjusted EBITDA or results to inform investors and shareholders of the potential financial impact of recently announced acquisitions or expected results. Such information may not be appropriate for other purposes.

Forward-Looking Information represent, as of the date of this MD&A, the estimates, forecasts, projections, expectations or opinions of the Corporation relating to future events or results. Forward-Looking Information 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, implied or presented by the Forward-Looking Information. The material risks and uncertainties that may cause the actual results and developments to be materially different from the current expressed expectations are referred to in this MD&A under the "Risks and Uncertainties" heading and include the ability of the Corporation to execute its strategy; the ability to access sufficient capital resources; liquidity risks related to derivative financial instruments; changes in hydrology, wind regime and solar irradiation; failure to close the recently announced transactions; delays in construction and design; health, safety and environmental risks; uncertainty relating to development of new facilities; obtainment of permits; variability of project performance and related penalties; equipment failure; interest rate fluctuation and refinancing risk; financial leverage and restrictive covenants governing current and future indebtedness; declaration of dividends at the discretion of the board; securing new power purchase agreements; the ability to retain senior management and key employees; litigation; performance of major counterparties; relationship with stakeholders; wind turbine supply; changes to regulatory and political factors; the ability to secure appropriate land; reliance on power performance agreements; reliance upon transmission systems; water rental expense; assessment of wind resources and associated wind energy production; dam safety; natural disasters and force majeure; foreign exchange fluctuations; insurance limits; potential undisclosed liabilities associated with the acquisition of Cloudworks Energy Inc. ("Cloudworks"); limited representations and warranties and indemnities in the agreement with the shareholders of Cloudworks, failure to realize the anticipated benefits of the acquisition of Cloudworks; failure on shared transmission and interconnection infrastructure and introduction to solar photovoltaic power facility operation. Although the Corporation believes that the expectations instigated by the Forward-Looking Information are based on reasonable and valid assumptions, there is a risk that the Forward-Looking Information may be incorrect. The reader of this MD&A is cautioned not to rely unduly on this Forward-Looking Information. Forward-Looking Information, expressed verbally or in writing by the Corporation or by a person acting on its behalf, is expressly qualified by this cautionary statement. The Forward-Looking Information contained herein is made as at the date of this MD&A and the Corporation does not undertake any obligation to update or revise any Forward-Looking Information, whether as a result of events or circumstances occurring after the date hereof, unless required by legislation.

OVERVIEW

General

The Corporation is a developer, owner and operator of renewable power-generating facilities. The Corporation's shares are listed on the Toronto Stock Exchange ("TSX") under the symbol INE. The Corporation has been active in the Canadian renewable power industry since 1990, with a focus on hydroelectric, wind power and solar photovoltaic ("PV") projects that benefit from low operating and management costs and simple proven technologies. The Corporation is rated BBB- by Standard and Poor's Rating Services ("S&P") and BBB (low) by DBRS Limited ("DBRS").

Portfolio of Assets

As at the date of this MD&A, the Corporation owns interests in three groups of power-generating projects:

- 28 facilities that are in commercial operation (the "Operating Facilities"). Commissioned between November 1994 and November 2012, the facilities have a weighted average age of approximately 6.6 years. They sell the generated power under long-term Power Purchase Agreements ("PPA") that have a weighted average remaining life of 18.5 years;

- eight projects scheduled to begin commercial operation on planned dates (the "Development Projects"). Construction is ongoing at two of the projects and is expected to begin on the remaining six projects between 2013 and 2014. The projects are expected to reach the commercial operation stage between 2013 and 2016; and

- numerous projects that have secured certain land rights, for which an investigative permit application has been filed or for which a proposal has either been submitted under a Request for Proposal ("RFP") or could be submitted under a Standing Offer Program ("SOP") or Feed-In Tariff Program ("FIT Program") (collectively the "Prospective Projects"). These projects are at various stages of development.

The following chart diagrams the Corporation's direct and indirect interests in the Operating Facilities, Development Projects and Prospective Projects.

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	Operating Facilities	Development Projects	Prospective Projects
Hydro			
Gross capacity:	408.5 MW	238.5 MW	993.8 MW
Net capacity[1]:	319.3 MW	175.9 MW	928.0 MW
Wind			
Gross capacity:	589.5 MW	24.6 MW	2,073.9 MW
Net capacity[1]:	224.0 MW	12.3 MW	1,916.9 MW
Solar			
Gross capacity:	33.2 MW	-	59.0 MW
Net capacity[1]:	33.2 MW	-	59.0 MW
Total			
Gross capacity:	1,031.2 MW	263.1 MW	3,126.7 MW
Net capacity[1]:	576.5 MW	188.2 MW	2,903.9 MW

1. Net capacity represents the proportional share of the total capacity attributable to Innergex, based on its ownership interest in these facilities and projects. The remaining capacity is attributable to the strategic partners' ownership share.

Business Strategy
The Corporation's strategy for building shareholder value is to develop or acquire high-quality renewable power production facilities generating sustainable cash flows and providing a high return on invested capital, and to distribute a stable dividend.

Annual Dividend Policy
The Corporation intends to distribute an annual dividend of $0.58 per common share payable quarterly. Its dividend policy is based on the long-term cash flow generating capacities of its Operating Facilities. Innergex's investments in the Development Projects and Prospective Projects are financed through excess cash flows and a combination of additional indebtedness and equity.

Key Performance Indicators
The Corporation measures its performance using key performance indicators that include or could include: power generated in megawatt-hours ("MWh") and gigawatt-hours ("GWh"); and operating revenues less operating expenses, general and administrative expenses and prospective project expenses ("Adjusted EBITDA"). These indicators are not recognized measures under IFRS and therefore may not be comparable with those presented by other issuers. The Corporation believes that these indicators are important since they provide management and the reader with additional information about its production and cash generation capabilities and facilitate the comparison of results over different periods.

Seasonality
The amount of energy generated by the Operating Facilities is generally dependent on the availability of water flows, wind regime and solar irradiation. Lower than expected water flows, wind regime or solar irradiation in any given year could have an impact on the Corporation's revenues and hence on its profitability. Innergex owns interests in 22 hydroelectric facilities, which draw on 19 watersheds, five wind farms and one solar farm, providing significant diversification in terms of operating revenue sources. Furthermore, given the nature of hydroelectric, wind and solar power generation, seasonal variations are partially offset, as illustrated in the following table:

	LTA[1] (GWh and %) - Net Interest[2]								
Energy	Q1		Q2		Q3		Q4		Total
HYDRO	248.8	14%	630.0	36%	506.7	29%	359.7	21%	1,745.2
WIND	213.6	32%	142.8	21%	112.8	17%	207.3	31%	676.5
SOLAR[3]	7.5	19%	12.7	33%	12.9	33%	5.9	15%	39.0
Total	469.9	19%	785.5	32%	632.4	26%	572.9	23%	2,460.7

1. Long-term average.
2. Net interest adjusted in accordance with revenue recognition accounting rules under IFRS.
3. Solar farm LTA diminishes over time due to expected solar panel degradation.

QUARTERLY UPDATE

Highlights

	Three months		Nine months	
For the periods ended September 30	2012	2011	2012	2011
Power generated (MWh)	564,617	666,009	1,606,825	1,501,506
Operating revenues	47,549	50,465	132,353	115,126
Adjusted EBITDA	37,006	40,098	102,084	89,440
Net loss	(728)	(21,598)	(4,788)	(22,702)
Dividends declared on Series A Preferred Shares	1,063	1,063	3,188	3,188
Dividends declared on common shares	13,540	11,786	37,112	32,204
Dividends declared on common shares ($ per share)	0.145	0.145	0.435	0.435

For the three-month period ended September 30, 2012, the decreases in the power generated, operating revenues and Adjusted EBITDA, which is detailed in the financial results table, are attributable mainly to lower production at most hydroelectric facilities. For the nine-month period ended September 30, 2012, the increases in the power generated, operating revenues and Adjusted EBITDA, which is detailed in the financial results table, are due mainly to the addition of the Montagne Sèche and Gros-Morne Phase I wind farms in November 2011 and the Stardale solar farm in May 2012 to the existing 23 Operating Facilities. The addition of six facilities as part of the acquisition of Cloudworks ("Harrison Operating Facilities") on April 4, 2011, also explains the increases.

The favourable variation in net loss for the three- and nine-month periods ended September 30, 2012, is attributable mainly to an unrealized net gain on derivative financial instruments. The following table outlines the impact of the unrealized and realized net gain (loss) on derivative financial instruments on the net loss:

	Three months		Nine months	
For the periods ended September 30	2012	2011	2012	2011
Net loss	(728)	(21,598)	(4,788)	(22,702)
Add: Unrealized net (gain) loss on derivative financial instruments	(9,561)	40,510	(2,557)	41,883
Add: Realized loss on derivative financial instruments	14,127	—	14,127	—
Less: Deferred income tax recoveries related to the above elements	1,187	10,938	3,008	11,308
	2,651	7,974	3,774	7,873

Excluding the unrealized net (gain) loss and the realized loss on derivative financial instruments and the related deferred income tax recoveries, the earnings for the three- and nine-month periods ended September 30, 2012, would have been $2.7 million and $3.8 million respectively ($8.0 million and $7.9 million for 2011, respectively).

Termination of the agreement with DBRS

Last July, the Corporation had requested a confirmation of its investment grade ratings from both its credit rating agencies. Both S&P and DBRS confirmed their investment grade ratings of BBB- and BBB (low), respectively. However, DBRS announced it had changed the Corporation's rating trend from Stable to Negative, citing as a main reason that the Corporation's consolidated debt-to-capital ratio (calculated using book value) was above 60%. In order to maintain its DBRS credit rating, the Corporation would need to significantly reduce the leverage on its future non-recourse project financings.

The leverage commonly used for non-recourse financings for new hydroelectric, wind, or solar projects typically ranges between 75% and 85% of the project's total costs. Leverage is determined primarily by the cash flow profile of the project and amortized over the duration of the underlying PPA. Because the Corporation has a pool of young Operating Facilities and several Development Projects, its consolidated debt-to-capital ratio has been above 60% over the past few years and is expected to remain above this threshold for the next few years. Innergex considers its debt-to-capital ratio satisfactory, and believes that significantly reducing it in order to maintain its DBRS credit rating would constitute a fundamental change in the Corporation's proven business model, and would in fact prove detrimental to its competitiveness and its ability to create value for its shareholders.

In light of their irreconcilable views on what constitutes an appropriate capital structure for Innergex's activities, the Corporation decided to terminate its agreement with DBRS, effective September 8, 2012.

Closing of the Kwoiek Creek Project Financing
On July 17, 2012, the Corporation announced that the Kwoiek Creek Resources Limited Partnership had closed a $168.5 million non-recourse construction and term project financing for the Kwoiek Creek project. The construction loan will carry a fixed interest rate of 5.075%; it will convert into a 39-year term loan following the start of the project's commercial operation and will amortize over a 36-year period starting three years later. The financing has been arranged with a group of life insurance companies comprised of The Manufacturers Life Insurance Company as agent and lead lender and of The Canada Life Assurance Company and The Great-West Life Assurance Company as lenders.

Increase of the Revolving Term Credit Facility to $425.0 million
On July 17, 2012, Innergex announced that it had exercised a portion of the accordion feature on its revolving term credit facility, increasing its borrowing capacity from $350.0 million to $425.0 million. All terms and conditions remain unchanged, including an August 2016 maturity.

Partnership Agreement with the Mi'gmawei Mawiomi
On July 20, 2012, the Corporation and the Mi'gmawei Mawiomi (the Mi'gmaq of Quebec) announced that they had concluded a partnership agreement for the development, financing, construction and operation of a 150 MW wind farm on the Gaspé Peninsula in Quebec. The two partners intend to submit the project under a future call for tenders for the commissioning of wind energy.

Private Placement of Common Shares Totaling $123.7 million
On July 26, 2012, the Corporation announced that it had closed a private placement with the Caisse de dépôt et placement du Québec and one other institutional investor to issue a total of 12,040,499 common shares at a price of $10.27 per share, for gross proceeds of $123.7 million. These proceeds have been used to finance the Brown Lake and Miller Creek hydroelectric facilities' acquisition closed on October 12, 2012, and for the $25.0 million deposit for the potential acquisition of the Magpie hydroelectric facility.

