

ANNUAL REPORT

AT DECEMBER 31, 2018

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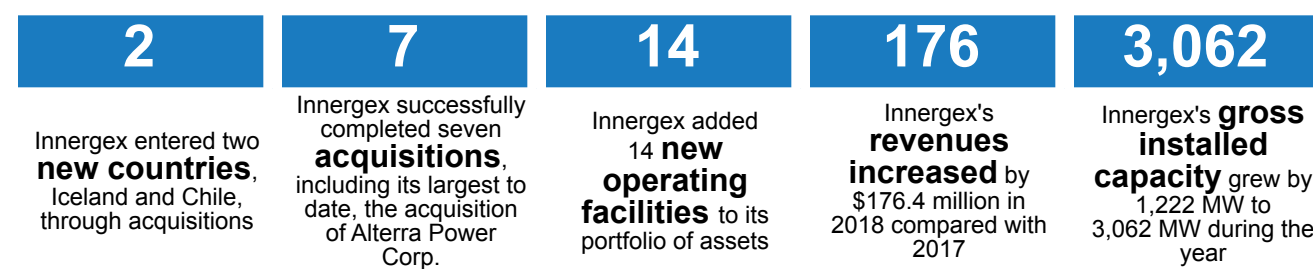
INNERGEX

Renewable Energy.
Sustainable Development.

Innergex Renewable Energy Inc. is a leading Canadian independent renewable power producer. Active since 1990, the Corporation develops, acquires, owns and operates hydroelectric facilities, wind farms, solar farms and geothermal power facilities and carries out its operations in Canada, the United States, France, Chile and Iceland. The Corporation's shares are listed on the Toronto Stock Exchange under the symbols INE, INE.PR.A and INE.PR.C and its convertible debentures are listed under the symbols INE.DB.A and INE.DB.B.

Innergex's mission is to increase its production of renewable energy by developing and operating high-quality facilities while respecting the environment and balancing the best interests of the host communities, its partners and its investors.

2018 in Figures



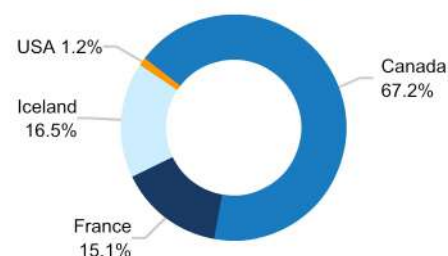
Installed Capacity

	Gross ¹	Net ²
Hydro	1,181	797
Wind	1,629	1,139
Solar	78	52
Geothermal	174	94
TOTAL	3,062	2,082

1. Gross installed capacity is the total capacity of all Operating Facilities of Innergex.

2. Net capacity is the proportional share of the total capacity attributable to Innergex based on its ownership interest in each facility.

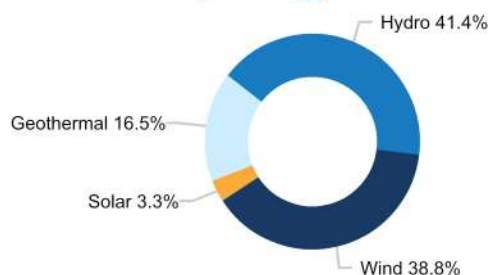
2018 Consolidated Revenues by Country



Facilities

	In operations	In development
Hydro	37	3
Wind	25	1
Solar	4	4
Geothermal	2	—
TOTAL	68	8

2018 Consolidated Revenues by Energy Source



FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars, except as noted and amounts per share)	Year ended December 31		
	2018	2017	2016
OPERATING RESULTS		Restated ⁴	
Production (MWh)	6,283,436	4,394,210	3,521,645
Revenues	576,616	400,263	292,785
Adjusted EBITDA ¹	385,081	298,728	215,983
Adjusted EBITDA Margin ¹	66.8%	74.6%	73.8%
Innergex's share of Adjusted EBITDA of joint ventures and associates ^{1,2}	74,026	9,615	8,385
Adjusted EBITDA Proportionate ¹	459,107	308,343	224,368
Net Earnings	25,718	19,136	32,043
Adjusted Net Earnings ¹	26,956	15,662	29,076
Cash Flow From Operating Activities	209,391	192,451	76,753
Free Cash Flow ^{1,3}	105,125	87,207	75,702
Payout Ratio ^{1,3}	86%	82%	91%
COMMON SHARES			
Dividends declared	90,215	71,621	68,524
Weighted Average Number of Common Shares (in 000s)	130,030	108,427	106,883
FINANCIAL POSITION			
Total Assets	6,481,284	4,190,456	3,604,204
Total Liabilities	5,521,723	3,737,194	3,118,972
Non-Controlling Interests	329,769	14,920	14,712
Equity Attributable to Owners	629,792	438,342	470,520

- Adjusted EBITDA, Adjusted EBITDA Margin, Innergex's share of Adjusted EBITDA of joint ventures and associates, Adjusted EBITDA Proportionate, Adjusted Net Earnings, Free Cash Flow and Payout Ratio are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.
- For more information on the calculation of Innergex's share of Adjusted EBITDA of joint ventures and associates, please refer to the "Investments in Joint Ventures and Associates" section.
- For more information on the calculation and explanation of the Corporation's Free Cash Flow and Payout Ratio, please refer to the "Free Cash Flow and Payout Ratio" section.
- For more information on the restatement, please refer to the "Accounting Changes" section.



PEOPLE BENEFIT FROM A **HEALTHY PLANET**

100%
RENEWABLE
ENERGY

Innergex Renewable Energy Inc. is committed to developing and operating our projects in a sustainable manner based on the values we have relied upon for almost three decades. Those values lead us to act responsibly, following rigorous governance standards. Investing in people and caring for our planet, while creating shareholder value and sharing profits, continues to drive our development strategy.

PEOPLE

Our relationships drive our success

Our achievements are the result of the talented individuals that make up the Innergex team and the communities we partner with. Such accomplishments are in line with our mission while contributing to sustainable economic development. Innergex is proud of offering safe and healthy workplaces, fair compensation, and generous benefits. To attract and retain key talent, we also foster a stimulating work environment that both challenges and supports an individual's growth, and a culture that encourages team work and responsibility. Our host communities provide the social capital and vision to create long-term opportunities for future economic growth.

RETAINING KEY TALENT

at Innergex is a priority.

19% of our employees
have a tenure of
at least



As of December 31, 2018,
the Innergex team consisted of

360 An icon of two hands cupped together, holding a heart shape.

**SKILLED AND
PASSIONATE
EMPLOYEES**

PLANET

Leading the transition to a carbon-free economy

At Innergex, we believe sustainability isn't just about what we do but how we do it. For us, it means developing projects that are accepted by the local community, respectful of the environment, ethically governed, and economically viable both for us and our stakeholders. In other words, projects that strike a balance between social, environmental and economic considerations. Ultimately, it's about acting responsibly.

In their operation, Innergex's facilities do not emit significant amounts of GHG, they also produce electricity that offsets GHG emissions. The annual GHG emissions offset by Innergex's annual production of clean and renewable energy in 2018 was about

5,352,657 metric tonnes
of CO₂

equivalent to removing 1,136,445 gasoline fuel cars from roads¹.

Powering the world of tomorrow by increasing our production of renewable energy is our mission.

Last year we supplied
the equivalent of

867,734



households with clean, renewable energy².

¹ Based on Innergex's 2018 consolidated generation plus its share of the Joint Ventures and Associates, 7,569,327,000 kWh and calculated through <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>.

² Based on Innergex's 2018 consolidated generation plus its share of the Joint Ventures and Associates in each country in which we operate, divided by the local average household consumption, with data from the World Energy Council (2014).

PROFIT

Pursuing growth creates value and shares wealth

Increasing shareholder value through strategic growth is essential for Innergex to maintain its leadership position. Sharing that success can oftentimes be a catalyst for communities to kick start local economic development opportunities. We believe that collaboration is the key to future renewable energy generation.

Through its donation and sponsorship programs, the Corporation supported over

120 

**ORGANIZATIONS
ACROSS CANADA**

Shareholders value the strength of our growth. In February 2019, Innergex posted its sixth consecutive annual dividend increase of \$0.02, corresponding to an

**ANNUAL
DIVIDEND OF
\$0.70** /share

MESSAGE TO SHAREHOLDERS

DEEP ROOTS, STRATEGIC GROWTH

Driven by its mission to produce energy exclusively from renewable sources, Innergex accomplished the objectives outlined in its 2015-2020 strategic plan two years ahead of schedule, which favourably positioned the Corporation to pursue the renewable energy growth opportunities of today to shape the future. With a net installed capacity of over 2,000 MW, a presence in new markets while making headway in novel technologies, the Innergex team is working diligently to raise the Corporation's profile and advance future projects.

For nearly 30 years, Innergex has focused on producing renewable energy. This visionary positioning at the time remains aligned with our core values and proved to be a successful business strategy. It has guided the actions outlined in our strategic plan and inspired team members in laying out our domestic and international expansion. We are proud of our 2018 achievements, in which our newly expanded team demonstrated their know-how and propelled Innergex to new heights through the successful completion of numerous acquisitions while pursuing the expansion of our activities.

Our quick growth is the result of the acquisition of **Alterra Power Corp.** in February 2018. The large \$1.1 billion transaction added high-quality facilities that diversify our portfolio of assets, consolidated our Canadian presence and expanded our geographical footprint. The acquisition includes a portfolio of promising projects where we will focus our energy and allocate resources so that our growth continues over the coming years.

Our strategy also included an international expansion component which was achieved among others by acquiring a 50% ownership in a Chilean company, **Energía Llaima**, completed in July. We have now gained a foothold in South America, a market with huge potential. With this transaction we will leverage our hydroelectric expertise in a new environment while benefitting from the extensive Chilean market knowledge of our local partners. Innergex will be better positioned to participate in new initiatives shaping the future of global energy markets.

In October, Innergex completed the acquisition of the **Cartier Wind Farms and Operating Entities**, which it already partially owned. As Cartier's founder, including participation in the launch and operation of the facilities from day one, it was only natural to fully integrate these activities into our current operations. These wind farms are maintained by an experienced, innovative team, which will share its expertise by contributing to all of Innergex's wind operations so that synergies of best practices can occur throughout the organization.

Additionally, the acquisition of Ledcor's participation in the **Creek Power Inc.** facilities increased our position to 100% ownership of these installations. All in all, we acquired valuable assets that will produce renewable energy for the long-term whose value we strive to maximize.

PROVEN EXPERTISE, INNOVATIVE PATHWAYS

In the **U.S.** state of Texas, we are currently building our biggest wind and solar projects ever: Foard City (353 MW) will be added to our two existing local wind farms, while Phoebe (250 MW_{AC}) will become one of the biggest solar farms in the state. These initiatives showcase the fact that Innergex has both the expertise and critical mass required to successfully launch major projects. Our history of sustainable project development and ability to adapt underpin our sensible growth process which is in line with market expectations. Additionally, other projects in the U.S., such as the Hillcrest solar project in Ohio, serve as springboards to access regions where renewable energy is scarcely present.

Innergex continues to monitor the situation in **Canada**, most notably with new requests for proposals in Saskatchewan, or in response to needs from indigenous communities, municipalities and the private sector.

In **France**, where Innergex's grass roots approach of consulting local communities to shape projects is appreciated, we are leveraging this strength for continued development. Furthermore, the sustained interest for renewable energy is a bellwether of important growth.

Through our **Chilean** presence, we are looking to increase our participation in wind and solar energy projects while pursuing the development of our hydroelectric activities. Our goal is to create both a technologically and geographically diversified production portfolio.

Our projects also offer opportunities to innovate. We are extremely excited by the prospect of developing two photovoltaic solar energy projects with **battery storage** capacity in Hawaii, thanks to the Power Purchase Agreements we signed. Storage capacity increases network stability while enabling maximum renewable energy use. Innergex will acquire valuable advanced energy storage expertise that will allow us to offer solutions which are complementary to renewable energy production. We intend to participate in the growing market of cutting-edge technologies that will support smart power grids and facilitate the deployment of renewable energy.

Markets continue to evolve and change, which also requires innovation. Through our Pampa Elvira **solar thermal farm** in Chile, we provide hot water to an industrial client whose tanks also store heat. Lessons learned from this first foray beyond the electricity sector will be useful to understand how to offer other forms of renewable energy and storage capacity. It also provides an opportunity to work with new types of clients.

These are important milestones in our history and a source of pride. They are also essential to our long-term growth, as the energy landscape is changing, and it requires us to pay attention to the emerging needs of the various markets in which we are present from now on.

Profitable assets, anticipating market trends and the courage to embrace new technologies are key elements that reinforce our confidence in our capacity to develop the renewable energy of tomorrow.

SUSTAINABLE DEVELOPMENT, KNOWLEDGEABLE TEAM

Our core values guide our day-to-day decisions. We take pride in the fact that we are focused **exclusively on producing renewable energy** for a healthy environment. Beyond producing carbon-free energy, we strive to integrate our facilities into their surrounding environment while contributing to our host communities' needs. Our growing number of employees continue to actively work at implementing our **three P philosophy: planet, people, and profit**. This is why we offer a collaborative, motivating work environment. These sustainability initiatives are detailed in reports that we will continue to develop.