Acquisition of an Operating Hydroelectric Facility in Quebec
On July 26, 2012, the Corporation announced that it had signed a purchase and sale agreement to acquire from the Hydromega Group of Companies ("Hydromega") its 70% interest in the Magpie facility located in the Minganie RCM in northeastern Quebec. The purchase price of this asset is approximately $30.3 million, plus the assumption of approximately $52.0 million in fixed-rate project level debt. Magpie is a 40.6 MW run-of-river hydroelectric facility with an estimated yearly energy output of 185,000 MWh. All the power produced is sold to Hydro-Québec under a 25-year power purchase agreement.

The Corporation also signed a deposit agreement and a letter of intent with Hydromega regarding the acquisition of its equity interest in six other sites, including one 30.5 MW hydroelectric facility in Quebec, four hydroelectric projects under construction totaling 22.0 MW in Ontario, and one 10.0 MW hydroelectric project under development, also in Ontario.

Implementation of a Dividend Reinvestment Plan
On August 31, 2012, the Corporation implemented a dividend reinvestment plan ("DRIP") for its shareholders. The plan allows eligible common shareholders the opportunity to reinvest a portion or all of the dividends they receive to purchase additional common shares of the Corporation in an efficient and cost effective manner. Shares can either be purchased on the open market or issued from treasury. As of August 31, 2012, plan shares purchased under the DRIP will be issued from treasury and their purchase price will be the weighted-average trading price of the common shares on the Toronto Stock Exchange during the five business days immediately preceding the dividend payment date, less a discount of 2.5%. Any decision made by the board of directors to change either the purchase method for the shares or the discount granted on the purchase price of shares issued from treasury will be communicated by press release.

For more information about Innergex's DRIP, please contact Computershare or visit the Investors/Dividend Reinvestment Plan section of www.innergex.com.

DEVELOPMENT PROJECTS

The Corporation currently has eight projects that are expected to reach the commercial operation stage between 2013 and 2016.

PROJECTS UNDER CONSTRUCTION

Project name and location	Ownership %	Gross installed capacity (MW)	Expected COD[1]	Gross estimated LTA (GWh)	PPA term (years)	Total project costs		Expected year-one	
						Estimated ($M)[2]	As at Sept. 30, 2012 ($M)	Revenues ($M)[2]	Adjusted EBITDA ($M)[2]
HYDRO (British Columbia)									
Kwoiek Creek	50.0	49.9	Q4 2013	215.0	40	153.2	75.6	18.2	14.8
Northwest Stave River	100.0	17.5	Q4 2013	61.9	40	91.4	39.5	7.4	5.9

1. Commercial operation date.
2. This information is intended to inform the reader of the projects' potential impact on the Corporation's results. The actual results may vary. Please refer to the "Forward-Looking Information" section for details.

Hydro

Kwoiek Creek

The construction of this hydroelectric facility began in the last quarter of 2011. By the end of the third quarter of 2012, the construction was progressing as scheduled and budgeted; the intake diversion channel was completed; the intake construction and the erection of the powerhouse steel superstructure were under way; and the transmission line construction and penstock installation were ongoing. Current activities also include construction of the fish habitat compensation channel.

Northwest Stave River

The construction of this hydroelectric facility began in the last quarter of 2011. By the end of the third quarter of 2012, the construction was progressing as scheduled and budgeted; concrete work at the powerhouse was nearly completed and the fish habitat compensation construction was completed. At the date of this MD&A, the fish habitat compensation is being tested and revegetated and the penstock installation, intake, cofferdam and diversion work are all ongoing and progressing as planned.

PROJECTS UNDER PERMIT PHASE

Project name and location	Ownership (%)	Gross installed capacity (MW)	Expected COD	Gross estimated LTA (GWh)	PPA term (years)	Total project costs	
						Estimated ($M)[1]	As at Sept. 30, 2012 ($M)
HYDRO (British Columbia)							
Boulder Creek	66.7	23.0	2015	85.7	40	84.2	0.8
Tretheway Creek	100.0	21.2	2015	81.9	40	91.5	14.1
North Creek	66.7	16.0	2016	59.7	40	72.0	0.8
Upper Lillooet	66.7	74.0	2016	270.2	40	264.2	7.4
Big Silver-Shovel Creek	100.0	36.9	2016	147.1	40	165.4	26.9
WIND (Quebec)							
Viger-Denonville	50.0	24.6	2013	67.6	20	36.6 [2]	3.0 [2]

1. This information is intended to inform the reader of the projects' potential impact on the Corporation's results. The actual results may vary. Please refer to the "Forward-Looking Information" section for details.
2. Corresponding to the Corporation's 50% interest in this project.

Hydro

Boulder Creek, North Creek and Upper Lillooet

In the third quarter of 2012, RFPs to select the turbines supplier and civil works contractor were issued. Current activities include review of the Environmental Assessment Application by federal and provincial governments, ongoing consultation with stakeholders and applications for obtaining the relevant permits. The Corporation expects to start construction on the Boulder Creek and Upper Lillooet projects in 2013 and on the North Creek project in 2014.

Tretheway Creek and Big Silver-Shovel Creek
Current activities include hydrometric monitoring, environmental studies, consultation with the various stakeholders, applications for obtaining the relevant permits and preliminary engineering. An important milestone was reached when the projects received Environmental Assessment Certificates from the British Columbia Ministry of Environment and Ministry of Energy, Mines and Natural Gas on August 20, 2012. The Corporation expects to start construction on these projects in 2013.

Wind
Viger-Denonville
In the third quarter of 2012, the Ministère du Développement durable, de l'Environnement et des Parcs ("MDDEP") confirmed that public hearing would not be required for the project. As such, Viger-Denonville expects to receive the government decree in the first quarter of 2013. The notice to proceed was issued and a purchase order for the procurement of the main power transformer was also executed during the period. Current activities include selecting the engineering, procurement and construction contractor. The Corporation expects to start construction on the Viger-Denonville project in 2013.

PROSPECTIVE PROJECTS
All the Prospective Projects, with a combined potential net installed capacity of 2,904 MW (gross 3,127 MW), are in the preliminary development stage. Some Prospective Projects are targeted towards specific future RFPs, SOPs or FIT Programs while others will be available for future RFPs yet to be announced. There is no certainty that any Prospective Project will be realized.

Additional information about the Corporation's facilities and projects can be found in the Corporation's Annual Information Form for the year ended December 31, 2011, which is filed at www.sedar.com.

OPERATING RESULTS
The Corporation's operating results for the three- and nine-month periods ended September 30, 2012, are compared with the operating results for the same periods in 2011.

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

For the three-month periods ended September 30	2012				2011			
	Production (MWh)	LTA (MWh)	Production as a % of LTA	Average[1] price ($/MWh)	Production (MWh)	LTA (MWh)	Production as a % of LTA	Average[1] price ($/MWh)
HYDRO								
Quebec	55,181	75,054	74%	76.74	89,347	75,054	119%	72.56
Ontario	7,822	18,677	42%	78.33	17,372	18,677	93%	72.97
British Columbia	364,921	338,646	108%	73.74	478,442	338,646	141%	74.90
United States	17,465	16,694	105%	82.33	17,817	16,694	107%	77.14
Subtotal	445,390	449,071	99%	74.53	602,978	449,071	134%	74.56
WIND								
Quebec	105,557	90,873	116%	81.60	63,031	59,230	106%	87.35
SOLAR								
Ontario	13,670	12,908	106%	420.00	—	—	—	—
Total	564,617	552,852	102%	84.21	666,009	508,301	131%	75.77

1. Including all payment adjustments linked to month, day and hour of delivery; environmental attributes and the ecoENERGY Initiative as applicable.

The Corporation's facilities produced 565 GWh in the third quarter of 2012, 2% more than the LTA of 553 GWh. This is due mainly to better than anticipated hydrologic conditions in British Columbia and the United States. The higher production level is also the result of better than anticipated wind conditions combined with the pre-COD production at Gros-Morne II. These elements were offset by lower than anticipated hydrologic conditions in Quebec and Ontario. The Stardale solar farm performed above its LTA.

For the nine-month periods ended September 30	2012				2011			
	Production (MWh)	LTA (MWh)	Production as a % of LTA	Average[1] price ($/MWh)	Production (MWh)	LTA (MWh)	Production as a % of LTA	Average[1] price ($/MWh)
HYDRO								
Quebec	249,058	256,281	97%	82.51	283,177	256,281	110%	79.13
Ontario	75,536	90,604	83%	75.33	94,203	90,604	104%	73.61
British Columbia	849,305	873,983	97%	75.72	845,125	783,707	108%	73.72
United States	44,048	41,577	106%	67.85	39,132	41,577	94%	64.95
Subtotal	1,217,947	1,262,445	96%	76.80	1,261,637	1,172,169	108%	74.65
WIND								
Quebec	361,405	379,533	95%	82.13	239,869	247,228	97%	87.31
SOLAR								
Ontario[2]	27,473	25,641	107%	332.52	—	—	—	—
Total	1,606,825	1,667,619	96%	82.37	1,501,506	1,419,397	106%	76.67

1. Including all payment adjustments linked to month, day and hour of delivery; environmental attributes and the ecoENERGY Initiative as applicable.
2. Average price includes energy delivered before COD which was priced at market rates. All energy delivered post-COD is priced at $420/MWh.

During the nine-month period ended September 30, 2012, the Corporation's facilities produced 1,607 GWh, 4% less than the LTA of 1,668 GWh. This production level is due mainly to low water flows at all Ontario facilities and at most of the Quebec and British Columbia facilities. Wind conditions were better than anticipated at all wind farms except the Carleton wind farm. However, converters damaged in December 2011 after a load rejection event required that repairs be carried out at the Gros-Morne I wind farm during the first half of the first quarter of 2012. Production resumed on February 12, 2012, allowing the facility to reach 49% of its first quarter LTA. The United States facility performed above its LTA.

The overall performance of the Corporation's facilities for the nine-month period ended September 30, 2012, demonstrates the benefits of geographic diversification and the complementarity of hydroelectric, wind and solar power generation.

Financial results

	Three months		Nine months	
For the periods ended September 30	2012	2011	2012	2011
Operating revenues	47,549	50,465	132,353	115,126
Operating expenses	7,511	6,769	19,765	16,238
General and administrative expenses	2,152	3,026	7,894	7,867
Prospective project expenses	880	572	2,610	1,581
Adjusted EBITDA	37,006	40,098	102,084	89,440
Finance costs	13,423	13,629	46,166	37,820
Other net expenses	15,729	2,604	14,303	3,641
Depreciation and amortization	16,738	13,781	47,903	36,697
Unrealized net (gain) loss on derivative financial instruments	(9,561)	40,510	(2,557)	41,883
Income tax expenses (gain)	1,405	(8,828)	1,057	(7,899)
Net loss	(728)	(21,598)	(4,788)	(22,702)
Net earnings (loss) attributable to:				
Owners of the parent	(245)	(26,162)	(377)	(26,665)
Non-controlling interests	(483)	4,564	(4,411)	3,963
	(728)	(21,598)	(4,788)	(22,702)

Revenues

In the third quarter of 2012, the Corporation recorded operating revenues of $47.5 million ($50.5 million in 2011). This decrease is due mainly to lower production at the hydroelectric facilities, partly offset by additional revenues from the Stardale solar farm ($5.7 million), as COD occurred in May 2012, and from the Montagne Sèche and Gros-Morne I wind farms ($2.5 million), as COD occurred in November 2011.

For the nine-month period ended September 30, 2012, the Corporation recorded operating revenues of $132.4 million ($115.1 million in 2011). This increase is due mainly to the additional revenues from the Stardale solar farm ($9.1 million) and the Montagne Sèche and Gros-Morne I wind farms ($8.3 million). The difference is also attributable to additional revenues from the Harrison Operating Facilities for the first quarter of 2012 ($5.2 million), the acquisition of Cloudworks Energy Inc. ("Cloudworks Acquisition") having been finalized on April 4, 2011. These elements were partly offset by lower production levels at the Quebec (lower revenues of $1.9 million), Ontario (lower revenues of $1.2 million) and British Columbia (lower revenues of $3.2 million) hydroelectric facilities.

Expenses

Operating expenses consist primarily of the operators' salaries, insurance premiums, expenditures related to operation and maintenance and property taxes and royalties.