This unique mix of characteristics which defines Innergex makes it a partner of choice in the development of sustainable energy projects. In addition to the environmental and social issues which are very important to us, we believe that sustainable development also involves optimizing renewable energy supply costs for consumers. With this in mind, we strive to be efficient when developing projects so as to make renewable electricity affordable for all.

Innergex is driven by the talent and commitment of **its employees**. They are the ones that allow us to stand out while remaining true to our core values. We are extremely appreciative of their efforts. We take pride in the solutions they implement to ensure a sustainable future for all.

We are also grateful for the amazing support of our **shareholders**. Their social conscience and desire to contribute to the energy transition is a source of motivation for Innergex while also providing us with the resources that allow us to serve as a model of sustainable growth, dedicated to people, planet and profit.

In conclusion, we would like to highlight that Innergex's successes would be unattainable without our customers, financial backers, local communities, suppliers and all of our partners, whom we thank for their ongoing trust and support. Backed by their valuable support, we continue our quest to improve the well-being of both communities and the environment.

Jean La Couture
Chairman of the Board

Michel Letellier
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") is a discussion of the operating results, cash flows and financial position of Innergex Renewable Energy Inc. ("Innergex" or the "Corporation") for the year ended December 31, 2018, and reflects all material events up to February 27, 2019, the date on which this MD&A was approved by the Corporation's Board of Directors.

The MD&A should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2018.

The audited consolidated financial statements attached to this MD&A and the accompanying notes for the year ended December 31, 2018, along with the 2017 comparative figures, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). However, some measures referred to in this MD&A are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section for more information.

All dollar amounts are in thousands of Canadian dollars, except amounts per share or unless otherwise indicated. Some amounts included in this MD&A have been rounded to make reading easier, which may affect some calculations.

To inform readers of the Corporation's future prospects, this MD&A contains forward-looking information within the meaning of applicable securities laws ("Forward-Looking Information"). Please refer to the "Forward-Looking Information" section for more information.

Additional information relating to Innergex, including its Annual Information Form, can be found on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") at sedar.com or on the Corporation's website at innergex.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.

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OVERVIEW

The Corporation is a developer, acquirer, owner and operator of renewable power-generating facilities with a focus on hydroelectric, wind, solar and geothermal power projects that benefit from simple, proven technologies.

Portfolio of Assets

As at the date of this MD&A, the Corporation owns interests in three groups of power-generating projects: the Operating Facilities, the Development Projects and the Prospective Projects.

Operating Facilities

	Number of Operating Facilities	Installed Capacity (MW)	
		Gross ¹	Net ²
HYDRO			
Canada	33	1,019	713
United States	1	10	10
Chile	3	152	74
Subtotal	37	1,181	797
WIND			
Canada	8	908	714
France	15	317	221
United States	2	404	204
Subtotal	25	1,629	1,139
SOLAR³			
Canada	1	27	27
United States	2	17	16
Chile	1	34	9
Subtotal	4	78	52
GEOHERMAL			
Iceland	2	174	94
Total	68	3,062	2,082

¹ Gross installed capacity is the total capacity of all Operating Facilities of Innergex.

² Net capacity is the proportional share of the total capacity attributable to Innergex based on its ownership interest in each facility.

³ Installed capacity for solar facilities was changed from MW_{DC} to MW_{AC} as at February 27, 2019.

The Corporation owns and operates 68 facilities in commercial operation (the "Operating Facilities"). Commissioned between 1978 and March 2018, the facilities have a weighted average age of approximately 9.6 years.

They mostly sell the generated power under long-term power purchase agreements, power hedge contracts or short- and long-term industrial and retail contracts (each, a "PPA") to rated public utilities or other creditworthy counterparties. The PPAs have a weighted average remaining life of 15.6 years (based on gross long-term average production).

For most Operating Facilities in Canada and in France, PPAs include a base price and, in some cases, a price adjustment depending on the month, day and hour of delivery. For most Operating Facilities in the United States, power generated is sold through PPAs or on the open market supported by financial or physical power hedges to address market price risk exposure. For Operating Facilities in Iceland, most power generated is sold to a number of commercial and retail customers, some of which have long-term PPAs in place. In Chile, Operating Facilities sell the power generated through PPAs to industrial customers or on the open market.

The PPA for the Brown Lake hydro facility located in British Columbia was renewed for a 40-year term on April 16, 2018, as was the PPA for the Walden North hydro facility also located in British Columbia. Both agreements are subject to approval by the British Columbia Utilities Commission, which is expected in mid-2019.

The first PPA for the Sainte-Marguerite hydro facility located in Quebec reached the end of its initial 25-year term in December 2018 and the Corporation has sent Hydro-Québec a notice of automatic renewal of the PPA for an additional 25-year term. Discussions on the renewal terms and conditions are under way.

The first PPA for the Chaudière hydro facility located in Quebec will reach the end of its initial 20-year term in March 2019 and the Corporation has sent Hydro-Québec a notice of automatic renewal of the PPA for an additional 20-year term. Discussions on the renewal terms and conditions will take place in the coming months.

Development Projects

	Number of Development Projects	Installed Capacity (MW)	
		Gross ¹	Net ²
HYDRO			
Iceland	1	10	5
Chile	2	125	47
Subtotal	3	135	52
WIND			
United States ³	1	353	353
SOLAR⁴			
United States	4	495	495
Total	8	983	900

1. Gross installed capacity is the total capacity of all Development Projects of Innergex.

2. Net capacity is the proportional share of the total capacity attributable to Innergex based on its ownership interest in each facility.

3. The Foard City wind project encounters delays in obtaining specific permits which could result in a reduction of the project size. For more information, please refer to the "2018 Highlights" section.

4. Installed capacity for solar facilities was changed from MW_{DC} to MW_{AC} as at February 27, 2019.

The Corporation holds interests in eight projects under development, three of which are currently under construction. These projects are scheduled to begin commercial operation between 2019 and 2022 (the "Development Projects"). For more information on the Development Projects, please refer to the "2018 Highlights" section.

Prospective Projects

	Prospective Projects				
	Gross Projected Capacity (MW) ¹				
	Hydro	Wind	Solar	Geothermal	Total
Canada	1,007	4,825	400	—	6,232
United States	—	920	95	—	1,015
France	—	205	—	—	205
Iceland	220	—	—	160	380
Chile	125	162	28	—	315
Total	1,352	6,112	523	160	8,147

1. As at February 27, 2019, only Gross Installed Capacity will be disclosed for Prospective Projects as the net capacity at this stage is too variable.

The Corporation also owns interest in numerous prospective projects which are at various stages of development. Some have secured land rights, for which an investigative permit application has been filed or for which a proposal has been or could be submitted under a Request for Proposal or a Standing Offer Program (collectively the "Prospective Projects").

Some Prospective Projects are targeted toward specific future Requests for Proposals and other Prospective Projects are maintained or continue to advance and will be available for future requests for proposals yet to be announced or are targeted toward negotiated PPAs with public utilities or other retail, financial or commercial entities or other various arrangements in Canada or in other countries such as France, the United States, Chile and Iceland. The list of Prospective Projects is revised regularly to add or remove projects, according to their advancement potential.

There is no certainty that any Prospective Project will be realized.

BUSINESS STRATEGY

The Corporation's strategy for building shareholder value is to develop or acquire high-quality renewable power production facilities that generate sustainable cash flows and provide an attractive risk-adjusted return on invested capital and to distribute a sustainable dividend.

Produce Renewable Energy

The Corporation is committed to producing energy exclusively from sustainable renewable sources by balancing economic, social and environmental considerations.

Maintain Diversification of Energy Sources

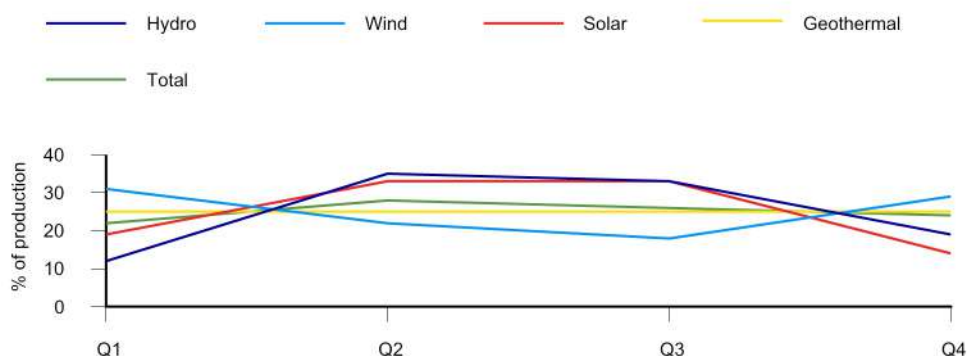
The Corporation strives to maintain a diversified portfolio of assets in terms of geography and sources of energy to alleviate any seasonal and production variations. The amount of electricity generated by the Operating Facilities is generally dependent on the availability of water flows, wind regimes, solar irradiation and geothermal resources. Lower-than-expected resources in any given year could have an impact on the Corporation's revenues and hence on its profitability.

Innergex owns interests in 37 hydroelectric facilities, which draw on 31 watersheds, 25 wind farms, 4 solar farms and 2 geothermal plants, providing significant diversification in terms of operating revenue sources. Furthermore, the nature of hydroelectric, wind, solar and geothermal power generation partially offsets any seasonal variations, as illustrated in the following table:

In GWh and %	Consolidated Long-Term Average Production and Quarterly Seasonality ¹									
	Q1		Q2		Q3		Q4		Total	
HYDRO	370	12%	1,065	35%	1,002	33%	581	19%	3,018	41%
WIND	945	31%	658	22%	563	18%	885	29%	3,051	41%
SOLAR	12	19%	21	33%	21	33%	9	14%	63	1%
GEOHERMAL	320	25%	320	25%	320	25%	320	25%	1,280	17%
Total	1,647	22%	2,064	28%	1,906	26%	1,795	24%	7,412	100%

1. The consolidated long-term average production is the annualized LTA for the facilities in operation at February 27, 2019. The LTA is presented in accordance with revenue recognition accounting rules under IFRS and excludes production from facilities that are accounted for using the equity method, which is presented in the "Investments in Joint Ventures and Associates" section.

Seasonality of Production by Energy Source



Build Strategic Relationships

Nurturing relationships to develop long-term partnerships is at the core of our business strategy and values. Our projects flourish with our financial, corporate, indigenous or municipal partners who share the ownership of our facilities as well as our vision of collaboration, transparency, integrity and responsibility.

Pursue Growth Opportunities

The transitioning to a low-carbon economy will be led by the renewable energy sector. Innergex stands well positioned to continue its strategic growth by further developing, acquiring and operating high-quality renewable energy projects and will continue to champion the advancement of renewable energy solutions.

Key Growth Factors

The Corporation's future growth will be subject to the following key factors:

- Demand for renewable energy;
- Stable and long-term government policies for the procurement of new renewable energy capacity, whether through requests for proposals or other mechanisms;
- Its capacity to evaluate and secure the best prospective sites for the development of new projects in cooperation with local communities;
- Its ability to enter into attractive PPAs and obtain the required environmental and other permits;
- Its ability to adequately forecast total construction costs, expected revenues and expected expenses for each project;
- Its ability to make accretive acquisitions; and
- Its ability to finance its growth.

Key Geographic Markets

In Canada, in response to its commitments under the Paris Agreement, the Government of Canada released the Pan-Canadian Framework on Clean Growth and Climate Change. The plan commits to phasing out coal-fired generation by 2030, introducing a national low-carbon fuel standard, and implementing a national price on carbon as of January 2019. Canada currently generates 80% of its electricity from clean, non-emitting sources and has set a goal to increase this to 90% by 2030. The Corporation continues to seek potential opportunities and participate in requests for proposals, when available, across the country. While there are no current requests for proposal (RFP) in Quebec, Ontario or British Columbia, the Corporation is well positioned to take advantage of longer term opportunities due to our operational presence and our many prospective projects.

In the United States, the Corporation increased its presence with its acquisition of Alterra Power Corp., the Phoebe solar project and the Hillcrest solar project as well as through its development activities, including the Foard City wind project, and will continue to assess potential opportunities in light of the existence of renewable portfolio standards (RPS) in several states and the increasing procurement of renewable energy. Twenty-nine states, Washington, D.C., and three territories have adopted a renewable portfolio standard, while eight states and one territory have set renewable energy goals. Hawaii currently has the most ambitious target – 100% renewable energy by 2045 – and California is currently on track to meet its target of 50% renewable energy by the end of 2030. In addition, a growing number of cities and corporations are looking to source their operations with renewable energy exclusively through PPAs, which will create new opportunities for industry growth. Texas has been a leader in wind development since the early 1990s and has around 20 GW of wind capacity currently installed and more than 5 GW currently under construction, surpassing its target of 10 GW of installed renewable energy capacity by 2025. The state encouraged construction of wind facilities by authorizing Competitive Renewable Energy Zones (CREZ) and has one the highest potentials for solar energy in the United States.