In the third quarter of 2012, the Corporation incurred $7.5 million in operating expenses related to the operation of the power-producing facilities ($6.8 million in 2011). This increase is due mainly to the addition of the Stardale solar farm and the Montagne Sèche and Gros-Morne I wind farms ($0.4 million). For the nine-month period ended September 30, 2012, the Corporation recorded $19.8 million in operating expenses ($16.2 million in 2011). This increase is due mainly to the Corporation's operating a greater number of facilities in 2012 than in 2011 following the Cloudworks Acquisition ($1.5 million) and the addition of the Stardale solar farm and the Montagne Sèche and Gros-Morne I wind farms ($1.2 million).

General and administrative expenses totalled $2.2 million and $7.9 million respectively for the three- and nine-month periods ended September 30, 2012 ($3.0 million and $7.9 million respectively in 2011). The lower general and administrative expenses result from expenses being allocated to transaction costs and to Prospective and Development Projects compared to the same periods in 2011, partly offset by the Corporation's larger size as a result of the Cloudworks Acquisition for the nine-month period.

Prospective project expenses include the costs incurred for the development of Prospective Projects. Prospective project expenses totalled $0.9 million and $2.6 million respectively for the three- and nine-month periods ended September 30, 2012 ($0.6 million and $1.6 million respectively in 2011). The difference reflects the efforts devoted by the Corporation to developing SOP projects in British Columbia.

Finance Costs

Finance costs include interest on long-term debt and convertible debentures, compensation interest, amortization of financing fees, amortization of the revaluation of long-term debt and convertible debentures, accretion expense on asset retirement obligations and accretion expense on contingent considerations.

For the third quarter of 2012, finance costs totalled $13.4 million ($13.6 million in 2011). This difference is attributable mainly to a decrease in compensation interest due to a negative inflation rate, partly offset by the interest expenses on Stardale and Montagne Sèche term loans.

For the nine-month period ended September 30, 2012, finance costs totalled $46.2 million ($37.8 million in 2011). This difference is due mainly to the increase in the interest on long-term debt resulting from the Cloudworks Acquisition and the Stardale and Montagne Sèche term loans. These items were partially offset by lower compensation interest.

As at September 30, 2012, 100% of the Corporation's outstanding debt, including convertible debentures, was fixed or hedged against interest rate movements (88% as at September 30, 2011). The difference is due to the Fitzsimmons Creek and Stardale interest rate swaps, which became effective during the first and third quarter of 2012 respectively.

The effective all-in interest rate on the Corporation's debt and convertible debentures was 5.82% as at September 30, 2012 (6.05% as at September 30, 2011). The decrease stems mainly from lower compensation interest rates related to the real return bonds due to a lower inflation rate, partly offset by higher interest rates on Stardale, which is now hedged by an interest rate swap contract, higher interest rates on the revolving credit term facility and additional long-term interest rate swap contracts. Please see the "Derivative Financial Instruments and Risk Management" section for more information.

Other Net Expenses

Other net expenses include the transaction costs, realized loss on derivative financial instruments, realized (gain) loss on foreign exchange, loss (gain) on contingent considerations, compensation for loss of revenues, unrealized net loss on foreign exchange and other net revenues.

For the three- and nine-month periods ended September 30, 2012, other net expenses totalled $15.7 million and $14.3 million respectively ($2.6 million and $3.6 million respectively in 2011). The difference is due mainly to realized loss on derivative financial instruments related to the settlement of the Kwoiek Creek bond forwards. This loss is a result of a decrease in benchmark interest rates between the date the bond forwards were entered into (between September and November 2011) and the settlement date (July 2012) and is compensated by the Kwoiek Creek low fixed rate of 5.075% for its 39-year term loan. This loss was partly offset by compensation for loss of revenues related to Stardale received in 2012.

Depreciation and Amortization

For the three-month period ended September 30, 2012, depreciation and amortization expenses totalled $16.7 million ($13.8 million in 2011). The increase is attributable to the addition of the Stardale solar farm and the Montagne Sèche and Gros-Morne I wind farms. For the nine-month period ended September 30, 2012, depreciation and amortization expenses totalled $47.9 million ($36.7 million in 2011). The increase is attributable mainly to the greater asset base resulting from the Cloudworks Acquisition, the Stardale solar farm and the Montagne Sèche and Gros-Morne I wind farms.

Derivative Financial Instruments

The Corporation uses derivative financial instruments to manage its exposure to the risk of rising interest rates on its debt financing and its exposure to the risk of rising foreign currencies on its equipment purchases ("Derivatives"), thereby protecting the economic value of its projects. Innergex also has derivative financial instruments embedded in some of its PPAs. The Corporation does not use hedge accounting for its derivative financial instruments nor does it own or issue financial instruments for speculative purposes.

Since several interest rate swaps are entered into for a term equal in length to the underlying debt amortization schedule, which can reach 30 years, a Derivative's fair market value can be very sensitive to quarter-to-quarter variations in long-term interest rates.

The Corporation recorded a $9.6 million unrealized net gain on derivative financial instruments for the third quarter of 2012 (loss of $40.5 million in 2011), due mainly to the settlement of the Kwoiek Creek bond forwards. By realizing the loss related to the Kwoiek Creek bond forwards, the negative value of unrealized derivative financial instruments decreased compared to the previous quarter.

For the nine-month period ended September 30, 2012, the Corporation recorded a $2.6 million unrealized net gain on derivative financial instruments (loss of $41.9 million in 2011) due mainly to the settlement of the Kwoiek Creek bond forwards, partly offset by the decrease in benchmark interest rates since the end of 2011.

In the third quarter of 2012, the Viger-Denonville project entered into forward exchange rate contracts totalling $9.0 million to secure the exchange rate on planned equipment purchases.

Provision for Income Taxes

In the third quarter of 2012, Innergex recorded current provision for income taxes of $0.6 million ($0.1 million in 2011) and deferred provision for income taxes of $0.8 million (income tax recoveries of $8.9 million in 2011). For the nine-month period ended September 30, 2012, the Corporation recorded a current provision for income taxes of $1.6 million (income tax recoveries of $0.9 million in 2011) and deferred income tax recoveries of $0.5 million ($7.0 million in 2011).

Net Earnings (Loss)

For the third quarter of 2012, the Corporation recorded a net loss of $0.7 million (basic and diluted net loss of $0.01 per share). For the corresponding period of 2011, Innergex recorded a net loss of $21.6 million (basic and diluted net loss of $0.34 per share). The following two tables outline the main items that contributed to this favourable variation in net loss:

Main item - Positive impact	Variation	Explanation
Unrealized net gain on derivative financial instruments	50,071	Due mainly to the settlement of the Kwoiek Creek bond forwards in the third quarter of 2012 compared with a decrease in benchmark interest rates from the end of the second quarter of 2011 to the end of the third quarter of 2011.

Main items - Negative impact	Variation	Explanation
Adjusted EBITDA	3,092	Primarily due to lower production at most hydroelectric facilities.
Other net expenses	13,125	Due mainly to the realized loss related to the Kwoiek Creek bond forwards.
Depreciation and amortization	2,957	Primarily due to the commissioning of Stardale, Montagne Sèche and Gros-Morne I.
Provision for income taxes	10,233	Due mainly to earnings before income taxes compared with a loss before income taxes for the corresponding period in 2011.

For the nine-month period ended September 30, 2012, the Corporation recorded a net loss of $4.8 million (basic and diluted net loss of $0.04 per share). For the corresponding period of 2011, Innergex recorded a net loss of $22.7 million (basic and diluted net loss of $0.00 per share). The following two tables outline the main items that contributed to this favourable variation in net loss:

Main items - Positive impact	Variation	Explanation
Adjusted EBITDA	12,644	Due mainly to the additional revenues from the commissioning of Stardale, Montagne Sèche and Gros-Morne I and to additional revenues from the Harrison Operating Facilities for the first quarter of 2012.
Unrealized net gain on derivative financial instruments	44,440	Due mainly to the settlement of the Kwoiek Creek bond forwards in the third quarter of 2012 compared with a decrease in benchmark interest rates from the end of 2010 to the end of the third quarter of 2011.

Main items - Negative impact	Variation	Explanation
Finance costs	8,346	Primarily due to the Cloudworks Acquisition and to the Stardale and Montagne Sèche loans.
Other net expenses	10,662	Due mainly to the realized loss related to the Kwoiek Creek bond forwards settled in 2012.
Depreciation and amortization	11,206	Primarily due to the Cloudworks Acquisition, Stardale, Montagne Sèche and Gros-Morne I.
Provision for income taxes	8,956	Due mainly to a lower loss before income taxes in 2012.

For the three-month period ended September 30, 2012, the basic and diluted per-share figures are respectively based on a weighted average number of 89,935,944 and 90,246,567 common shares outstanding. 940,000 stock options were non-dilutive during this period, as the average market price of the Corporation's common share was below the strike price. The other 1,521,060 stock options were non-dilutive in the computation of per-share figure, despite the average market price of the Corporation's common share being above the strike price, as the Corporation recognized a net loss for the period. Convertible Debentures were also non-dilutive, despite the fact that average market price was above the conversion price, as the Corporation recognized a net loss for the period. A total of 7,558,684 common shares could potentially be issued on conversion of the convertible debentures.

The basic and diluted per-share figures for the nine-month period ended September 30, 2012, are respectively based on a weighted average number of 84,188,009 and 84,343,513 common shares outstanding. 940,000 stock options were non-dilutive during this period, as the average market price of the Corporation's common share was below the strike price. The other 1,521,060 stock options were non-dilutive in the computation of per-share figure, despite the average market price of the Corporation's common share being above the strike price, as the Corporation recognized a net loss for the period. Convertible Debentures were non-dilutive, as the average market price was below the conversion price.

The basic and diluted per-share figures for the three-month period ended September 30, 2011, were based on a weighted average number of 81,282,460 common shares outstanding. The basic and diluted per-share figures for the nine-month period ended September 30, 2011, were based on a weighted average number of 73,793,499 common shares outstanding. 1,034,000 stock options were non-dilutive during the periods concerned, as the average market price of the Corporation's common share was below the strike price. The other 808,024 stock options were non-dilutive in the computation of per-share figure, despite the average market price of the Corporation's common share being above the strike price, as the Corporation recognized a net loss for the three- and nine-month periods ended September 30, 2011. Convertible Debentures were also non-dilutive for the three- and nine-month periods, as the average market price was below the conversion price. A total of 7,558,684 common shares could potentially have been issued on conversion of the convertible debentures.

As at September 30, 2012, the Corporation had a total of 93,380,863 common shares, 80,500 convertible debentures, 3,400,000 Series A Preferred Shares and 2,461,060 stock options outstanding. As at September 30, 2011, it had 81,282,460 common shares, 80,500 convertible debentures, 3,400,000 Series A Preferred Shares and 1,842,024 stock options outstanding. As at the date of this MD&A, the Corporation had a total of 93,659,866 common shares, 80,500 convertible debentures, 3,400,000 Series A Preferred Shares and 2,461,060 stock options outstanding. The increase in the number of common shares since September 30, 2012, is attributable to the DRIP.

Non-controlling Interests

For the three- and nine-month periods ended September 30, 2012, the Corporation allocated losses of $0.5 million and $4.4 million respectively to non-controlling interests (earnings of $4.6 million and $4.0 million respectively in 2011). These non-controlling interests are related mostly to the Harrison Operating Facilities, the Fitzsimmons Creek Operating Facility and the Kwoiek Creek Development Project.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Operating Activities

For the nine-month period ended September 30, 2012, cash flows generated by operating activities totalled $49.4 million ($33.6 million in 2011). This difference is due primarily to a $26.8 million increase in changes in non-cash operating working capital items and a $12.6 million increase in Adjusted EBITDA, partly offset by a $12.0 million increase in interest paid and a $14.1 million realized loss on derivative financial instruments. The variation in non-cash working capital items stems mainly from a decrease in accounts receivable compared with an increase for the corresponding period in 2011, a lesser increase in prepaid and others and a lesser decrease in accounts payables and accrued liabilities compared with the corresponding period in 2011.

Cash Flows from Financing Activities

For the nine-month period ended September 30, 2012, cash flows generated by financing activities totalled $218.5 million ($252.5 million in 2011). This results mainly from a $40.9 million decrease in issuance of share capital and a $5.9 million increase in dividends paid to preferred and common shareholders, partly offset by a $12.3 million net increase in long-term debt.

Use of Financing Proceeds

For the nine-month periods ended September 30	2012	2011
Proceeds from issuance of long-term debt	318,494	156,252
Proceeds from issuance of share capital	114,414	155,321
Proceeds from exercise of share options	507	—
	433,415	311,573
Cash acquired on business acquisitions	—	4,943
Business acquisitions	—	(160,844)
Additions to property, plant and equipment	(121,927)	(103,544)
Additions to intangible assets	(485)	(415)
Additions to project development costs	(5,468)	(15,775)
Additions to other long-term assets	(27,226)	(724)
Short-term loan	(1,000)	—
Payment of deferred financing costs	(4,138)	(5,557)
Repayment of long-term debt	(172,184)	(20,870)
Use of financing proceeds	(332,428)	(302,786)
Contribution to working capital	100,987	8,787

During the nine-month period ended September 30, 2012, the Corporation borrowed $318.5 million to pay for the construction of the Kwoiek Creek, Northwest Stave River, Gros-Morne II and Stardale projects and to repay the Glen Miller long-term debt. Proceeds of $114.9 million from the issuance of shares and exercise of options were used to pay for the acquisitions of the Miller Creek and Brown Lake hydroelectric facilities and the $25.0 million deposit for the potential acquisition of the Magpie hydroelectric facility and to reduce drawings under the revolving term credit facility. During the corresponding period of 2011, the Corporation borrowed $156.3 million and issued common shares for $155.3 million to pay for the Cloudworks Acquisition and additions to assets and to repay long-term debt.

Cash Flows from Investing Activities

For the nine-month period ended September 30, 2012, cash flows used by investing activities amounted to $222.9 million ($281.2 million in 2011). During this period, additions to property, plant and equipment accounted for a $121.9 million outflow ($103.5 million in 2011), additions to project development costs for a $5.5 million outflow ($15.8 million 2011), additions to intangible assets and other long-term assets for a combined $27.7 million outflow ($1.1 million in 2011), due mainly to the $25.0 million deposit for the potential acquisition of the Magpie hydroelectric facility, investment in the reserves for a net outflow of $1.3 million (net inflow of $6.8 million in 2011) and an increase in restricted cash and short-term investments for a $65.5 million outflow ($11.6 million in 2011). The increase in restricted cash and short-term investments is attributable mainly to the Kwoiek Creek loan; funds will be used to pay construction costs as construction progresses. Business acquisitions and cash acquired concurrently with the Cloudworks Acquisition accounted for a $160.8 million outflow and $4.9 million inflow respectively in 2011.

Cash and Cash Equivalents

For the nine-month period ended September 30, 2012, the Corporation generated $44.9 million in cash and cash equivalents ($5.2 million in 2011) as a net result of its operating, financing and investing activities.

As at September 30, 2012, the Corporation had cash and cash equivalents amounting to $80.2 million ($47.3 million as at September 30, 2011).

DIVIDENDS

	Three months		Nine months	
For the periods ended September 30	2012	2011	2012	2011
Dividends declared on Series A Preferred Shares	1,063	1,063	3,188	3,188
Dividends declared on common shares	13,540	11,786	37,112	32,204
Dividends declared on common shares ($ per share)	0.145	0.145	0.435	0.435

Dividends to Preferred Shareholders
On November 6, 2012, the Corporation declared a dividend of $0.3125 per Series A Preferred Share payable on January 15, 2013, to Series A preferred shareholders of record at the close of business on December 31, 2012.

Dividends to Common Shareholders
On November 6, 2012, the Corporation declared a dividend of $0.1450 per common share payable on January 15, 2013, to common shareholders of record at the close of business on December 31, 2012.

FINANCIAL POSITION

Assets
As at September 30, 2012, the Corporation had $2.2 billion in total assets ($2.0 billion as at December 31, 2011). This increase is due primarily to the following:

- a net increase in cash and cash equivalents and restricted cash and short-term investments from $88.7 million to $199.1 million due mainly to the Kwoiek Creek loan, which funds have been received and are being used as construction progresses;
- an increase in accounts receivable from $36.9 million as at December 31, 2011, to $45.5 million as at September 30, 2012, as explained in the "Working Capital" section below;
- an increase in property, plant and equipment from $1.3 billion to $1.4 billion due mainly to Stardale and the Development Projects under construction; and
- an increase in other long-term assets from $18.0 million to $30.7 million due mainly to the $25.0 million deposit for the potential acquisition of the Magpie hydroelectric facility, partly offset by the reclassification to accounts receivable of the Gros-Morne I and II substation receivables.

These increases were partly offset by:

- a decrease in intangible assets from $441.3 million to $426.6 million due mainly to amortization; and
- a decrease in deferred tax assets from $24.5 million to $6.8 million due to an internal reorganization, which resulted in a reclassification to deferred tax liabilities.

Working Capital
As at September 30, 2012, working capital was positive at $158.6 million with a working capital ratio of 2.67:1.00. As at December 31, 2011, working capital was positive at $50.1 million with a working capital ratio of 1.60:1.00. The variation in the working capital ratio over the last nine months is due mainly to an increase in cash and cash equivalents and restricted cash and short-term investments ($106.8 million related to the Kwoiek Creek loan), an increase in accounts receivable and a net decrease in short-term derivative financial instruments liability mostly attributable to the settlement of the Kwoiek Creek bond forwards. These items were partly offset by increases in accounts payable and accrued liabilities and in the current portion of long-term debt.

In view of these ratios, the Corporation considers its current level of working capital to be sufficient to meet its needs. In the third quarter of 2012, the Corporation exercised a portion of the accordion feature on its revolving term credit facility, increasing its borrowing capacity from $350.0 million to $425.0 million. At the end of the third quarter of 2012, the Corporation had drawn US$13.9 million and $126.3 million as cash advances and $28.5 million had been used for issuing letters of credit.

As part of the Cloudworks Acquisition, the Corporation maintained restricted cash and short-term investments, which amounted to $53.4 million as at December 31, 2011. In the first quarter of 2012, the distribution conditions related to the Harrison Operating Facilities long-term debt were met and $40.0 million of this amount was released.

Accounts receivable increased from $36.9 million as at December 31, 2011, to $45.5 million as at September 30, 2012. The increase stems mainly from Hydro-Québec receivables for the reimbursement of the Gros-Morne I and II substation.

Accounts payable and accrued liabilities increased from $26.6 million as at December 31, 2011, to $39.0 million as at September 30, 2012, due mainly to the construction of the Kwoiek Creek hydroelectric facility.

Derivative financial instruments included in current liabilities decreased from $20.3 million as at December 31, 2011, to $15.2 million as at September 30, 2012, due mainly to the settlement of the Kwoiek Creek bond forwards.

The current portion of long-term debt relates to the payments due on the credit facilities and bonds of some Operating Facilities.

Reserve Accounts

	September 30, 2012	December 31, 2011
Hydrology/wind/solar reserve	40,096	39,045
Major maintenance reserve	3,362	3,109
Total	43,458	42,154

The Corporation holds two types of reserve accounts designed to help ensure its stability:

i) The Hydrology/wind/solar reserve is established at the start of commercial operations at a facility to compensate for the variability of cash flows related to fluctuations in hydrology, wind regime and solar irradiation and to other unpredictable events. The amounts in this reserve are expected to vary from quarter to quarter according to the seasonality of cash flows.

ii) The Major maintenance reserve is established in order to prefund any major plant repairs that may be required to maintain the Corporation's generating capacity.

The availability of funds in the Hydrology/wind/solar and Major maintenance reserve accounts may be restricted by credit agreements and trust indentures.

Property, Plant and Equipment
Property, plant and equipment are comprised mainly of hydroelectric facilities, wind farms and solar farms that are either in operation or under construction. They are recorded at cost less accumulated depreciation and accumulated impairment losses. They are depreciated using the straight-line method over the lesser of (i) the period for which the Corporation owns the rights to the assets or (ii) a period of 15 to 75 years for hydroelectric facilities or 15 to 25 years for wind and solar farm facilities. The Corporation had $1.4 billion in property, plant and equipment as at September 30, 2012, compared with $1.3 billion as at December 31, 2011. This increase stems mainly from Stardale and Development Projects under construction, partly offset by depreciation.

Intangible Assets
Intangible assets consist of various PPAs, permits and licences. They also include the extended warranty for the L'Anse-à-Valleau, Carleton, Montagne Sèche and Gros-Morne I wind farm turbines. The Corporation reported $426.6 million in intangible assets as at September 30, 2012, a decrease from the $441.3 million reported as at December 31, 2011. This decrease stems from amortization. Intangible assets, excluding $5.1 million related to the wind farms' extended warranty, are amortized using the straight-line method over 11- to 40-year periods that commence when the related project is commissioned or acquired. The wind farms' extended warranty is amortized using the straight-line method over the three-year extended warranty period.

Project Development Costs
Project development costs are the costs to acquire and develop Development Projects and to acquire Prospective Projects. Depending on their nature, these costs are transferred either to property, plant and equipment or to intangible assets once the project reaches the construction phase. As at September 30, 2012, the Corporation had $103.7 million in project development costs ($98.0 million as at December 31, 2011). This increase is due to the Development Projects in permit phase.

Goodwill
There were no changes during the third quarter of 2012.

Accrual for Acquisition of Long-Term Assets
Accrual for acquisition of long-term assets consists of long-term debt commitments that have been secured and will be drawn on to finance the Corporation's projects currently under construction or for which construction has been completed but costs remained to be paid. As at September 30, 2012, the Corporation had $49.8 million in accrual for acquisition of long-term assets ($41.3 million as at December 31, 2011). This increase stems mainly from Gros-Morne II and Northwest Stave, partly offset by final drawings under the Stardale and Montagne Sèche loans.

Long-Term Debt
As at September 30, 2012, long-term debt totalled $1.2 billion ($1.0 billion as at December 31, 2011). The increase in long-term debt results mainly from the new Kwoiek Creek construction loan and final drawings under the Stardale and Montagne Sèche loans, partly offset by the repayment of the $13.5 million Glen Miller term loan in the first quarter of 2012, a $38.5 million net repayment of the revolving credit term facility and by scheduled long-term debt repayments of $13.7 million.

Since the beginning of the 2012 fiscal year, the Corporation and its subsidiaries have met all the financial and non-financial conditions related to their credit agreements, trust indentures and PPAs. If they are not met, certain financial and non-financial covenants included in the credit agreements, trust indentures or PPAs entered into by various subsidiaries of the Corporation could limit the capacity of these subsidiaries to transfer funds to the Corporation. These restrictions could have a negative impact on the Corporation's ability to meet its obligations.

Convertible Debentures
There were no material changes during the third quarter of 2012.

Preferred Shares
There were no material changes during the third quarter of 2012.

Derivative Financial Instruments and Risk Management
The Corporation uses derivative financial instruments to manage its exposure to the risk of increasing interest rates on its debt financing and its exposure to the risk of rising foreign currencies on its equipment purchases. While Derivatives are entered into with major financial institutions rated BBB or better by S&P, the current European economic situation may affect some of the Corporation's counterparties. The Corporation nevertheless considers the risk of illiquidity to be low, as current interest rate swap valuation results in amounts being treated as Innergex liabilities owed to the counterparties. The forward foreign exchange contracts are treated as Innergex assets.

For a long-term debt subject to variable interest rates, Innergex will use bond forward contracts and interest rate swaps. For equipment purchases in a currency other than Canadian dollars, the Corporation will use forward foreign exchange contracts. These measures protect the economic return of the related Operating Facility or Development Project. The Corporation does not intend to settle its Derivatives before maturity. The Corporation does not own or issue any Derivatives for speculation purposes. The Corporation does not use hedge accounting to account for its Derivatives.

Taken together, the bond forward and swap contracts allow the Corporation to eliminate the risk of interest rate increases in actual and planned long-term debt ($517.8 million and $40.0 million respectively). As at September 30, 2012, interest rate swaps related to outstanding debts combined with the $519.8 million in existing fixed-rate debts and the $79.6 million in convertible debentures mean that 100% of outstanding debts are protected from interest rate increases.

Derivatives had a net negative value of $87.6 million at September 30, 2012 (negative $91.4 million at December 31, 2011). This favourable difference is due mainly to the settlement of the Kwoiek Creek bond forward contracts. The estimated impact of a 0.1% interest rate increase would decrease the bond forward contracts and interest rate swap-related liability by $5.5 million. Conversely, a 0.1% interest-rate decrease would increase the bond forward contracts and interest rate swap-related liability by $5.5 million. The estimated impact of an increase of the Canadian dollar value of $0.01 vis-à-vis €1.00 would decrease the forward foreign exchange-related asset by $0.1 million. Conversely, a decrease of the Canadian dollar value of $0.01 vis-à-vis €1.00 would increase the forward foreign exchange-related asset by $0.1 million.