Since the early 2000s, France has put in place an ambitious strategy for developing renewable energy within its territory. As of today, the French onshore wind market continues to be attractive, with a recently announced objective to increase installed capacity to 35 GW in 2028 (from 15 GW in 2018). The French government has reinstated its strong commitment towards renewable energy by adopting a number of measures to accelerate the development process of onshore wind projects. In France, the previously existing feed-in-tariff contract structure has been changed to a contract-for-difference (“CfD Contract”) PPA system. Although this framework is anticipated to change by 2020, wind farms of up to six turbines could still benefit from a 20-year CfD Contract, under which they could sell their electricity directly to the market and would receive the difference between the CfD Contract target price and the market price. Larger wind farms will have the option of participating in the auction processes for similar CfD Contracts.

Renewables are increasingly present in Chile. In 2018, the production of solar and wind energy reached a total of 9,165 GWh, a 44% increase from 2017, and accounted for 11.9% of the total generated power. Meanwhile, hydroelectric plants continue to play a significant role, in 2018 they accounted for 30.7% of total generation (equivalent to 23,501 GWh), up 7.8% from 2017. Mining, which consumes about a third of Chile's overall power production, is also the industry that consumes most of the new renewable energy. From 2014 to June 2018, the prices of solar energy dropped by more than 60%, prompting the mining sector and other sectors to invest in renewable energy to reduce their energy bills. The National Electric Coordinator (ISO) foresees that 98 power plants will begin operation during 2019, which will produce about 2,000 MW of additional power.

In Iceland, a report on power demand for the 2017-2050 period published by a committee hosted by the Energy Authority forecast an annual 13 to 16 MW increase in demand and a 464 MW total growth in demand (maximum power demand) for the general market through 2050 and 191 MW for the heavy industry and data centre market. Iceland's electricity supply is generated nearly 100% from renewable resources. In 2015, hydroelectric and geothermal generation respectively accounted for approximately 73% and 27% of total electricity production. Heavy industry consumes approximately 79% of all electricity generated, with around 89% of that going to aluminum manufacturing.

In Latin America, demand for electricity remains strong and governments are seeking to increase the production of renewable energy, for which they have ample resources.

Many European countries have adopted ambitious GHG emissions reduction targets and governments are seeking to reduce their dependency on conventional forms of generation, both of which developments require a greater proportion of renewable energy in these countries' energy portfolios. There are a number of markets to which the Corporation believes it can largely transpose its business model for developing and operating renewable energy assets.

Acquire Quality Assets

Acquisitions are an important component of the Corporation's business strategy. Gaining a foothold in a new market increases our reach, diversity and opportunities for growth. Similarly, increasing our presence in established locations allows us to consolidate our position as a renewable energy leader, such as in the Canadian market. Our focus will remain on generating energy solely from renewable sources and we will continue to explore new technologies that could bring further opportunities.

Deliver Exceptional Results

Innergex recognizes that what we have accomplished and what is yet to come would not be possible without our highly skilled team of employees and our culture that promotes excellence, accountability and collaboration. Their collective knowledge, talent, abilities, experience and sound judgment have always been key to our long-term success. Our management team has a proven track record of delivering projects on time and on budget. Furthermore, we have nurtured a pool of specialized partners we can rely on to provide services outside our realm of expertise when necessary, from engineering firms to environmental monitoring professionals. As of December 31, 2018, the Corporation employs a team of 360 highly talented individuals.

KEY PERFORMANCE INDICATORS

The Corporation measures its performance using key indicators.

- Power generation comparison with a long-term average in megawatt/hours ("MWh") and gigawatt/hours ("GWh");
- Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EBITDA Proportionate;
- Adjusted Net Earnings (Loss);
- Free Cash Flow; and
- Payout Ratio.

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

These indicators are not recognized measures under IFRS, have no standardized meaning prescribed by IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section for more information.

SELECTED ANNUAL INFORMATION

	Year ended December 31		
	2018	2017	2016
PRODUCTION			
Power generated (MWh)	6,283,436	4,394,210	3,521,645
LTA (MWh)	6,437,964	4,763,836	3,364,907
Production as percentage of LTA	98%	92%	105%
STATEMENT OF EARNINGS			
Revenues	576,616	400,263	292,785
Adjusted EBITDA ¹	385,081	298,728	215,983
Adjusted EBITDA Margin ¹	66.8%	74.6%	73.8%
Innergex's share of Adjusted EBITDA of joint ventures and associates ¹	74,026	9,615	8,385
Adjusted EBITDA Proportionate ¹	459,107	308,343	224,368
Net earnings	25,718	19,136	32,043
Adjusted Net earnings ¹	26,956	15,662	29,076
<i>Net earnings attributable to owners of the parent</i>	32,692	29,475	35,963
<i>(\$ per common share - basic)</i>	0.21	0.22	0.28
<i>(\$ per common share - diluted)</i>	0.21	0.22	0.28
Weighted average number of common shares (in 000s)	130,030	108,427	106,883
STATEMENT OF FINANCIAL POSITION			
Total assets	6,481,284	4,190,456	3,604,204
Current liabilities	641,500	246,844	220,370
Long-term debt	4,024,324	3,043,387	2,507,236
Liability portion of convertible debentures	238,648	96,246	94,840
Other long-term liabilities	617,251	350,717	296,526
Total non-current liabilities	4,880,223	3,490,350	2,898,602
Non-controlling interests	329,769	14,920	14,712
Equity attributable to owners	629,792	438,342	470,520
DIVIDENDS			
Declared per Series A Preferred Share	0.902	0.902	0.902
Declared per Series C Preferred Share	1.4375	1.4375	1.4375
Declared per common share	0.68	0.66	0.64
PAYOUT RATIO			
Dividends declared on common shares	90,215	71,621	68,524
Free Cash Flow ^{1,2}	105,125	87,207	75,702
Payout Ratio ^{1,2}	86%	82%	91%

1. Adjusted EBITDA, Adjusted EBITDA Margin, Innergex's share of Adjusted EBITDA of Joint Ventures and Associates, Adjusted EBITDA Proportionate, Adjusted Net Earnings, Free Cash Flow and Payout ratio are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

2. For more information on the calculation and explanation of the Corporation's Free Cash Flow and Payout Ratio, please refer to the "Free Cash Flow and Payout Ratio" section.

3. For more information on the restatement, please refer to the "Accounting Changes" section.

Financial year 2018

For the year ended December 31, 2018, the increase in power generated, revenues, Adjusted EBITDA and Adjusted EBITDA Proportionate are attributable mostly to the contribution of the facilities acquired in 2018.

The Corporation recorded \$25.7 million in net earnings compared with \$19.1 million in 2017, mainly due to higher Adjusted EBITDA and a positive change in the share of net earnings of joint ventures and associates, partly offset by higher finance costs and depreciation and amortization.

The increase in total assets is due mainly to the acquisition of Alterra, the 62% acquired interest in the Cartier Wind Farms, the 50% ownership investment in Energía Llaima and the acquisition and advancement of the Phoebe solar project.

The increase in long-term debt results mainly from the non-recourse financing of \$570.4 million with regards to four operating wind farms ("Cartier Credit Facility"). The proceeds from the Cartier Credit Facility were used to repay the \$400 million one-year credit facility contracted to pay for a portion of the acquisition of the Cartier Wind Farms and Operating Entities and the existing credit facilities of the L'Anse-à-Valleau, Carleton and Montagne Sèche facilities as well as to deleverage the corporate credit facilities with the remaining \$69 million. The increase in long-term debt is also attributable to the \$150 million subordinated unsecured five-year term loan obtained in February to finance the cash portion of the Alterra acquisition, to \$131 million (US \$100 million) drawn on the revolving credit facilities used for the investment in Energía Llaima and the Duquenco acquisition in Chile, to the addition of the long-term debt acquired with Alterra, to the construction loan for the Phoebe project and to drawings made on the corporate revolving credit facilities for the construction of the Foard City wind project. The increase was partly offset by repayments made on the corporate revolving credit facilities stemming from proceeds of the \$150 million debentures offering and by scheduled repayments of project-level debts.

The equity attributable to owners increased due mainly to the issuance of 24,327,225 shares on February 6, 2018, in connection with the Alterra acquisition, partly offset by a change in the fair value of hedging instruments in other comprehensive income.

The increase in Free Cash Flow is due mainly to higher cash flows from operating activities before changes in non-cash working capital items, partly offset by greater scheduled debt principal payments, higher Free Cash Flow attributed to non-controlling interests and higher maintenance capital expenditures net of proceeds from disposals. The Corporation's payout ratio was 86% for the year ended December 31, 2018.

Financial year 2017

For the year ended December 31, 2017, the increase in power generated, revenues, Adjusted EBITDA and Adjusted EBITDA Proportionate were attributable mostly to the contribution of the facilities commissioned in 2016 and 2017 and to the wind facilities acquired in France in 2016 and in 2017. The increase was partly offset by lower production at our British Columbia hydro facilities.

The Corporation recorded \$19.1 million in net earnings compared with \$32.0 million in 2016, mainly due to below-average production compared with 2016's above-average production and to challenging post-commissioning activities that were being addressed at the Upper Lillooet River and Mesgi'g Ugu's'n facilities.

The increase in total assets is due mainly to the acquisition of the Yonne, Rougemont 1-2, Vaite, Plan Fleury and Les Renardières wind farms and the construction of Upper Lillooet River and Boulder Creek hydro facilities.

The increase in long-term debt resulted mainly from the addition of the Yonne, Rougemont 1-2, Vaite, Plan Fleury and Les Renardières facilities, additional drawings on Innergex's credit facilities and the Rougemont-2, Mesgi'g Ugu's'n, Plan Fleury and Les Renardières financings, the issuance of debentures carrying an 8.0% interest rate to Desjardins for its investment in the acquisition of the Yonne, Rougemont 1-2, Vaite, Plan Fleury and Les Renardières facilities and the addition of the subordinated debt financing for two of the French subsidiaries, partly offset by the reimbursement of the Mesgi'g Ugu's'n substation loan and scheduled repayment of project-level debts.

The equity attributable to owners decreased due mainly to the declaration of dividends on preferred and common shares in 2017, partly offset by the recognition of \$29.5 million in net earnings attributable to the owners of the parent.

Free Cash Flow increased due mainly to higher cash flows from operating activities before changes in non-cash operating working capital items, partly offset by greater scheduled debt principal payments. The Corporation's payout ratio was 82% for the year ended December 31, 2017.

Financial year 2016

2016 was marked by Innergex's first oversea acquisitions in France, the acquisition of the Walden North hydro facility in BC and the commissioning of a hydroelectric facility in BC and a wind farm in Quebec. These factors, along with better results in all hydroelectricity markets except Ontario, positively influenced results, increasing the power generated, revenues and adjusted EBITDA despite the lower wind regime in Quebec.

In 2016, the Corporation recorded \$32.0 million in net earnings, which can be explained mainly by the \$32.2 million increase in Adjusted EBITDA and by two factors that were recorded in 2015, partly offset by higher finance costs, higher amortization and depreciation costs and an income tax expense.

Total assets in 2016 increased due mainly to investments made by the Corporation in the ongoing construction of the Big Silver Creek (commissioned in July 2016), Upper Lillooet River and Boulder Creek hydro projects and the Mesgi'g Ugju's'n wind project (commissioned in December 2016) as well as investments made to acquire the Walden North hydro facility and seven French wind farms.

Long-term debt increased mainly due to the acquisitions in France, for which project-level debts were added and debenture carrying an interest rate of 8.0% were issued to Desjardins in the amount of \$38.2 million. Additional drawings on Innergex's credit facilities, Stardale's long-term debt increase in its borrowing and additional drawings on the Upper Lillooet River and Boulder Creek and Mesgi'g Ugju's'n financings also contributed to an increase in long-term debt, partly offset by the scheduled repayment of project-level debts.

The equity attributable to owners increased due mainly to the recognition of net earnings attributable to owners of the parent of \$36.0 million and the issuance of \$54.3 million in new common shares, which were partially offset by the declaration of dividends on preferred and common shares in 2016.

Free Cash Flow increased due mainly to higher cash flows from operating activities in 2016 before changes in non-cash operating working capital items and realized losses on derivative financial instruments (none in 2016), which were partly offset by greater scheduled debt principal payments and higher free cash flow attributed to non-controlling interests. The Corporation also decided to invest more to pursue growth opportunities in new international markets, resulting in a higher payout ratio of 91%.

2018 HIGHLIGHTS

- Acquisition of all the issued and outstanding common shares of Alterra Power Corp. ("Alterra") on February 6, 2018, for an aggregate consideration of \$1.1 billion, including the assumption of Alterra's debt. The acquisition included nine operating facilities and a large portfolio of prospective projects. This acquisition allowed the Corporation to diversify its activities in terms of energy sources and geography while also consolidating its position in Canada.

On February 6, 2018, the Corporation has structured the financing of the cash portion of the acquisition of Alterra Power Corp. with a five-year \$150 million subordinated unsecured term loan at a 5.128% interest rate with the Caisse de dépôt et placement du Québec.

The Corporation also increased its revolving credit facilities by \$225 million to \$700 million on February 6, 2018.

- On April 16, 2018, Innergex announced the renewal of the electricity purchase agreement for the Brown Lake hydro facility for a 40-year term. Also, the Corporation announced together with the Sekw'el'was Cayoose Creek Band the renewal of the electricity purchase agreement for the Walden North hydro facility for a 40-year term. Both agreements are subject to approval by the British Columbia Utilities Commission which are expected mid-year 2019.
- On April 23, 2018, the Corporation extended all its foreign exchange forward contracts that hedge its exposure to foreign exchange rate on its investment in France. The contracts have been extended for a period of two years following their original expiry dates, which range from April 2018 to August 2019.
- Innergex announced on May 7, 2018, that a 12-year power purchase agreement had been signed for 300 MW of wind energy from its 352.8 MW Foad City development project. Sales under the power purchase agreement will start upon the facility reaching commercial operation.

- Innergex has acquired the 33.3% interest of Ledcor Power Ltd. in Creek Power inc. on May 15, 2018. Creek Power Inc. indirectly owns the Fitzsimmons Creek (7.5 MW), Boulder Creek (25.3 MW) and Upper Lillooet River (81.4 MW) hydro facilities located in British Columbia. Innergex already owned the remaining 67.7% interest in Creek Power Inc. as well as all the preferred equity and received virtually all of the cash flows generated by the three facilities.
- On June 12, 2018, the Corporation completed, on a bought deal basis, an offering in the aggregate principal amount of \$150.0 million of 4.75% convertible debentures (the "4.75% Convertible Debentures") at a price of \$1,000 per debenture. The 4.75% Convertible Debentures are unsecured and subordinated, have a maturity date of June 30, 2025, bear interest at a rate of 4.75% per annum, payable semi-annually, and are convertible at the option of the holder into common shares at a conversion price of \$20.00 per common share. The 4.75% Convertible Debentures commenced trading on the TSX on June 12, 2018, under the symbol INE.DB.B.
- The Upper Lillooet River and Boulder Creek construction loan was converted into a term loan on June 29, 2018.
- On July 2, 2018, the Corporation acquired the 250 MW_{AC}/315 MW_{DC} Phoebe photovoltaic solar project located in Winkler County, Texas. Full notice to proceed with construction was also issued on July 2, 2018, and commercial operation should be reached in the third quarter of 2019.
- Innergex acquired a 50% ownership interest in Energía Llaima in Chile on July 3, 2018, for a total consideration of US\$110 million (\$144.7 million). On July 5, 2018, Energía Llaima completed the acquisition of the 140 MW Duquenco hydro project for a purchase price of approximately US\$210 million (\$276.2 million), net of an estimated US\$10 million (\$13.2 million) in cash and subject to certain adjustments. Energía Llaima now owns three hydro facilities (152 MW) and one solar thermal facility (34 MW) in operation as well as two hydro facilities in development (125 MW) and other early development stage projects.
- On October 22, 2018, Innergex completed the acquisition of the Hillcrest photovoltaic solar prospective project of approximately 200 MW_{AC} located in Brown County, Ohio. Interconnection service agreements are in place with PJM to interconnect to the Duke Energy-owned Hillcrest substation, which would allow a commercial operation date in the fourth quarter of 2020.
- On October 24, 2018, the Corporation completed the acquisition of TransCanada's 62% interest in five wind farms in Quebec's Gaspé peninsula, known as Baie-des-Sables, Carleton, Gros-Morne, L'Anse-à-Valleau and Montagne Sèche (the "Cartier Wind Farms"), and its 50% interest in the operating entities of the Cartier Wind Farms (the "Cartier Operating Entities") for a total consideration of approximately \$620 million after adjustment for distributions received by TransCanada between July 1, 2018, and the transaction closing date. Innergex already owned the remaining interests in both the Cartier Wind Farms and Cartier Operating Entities.

Also on October 24, 2018, the Corporation obtained two short-term credit facilities to cover the purchase price and transaction costs in their entirety. Innergex has obtained a \$400 million one-year non-recourse credit facility to be repaid using the proceeds of a non-recourse long-term project level financing. The Corporation also obtained a one-year term credit facility of \$228 million to be reimbursed through the strategic divestment of selected assets that would be optimal for the long-term performance and outlook of the Corporation.

- On December 19, 2018, the Corporation announced the closing of a non-recourse financing of \$570.4 million with regards to four operating wind farms (Cartier Credit Facility), known as Carleton, Gros-Morne, L'Anse-à-Valleau and Montagne Sèche. The Baie-des-Sables wind farm was not used to secure the Cartier Credit Facility as it already secures the corporate revolving credit facilities. The Cartier Credit Facility has a 14-year term. Proceeds of the loan were used to repay the existing credit facilities of the L'Anse-à-Valleau, Carleton and Montagne Sèche wind farms and to repay the \$400 million one-year non-recourse credit facility granted to the Corporation at the time of the acquisition of the Cartier Wind Farms and Cartier Operating Entities. Innergex used the rest of the proceeds, net of expenses, to deleverage its corporate revolving credit facilities.

On December 19, 2018, Innergex amended and restated its corporate revolving credit facilities to adjust the security package and extend the maturity date from December 2022 to December 2023.

Commissioning Activities

	Ownership %	Gross installed capacity (MW)	Gross estimated LTA ¹ (GWh)	PPA term (years)	Total project costs		Expected first full year		
					Estimated ¹ (\$M)	As at Dec 31 (\$M)	Revenues ¹ (\$M)	Adjusted EBITDA ^{1,3} (\$M)	
WIND (United States)									
Flat Top ²	51.0	200.0	872.9	13	428.4 ⁴	428.1	28.3	12.6	

1. This information is intended to inform readers of the project's potential impact on the Corporation's results. Actual results may vary. These estimates are up-to-date as at the date of the MD&A.

2. Corresponding to 100% of this facility.

3. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

4. Project costs, estimated projects costs, expected Revenues and expected Adjusted EBITDA are converted to Canadian dollars as at December 31, 2018. Estimated project costs were US\$314.5 million and project costs as at December 31, 2018 were US\$313.8 million.

Flat Top

In the first quarter, the Corporation began commercial operation of the 200 MW Flat Top wind farm located in Texas, U.S. Construction began prior to its acquisition by Innergex and was substantially completed in March 2018. The Commercial Operation Date ("COD") was reached on March 23, 2018. The Flat Top wind farm sells 100% of its output to the ERCOT power grid and set the power price on the majority of its revenue under a 13-year commodity hedge agreement with an affiliate of a large US-based financial institution, which began on August 1, 2018. Concurrent with commercial operation, Flat Top completed a US\$211.3 million tax equity financing of the project, some of whose proceeds were used primarily to repay the project's construction loan.

Construction Activities

The total project costs for the Development Projects are as follows:

	Ownership %	Gross installed capacity (MW)	Expected COD	Gross estimated LTA ¹ (GWh)	PPA term (years)	Total project cost		Expected first full year	
						Estimated ¹ (\$M)	Revenues ¹ (\$M)	Adjusted EBITDA ^{1,3} (\$M)	
HYDRO (Iceland)									
Brúarvirkjun	53.9	10.0	2020	80.0	- ⁴	53.8 ²	4.2 ²	3.2 ²	
WIND (United States)									
Foard City	100.0 ⁵	352.8 ⁶	2019 ⁶	1,349.1 ⁶	12	394.5 ⁶	- ⁶	- ⁶	
SOLAR (United States)									
Phoebe	100.0 ⁵	250.0	2019	738.0	12 ⁵	524.0	34.6	26.7	

1. This information is intended to inform readers of the projects' potential impact on the Corporation's results. Actual results may vary. These estimates are up-to-date as at the date of this MD&A.

2. Corresponding to 100% of this facility.

3. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

4. Power generated to be sold on the retail market.

5. Ownership interest is 100% of the sponsor equity in Phoebe and Foard City. However, following tax equity funding, a tax equity partner will hold 100% of the tax equity interests.

6. The Foard City wind project encounters delays in obtaining specific permits which could result in a reduction of the project size and impact the gross estimated LTA, total project cost and its commercial operation date which was postponed to the fourth quarter of 2019. If the project proceeds with the actual configuration, the expected revenues and Adjusted EBITDA would be up to \$22.2 million and \$14.5 million, respectively.

Brúarvirkjun

The Brúarvirkjun hydro project located in Iceland was acquired in the first quarter of 2018 and was part of the February 2018 acquisition of Alterra. Site preparation work was already under way at the time of the acquisition.

As of the date of this MD&A, construction work continues on site with major civil work at the intake, penstock alignment and powerhouse. At the intake, the river diversions, excavation and foundation improvements have been completed and concrete foundation work has commenced. Excavation for the penstock alignment is nearly complete and the first shipments of penstock

have arrived at the site. At the powerhouse, concrete work continues on schedule, including installation of the bifurcation piping. Manufacturing continued on all of the major supply contracts, including the turbine generators, gates and transformer, and delivery of the penstock from Spain has commenced. The project has received its Environmental Impact Assessment ("EIA") and obtained all necessary water rights, land contracts, exploration permits, development licenses and municipal approvals through a specific local land-use plan. The project recently received a successful ruling from the Appellate Committee for Environment and Resources confirming that there were no material issues in the granting of the construction permit. Commissioning is expected to occur in the first half of 2020.

Foard City

The Texas-based Foard City wind project was acquired in the first quarter of 2018, as part of the Alterra acquisition. The project has a 12-year power purchase agreement for 300 MW of the 352.8 MW capacity, sales of which will start upon the facility reaching commercial operation.

The project encounters delays in obtaining the Determination of No Hazards from the Federal Aviation Administration (FAA), which could result in a reduction of total installed capacity of the project and impact the estimated gross LTA, the total project cost and its expected commercial operation date, which was postponed to the fourth quarter of 2019. The negotiation with the FAA, whose deadline has been affected by the United States government shutdown, is based on an acceptable airspace perimeter determination. Mitigation solutions focused on a reduced perimeter with airspace users have been identified and a final agreement is being drafted by the parties. Issuance of permits by the FAA is expected to resume and to follow its normal course. To date, most scheduled construction activities are ongoing at the site.

The Corporation received non-binding agreements to secure tax equity and construction financing for the project and funds will be readily available, subject to finalizing project size and obtaining final permits.

Phoebe

The 250 MW_{AC}/315 MW_{DC} Phoebe solar photovoltaic project, which is located in Texas, U.S., was acquired in the third quarter of 2018. The contractor has completed clearing of the site and installation of the piles and trackers commenced in the fourth quarter of 2018. Delivery of the modules started in early February and will continue into August, with over 750,000 modules to be delivered. Substation construction is nearly complete and the main power transformers have been manufactured and are being shipped to the site. The project is expected to begin commercial operation in the third quarter of 2019.

The Phoebe project will sell 100% of its output to the ERCOT power grid and receive a fixed price on 89% of the energy produced under a 12-year PPA.

Development Activities

Frontera

The 109 MW Frontera hydro project was acquired in the third quarter of 2018 as part of the investment in Energía Llama in Chile. Full notice to proceed with construction is expected to be issued in 2019, with commercial operation planned for 2022.

As of the date of this MD&A, the financing process, which is critical to the project's success, is ongoing. The project has obtained most of the rights and permits needed to proceed with construction, including technical and environmental approvals, and is almost shovel-ready. Delays in construction could result in the expiry of certain permits.

El Canelo

The 16 MW El Canelo hydro project was acquired in the third quarter of 2018 as part of the investment in Energía Llama in Chile. Full notice to proceed with construction is expected to be issued in 2019, with commercial operation planned for 2022.

As of the date of this MD&A, the project is being redesigned to address various issues, which has delayed the issuance of permits.

Hillcrest

The 200 MW_{AC} Hillcrest solar project was acquired in the fourth quarter of 2018. Full notice to proceed with construction is currently expected in the fourth quarter of 2019, with commercial operation planned for the fourth quarter of 2020, which would make Hillcrest one of the first operating, utility-scale solar projects in Ohio. Furthermore, Hillcrest is among the first utility-scale solar projects to successfully complete the Ohio Power Siting Board (OPSB) permitting process and was awarded the Certificate of Environmental Compatibility and Public Need to Construct an Electric Generation Facility.

As of the date of this MD&A, Hillcrest's interconnection service and construction service agreements are in place. Moreover, all of the land required has been secured through land leases, easements and options. The Corporation is involved in several advanced discussions to sell the power produced by the facility through a long-term energy sale agreement. At the same time,

Innergex is moving swiftly to secure construction and major equipment contracts in the first half of 2019 in order to be ready for the start of construction in the second half of 2019.

Hale Kuawehi

Located on the island of Hawaii, the Hale Kuawehi solar project is a 30 MW_{AC}/41 MW_{DC} facility with 120 MWh of battery storage. The project has a 25-year power purchase agreement that provides a fixed price with the Hawaii Electric Light Company. The agreement is subject to approval by the Public Utilities Commission of Hawaii. Sales will start upon the facility reaching commercial operation, which is expected in 2022.

As of the date of this MD&A, environmental studies are ongoing as are other permitting-related activities.

Paeahu

The Paeahu solar project is a 15 MW_{AC}/20 MW_{DC} facility with 60 MWh of battery storage located on the island of Maui. The project has signed a 25-year power purchase agreement with the Maui Electric Company that provides a fixed price. The agreement is subject to approval by the Public Utilities Commission of Hawaii. Sales will start upon the facility reaching commercial operation, which is expected in 2022.

As of the date of this MD&A, environmental studies are ongoing as are other permitting-related activities.

OPERATING RESULTS

The Corporation's operating results for the three-month period and the year ended December 31, 2018, are compared with the operating results for the same periods in 2017.

Electricity production in the year was 98% of the LTA production mostly due to below-average water flows in all regions and below-average wind regimes in France, partly offset by above-average wind regimes in Quebec.