Some interest rate swaps have embedded early termination options that are exercisable only on their underlying debt's maturity date. The triggering of these options could pose a liquidity risk. Should the early termination option be triggered, a presumed realized loss would be offset by the savings realized on future interest expenses, as a negative swap value would be the result of an environment in which interest rates were lower than the rate embedded in the swap.

The Corporation has recorded Derivatives using an estimated credit-adjusted mark-to-market valuation that is determined by increasing the swap-based or the forward foreign exchange-based discount rates used to calculate the estimated mark-to-market valuation by an estimated credit spread for the relevant term and counterparty for each Derivative. In the case of Derivatives that Innergex accounts for as assets (i.e. Derivatives for which the counterparties owe Innergex), the credit spread for the bank counterparty was added to the swap-based or the forward foreign exchange-based discount rate to determine the estimated credit-adjusted value whereas, in the case of Derivatives accounted for as liabilities (i.e. Derivatives for which Innergex owes the counterparties), Innergex's credit spread was added to the swap-based or the forward foreign exchange-based discount rate. As at September 30, 2012, all bond forward contracts, interest rate swaps and some forward foreign exchange contracts were accounted for as liabilities and credit spreads from 0.31% to 3.05% were added to the discount rates. Some forward foreign exchange contracts were accounted for as assets and credit spreads up to 0.03% were added to the discount rates. The estimated credit-adjusted values of the Derivatives are subject to changes in credit spreads of Innergex and its counterparties.

As at September 30, 2012, the fair market value of the derivative financial instruments related to some PPAs with Hydro-Québec was positive at $8.7 million ($10.0 million as at December 31, 2011). These instruments represent the value attributed to minimum inflation clauses of 3% per year included in these PPAs.

Deferred Income Taxes
The tax impact of temporary differences may result in future tax assets or liabilities. As at September 30, 2012, the Corporation's net deferred tax liability was $113.1 million, compared with a net deferred tax liability of $116.0 million as at December 31, 2011. This decrease resulted mainly from financing fees incurred upon issuance of capital and the loss incurred for the first nine months of 2012.

Off-Balance-Sheet Arrangements
As at September 30, 2012, the Corporation had issued letters of credit totalling $40.5 million to meet its obligations under its various PPAs and other agreements. Of this amount, $28.5 million was issued under its revolving credit term facility and the remainder under the projects' non-recourse credit facilities. As at that date, Innergex had also issued a total of $36.1 million in corporate guarantees to support the construction of the Montagne Sèche, Gros-Morne I and II and Viger-Denonville wind farms and some bond forward contracts.

Shareholders' Equity
As at September 30, 2012, the shareholders' equity of the Corporation totalled $651.6 million, including $110.0 million of non-controlling interests, compared with $579.1 million, including $114.4 million of non-controlling interests, as at December 31, 2011. The increase in total shareholders' equity stems mainly from the share capital issued, partly offset by dividends declared.

Contractual Obligations
There were no material changes during the third quarter of 2012.

Contingencies
There were no material changes during the third quarter of 2012.

SEGMENT INFORMATION

Geographic Segments
As at September 30, 2012, the Corporation had 21 hydroelectric facilities, five wind farms and one solar farm in Canada and one hydroelectric facility in the United States. For the three- and nine-month periods ended September 30, 2012, operating revenues generated by the Horseshoe Bend hydroelectric facility in the United States totalled $1.4 million and $3.0 million respectively ($1.4 million and $2.5 million respectively in 2011), representing contributions of 3% and 2% respectively (idem in 2011) to the Corporation's consolidated operating revenues for these periods.

Reportable Segments
As at September 30, 2012, the Corporation had four reportable segments: hydroelectric generation; wind power generation; solar power generation; and site development.

Through its hydroelectric, wind power and solar power generation segments, the Corporation sells electricity produced by its hydroelectric, wind farm and solar facilities to publicly owned utilities. Through its site development segment, Innergex analyses potential sites and develops hydroelectric, wind and solar facilities up to the commissioning stage.

The accounting policies for these segments are the same as those described in the "Significant Accounting Policies" section of the Corporation's audited consolidated financial statements for the year ended December 31, 2011. The Corporation evaluates performance based on Adjusted EBITDA and accounts for inter-segment and management sales at cost. Any transfers of assets from the site development segment to the hydroelectric, wind power or solar power generation segments are accounted for at cost.

The operations of the Corporation's reportable segments are conducted by different teams, as each segment has different skill requirements.

	Hydroelectric Generation	Wind Power Generation	Solar Power Generation	Site Development	Total
For the three-month period ended September 30, 2012					
Power generated (GWh)	445	106	14	—	565
Operating revenues	33,194	8,614	5,741	—	47,549
Expenses:					
Operating expenses	5,556	1,833	122	—	7,511
General and administrative expenses	1,357	443	109	243	2,152
Prospective project expenses	—	—	—	880	880
Adjusted EBITDA	26,281	6,338	5,510	(1,123)	37,006
For the three-month period ended September 30, 2011					
Power generated (GWh)	603	63	—	—	666
Operating revenues	44,959	5,506	—	—	50,465
Expenses:					
Operating expenses	5,544	1,225	—	—	6,769
General and administrative expenses	1,096	495	—	1,435	3,026
Prospective project expenses	—	—	—	572	572
Adjusted EBITDA	38,319	3,786	—	(2,007)	40,098
For the nine-month period ended September 30, 2012					
Power generated (GWh)	1,218	361	27	—	1,607
Operating revenues	93,536	29,682	9,135	—	132,353
Expenses:					
Operating expenses	14,062	5,540	163	—	19,765
General and administrative expenses	4,255	1,828	138	1,673	7,894
Prospective project expenses	—	—	—	2,610	2,610
Adjusted EBITDA	75,219	22,314	8,834	(4,283)	102,084
For the nine-month period ended September 30, 2011					
Power generated (GWh)	1,262	240	—	—	1,502
Operating revenues	94,182	20,944	—	—	115,126
Expenses:					
Operating expenses	12,442	3,796	—	—	16,238
General and administrative expenses	3,160	1,451	—	3,256	7,867
Prospective project expenses	—	—	—	1,581	1,581
Adjusted EBITDA	78,580	15,697	—	(4,837)	89,440

	Hydroelectric Generation	Wind Power Generation	Solar Power Generation	Site Development	Total
As at September 30, 2012					
Goodwill	8,269	—	—	—	8,269
Total assets	1,272,851	409,283	148,232	418,204	2,248,570
Total liabilities	830,076	376,946	146,061	243,846	1,596,929
Acquisition of property, plant and equipment since the beginning of the year	527	929	21	139,002	140,479
As at December 31, 2011					
Goodwill	8,269	—	—	—	8,269
Total assets	1,310,207	387,099	—	336,103	2,033,409
Total liabilities	838,575	324,270	—	291,448	1,454,293
Acquisition of property, plant and equipment during the year	1,305	484	—	192,396	194,185

Hydroelectric Generation Segment
For the three-month period ended September 30, 2012, the hydroelectric generation segment produced 1% less power than the LTA, resulting in operating revenues of $33.2 million. For the nine-month period ended September 30, 2012, this segment produced 4% less power than the LTA, resulting in operating revenues of $93.5 million. The production level for the nine-month period ended in September 30, 2012 was due mainly to lower than anticipated water flows at the segment's British Columbia facilities in the first quarter of 2012 and at the segment's Ontario and Quebec facilities in the third quarter of 2012.

For the three- and nine-month periods ended September 30, 2011, the hydroelectric generation segment produced 34% and 8% more power than the LTA respectively due to better than anticipated hydrologic conditions at most of the segment's facilities, resulting in operating revenues of $45.0 million and $94.2 million respectively.

For the third quarter of 2012, the difference in operating revenues stems mainly from lower production at most facilities. For the nine-month period ended September 30, 2012, lower production in Ontario, Quebec and British Columbia resulted in lower revenues, partly offset by higher revenues in United States ($0.4 million) and revenues of $5.2 million for the first quarter of 2012 from the Harrison Operating Facilities, compared with none for the corresponding period in 2011.

The decrease in total assets since December 31, 2011, is attributable mainly to depreciation and amortization of property, plant and equipment as well as intangible assets.

The decrease in total liabilities since December 31, 2011, is attributable mainly to scheduled repayment of long-term debt.

Wind Power Generation Segment
For the three-month period ended September 30, 2012, the wind power generation segment produced 16% more power than expected, resulting in operating revenues of $8.6 million. This performance level is due mainly to better than anticipated wind conditions at all wind farms and pre-COD production at Gros-Morne II wind farm. For the nine-month period ended September 30, 2012, the wind power generation segment produced 5% less power than the LTA, resulting in operating revenues of $29.7 million. This lower performance level is due to the 42-day period during which Gros-Morne I was halted and the lower than anticipated wind regime at the Carleton wind farm.

For the three-month period ended September 30, 2011, the wind power generation segment produced 6% more power than expected due mainly to better than anticipated wind conditions at the L'Anse-à-Valleau wind farm, resulting in operating revenues of $5.5 million. For the nine-month period ended September 30, 2011, the wind power generation segment produced 3% less power than the LTA due to lower-than anticipated wind conditions at the Baie-des-Sables and Carleton wind farms, resulting in operating revenues of $20.9 million. The difference in operating revenues stem mainly from Montagne Sèche and Gros-Morne wind farms which generated $2.6 million for the third quarter of 2012 and $8.3 million for the nine-month period ended September 30, 2012, compared with none for the corresponding periods of 2011.

Total assets have increased since December 31, 2011, due mainly to Gros-Morne II, partly offset by depreciation and amortization of property, plant and equipment as well as intangible assets.

The increase in total liabilities since December 31, 2011, is attributable mainly to the transfer of the Gros-Morne II long-term debt, partly offset by scheduled repayment of long-term debt.

Solar Power Generation Segment
This new segment was added after the start of commercial operation of the Stardale solar farm on May 15, 2012. For the three- and nine-month periods ended September 30, 2012, the solar power generation segment produced 6% and 7% more power than expected respectively, resulting in operating revenues of $5.7 million and $9.1 million respectively.

Site Development Segment
For the three- and nine-month periods ended September 30, 2012, a greater business emphasis on Prospective Projects explains mainly the increase in prospective project expenses compared with the same period in 2011. The preceding element and expenses allocated to transaction costs and to Development Projects explain the decrease in the general and administrative expenses compared with the same period in 2011.

The increase in total assets since December 31, 2011, results mainly from the Development Projects, in particular the Kwoiek Creek and Northwest Stave River projects, partly offset by the transfer of Stardale assets to the solar power generation segment.

The decrease in total liabilities since December 31, 2011, is attributable mainly to the transfer of the Stardale and Gros-Morne II long-term debts, partly offset by Development Projects, in particular the Kwoiek Creek and Northwest Stave River projects.

CRITICAL ACCOUNTING ESTIMATES
The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. During the reporting period, management made a number of estimates and assumptions pertaining primarily to the fair value calculation of the assets acquired and liabilities assumed in business acquisitions, impairment of assets, useful lives and recoverability of property, plant and equipment and intangible assets, deferred income taxes as well as the fair value of financial assets and liabilities, including derivative financial instruments. These estimates and assumptions are based on current market conditions, management's planned course of action and assumptions about future business and economic conditions. Changes in the underlying assumptions and estimates could have a material impact on the reported amounts. These estimates are reviewed periodically. If adjustments prove necessary, they are recognized in earnings in the period in which they are made. Other significant accounting policies are listed in Note 3 of the Corporation's audited consolidated financial statements for the year ended December 31, 2011.

ACCOUNTING CHANGES
Future Changes
IAS 1 - Presentation of Financial Statements
The IASB issued amendments to IAS 1 Presentation of Financial Statements to split items of other comprehensive income between those that are reclassified to earnings and those that do not. The standard is required to be adopted for periods beginning on or after July 1, 2012. The Corporation has reviewed this standard and it has no impact on its results of operations and financial position.

RISKS AND UNCERTAINTIES
The Corporation is exposed to various business risks and uncertainties and, in its 2011 Annual Report, has outlined those that it considers material. Additional risks and uncertainties are discussed in the "Risk Factors" section of the Corporation's Annual Information Form for the year ended December 31, 2011. However, additional risks and uncertainties that are not presently known to the Corporation or that are currently believed to be immaterial may adversely affect the Corporation's business.