Production increased 43%, revenues increased 44% and Adjusted EBITDA increased 29% during the year. These increases are attributable mainly to the contribution of the facilities acquired in 2018.

Electricity Production

When evaluating its operating results, a key performance indicator for the Corporation is to compare actual electricity generation with a long-term average (LTA) for each hydroelectric facility, wind farm, solar farm and geothermal facilities. These LTA are determined to allow long-term forecasting of the expected power generation for each of the Corporation's facilities.

	Three months ended December 31					
	2018			2017		
	Production (MWh) ¹	LTA (MWh)	Production as a % of LTA	Production (MWh) ¹	LTA (MWh)	Production as a % of LTA
HYDRO						
Quebec	172,318	181,486	95%	195,682	181,486	108%
Ontario	22,625	21,212	107%	24,341	21,212	115%
British Columbia	333,194	372,988	89%	283,954	372,987	76%
United States	1,897	5,223	36%	5,215	5,223	100%
Subtotal	530,034	580,909	91%	509,192	580,908	88%
WIND						
Quebec ²	659,210	595,124	111%	415,222	346,067	120%
France	199,116	214,319	93%	176,089	200,365	88%
Subtotal	858,326	809,443	106%	591,311	546,432	108%
SOLAR						
Ontario	4,849	5,661	86%	5,557	5,701	97%
United States ³	2,857	3,732	77%	—	—	—%
Subtotal	7,706	9,393	82%	5,557	5,701	97%
GEOHERMAL						
Iceland	351,642	319,740	110%	—	—	—%
Total	1,747,708	1,719,485	102%	1,106,060	1,133,041	98%

1. Some facilities are treated as joint ventures and associates and accounted for using the equity method; their revenues are not included in the Corporation's consolidated revenues and, for consistency's sake, their electricity production figures have been excluded from the production table. For more information on the Corporation's joint ventures and associates, please refer to the "Investments in Joint Ventures and Associates" section.
2. Production and LTA reflects the 62% acquired interest in the Cartier Wind Farms for the period from October 24, 2018, to December 31, 2018. LTA were revised at the acquisition.
3. The Kokomo and Spartan solar facilities are now included in the consolidated results.

During the three-month period ended December 31, 2018, the Corporation's facilities produced 1,747,708 MWh of electricity or 102% of the LTA of 1,719,485 MWh. Overall, the hydroelectric facilities produced 91% of their LTA due to below-average water flows in most regions and to challenging post-commissioning activities that have mostly been addressed and outages caused by a wind storm at the Upper Lillooet River and Boulder Creek facilities. Overall, the wind farms produced 106% of their LTA due to above-average wind regimes in Quebec and compensation received from a manufacturer for reduced availability of equipment at a wind farm, partly offset by below-average wind regimes and outages caused by maintenance activities in France. The solar farms produced 82% of their LTA due to below-average solar regimes in all regions. The geothermal facilities produced 110% of their LTA. For more information on operating segment results, please refer to the "Segment Information" section.

The 58% production increase in the three-month period ended December 31, 2018 over the same period last year is due mainly to the contribution of the geothermal facilities acquired from Alterra and the 62% interest in the Cartier Wind Farms acquired in 2018.

	Twelve months ended December 31					
	2018			2017		
	Production (MWh) ¹	LTA (MWh) ¹	Production as a % of LTA	Production (MWh) ¹	LTA (MWh)	Production as a % of LTA
HYDRO						
Quebec	664,640	699,930	95%	748,128	699,930	107%
Ontario	73,228	74,544	98%	87,743	74,544	118%
British Columbia	2,042,452	2,195,892	93%	1,902,568	2,175,579	87%
United States	44,793	46,800	96%	37,276	46,800	80%
Subtotal	2,825,113	3,017,166	94%	2,775,715	2,996,853	93%
WIND						
Quebec ²	1,539,420	1,471,005	105%	1,158,681	1,238,990	94%
France	660,675	734,752	90%	419,757	490,366	86%
Subtotal	2,200,095	2,205,757	100%	1,578,438	1,729,356	91%
SOLAR						
Ontario	39,263	37,363	105%	40,057	37,627	106%
United States ³	22,026	23,330	94%	—	—	—
Subtotal	61,289	60,693	101%	40,057	37,627	106%
GEOHERMAL						
Iceland ³	1,196,939	1,154,348	104%	—	—	—%
Total	6,283,436	6,437,964	98%	4,394,210	4,763,836	92%

1. Some facilities are treated as joint ventures and associates and accounted for using the equity method; their revenues are not included in the Corporation's consolidated revenues and, for consistency's sake, their electricity production figures have been excluded from the production table. For more information on the Corporation's joint ventures and associates, please refer to the "Investments in Joint Ventures and Associates" section.

2. Production and LTA reflects the 62% acquired interest in the Cartier Wind Farms for the period from October 24, 2018, to December 31, 2018. LTA were revised at the acquisition.

3. The Kokomo and Spartan solar facilities are now included in the consolidated results. Production and LTA for the period from February 6, 2018, to December 31, 2018.

During the year ended December 31, 2018, the Corporation's facilities produced 6,283,436 MWh of electricity or 98% of the LTA of 6,437,964 MWh. Overall, the hydroelectric facilities produced 94% of their LTA due mainly to below-average water flows in all regions and to challenging post-commissioning activities that have mostly been addressed at the Upper Lillooet River and Boulder Creek hydro facilities. Overall, the wind farms produced 100% of their LTA due mainly to above-average wind regimes in Quebec, partly offset by below-average wind regimes and outages caused by maintenance activities in France. The solar farms produced 101% of their LTA due to an above-average solar regime in Ontario, partly offset by below-average solar regimes in Indiana and Michigan. The geothermal facilities produced 104% of their LTA. For more information on operating segment results, please refer to the "Segment Information" section.

The 43% production increase for the year ended December 31, 2018, compared with last year is due mainly to the contribution of the geothermal facilities acquired from Alterra in 2018, the 62% interest in the Cartier Wind Farms acquired in 2018 and the French facilities acquired in 2017 as well as to higher production at the Quebec wind facilities and the Upper Lillooet River hydro facility, partly offset by lower production at most hydro facilities.

The overall performance of the Corporation's facilities for the year ended December 31, 2018, demonstrates the benefits of geographic diversification and the complementarity of hydroelectric, wind, geothermal and solar power generation.

Financial Results

	Three months ended December 31				Year ended December 31			
	2018	2017 Restated ³	Change		2018	2017 Restated ³	Change	
Revenues	166,159	107,973	58,186	54 %	576,616	400,263	176,353	44 %
Operating expenses	37,558	20,278	17,280	85 %	137,872	71,672	66,200	92 %
General and administrative expenses	9,169	3,784	5,385	142 %	34,089	17,806	16,283	91 %
Prospective project expenses	6,281	3,852	2,429	63 %	19,574	12,057	7,517	62 %
Adjusted EBITDA ¹	113,151	80,059	33,092	41 %	385,081	298,728	86,353	29 %
Adjusted EBITDA margin ¹	68.1%	74.1%			66.8%	74.6%		
Finance costs	55,444	40,398	15,046	37 %	199,804	147,492	52,312	35 %
Other net expenses	9,139	2,480	6,659	269 %	15,273	2,453	12,820	523 %
Depreciation and amortization	48,349	34,476	13,873	40 %	171,797	129,429	42,368	33 %
Share of (earnings) loss of joint ventures and associates ²	(16,722)	(1,707)	(15,015)	880 %	(34,110)	(4,638)	(29,472)	635 %
Unrealized net loss (gain) on financial instruments	1,612	1,350	262	19 %	3,905	(2,245)	6,150	(274)%
Income tax expense (recovery of)	1,376	(451)	1,827	(405)%	2,694	7,101	(4,407)	(62)%
Net earnings	13,953	3,513	10,440	297 %	25,718	19,136	6,582	34 %
Net earnings attributable to:								
Owners of the parent	14,723	7,107	7,616	107 %	32,692	29,475	3,217	11 %
Non-controlling interests	(770)	(3,594)	2,824	(79)%	(6,974)	(10,339)	3,365	(33)%
	13,953	3,513	10,440	297 %	25,718	19,136	6,582	34 %
Basic net earnings per share (\$)	0.10	0.05			0.21	0.22		

1. Adjusted EBITDA and Adjusted EBITDA Margin are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

2. Some facilities are treated as joint ventures and associates and accounted for using the equity method; their revenues are not included in the Corporation's consolidated revenues. For more information on the Corporation's joint ventures and associates, please refer to the "Investments in Joint Ventures and Associates" section.

3. For more information on the restatement, please refer to the "Accounting Changes" section.

Revenues

Up 54% to \$166.2 million for the three-month period ended December 31, 2018

Up 44% to \$576.6 million for the year ended December 31, 2018

The increase for the three-month period ended December 31, 2018, is attributable mainly to the contribution of the geothermal facilities acquired as part of Alterra in February 2018, to the 62% interest in the Cartier Wind Farms acquired in October 2018 and to higher production at the Upper Lillooet River hydro facility and French wind facilities.

The increase for the year ended December 31, 2018, is attributable mainly to the contribution of the geothermal facilities acquired as part of Alterra in February 2018, the French wind facilities acquired in 2017 and the 62% interest in the Cartier Wind Farms acquired in October 2018.

Expenses

Up 90% to \$53.0 million for the three-month period ended December 31, 2018

Up 89% to \$191.5 million for the year ended December 31, 2018

Operating expenses consist primarily of the operators' salaries, insurance premiums, expenditures related to operation and maintenance, property taxes, royalties and cost of power (if applicable). For the three-month period and year ended December 31, 2018, the Corporation recorded operating expenses of \$37.6 million and \$137.9 million respectively (\$20.3 million and \$71.7 million for the corresponding periods in 2017). The 85% and 92% increases for the three-month period and year are attributable mainly to the acquisition of Alterra in February 2018 and the challenging post-commissioning activities that have now mostly been addressed at the Upper Lillooet River hydro facility. The increase for the year is also attributable to the acquisition of wind facilities in France in 2017. The operating expenses for the geothermal facilities operated by HS Orka in Iceland are higher than for other segments, as maintenance and daily operations there require more work. Also, to supplement its power production, HS Orka purchases power when needed, contributing to higher operating expenses. These two factors mostly explain the higher increase in operating expenses compared with the increase in revenues. In 2017, the year's operating expenses were impacted by a \$3.3 million aggregate payment related to water rights for 2011 and 2012 for Fire Creek, Lamont Creek, Stokke Creek, Tipella Creek and Upper Stave River, which were reassessed following the decision of the British Columbia Ministry of Forests, Lands and Natural Resource Operations to apply higher rental rates based on the facilities' combined production rather than apply lower rates for each facility based on its individual production, as had previously been the ministry's practice. The Corporation was denied the leave to appeal to the Supreme Court of Canada of the decision of the Environmental Review Board for the years 2013 and following. An appeal is ongoing for the years 2011 and 2012 on different grounds not related to the previous appeal with the Environmental Appeal Board. Since 2013, these facilities' water rights fees have been paid at the higher rates. A 49.99% portion of the water rights payment was allocated to the non-controlling interests.

General and administrative expenses consist primarily of salaries, professional fees and office expenses. For the three-month period and year ended December 31, 2018, general and administrative expenses totalled \$9.2 million and \$34.1 million respectively (\$3.8 million and \$17.8 million for the corresponding periods in 2017). The 142% and 91% increases for the three- and twelve-month periods stem mainly from the acquisition of Alterra, which includes the HS Orka geothermal operations, and from the greater number of facilities in operation. With the acquisition of Alterra, we welcomed a large team of employees whose salaries are included in the consolidated general and administrative expenses, while most of the revenues from the acquisition are accounted for using the equity method and their revenues are not included in the Corporation's consolidated revenues.

Prospective project expenses include the costs incurred for the development of Prospective Projects. They are related to the number of Prospective Projects that the Corporation chooses to advance and the resources required to do so. For the three-month period and year ended December 31, 2018, prospective project expenses totalled \$6.3 million and \$19.6 million respectively (\$3.9 million and \$12.1 million for the corresponding periods in 2017). The 63% and 62% increases for the periods are mainly attributable to activities undertaken to submit projects in response to requests for proposals, pursuing opportunities in Canada and international markets and to the advancement of a number of prospective projects.

Adjusted EBITDA

Up 41% to \$113.2 million for the three-month period ended December 31, 2018

Up 29% to \$385.1 million for the year ended December 31, 2018

These increases for the three-month period and year are due mainly to higher production and revenues from the facilities commissioned and acquired in 2017 and 2018, partly offset by higher operating expenses, general and administrative expenses and prospective project expenses. The Adjusted EBITDA Margin decreased from 74.1% to 68.1% for the three-month period and from 74.6% to 66.8% for the year due mainly to changes in our mix of segments as geothermal operations have a lower EBITDA margin due to their higher maintenance, daily operating costs and power purchasing costs. The year's margin was also impacted by challenging post-commissioning activities that have been mostly addressed at the Upper Lillooet River facility.

Adjusted EBITDA Proportionate

Up 60% to \$133.0 million for the three-month period ended December 31, 2018

Up 49% to \$459.1 million for the year ended December 31, 2018

Adjusted EBITDA Proportionate, which is defined as Adjusted EBITDA plus Innergex's share of Adjusted EBITDA of the joint ventures and associates, is a key performance indicator when evaluating the Corporation's financial results. Adjusted EBITDA Proportionate is not a recognized measure under IFRS, has no standardized meaning prescribed by IFRS and therefore may not be comparable with those presented by other issuers. Please refer to the "Non-IFRS Measures" section for more information.

	Three months ended December 31		Year ended December 31	
	2018	2017	2018	2017
Adjusted EBITDA ¹	113,151	80,059	385,081	298,728
Innergex's share of Adjusted EBITDA of joint ventures and associates ^{1,2}	19,861	3,140	74,026	9,615
Adjusted EBITDA Proportionate ¹	133,012	83,199	459,107	308,343

1. Adjusted EBITDA, Innergex's share of Adjusted EBITDA of joint ventures and associates and Adjusted EBITDA Proportionate are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

2. Please refer to the "Investments in Joint Ventures and Associates" section of this MD&A for more information.

These increases in Adjusted EBITDA Proportionate for the three-month period and year are due mainly to higher Adjusted EBITDA and a higher Innergex's share of Adjusted EBITDA of joint ventures and associates stemming from the addition of the facilities acquired as part of Alterra and Energía Llaïma in 2018.

Finance Costs

Up 37% to \$55.4 million for the three-month period ended December 31, 2018

Up 35% to \$199.8 million for the year ended December 31, 2018

Finance costs include interest on long-term debt and convertible debentures, inflation compensation interest, amortization of financing fees, accretion of long-term debt and convertible debentures, accretion expenses on other liabilities and other finance costs. The increase for the three-month period is due mainly to expenses related to the acquisitions achieved in 2018 and to the offering of 4.75% convertible debentures, partly offset by lower inflation compensation interest on real-return bonds.

The increase for the year is due mainly to expenses related to the acquisitions achieved in 2018, to the offering of 4.75% convertible debentures and to higher inflation compensation interest on real-return bonds.

The effective all-in interest rate on the Corporation's debt and convertible debentures was 4.48% as at December 31, 2018 (4.43% as at December 31, 2017).

Other Net Expenses

Expenses of \$9.1 million for the three-month period ended December 31, 2018

Expenses of \$15.3 million for the year ended December 31, 2018

Other Net Expenses (Revenues) include transaction costs, realized gain or loss on derivative financial instruments, gain or loss on contingent considerations, other net revenues, gain or loss on foreign exchange, gain or loss on disposal of property, plant and equipment and amortization of below market contracts. Expenses recorded for the three-month period and year are due mainly to a realized loss on derivatives resulting from the reimbursement of three swaps related to the 62% acquired interest in the Cartier Wind Farms and loss on foreign exchange, partly offset by higher other net revenues resulting mainly from the amortization of below market contracts. Expenses for the year were also attributable to higher transaction costs stemming from the Alterra acquisition and the acquisition of the remaining interest in Cartier Wind Farms and Operating Entities.

In connection with the Alterra transaction, the Corporation entered into bond forward contracts for a total of \$50.0 million to mitigate the risk of interest rate increases before the closing of the transaction. These bond forward contracts were settled upon the closing of the Alterra transaction in February 2018 and resulted in a \$0.8 million gain.

Depreciation and Amortization

Up 40% to \$48.3 million for the three-month period ended December 31, 2018

Up 33% to \$171.8 million for the year ended December 31, 2018

These increases are attributable mainly to the 62% acquired interest in the Cartier Wind Farms and to the acquisition of Alterra in 2018. The increase for the year was also due to the acquisition of French wind farms in 2017 and to the commissioning of Upper Lillooet River and Boulder Creek facilities in 2017.

Share of Earnings of Joint Ventures and Associates

Share of net earnings of \$16.7 million for the three-month period ended December 31, 2018, compared with a share of net earnings of \$1.7 million for the corresponding period in 2017

Share of net earnings of \$34.1 million for the year ended December 31, 2018, compared with a share of net earnings of \$4.6 million for the corresponding period in 2017

The acquisition of Alterra included interests in the following entities: HS Orka hf ("HS Orka") (53.9% interest), which holds a 30% interest in Blue Lagoon hf., Dokie General Partnership ("Dokie") (25.5% interest), Flat Top Group Holdings LLC ("Flat Top") (51% sponsor equity), Jimmie Creek Limited Partnership ("Jimmie Creek") (50.99% interest), Muko Partnership Holdings, LLC ("Kokomo") (90% sponsor equity), Shannon Group Holdings, LLC ("Shannon") (50% sponsor equity), Spartan Holdings, LLC ("Spartan") (100% sponsor equity) and Toba Montrose General Partnership ("Toba Montrose") (40% interest) (collectively "Alterra Power Group Entities").

On July 3, 2018, Innergex completed an investment in Energía Llaima SpA ("Energía Llaima") to acquire a 50% interest.

To these joint ventures and associates, excluding HS Orka, Kokomo and Spartan, which are consolidated, are added the following entities already owned by Innergex: Umbata Falls, L.P. ("Umbata Falls") (49% interest) and Viger-Denonville, L.P. ("Viger-Denonville") (50% interest).

Please refer to the "Investments in Joint Ventures and Associates" section for more information.

Unrealized Net Loss (Gain) on Financial Instruments

Unrealized net loss of \$1.6 million for the three-month period ended December 31, 2018, compared with an unrealized net loss of \$1.4 million for the corresponding period in 2017

Unrealized net loss of \$3.9 million for the year ended December 31, 2018, compared with an unrealized net gain of \$2.2 million for the corresponding period in 2017

Derivatives are used by the Corporation to manage its exposure to the risk of rising interest rates on its existing and upcoming debt financing and to reduce the Corporation's foreign exchange risk, thereby protecting the economic value of its projects.

The unrealized net loss on financial instruments for the three-month period and year ended December 31, 2018, is due mainly to a loss on the HS Orka embedded derivative, an unfavourable variation of the CAD-EUR foreign exchange rate swap, partly offset by an unrealized gain on the conversion of intragroup loans and by the amortization of the accumulated losses from the pre-hedge accounting period.

For the year ended December 31, 2017, the Corporation recognized an unrealized net gain on financial instruments due to an unrealized gain on the conversion of an intragroup loan and to the amortization of the accumulated losses from the pre-hedge accounting period, partly offset by an unrealized net loss on the foreign exchange rate swap due to an unfavourable change in the CAD-EUR foreign exchange rate.

Income Tax Expense (Recovery of)

Income tax expense at \$1.4 million for the three-month period ended December 31, 2018

Income tax expense at \$2.7 million for the year ended December 31, 2018

For the three-month period ended December 31, 2018, the Corporation recorded a current income tax expense of \$4.1 million (\$0.6 million for the corresponding period in 2017) and a deferred income tax recovery of \$2.7 million (\$1.1 million for the corresponding period in 2017). The increase in the current income tax expense is due mainly to higher charges in Iceland. The decrease in the deferred income tax expense is due mainly to reversal of timing differences into current taxable income and to non-taxable income on the share of earnings of joint ventures and associates.

For the year ended December 31, 2018, the Corporation recorded a current income tax expense of \$8.5 million (\$4.1 million for the corresponding period in 2017) and a deferred income tax recovery of \$5.8 million (deferred income tax expense of \$3.0 million for the corresponding period in 2017). The \$4.4 million increase in the current income tax expense is due mainly

to higher charges in Iceland, partly offset by lower charges in the United States. The \$8.8 million positive change in the deferred income tax is due mainly to the impact of income taxes on earnings being allocated to minority interests on non-taxable entities and to the decrease in taxable temporary differences in relation to investments in subsidiaries and in joint ventures.

Net Earnings

Up 297% to \$14.0 million for the three-month period ended December 31, 2018

Up 34% to \$25.7 million for the year ended December 31, 2018

For the three-month period ended December 31, 2018, the Corporation recorded net earnings of \$14.0 million (basic and diluted net earnings of \$0.10 per share), compared with net earnings of \$3.5 million (basic and diluted net earnings of \$0.05 per share) for the corresponding period in 2017. The \$10.4 million increase in net earnings can be explained by the \$33.1 million increase in Adjusted EBITDA and by the \$15.0 million positive change in the share of earnings of joint ventures and associates, partly offset by the \$15.0 million increase in finance costs, \$13.9 million increase in depreciation and amortization and \$6.7 million increase in other net expenses.

For the year ended December 31, 2018, the Corporation recorded net earnings of \$25.7 million (basic and diluted net earnings of \$0.21 per share), compared with net earnings of \$19.1 million (basic and diluted net earnings of \$0.22 per share) for the corresponding period in 2017. The \$6.6 million increase in net earnings can be explained by the \$86.4 million increase in Adjusted EBITDA, \$29.5 million positive change in the share of earnings of joint ventures and associates and \$4.4 million positive change in income taxes, partly offset by the \$52.3 million increase in finance costs, the \$42.4 million increase in depreciation and amortization, the \$12.8 million negative change in other net expenses (revenues) and the \$6.2 million negative change in unrealized net loss (gain) on financial instruments.

Adjusted Net Earnings

Up to \$13.0 million for the three-month period ended December 31, 2018

Up to \$27.0 million for the year ended December 31, 2018

When evaluating its operating results and to provide a more accurate picture of them, a key performance indicator for the Corporation is Adjusted Net Earnings. Adjusted Net Earnings is not a recognized measure under IFRS, has no standardized meaning prescribed by IFRS and therefore may not be comparable with those presented by other issuers. Please refer to the "Non-IFRS Measures" section for more information.

Impact on net earnings of financial instruments	Three months ended December 31		Year ended December 31	
	2018	2017	2018	2017
Net earnings	13,953	3,513	25,718	19,136
<i>Add (Subtract):</i>		Restated ²		Restated ²
Unrealized net loss (gain) on financial instruments	1,612	1,350	3,905	(2,245)
Realized loss on financial instruments	6,915	—	6,092	—
Income tax expenses (recovery of) related to above items	761	(888)	1,578	(232)
Share of unrealized net gain on financial instruments of joint ventures and associates, net of related income tax	(10,193)	(123)	(10,337)	(997)
Adjusted Net Earnings ¹	13,048	3,852	26,956	15,662

1. Adjusted Net Earnings is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

2. For more information on the restatement, please refer to the "Accounting Changes" section.

Excluding loss (gains) on financial instruments and the related income taxes, net earnings for the three-month period and the year ended December 31, 2018, would have been \$13.0 million and \$27.0 million, compared with net earnings of \$3.9 million and \$15.7 million in 2017. The increases in the Adjusted Net Earnings are due mainly to a higher Adjusted EBITDA, the positive change in the share of earnings of joint ventures and associates and, for the year, the positive change in income taxes, partly offset by the increase in finance costs, the increase in depreciation and amortization and the negative change in other net expenses (revenues). The change in share of unrealized net gain on financial instruments of joint ventures and associates, net of related income tax is mainly due to the gain made on financial instruments with the joint ventures acquired with Alterra.

Non-controlling Interests

Attribution of losses of \$0.8 million for the three-month period ended December 31, 2018, compared with an attribution of losses of \$3.6 million for the corresponding period in 2017

Attribution of losses of \$7.0 million for the year ended December 31, 2018, compared with an attribution of losses of \$10.3 million for the corresponding period in 2017

Non-controlling interests are related to the HS Orka hf ("HS Orka"), Harrison Hydro Limited Partnership ("HHLP"), the Creek Power Inc. subsidiaries ("Creek Power") (for a 136-day period in 2018 as opposed to a full year in 2017), the Mesgi'g Ugnu's'n (MU) Wind Farm, L.P. ("MU"), the Innergex Europe (2015) Limited Partnership ("Innergex Europe"), the Kwoiek Creek Resources Limited Partnership ("Kwoiek"), the Magpie Limited Partnership, the Innergex Sainte-Marguerite S.E.C. entity ("Ste-Marguerite"), the Cayoose Creek Power Limited Partnership ("Cayoose Creek"), the Spartan Holdings, LLC ("Spartan") and the Muko Partnership Holdings, LLC ("Kokomo") and their respective general partners.

The decrease in losses attributed to non-controlling interests for the three-month period compared with the previous year results mainly from higher income at HHLP, to the acquisition of the remaining interest in Creek Power and to higher revenues at Innergex Europe, partly offset by the negative impact of HS Orka, to losses at Kokomo and Spartan and to higher expenses at Ste-Marguerite.

The decrease in losses attributed to non-controlling interests for the year compared with the previous year stem mainly from higher revenues at MU, to higher revenues at Innergex Europe, to lower losses at HHLP and the addition of HS Orka, partly offset by lower revenues and higher expenses at Ste-Marguerite and to losses at Kokomo and Spartan.

SHARE CAPITAL STRUCTURE

Information on Capital Stock

Number of Common Shares Outstanding

Weighted average number of common shares outstanding (000s)	Year ended December 31	
	2018	2017
Weighted average number of common shares	130,030	108,427
Effect of dilutive elements on common shares ¹	877	820
Diluted weighted average number of common shares	130,907	109,247

1. During the year ended December 31, 2018, 2,579,684 of the 2,782,599 share options (2,579,684 of the 2,782,599 for the year ended December 31, 2017) were dilutive and none of the 14,166,667 shares that can be issued on conversion of convertible debentures were dilutive (none of the 6,666,667 shares were dilutive for the same periods in 2017).