ADDITIONAL INFORMATION UPDATES
Additional and updated information on the Corporation is available through its regular press releases, quarterly financial statements and Annual Information Form, which can be found on the Corporation's website at www.innergex.com and on the SEDAR website at www.sedar.com. Information contained in or otherwise accessible through our website does not form part of this MD&A and is not incorporated into the MD&A by reference.

QUATERLY FINANCIAL INFORMATION

	For the three-month periods ended			
(in millions of dollars, unless otherwise stated)	Sept. 30, 2012	June 30, 2012	Mar. 31, 2012	Dec. 31, 2011
Power generated (MWh)	564,617	714,700	327,508	403,920
Operating revenues	47.5	56.0	28.8	33.1
Adjusted EBITDA	37.0	46.2	18.9	21.8
Unrealized net (loss) gain on derivative financial instruments	(9.6)	(28.0)	21.0	(19.6)
Net (loss) earnings attributable to owners of the parent	(0.2)	(9.1)	8.9	(13.9)
Net (loss) earnings attributable to owners of the parent ($ per share – basic and diluted)	(0.01)	(0.12)	0.10	(0.18)
Dividends declared on Series A Preferred Shares	1.1	1.1	1.1	1.1
Dividends declared on common shares	13.5	11.8	11.8	11.8
Dividends declared on common shares ($ per share)	0.145	0.145	0.145	0.145

	For the three-month periods ended			
(in millions of dollars, unless otherwise stated)	Sept. 30, 2011	June 30, 2011	Mar. 31, 2011	Dec. 31, 2010
Power generated (MWh)	666,009	595,317	240,180	343,754
Operating revenues	50.5	43.8	20.8	26.8
Adjusted EBITDA	40.1	34.6	14.7	18.9
Unrealized net (loss) gain on derivative financial instruments	(40.5)	(10.9)	9.5	15.5
Net (loss) earnings attributable to owners of the parent	(26.2)	(6.5)	6	14.9
Net (loss) earnings attributable to owners of the parent ($ per share – basic and diluted)	(0.34)	(0.09)	0.08	0.23
Dividends declared on Series A Preferred Shares	1.1	1.1	1.1	1.4
Dividends declared on common shares	11.8	11.8	8.6	8.6
Dividends declared on common shares ($ per share)	0.145	0.145	0.145	0.145

Comparing the results for the most recent quarters makes apparent the seasonality that is characteristic of the Corporation's assets, i.e. that power generated, operating revenues and Adjusted EBITDA vary from quarter to quarter. As the Corporation's total average long-term production is 71% hydroelectric, this seasonality can be explained by water flows that are normally at their highest in the second quarter due to the snow melt season and at their lowest in the first quarter due to the cold temperatures, which limit precipitation in the form of rain. Furthermore, solar irradiation is at its highest during the summer months and at its lowest during the winter months. However, premiums for the electricity generated during the coldest months of the year included in some PPAs of the Corporation's hydroelectric facilities attenuate this seasonality. The production of the wind farms also partially compensates for this seasonality experienced by hydroelectric facilities, as wind regimes are generally best in the first quarter of a typical year.

By excluding non-recurring items, readers would expect that the net earnings (loss) attributable to owners of the parent and net earnings (loss) per share attributable to owners of the parent reflect this seasonality characteristic of run-of-river hydroelectric plants, of wind farms and of solar farms. However, other factors also influence these figures, some of which have a relatively stable quarter-to-quarter impact while others are more variable. For the Corporation, the factor that causes the largest fluctuations in net earnings (loss) attributable to owners of the parent and net earnings (loss) per share attributable to owners of the parent is change in the market value of derivative financial instruments. Historical analysis of net earnings (loss) attributable to owners of the parent and net earnings (loss) per share attributable to owners of the parent should therefore take this factor into account. It is important to bear in mind that changes in the market value of derivative financial instruments result from interest rate and inflation rate fluctuations and do not have an impact on the Corporation's Adjusted EBITDA or finance costs.

SUBSEQUENT EVENTS

Termination of the Wildmare Wind Project Acquisition in British Columbia

On October 1, 2012, the Corporations announced that it had terminated its agreement with Finavera Wind Energy to acquire its 77 MW Wildmare wind energy project located in British Columbia. Despite the efforts of both parties, several conditions of closing were not met by the prescribed closing date of September 30, 2012. The Corporation considered each of these conditions to be essential to the successful completion of the project. After careful consideration, the Corporation decided not to extend the closing date because it strongly believed that doing so would not change the outcome within an acceptable period of time.

Completion of the Acquisition of Two Operating Hydro Facilities in British Columbia

On October 12, 2012, the Corporation announced that it had completed the previously announced acquisition of the Brown Lake and Miller Creek run-of-river hydroelectric facilities located in British Columbia.

Brown Lake is a 7.2 MW facility commissioned in 1996 and located on Crown land near Prince Rupert in the North Coast region of the province. It has an average annual production of 51,800 MWh, all of which is sold to BC Hydro under a 20-year power purchase agreement that expires in 2016. The Corporation also announced its intention to double the plant's installed capacity to 14.4 MW and increase expected average annual production by 27,000 MWh, for an additional investment of approximately $20.0 million.

Miller Creek is a 33 MW facility commissioned in 2003 and located on Crown land near Pemberton in the Lower Mainland region of the province. It has an average annual production of 97,900 MWh, all of which is sold to BC Hydro under a 20-year power purchase agreement that expires in 2023, with BC Hydro holding two consecutive five-year renewal options. The Corporation also announced that it plans to undertake an $8.5 million capital expenditure program to upgrade the penstock and water intake, which should increase the plant's expected average annual production by 4,895 MWh and reduce operating costs. However, this capital expenditure program, which was initially expected to occur in the fall of 2012, has been postponed until the fall of 2013, due to the longer-than-expected closing process and seasonal constraints.

The final purchase price of $68.6 million and associated transaction costs of this acquisition were financed by a combination of drawdowns on the Corporation's revolving term credit facility and a portion of the proceeds from a private placement of common shares completed in July 2012 .

Commissioning of Gros-Morne Phase II Wind Farm

On November 6, 2012, the Corporation announced that the Gros-Morne Phase II wind farm had begun commercial operation. Phase II of the Gros-Morne wind farm comprises 74 wind turbines with a total installed capacity of 111.0 MW and an estimated yearly energy output of 341,135 MWh. It is expected to produce revenues for Innergex of approximately $9.0M in its first full year of operation. Following the commissioning of Phase II, Gros-Morne will hereafter be referred to as one wind farm with a total gross installed capacity of 211.5 MW and an expected average annual production of 650,000 MWh. All of the electricity produced is sold to Hydro-Quebec under a power purchase agreement which provides for an annual adjustment to the selling price based on a portion of the Consumer Price Index, and which expires in November 2032. Innergex owns a 38% interest and a 50% management stake in the Gros-Morne wind farm through the Cartier Wind Energy joint venture.

INFORMATION FOR INVESTORS

Stock Exchange Listing

Common Shares of Innergex Renewable Energy Inc. are listed on the TSX under the symbol INE.
Series A Preferred Shares of Innergex Renewable Energy Inc. are listed on the TSX under the symbol INE.PR.A.
Convertible Debentures of Innergex Renewable Energy Inc. are listed on the TSX under the symbol INE.DB.

Rating Agencies

Innergex Renewable Energy Inc. is rated BBB- by S&P and BBB (low) by DBRS.
Series A Preferred Shares of Innergex Renewable Energy Inc. are rated P-3 by S&P and Pfd-3 (low) by DBRS.

Transfer Agent and Registrar

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1500 University Street, Suite 700, Montreal, Quebec, H3A 3S8
Telephone: 1 800 564-6253 or 514 982-7555
Email: service@computershare.com

Auditors

Samson Bélair/Deloitte & Touche s.e.n.c.r.l.

Electronic Delivery

Shareholders may elect to receive Innergex Renewable Energy Inc.'s documents (such as the Quarterly and Annual Reports and the Proxy Circular) in electronic form via the Internet rather than in printed form by mail. Shareholders wishing to use this service should contact Computershare Trust Company of Canada.

Investor Relations

If you have inquiries, please visit our website at www.innergex.com or contact:

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CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

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

	Notes	Three-month period ended September 30, 2012	Three-month period ended September 30, 2011	Nine-month period ended September 30, 2012	Nine-month period ended September 30, 2011
Revenues					
Operating		47,549	50,465	132,353	115,126
Expenses					
Operating	7	7,511	6,769	19,765	16,238
General and administrative		2,152	3,026	7,894	7,867
Prospective project expenses		880	572	2,610	1,581
Earnings before finance costs, income taxes, depreciation, amortization, other net expenses and unrealized net (gain) loss on derivative financial instruments		37,006	40,098	102,084	89,440
Finance costs	8	13,423	13,629	46,166	37,820
Other net expenses	9	15,729	2,604	14,303	3,641
Earnings before income taxes, depreciation, amortization and unrealized net (gain) loss on derivative financial instruments		7,854	23,865	41,615	47,979
Depreciation	7	11,261	8,399	31,652	22,180
Amortization	7	5,477	5,382	16,251	14,517
Unrealized net (gain) loss on derivative financial instruments		(9,561)	40,510	(2,557)	41,883
Earnings (loss) before income taxes		677	(30,426)	(3,731)	(30,601)
Provision (recovery) for income taxes					
Current		606	70	1,556	(921)
Deferred		799	(8,898)	(499)	(6,978)
		1,405	(8,828)	1,057	(7,899)
Net loss		(728)	(21,598)	(4,788)	(22,702)
Net (loss) earnings attributable to:					
Owners of the parent		(245)	(26,162)	(377)	(26,665)
Non-controlling interests		(483)	4,564	(4,411)	3,963
		(728)	(21,598)	(4,788)	(22,702)
Weighted average number of common shares outstanding (in 000)	10	89,936	81,282	84,188	73,793
Basic net loss per share	10	(0.01)	(0.34)	(0.04)	(0.41)
Diluted weighted average number of common shares outstanding (in 000)	10	90,247	81,343	84,344	73,863
Diluted net loss per share	10	(0.01)	(0.34)	(0.04)	(0.41)

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

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

	Three-month period ended September 30, 2012	Three-month period ended September 30, 2011	Nine-month period ended September 30, 2012	Nine-month period ended September 30, 2011
Net loss	(728)	(21,598)	(4,788)	(22,702)
Other items of comprehensive income (loss) that could be reclassified to profit or loss:				
Foreign exchange (loss) gain on translation of a self-sustaining foreign subsidiary	(154)	336	(146)	233
Deferred income tax recovery	20	—	19	—
Foreign exchange gain (loss) on the designated portion of the US$ denominated debt used as hedge on the investment in a self-sustaining foreign subsidiary	171	(343)	157	(239)
Deferred income tax provision	(22)	—	(20)	—
Total adjustments to net loss	15	(7)	10	(6)
Comprehensive loss	(713)	(21,605)	(4,778)	(22,708)
Total comprehensive income (loss) attributable to:				
Owners of the parent	(230)	(26,169)	(367)	(26,671)
Non-controlling interests	(483)	4,564	(4,411)	3,963
	(713)	(21,605)	(4,778)	(22,708)

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

As at	Notes	September 30, 2012	December 31, 2011
Assets			
Current assets			
Cash and cash equivalents		80,187	35,279
Restricted cash and short-term investments		118,909	53,415
Accounts receivable		45,478	36,894
Income tax receivable		393	1,664
Derivative financial instruments		1,836	1,791
Prepaid and others		5,822	4,074
Short-term loan		1,000	—
		253,625	133,117
Reserve accounts		43,458	42,154
Property, plant and equipment	4	1,368,389	1,259,834
Intangible assets		426,605	441,262
Project development costs		103,736	98,042
Derivative financial instruments		7,020	8,248
Deferred tax assets		6,788	24,485
Goodwill		8,269	8,269
Other long-term assets		30,680	17,998
		2,248,570	2,033,409

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

As at	Notes	September 30, 2012	December 31, 2011
Liabilities			
Current liabilities			
Dividends payable to shareholders		14,603	12,848
Accounts payable and accrued liabilities		39,017	26,616
Income tax liabilities		1,504	2,835
Derivative financial instruments		15,211	20,287
Long-term debt	5	24,708	19,475
Contingent considerations		—	983
		95,043	83,044
Construction holdbacks		1,999	2,081
Derivative financial instruments		72,494	71,158
Accrual for acquisition of long-term assets		49,842	41,267
Long-term debt	5	1,169,955	1,030,037
Liability portion of convertible debentures		79,613	79,490
Contingent considerations		2,718	2,904
Asset retirement obligations		5,346	3,858
Deferred tax liabilities		119,919	140,454
		1,596,929	1,454,293
Shareholders' equity			
Common share capital		117,473	1
Preferred shares		82,589	82,589
Contributed surplus from reduction of capital on common shares		656,281	656,281
Share-based payment		1,492	1,361
Equity portion of convertible debentures		1,340	1,340
Deficit		(317,760)	(277,083)
Accumulated other comprehensive income		238	228
Equity attributable to owners		541,653	464,717
Non-controlling interests		109,988	114,399
Total shareholders' equity		651,641	579,116
		2,248,570	2,033,409

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

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

For the nine-month period ended September 30, 2012	Number of common shares (In 000's)	Common share capital account	Preferred shares	Contributed surplus from reduction of capital on common shares	Share-based payment	Equity portion of convertible debentures	Deficit	Accumulated other comprehensive income	Equity attributable to owners	Non-controlling interests	Shareholders ' equity
Balance January 1, 2012	81,282	1	82,589	656,281	1,361	1,340	(277,083)	228	464,717	114,399	579,116
Common shares issued on July 26, 2012 private placement (Note 6)	12,041	123,656							123,656		123,656
Issuance fees (Net of $2,403 of deferred income taxes)		(6,839)							(6,839)		(6,839)
Shares options exercised	58	655			(148)				507	—	507
Net loss							(377)		(377)	(4,411)	(4,788)
Other items of comprehensive income (loss)								10	10		10
Comprehensive income (loss)							(377)	10	(367)	(4,411)	(4,778)
Share-based payment					279				279		279
Dividends declared on common shares							(37,112)		(37,112)		(37,112)
Dividends declared on preferred shares							(3,188)		(3,188)		(3,188)
Balance September 30, 2012	93,381	117,473	82,589	656,281	1,492	1,340	(317,760)	238	541,653	109,988	651,641

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

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

For the nine-month period ended September 30, 2011	Number of common shares (In 000's)	Common share capital account	Preferred shares	Contributed surplus from reduction of capital on common shares	Share-based payment	Equity portion of convertible debentures	Deficit	Accumulated other comprehensive income	Equity attributable to owners	Non-controlling interests	Shareholders' equity
Balance January 1, 2011	59,533	5,720	82,589	453,793	928	1,340	(188,295)	238	356,313	2,588	358,901
Common shares issued on											
April 4, 2011											
– public offering	17,750	163,527							163,527		163,527
–private placement	3,999	39,018							39,018		39,018
Issuance fees (Net of $2,236 of deferred income taxes)		(5,970)							(5,970)		(5,970)
Business acquisition									—	114,968	114,968
Reduction of capital on common shares		(202,294)		202,294					—		—
Net (loss) earnings							(26,665)		(26,665)	3,963	(22,702)
Other items of comprehensive income								(6)	(6)		(6)
Comprehensive (loss) income	—	—	—	—	—	—	(26,665)	(6)	(26,671)	3,963	(22,708)
Share-based payment					340				340		340
Dividends declared on common shares							(32,204)		(32,204)		(32,204)
Dividends declared on preferred shares (including $130 of income taxes)							(3,383)		(3,383)		(3,383)
Balance September 30, 2011	81,282	1	82,589	656,087	1,268	1,340	(250,547)	232	490,970	121,519	612,489

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

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

	Notes	Nine-month period ended September 30, 2012	Nine-month period ended September 30, 2011
Operating activities			
Net loss		(4,788)	(22,702)
Items not affecting cash:			
Depreciation of property, plant and equipment		31,652	22,180
Amortization of intangible assets		16,251	14,517
Unrealized net (gain) loss on derivative financial instruments		(2,557)	41,883
Compensation interest	8	1,704	5,266
Amortization of financing fees	8	505	140
Amortization of revaluation of long-term debt and convertible debentures	8	1,171	749
Accretion expense on asset retirement obligations	8	470	116
Accretion expense on contingent considerations	8	172	104
Share-based payment		279	340
Unrealized net loss on foreign exchange	9	—	27
Deferred income taxes provision		(499)	(6,978)
Others		128	(5)
Effect of exchange rate fluctuations		(107)	(37)
Interest on long-term debt and convertible debentures	8	42,144	31,445
Interest paid		(42,131)	(30,168)
(Gain) loss on contingent considerations	9	(358)	2,711
Contingent considerations paid		(983)	(1,145)
Provision for current income taxes (recovery)		1,556	(921)
Net income taxes received (paid)		1,608	(234)
		46,217	57,288
Changes in non-cash operating working capital items	12	3,138	(23,684)
		49,355	33,604
Financing activities			
Dividends paid on common shares	11	(35,358)	(29,050)
Dividends paid on preferred shares	11	(3,188)	(3,558)
Increase of long-term debt		318,494	156,252
Repayment of long-term debt		(172,184)	(20,870)
Payment of deferred financing costs		(4,138)	(5,557)
Issuance of share capital		114,414	155,321
Proceeds from exercise of share options		507	—
		218,547	252,538

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

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

	Notes	Nine-month period ended September 30, 2012	Nine-month period ended September 30, 2011
Investing activities			
Cash acquired on business acquisition		—	4,943
Business acquisitions		—	(160,844)
Additions to property, plant and equipment		(121,927)	(103,544)
Additions to intangible assets		(485)	(415)
Additions to project development costs		(5,468)	(15,775)
Additions to other long-term assets		(27,226)	(724)
Short-term loan		(1,000)	—
Increase of restricted cash and short-term investments		(65,494)	(11,640)
Proceeds from disposal of property, plant and equipment		—	4
Net funds withdrawn from the levelization reserve		—	494
Net funds (invested into) withdrawn from the hydrology/ wind power/solar power reserve		(1,071)	4,805
Net funds (invested into) withdrawn from the major maintenance reserve		(255)	1,494
		(222,926)	(281,202)
Effects of exchange rate changes on cash and cash equivalents		(68)	223
Net increase in cash and cash equivalents		44,908	5,163
Cash and cash equivalents, beginning of period		35,279	42,116
Cash and cash equivalents, end of period		80,187	47,279
Cash and cash equivalents is comprised of:			
Cash		63,855	14,103
Short-term investments		16,332	33,176
		80,187	47,279

Additional information is presented in Note 12.

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

DESCRIPTION OF BUSINESS

Innergex Renewable Energy Inc. (the "Corporation") was incorporated under the *Canada Business Corporation Act* on October 25, 2002. The Corporation is a developer, owner and operator of renewable power-generating facilities, essentially focused on the hydroelectric, wind power and solar photovoltaic sectors. The head office of the Corporation is located at 1111, St-Charles Street West, East Tower, Suite 1255, Longueuil, Qc, J4K 5G4, Canada.

These unaudited condensed consolidated financial statements were approved by the Board of Directors on November 6, 2012.

The Corporation's revenues are variable with each season and are normally at their lowest in the first quarter due to cold temperature. As a result, earnings of interim periods should not be considered as indicative of results for an entire year.

1. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

These condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB"). The condensed consolidated financial statements are in compliance with IAS-34 Interim Financial Reporting. The same accounting policies and methods of application as described in the Corporation's latest annual report have been used. However, these condensed consolidated financial statements do not include all disclosures required under IFRS and, accordingly, should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Corporation's latest annual report.

The condensed consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair values as described in the significant accounting policies.

2. CHANGES IN ACCOUNTING POLICIES

IAS 1 - Presentation of Financial Statement

The IASB issued amendments to IAS 1 Presentation of Financial Statements to split items of other comprehensive income between those that are reclassified to earnings and those that are not.

The standard is required to be adopted for periods beginning on or after July 1, 2012. The Corporation has reviewed this standard and it has no impact on its results of operations and financial position.

3. BUSINESS ACQUISITIONS

a) Acquisition of Cloudworks Energy Inc.

The final valuation of the acquisition of Cloudworks Energy Inc. has been made and no material adjustment was required to the purchase price allocation since the latest annual report.

b) Acquisition of Stardale Solar Project

The final valuation of the acquisition of Stardale Solar Project has been made and no adjustment was required to the purchase price allocation since the latest annual report.

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Hydroelectric facilities	Wind Farm facilities	Solar Facility	Facilities under construction	Other equipment	Total
Cost							
As at January 1, 2012	1,887	886,163	303,101	—	161,239	4,650	1,357,040
Additions	—	527	929	21	137,990	1,013	140,480
Transfer of assets upon commissioning	—	—	64,036	123,980	(188,016)	—	—
Dispositions	—	(49)	—	—	—	(196)	(245)
Net foreign exchange differences	(2)	(179)	—	—	—	(4)	(185)
As at September 30, 2012	1,885	886,462	368,066	124,001	111,213	5,463	1,497,090
Accumulated depreciation							
As at January 1, 2012	—	(63,803)	(31,918)	—	—	(1,485)	(97,206)
Depreciation	—	(17,330)	(10,972)	(2,479)	—	(871)	(31,652)
Dispositions	—	5	—	—	—	105	110
Net foreign exchange differences	—	47	—	—	—	—	47
As at September 30, 2012	—	(81,081)	(42,890)	(2,479)	—	(2,251)	(128,701)
Net value as at September 30, 2012	1,885	805,381	325,176	121,522	111,213	3,212	1,368,389

All of the property, plant and equipment are given as securities under the respective project financing or for the corporate financing.

Property, plant and equipment includes capitalized financing costs of $8,456 as at September 30, 2012 ($2,795 at December 31, 2011) incurred prior to their intended use or sale.

The financing costs related to a specific project financing are entirely capitalized to the specific property, plant and equipment. Financing costs related to corporate financing are capitalized for the portion of the financing actually used for a specific property, plant and equipment.

The cost of the wind farm facilities under construction were reduced by investment tax credits of $536 ($352 as at December 31, 2011).

5. LONG-TERM DEBT

a) Glen Miller

During the first quarter of 2012, the Corporation repaid entirely the Glen Miller term loan in an amount of $13,500.

b) Kwoiek Creek

On July 17, 2012, Kwoiek Creek Resources Limited Partnership had closed a $168,500 non-recourse construction and term project financing for the Kwoiek Creek project. The loan will carry a fixed interest rate of 5.075%; it will convert in a 39-year term loan following the start of the project's commercial operation and will amortize over a 36-year period starting three years later.

c) Revolving Term Credit Facility

On July 17, 2012, the Corporation exercised a portion of the accordion feature on its revolving term credit facility, increasing its borrowing capacity from $350,000 to $425,000. All terms and conditions remain unchanged, including an August 2016 maturity.

6. SHAREHOLDERS' CAPITAL

a) Issuance of common shares

On July 26, 2012, the Corporation closed a private placement to issue a total of 12,040,499 common shares at a price of $10.27 per share, for gross proceeds of $123,656.

Common shares 12,040,499 shares, $10.27 each	123,656
Issuance fees	(9,242)
Net proceeds	114,414
Deferred income tax	2,403
Issuance of common shares	116,817

b) Stock option plan

During the quarter, 57,904 share options have been exercised resulting in a $507 proceeds of issuance.

c) Implementation of a Dividend Reinvestment Plan (“DRIP”)

On August 31, 2012, the Corporation implemented a dividend reinvestment plan for its shareholders, starting with the dividend paid on October 15, 2012. The plan allow eligible common shareholders the opportunity to reinvest a portion or all of the dividends they receive to purchase additional common shares of the Corporation, without paying fees such as brokerage commissions and service charges. Shares will either be purchased on the open market or issued from treasury. Shares purchased under the DRIP are currently subject to a discount of 2.5% on the stock price of the shares for participating shareholders.

7. OPERATING EXPENSES

	Three-month period ended September 30, 2012	Three-month period ended September 30, 2011	Nine-month period ended September 30, 2012	Nine-month period ended September 30, 2011
Salaries	620	674	1,989	1,720
Insurance	486	386	1,316	1,015
Operation and maintenance	3,063	2,829	8,594	7,459
Property taxes and royalties	3,342	2,880	7,866	6,044
	7,511	6,769	19,765	16,238

Depreciation and amortization recorded in the statement of earnings are mainly related to operating expenses.