The Corporation's Equity Securities

	As at		
	February 27, 2019	December 31, 2018	December 31, 2017
Number of common shares	133,058,339	132,986,850	108,608,083
Number of 4.75% convertible debentures	150,000	150,000	—
Number of 4.25% convertible debentures	100,000	100,000	100,000
Number of Series A Preferred Shares	3,400,000	3,400,000	3,400,000
Number of Series C Preferred Shares	2,000,000	2,000,000	2,000,000
Number of share options outstanding	2,782,599	2,782,599	2,782,599

As at the opening of the market on February 27, 2019, and since December 31, 2018, the increase in the number of common shares of the Corporation is attributable to the issuance of 71,489 shares related to the Corporation's Dividend Reinvestment Plan ("DRIP").

As at December 31, 2018, the increase in the number of common shares since December 31, 2017, was attributable mainly to the issuance of 24,327,225 shares on February 6, 2018, in connection with the Alterra acquisition, and of 748,754 shares related to the DRIP, net of 697,212 shares purchased for cancellation under the normal course issuer bid ("the Bid").

Dividends

The Corporation's dividend policy is determined by its board of directors and is based on the Corporation's operating results, cash flows, financial condition, debt covenants, long-term growth prospects, solvency test imposed under corporate law for the declaration of dividends and other relevant factors.

The following dividends were declared by the Corporation:

	Year ended December 31	
	2018	2017
Dividends declared on common shares ¹	90,215	71,621
Dividends declared on common shares (\$/share)	0.68	0.66
Dividends declared on Series A Preferred Shares	3,067	3,067
Dividends declared on Series A Preferred Shares (\$/share)	0.902	0.902
Dividends declared on Series C Preferred Shares	2,875	2,875
Dividends declared on Series C Preferred Shares (\$/share)	1.4375	1.4375

1. The increase in dividends declared on common shares is mainly attributable to the issuance of 24,327,225 shares on February 6, 2018, related to the Alterra acquisition, the increase in the quarterly dividend and the issuance of shares under the DRIP, partly offset by shares repurchased under the Bid.

The following dividends will be paid by the Corporation on April 15, 2019:

Date of announcement	Record date	Payment date	Dividend per common share (\$)	Dividend per Series A Preferred Share (\$)	Dividend per Series C Preferred Share (\$)
02/27/2019	3/29/2019	4/15/2019	0.1750	0.2255	0.359375

On February 27, 2019, the Board of Directors increased the quarterly dividend from \$0.170 to \$0.175 per common share, corresponding to an annual dividend of \$0.70 per common share. This is the sixth consecutive \$0.02 annual dividend increase.

Normal Course Issuer Bid

In August 2017, the Corporation proceeded with a normal course issuer bid on its Common Shares (the "Bid") covering the period between August 17, 2017, and August 16, 2018. The Corporation could purchase for cancellation up to 2,000,000 of its Common Shares, corresponding to approximately 1.84% of the 108,640,790 issued and outstanding Common Shares as at August 14, 2017.

Under the Bid, the Corporation has entered into an automatic purchase plan agreement with a designated broker to allow for purchases of Common Shares at times when it would ordinarily not be permitted to do so due to self-imposed blackout periods or regulatory restrictions.

Under the Bid, the Corporation purchased for cancellation 697,212 Common Shares at an average price of \$13.60 per share, for an aggregate consideration of \$9.5 million during the year ended December 31, 2018.

FINANCIAL POSITION

As at December 31, 2018, the Corporation had \$6,481 million in total assets, \$5,522 million in total liabilities, including \$4,470 million in long-term debt, and \$960 million in shareholders' equity. The Corporation also had a working capital ratio of 0.36:1.00 (0.90:1.00 as at December 31, 2017). In addition to cash and cash equivalents amounting to \$79.6 million, the Corporation had restricted cash and short-term investments of \$30.0 million and reserve accounts of \$51.9 million. The explanations below highlight the most significant changes in the statement of financial position items during the year ended December 31, 2018.

Assets

Working Capital Items

Working capital was negative at \$413.2 million, as at December 31, 2018, with a working capital ratio of 0.36:1.00 (as at December 31, 2017, working capital was negative at \$25.2 million, with a working capital ratio of 0.90:1.00). The variation in the working capital ratio is due to higher current portion of long-term debt, higher accounts payable, lower restricted cash and short-term investments and higher liability portion of derivatives on financial instruments, partly offset by higher cash and cash equivalents and by higher accounts receivable.

The Corporation considers its current level of working capital to be sufficient to meet its needs, considering that Innergex intends to divest selected assets or portions of existing assets and that the tax equity bridge loan for the construction of the Phoebe solar project will be reimbursed through the tax equity investment at commercial operation. As at December 31, 2018, the Corporation had \$700.0 million in revolving term credit facilities and had drawn \$184.1 million and US\$149.0 million as cash advances, while \$169.1 million had been used for issuing letters of credit, leaving \$143.5 million available.

Cash and cash equivalents amounted to \$79.6 million as at December 31, 2018, compared with \$61.9 million as at December 31, 2017. The increase stems mainly from the cash acquired with and generated by the acquisition of Alterra.

Restricted cash and short-term investments amounted to \$30.0 million as at December 31, 2018, compared with \$58.7 million as at December 31, 2017. The decrease stems mainly from the amounts used to pay for the remaining construction costs of the Upper Lillooet River, Boulder Creek, Mesgi'g Ugnu's'n, Rougemont 1-2, Vaite, Plan Fleury and Les Renardières facilities, partly offset by the restricted cash related to a grant that HS Orka is participating in and administering, which was received and is to be distributed to the grant partners.

Accounts receivable increased from \$87.5 million to \$102.7 million between December 31, 2017, and December 31, 2018, due mainly to the accounts receivable from the Alterra operations, higher accounts receivable at some hydro facilities in British Columbia due to a better December this year and higher accounts receivables owing to the 62% acquired interest in the Cartier Wind Farms, partly offset by the reimbursement of commodity taxes for the Plan Fleury, Les Renardières and Theil-Rabier facilities and lower accounts receivable at the Upper Lillooet hydro facility due to outages caused by a wind storm.

Accounts payable and other payables increased from \$91.0 million to \$132.1 million from December 31, 2017, to December 31, 2018, due mainly to accounts payable from the Alterra operations, to the residual investment in Energía Llaima, to the accounts payable stemming from the construction of the Phoebe solar project and Foard City wind project, partly offset by payment of construction costs related to the Mesgi'g Ugnu's'n, Rougemont 1-2 and Vaite facilities.

Liability portion of derivative financial instruments increased from \$22.7 million to \$30.0 million from December 31, 2017, to December 31, 2018, due mainly to unfavourable variations on the power hedge for the Phoebe solar project, the embedded derivative at HS Orka and on the interest swap of Cartier, partly offset by CAD-EUR foreign exchange swaps and amortization.

Current portion of long-term debt amounted to \$445.9 million as at December 31, 2018, compared with \$109.9 million as at December 31, 2017. The increase stems mainly from the \$228.0 million one-year term credit facility contracted to pay for a portion of the acquisition of the remaining interest in the Cartier Wind Farms and Operating Entities and from the \$52.7 million drawn from the tax-equity bridge loan for the construction of the Phoebe solar project that will be reimbursed through the tax equity investment at commercial operation expected in the fourth quarter of 2019. The increase is also attributable to the \$57.7 million Valottes, Porcien and Beaumont project-level debts that were reallocated in the current portion of the long-term debt as some financial ratios were not met and that lenders have a right to request repayment.

Reserve Accounts

Reserve accounts consist mainly of hydrology/wind reserves, which were established at the start of commercial operation at the facilities to compensate for the variability of cash flows related to fluctuations in hydrology or wind regimes and to other unpredictable events, and major maintenance reserves, which were established in order to prefund any major plant repairs that may be required to maintain the Corporation's generating capacity. The Corporation had \$51.9 million in long-term reserve accounts as at December 31, 2018, compared with \$50.0 million as at December 31, 2017. The increase is mainly due to mandatory investments made during the period.

The availability of funds in the hydrology/wind and major maintenance reserve accounts is restricted by credit agreements.

Property, Plant and Equipment

Property, plant and equipment are comprised mainly of hydroelectric facilities, wind farms, solar farms and geothermal power plants that are either in operation or under construction. As at December 31, 2018, the Corporation had \$4,483 million in property, plant and equipment, compared with \$3,188 million as at December 31, 2017. The increase stems mainly from the acquisition of Alterra, from the 62% acquired interest in the Cartier Wind Farms in 2018 and to the advancement of the Phoebe solar project and the Foard City wind project, partly offset by the depreciation for the period.

Intangible Assets

Intangible assets consist of various power purchase agreements, permits and licenses. The Corporation had \$925.0 million in intangible assets as at December 31, 2018, compared with \$654.1 million as at December 31, 2017. The increase is due mainly to the acquisition of Alterra in 2018 and to the 62% acquired interest in the Cartier Wind Farms in 2018, partly offset by the amortization.

Project Development Costs

Project Development Costs refer to the costs incurred to acquire prospective projects and develop hydroelectric, wind, geothermal and solar facilities. The Corporation had \$30.1 million in project development costs as at December 31, 2018, compared with nil as at December 31, 2017. The increase is mainly due to the Prospective Projects acquired with Alterra in 2018 and the acquisition of the Hillcrest solar project.

Investments in Joint Ventures and Associates

Investments in Joint Ventures and Associates is initially recognized at cost and subsequently adjusted to recognize the Corporation's share of the profit and loss and other comprehensive income of the joint ventures and associates. The Corporation had \$604.8 million in investments in joint ventures and associates as at December 31, 2018, compared with \$11.0 million as at December 31, 2017. The increase is due mainly to the acquisition of Alterra in February 2018, which included six joint ventures and associates' projects, and to the investment in Energía Llaima in Chile in July 2018.

Goodwill

Goodwill is the excess of the purchase price over the aggregate fair value of net assets acquired. The Corporation had \$110.0 million in goodwill as at December 31, 2018, compared with \$38.6 million as at December 31, 2017. The increase is due to the acquisition of Alterra and of the remaining interest in the Cartier Wind Farms and Operating Entities.

Liabilities and Shareholders' Equity

Derivative Financial Instruments and Risk Management

The Corporation uses derivative financial instruments ("Derivatives") to manage its exposure to the risk of increasing interest rates on its debt financing, its exposure to exchange rate fluctuations on the future repatriation of cash flows from its French operations and reducing exposure to the risk of decreasing power prices. The Corporation does not own or issue any Derivatives for speculation purposes. Derivatives also include embedded derivatives such as the ones included in two PPAs at HS Orka related to aluminum prices.

Interest rate swap contracts allow the Corporation to eliminate the risk of interest rate increases on actual floating-rate debts. These totalled \$1,787.1 million as at December 31, 2018.

Foreign exchange forward contracts allow the Corporation to hedge its exposure to foreign exchange rate on its investments in France. These totalled \$553.7 million as at December 31, 2018.

Power hedge contracts allow the Corporation to hedge its exposure to decreases in power prices on its output to the Electric Reliability Council of Texas (ERCOT) power grid. The power hedge contract of the Phoebe solar project fixes the price for 7,703,335 MWh over a 12-year period.

Overall, Derivatives had a net negative value of \$135.8 million as at December 31, 2018 (net negative value of \$62.3 million as at December 31, 2017). The change in Derivatives is primarily due to unfavourable variations on the interest rate swap of the Phoebe solar project, the embedded derivative at HS Orka, the interest rate swap of Cartier and CAD-EUR foreign exchange swaps. The unfavourable variations were partly offset by the termination of the interest rate swaps of the L'Anse-à-Valleau, Carleton and Montagne Sèche facilities.

Long-Term Debt

As at December 31, 2018, long-term debt totalled \$4,470 million (\$3,153 million as at December 31, 2017). The \$1,317.0 million increase results mainly from the non-recourse financing of \$570.4 million with regards to four operating wind farms ("Cartier Credit Facility"). The proceeds from the Cartier Credit Facility were used to repay the \$400 million one-year credit facility contracted to pay for a portion of the acquisition of the Cartier Wind Farms and Operating Entities and the existing credit facilities of the L'Anse-à-Valleau, Carleton and Montagne Sèche facilities as well as to deleverage the corporate credit facilities with the remaining \$69 million. The increase in long-term debt is also attributable to the \$150 million subordinated unsecured five-year term loan obtained in February to finance the cash portion of the Alterra acquisition, to \$131 million (US\$100 million) drawn on the revolving credit facilities used for the investment in Energía Llaima and the Duqueco acquisition in Chile, to the addition of the long-term debt acquired with Alterra, to the construction loan for the Phoebe project and to drawings made on the corporate revolving credit facilities for the construction of the Foard City wind project. The increase was partly offset by repayments made on the corporate revolving credit facilities stemming from proceeds of the \$150 million debentures offering and by scheduled repayments of project-level debts.

On February 6, 2018, Innergex increased its borrowing capacity on its revolving credit facilities by \$225 million to \$700 million and added a new lender to the syndicate of lenders. This increase enables the Corporation to pursue the development and construction of its portfolio. On October 24, 2018, Innergex amended and restated its revolving credit facilities to adjust the security package and extend the maturity date from December 2022 to December 2023.