8. FINANCE COSTS

	Three-month period ended September 30, 2012	Three-month period ended September 30, 2011	Nine-month period ended September 30, 2012	Nine-month period ended September 30, 2011
Interest on long-term debt and on convertible debentures	14,291	12,527	42,144	31,445
Compensation interest	(1,652)	501	1,704	5,266
Amortization of financing fees	197	37	505	140
Amortization of revaluation of long-term debt and of convertible debentures	413	402	1,171	749
Accretion expense on asset retirement obligations	117	58	470	116
Accretion expense on contingent considerations	57	104	172	104
	13,423	13,629	46,166	37,820

9. OTHER NET (REVENUES) EXPENSES

	Three-month period ended September 30, 2012	Three-month period ended September 30, 2011	Nine-month period ended September 30, 2012	Nine-month period ended September 30, 2011
Transaction costs	2,072	47	2,167	1,610
Realized loss on derivative financial instruments	14,127	—	14,127	—
Realized (gain) loss on foreign exchange	(158)	110	(158)	70
Loss (gain) on contingent considerations	—	2,711	(358)	2,711
Other net revenues	(312)	(338)	(705)	(777)
Compensation for loss of revenues	—	—	(770)	—
Unrealized net loss on foreign exchange	—	74	—	27
	15,729	2,604	14,303	3,641

10. COMPUTATION OF EARNINGS AVAILABLE TO COMMON SHAREHOLDERS

The net loss of the Corporation is adjusted for the preferential dividend on the preferred shares as follows:

	Three-month period ended September 30, 2012	Three-month period ended September 30, 2011	Nine-month period ended September 30, 2012	Nine-month period ended September 30, 2011
Net loss attributable to owners of the parent	(245)	(26,162)	(377)	(26,665)
Dividends declared on preferred shares	(1,063)	(1,128)	(3,188)	(3,383)
Net loss available to common shareholders	(1,308)	(27,290)	(3,565)	(30,048)
Weighted average number of common shares (in 000)	89,936	81,282	84,188	73,793
Basic net loss per share ($)	(0.01)	(0.34)	(0.04)	(0.41)
Weighted average number of common shares (in 000)	89,936	81,282	84,188	73,793
Effect of dilutive elements on common shares (in 000) (a)	311	61	156	70
Diluted weighted average number of common shares (in 000)	90,247	81,343	84,344	73,863
Diluted net loss per share ($) (b)	(0.01)	(0.34)	(0.04)	(0.41)

(a) During the three-month period, 940,000 of 2,461,060 stock options (1,034,000 of 1,842,024 as of September 30, 2011), and nil shares potentially issued on conversion of convertible debentures (7,558,684 as of September 30, 2011) were excluded from the calculation of diluted weighted average number of shares outstanding as the exercise price was above the average market price of common shares during the period.

During the nine-month period, 940,000 of 2,461,060 stock options (1,034,000 of 1,842,024 as of September 30, 2011), and 7,558,684 shares potentially issued on conversion of convertible debentures (7,558,684 as of September 30, 2011) were excluded from the calculation of diluted weighted average number of shares outstanding as the exercise price was above the average market price of common shares during the period.

(b) During the three-month period, 1,521,060 stock options (808,024 as of September 30, 2011) and 7,558,684 shares potentially issued on conversion of convertible debentures (nil as of September 30, 2011) were excluded from the calculation of diluted net loss per share as it was anti-dilutive due to a net loss available to common shareholders.

During the nine-month period, 1,521,060 stock options (808,024 as of September 30, 2011) were excluded from the calculation of diluted net loss per share as it was anti-dilutive due to a net loss available to common shareholders.

11. DIVIDENDS

The following are the dividends paid by the Corporation during the year.

Common shares

Date of announcement	Record date	Payment date	Dividends per share ($)	Shares outstanding (000's)	Total payment
11/9/2011	12/30/2011	1/16/2012	0.1450	81,282	11,786
3/21/2012	3/30/2012	4/16/2012	0.1450	81,282	11,786
5/14/2012	6/29/2012	7/16/2012	0.1450	81,282	11,786
8/7/2012	9/28/2012	10/15/2012	0.1450	93,381	13,540
			0.58		48,898

Preferred shares

Date of announcement	Record date	Payment date	Dividends per share ($)	Shares outstanding (000's)	Total payment
11/9/2011	12/30/2011	1/16/2012	0.3125	3,400	1,063
3/21/2012	3/30/2012	4/16/2012	0.3125	3,400	1,062
5/14/2012	6/29/2012	7/16/2012	0.3125	3,400	1,063
8/7/2012	9/28/2012	10/15/2012	0.3125	3,400	1,063
			1.25		4,251

12. ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

a) Changes in non-cash operating working capital items

	Nine-month period ended September 30, 2012	Nine-month period ended September 30, 2011
Accounts receivable	7,225	(13,161)
Prepaid and others	(1,750)	(3,979)
Accounts payable and accrued liabilities	(2,337)	(6,544)
	3,138	(23,684)

b) Additional information

	Nine-month period ended September 30, 2012	Nine-month period ended September 30, 2011
Interest paid (including $2,822 capitalized interest ($1,667 in 2011))	44,953	31,835
Non-cash transactions		
unpaid property, plant and equipment from accounts payable and accrued liabilities	(10,241)	—
in unpaid property, plant and equipment	17,333	61,330
in unpaid development costs	226	8,186
in unpaid intangibles assets	1,175	(5)
in unpaid long-term assets	—	(50)
transfer from long-term assets to accounts receivable	14,543	—
in unpaid financing fees	—	196

13. SEGMENTED INFORMATION

Geographic Segments

The Corporation has 19 hydroelectric facilities, 5 wind farms and one solar farm in Canada and one hydroelectric facility in the United States. For the three- and nine-month periods ended September 30, 2012, operating revenues generated by the Horseshoe Bend hydroelectric facility located in the United States totalled $1,438 and $2,989 ($1,374 and $2,542 in 2011), representing a contribution of 3.0% and 2.3% for the three- and nine-month periods ended September 30, 2012, (2.7% and 2.2% in 2011) to the Corporation's consolidated operating revenues for these periods.

Reportable segments

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

Through its hydroelectric, wind power and solar power generation segments, the Corporation sells electricity produced by its hydroelectric, wind farm and solar facilities to publicly owned utilities. Through its site development segment, it analyses potential sites and develops hydroelectric, wind and solar facilities up to the commissioning stage.

The accounting policies for these segments are the same as those described in the significant accounting policies of the Corporation's annual audited consolidated financial statements for the year ended December 31, 2011. The Corporation evaluates performance based on earnings (loss) before finance costs, income taxes, depreciation, amortization, other net expenses and unrealized net loss on derivative financial instruments. The Corporation accounts for inter-segment and management sales at cost. Any transfers of assets from the site development segment to the hydroelectric, wind power generation or solar power generation are segments accounted for at cost.

The operations of the Corporation's reportable segments are conducted by different teams, as each segment has different skill requirements.

The solar power generation segment was added following the beginning of commercial operation of the Stardale solar farm on May 15, 2012.

13. SEGMENTED INFORMATION (Continued)

For the three-month period ended September 30, 2012

Reportable Segments	Hydroelectric Generation	Wind Power Generation	Solar Power Generation	Site Development	Total
Operating revenues	33,194	8,614	5,741	—	47,549
Expenses:					
Operating	5,556	1,833	122	—	7,511
General and administrative	1,357	443	109	243	2,152
Prospective project expenses	—	—	—	880	880
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net expenses and unrealized net gain on derivative financial instruments	26,281	6,338	5,510	(1,123)	37,006
Finance costs					13,423
Other net expenses					15,729
Earnings before income taxes, depreciation, amortization and unrealized net gain on derivative financial instruments					7,854
Depreciation					11,261
Amortization					5,477
Unrealized net gain on derivative financial instruments					(9,561)
Earnings before income taxes					677

13. SEGMENTED INFORMATION (Continued)

For the three-month period ended September 30, 2011

Reportable Segments	Hydroelectric Generation	Wind Power Generation	Site Development	Total
Operating revenues	44,959	5,506	—	50,465
Expenses:				
Operating	5,544	1,225	—	6,769
General and administrative	1,096	495	1,435	3,026
Prospective project expenses	—	—	572	572
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net expenses and unrealized net loss on derivative financial instruments	38,319	3,786	(2,007)	40,098
Finance costs				13,629
Other net expenses				2,604
Earnings before income taxes, depreciation, amortization and unrealized net loss on derivative financial instruments				23,865
Depreciation				8,399
Amortization				5,382
Unrealized net loss on derivative financial instruments				40,510
Loss before income taxes				(30,426)

13. SEGMENTED INFORMATION (Continued)

For the nine-month period ended September 30, 2012

Reportable Segments	Hydroelectric Generation	Wind Power Generation	Solar Power Generation	Site Development	Total
Operating revenues	93,536	29,682	9,135	—	132,353
Expenses:					
Operating	14,062	5,540	163	—	19,765
General and administrative	4,255	1,828	138	1,673	7,894
Prospective project expenses	—	—	—	2,610	2,610
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net expenses and unrealized net gain on derivative financial instruments	75,219	22,314	8,834	(4,283)	102,084
Finance costs					46,166
Other net expenses					14,303
Earnings before income taxes, depreciation, amortization and unrealized net gain on derivative financial instruments					41,615
Depreciation					31,652
Amortization					16,251
Unrealized net gain on derivative financial instruments					(2,557)
Loss before income taxes					(3,731)
As at September 30, 2012					
Goodwill	8,269	—	—	—	8,269
Total assets	1,272,851	409,283	148,232	418,204	2,248,570
Total liabilities	830,076	376,946	146,061	243,846	1,596,929
Acquisition of property, plant and equipment	527	929	21	139,002	140,479

13. SEGMENTED INFORMATION (Continued)

For the nine-month period ended September 30, 2011

Reportable Segments	Hydroelectric Generation	Wind Power Generation	Site Development	Total
Operating revenues	94,182	20,944	—	115,126
Expenses:				
Operating	12,442	3,796	—	16,238
General and administrative	3,160	1,451	3,256	7,867
Prospective project expenses	—	—	1,581	1,581
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net expenses and unrealized net loss on derivative financial instruments	78,580	15,697	(4,837)	89,440
Finance costs				37,820
Other net expenses				3,641
Earnings before income taxes, depreciation, amortization and unrealized net loss on derivative financial instruments				47,979
Depreciation				22,180
Amortization				14,517
Unrealized net loss on derivative financial instruments				41,883
Loss before income taxes				(30,601)
As at December 31, 2011				
Goodwill	8,269	—	—	8,269
Total assets	1,310,207	387,099	336,103	2,033,409
Total liabilities	838,575	324,270	291,448	1,454,293
Acquisition of property, plant and equipment	1,305	484	192,396	194,185

14. SUBSEQUENT EVENTS

a) Dividends on Series A preferred Shares

On November 6, 2012, the Corporation declared a dividend of $0.3125 per Series A preferred share payable on January 15, 2013 to Series A preferred shareholders of record at the close of business on December 31, 2012.

b) Dividends on Common Shares

On November 6, 2012, the Corporation declared a dividend of $0.145 per common share payable on January 15, 2013, to common shareholders of record at the close of business on December 31, 2012.

c) Termination of the Wildmare Wind Project Acquisition in British Columbia

On October 1, 2012, the Corporation announced that it had terminated its agreement with Finavera Wind Energy to acquire its 77 MW Wildmare wind energy project located in British Columbia. Despite the efforts of both parties, several conditions of closing were not met by the prescribed closing date of September 30, 2012. The Corporation considered each of these conditions to be essential to the successful completion of the project. After careful consideration, the Corporation decided not to extend the closing date because it strongly believed that doing so would not change the outcome within an acceptable period of time.

d) Completion of the Acquisition of Two Operating Hydro Facilities in British Columbia

On October 12, 2012, the Corporation announced that it had completed the previously announced acquisition of 100% of the Brown Lake and Miller Creek run-of-river hydroelectric facilities located in British Columbia. The purchase price amounted to $68,600. As at November 6, 2012, initial accounting for the business combination is incomplete.

e) Commissioning of Gros-Morne Phase II Wind Farm

On November 6, 2012, the Corporation announced that the Gros-Morne Phase II wind farm had begun commercial operation. With Gros-Morne I, this wind farm has a total installed capacity of 211.5 MW, in which Innergex owns a 38% interest and a 50% management stake through the Cartier Wind Energy joint venture.