As at December 31, 2018, 88% of the Corporation's outstanding debt, including convertible debentures, was fixed or hedged against interest rate movements (94% as at December 31, 2017).

As at December 31, 2018, the Corporation and its subsidiaries have met all material financial and non-financial conditions, unless indicated below, related to their credit agreements, trust indentures and PPAs. Were they not met, certain financial and non-financial covenants included in the credit agreements, trust indentures, 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. Financial ratios were not met for the \$57.7 million Valottes, Porcien and Beaumont credit agreements due to low production. As lenders have the right to request repayment, the three loans were reallocated to the current portion of long-term debt.

	December 31, 2018	December 31, 2017
		Restated
Total long-term debt	4,526,513	3,186,613
Deferred financing costs	(56,261)	(33,351)
	4,470,252	3,153,262
Current portion of long-term debt	(445,928)	(109,875)
Long-term portion	4,024,324	3,043,387

Other Liabilities

Other liabilities, including amounts shown in current liabilities, consist of contingent considerations, asset retirement obligations, pension fund obligation, below market contracts, various liabilities related to future ownership rights owned by First Nations and interest payable on the Innergex Sainte-Marguerite, S.E.C. debenture. As at December 31, 2018, other liabilities totalled \$173.9 million (\$80.0 million in 2017). The increase is mostly attributable to the \$33.6 million increase in asset retirement obligations following the acquisition of the remaining interest in the Cartier Wind Farms and Operating Entities and the addition of Alterra, which includes a \$26.9 million pension fund obligation related to HS Orka and \$16.6 million related to below market contracts. The increase is also attributable to the \$4.5 million related to the interest payable on the Innergex Sainte-Marguerite, S.E.C. debenture, which has no predetermined schedule and matures in 2064.

Following the acquisition of HS Orka, existing long-term power sales contracts in place at HS Orka at the time of acquisition were recognized at fair value by comparing the contracted prices with the prevailing market prices. The contracted prices were lower than the prevailing market prices. As a result, these pre-existing contracts were considered to be below market and a liability was recognized at fair value as part of the purchase price allocation for HS Orka. The Corporation amortizes the fair value of below market sales contracts over the remaining contract term and records the amount in other net expenses (revenues).

Convertible debentures

During the second quarter of 2018, the Corporation completed a bought deal offering of 4.75% convertible unsecured subordinated debentures of Innergex. The Corporation issued an aggregate principal amount of \$150 million of debentures at a price of \$1,000 per debenture, bearing interest at a rate of 4.75% per annum, payable semi-annually on June 30 and December 31 each year, commencing on December 31, 2018. The debentures will be convertible at the holder's option into Innergex common shares at a conversion price of \$20.00 per share, corresponding to a conversion rate of 50 common shares

per \$1,000 principal amount of debentures. The debentures will mature on June 30, 2025, and will not be redeemable before June 30, 2021. On and after June 30, 2021, and before June 30, 2023, Innergex may, in certain circumstances, redeem the debentures at par plus accrued and unpaid interest. On or after June 30, 2023, Innergex may redeem the debentures at par plus accrued and unpaid interest. The net proceeds of the convertible debenture offering were used to reduce drawings under the Corporation's revolving term credit facility to fund future acquisitions and development projects and for general corporate purposes.

As at December 31, 2018, the liability portion of convertible debentures stood at \$238.6 million and the equity portion stood at \$4.0 million (\$96.2 million and \$1.9 million as at December 31, 2017).

The convertible debentures are subordinate to all other indebtedness of the Corporation.

Shareholders' Equity

As at December 31, 2018, the Corporation's shareholders' equity totalled \$959.6 million, including \$329.8 million of non-controlling interests, compared with \$453.3 million as at December 31, 2017, which included \$14.9 million of non-controlling interests. This \$506.3 million increase in total shareholders' equity is attributable mainly to \$330.6 million in shares issued for the Alterra acquisition, to the \$314.8 million increase in non-controlling interest, of which \$296.5 million was related to the Alterra acquisition, and to the recognition of \$25.7 million in net earnings, partly offset by \$96.2 million in dividends declared on common and preferred shares and the recognition of other items of comprehensive loss totaling \$57.5 million.

A special resolution to approve the reduction of the legal stated capital account maintained in respect of the common shares of the Corporation, without any payment or distribution to the shareholders was adopted on May 15, 2018. This resulted in a decrease of the shareholders' capital account and an equivalent increase of the contributed surplus from reduction of capital on common shares account.

Contractual Obligations

As at December 31, 2018	Total	Under 1 year	1 to 5 years	Thereafter
Long-term debt including convertible debentures	4,805,017	405,512	1,444,650	2,954,855
Interest on long-term debt and convertible debentures	2,700,942	203,357	694,270	1,803,315
Purchase (Contractual) obligations ¹	72,714	4,789	18,814	49,111
Others	278,974	15,115	73,691	190,168
Total contractual obligations	7,857,647	628,773	2,231,425	4,997,449

1. Purchase obligations are derived mainly from engineering, procurement and construction contracts.

Contingencies

In February 2016, HS Orka issued a legal letter to HS Veitur hf ("HS Veitur") demanding full payment of a long-term receivable related to the shared pension liability. A \$9.5 million claim was filed and is included under accounts receivable on the balance sheet. This was following receipt of a termination notice by HS Veitur of an agreement regarding payments of the pension liability, sent on December 31, 2015. The two companies had reached an agreement on HS Veitur's share in 2011 and, based on this agreement, HS Orka considers its claim to be fully valid. Negotiations have not settled the matter. The court proceedings took place in March 2018. On April 17, 2018, the First Court of Iceland ruled in favour of HS Orka. HS Veitur filed an appeal to the Court of Appeal, which is a court of second instance. The trial of the case took place on February 21, 2019 and a judgement is expected within four weeks from the hearing date.

Off-Balance-Sheet Arrangements

As at December 31, 2018, the Corporation had issued letters of credit totaling \$169.1 million to meet its obligations under its various PPAs and other agreements. These letters were issued as payment securities for various projects under construction (including the Phoebe solar project and the Foard City wind project) and as performance or financial guarantees under PPAs and other contractual obligations. As at that date, Innergex had also issued a total of \$72.0 million in corporate guarantees used mainly to guarantee the long-term currency hedging instruments of its operations in France. The corporate guarantees were also used to support the performance of the Brown Lake and Miller Creek hydroelectric facilities, the post-commissioning activities at the Mesgi'g Ujju's'n facility, the Foard City development project and other prospective projects.

Tax equity investors in U.S. projects generally require sponsor guaranties as a condition to their investment. To support the tax equity investments at Shannon, Kokomo, Spartan, Flat Top and Phoebe, Alterra, a subsidiary of Innergex, has executed guarantees effective on funding of the tax equity investments indemnifying the tax equity investors against certain breaches of project level representations, warranties and covenants and other events. The Corporation believes these indemnifications cover matters that are substantially under its control and are very unlikely to occur. With respect to the Phoebe project, Alterra has also provided a guarantee to the lenders related to debt service payments, which will become effective only in the unlikely event that the Phoebe tax equity investors call upon their corresponding guarantee.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended December 31, 2018, the Corporation generated cash flows from operating activities of \$209.4 million, compared with cash flows of \$192.5 million for the same period last year. During this year, the Corporation generated funds from financing activities of \$969.0 million and used \$1,160.9 million in funds for investing activities, mainly to pay for the acquisition of Alterra, of the remaining interest in the Cartier Wind Farms and Operating Entities and of the Phoebe solar project. As at December 31, 2018, the Corporation had cash and cash equivalents totalling \$79.6 million, compared with \$61.9 million as at December 31, 2017.

Cash Flows from Operating Activities

Up \$16.9 million to \$209.4 million for the year ended December 31, 2018

The increase is primarily attributable to a \$86.4 million increase in Adjusted EBITDA, a \$23.4 million increase in distributions from joint ventures and associates, partly offset by a \$34.8 million decrease in non-cash operating working capital items and a \$43.2 million increase in the interest paid on long-term debt.

Cash Flows from Financing Activities

Up \$944.3 million to \$969.0 million for the year ended December 31, 2018

The increase is attributable to a \$929.2 million net increase in long-term debt in 2018, compared with a \$91.5 million net increase in long-term debt in 2017, to the \$143.1 million increase in net proceeds from the issuance of convertible debentures, which was partly offset by a \$16.8 million decrease in investments from non-controlling interests, to a \$5.4 million increase in payment for buyback of common shares, to a \$9.7 million increase in the payment of dividends on common shares and to a \$4.9 million increase in distributions to non-controlling interests.

The \$929.2 million net increase in long-term debt results mainly from the non-recourse financing of \$570.4 million with regards to four operating wind farms ("Cartier Credit Facility"). The proceeds from the Cartier Credit Facility were used to repay the \$400 million one-year credit facility contracted to pay for a portion of the acquisition of the Cartier Wind Farms and Operating Entities and the existing credit facilities of the L'Anse-à-Valleau, Carleton and Montagne Sèche facilities as well as to deleverage the corporate credit facilities with the remaining \$69 million. The increase in long-term debt is also attributable to the \$150 million subordinated unsecured five-year term loan obtained in February to finance the cash portion of the Alterra acquisition, to \$131 million (US\$100 million) drawn on the revolving credit facilities used for the investment in Energía Llaima and the Duquenco acquisition in Chile, to the addition of the long-term debt acquired with Alterra, to the construction loan for the Phoebe project and to drawings made on the corporate revolving credit facilities for the construction of the Foard City wind project. The increase was partly offset by repayments made on the corporate revolving credit facilities stemming from proceeds of the \$150 million debentures offering and by scheduled repayments of project-level debts.

Use of Financing Proceeds	Year ended December 31		Change
	2018	2017	
Proceeds from issuance of long-term debt (including revolving credit facility)	2,070,430	668,856	
Repayment of long-term debt (including revolving credit facility)	(1,114,449)	(576,187)	
Payment of deferred financing costs	(26,736)	(1,161)	
Subtotal: net increase in long-term debt	929,245	91,508	837,737
Net proceeds from issuance of convertible debentures	143,090	—	
Payment for buy-back of common shares	(9,487)	(4,119)	
Investments from non-controlling interests	—	16,842	
Generation of financing proceeds	1,062,848	104,231	958,617
Business acquisitions	(872,977)	(152,797)	
Investment in joint ventures and associates	(134,065)	—	
Decrease of restricted cash and short-term investments	34,440	70,203	
Net funds invested into the reserve accounts	(731)	(85)	
Additions to property, plant and equipment	(183,028)	(135,656)	
Additions to project development costs	(9,129)	—	
Buyback of minority interests	(1,700)	—	
Additions to intangible assets	(2,766)	—	
(Additions to) reductions of other long-term assets	(190)	1,020	
Net use of financing proceeds	(1,170,146)	(217,315)	(952,831)
Reduction in working capital	(107,298)	(113,084)	5,786

During the year ended December 31, 2018, the Corporation borrowed a net amount of \$929.2 million and issued convertible debentures for a net amount of \$143.1 million, partly offset by a \$9.5 million payment for the buyback of common shares. The net amount borrowed and the net proceeds from the issuance of convertible debentures were used for the acquisition of Alterra, the acquisition and construction of the Phoebe solar project, the investment in Energía Llaima and the Duquenco acquisition in Chile and the acquisition of the remaining interest in the Cartier Wind Farms and Operating Entities. The Corporation used \$34.4 million in restricted cash and short-term investments mainly to pay for the remaining construction costs of the Upper Lilloet River, Boulder Creek, Rougemont-1, Vaite, Mesgi'g Ugu's'n and Les Renardières facilities.

Cash Flows from Investing Activities

Outflow up \$948.9 million to \$1,160.9 million for the year ended December 31, 2018

During the period, the main investing activities impacting cash flows were as follows: business acquisitions accounted for a \$873.0 million outflow (\$152.8 million outflow in 2017) for the Alterra, Cartier Wind Farms and Operating Entities and Phoebe acquisitions; investments in joint ventures and associates accounted for \$134.1 million outflow (nil in 2017); additions to property, plant and equipment accounted for a \$183.0 million outflow (\$135.7 million outflow in 2017); and fluctuations in restricted cash and short-term investments accounted for a \$34.4 million inflow (\$70.2 million inflow in 2017).

Cash and Cash Equivalents

Up \$17.7 million to \$79.6 million for the year ended December 31, 2018

For the year ended December 31, 2018, cash and cash equivalents increased by \$17.7 million (increased by \$5.7 million for the corresponding period in 2017) as a net result of its operating, financing and investing activities.

FREE CASH FLOW AND PAYOUT RATIO

Free Cash Flow and Payout Ratio calculation ¹	Year ended December 31		
	2018	2017	2016
Cash flows from operating activities	209,391	192,451	76,753
<i>Add (Subtract) the following items:</i>			
Changes in non-cash operating working capital items	11,019	(23,782)	56,442
Maintenance capital expenditures net of proceeds from disposals	(9,652)	(3,973)	(2,730)
Scheduled debt principal payments	(86,079)	(67,572)	(43,220)
Free Cash Flow attributed to non-controlling interests ²	(27,984)	(10,425)	(8,571)
Dividends declared on Preferred shares	(5,942)	(5,942)	(5,942)
<i>Adjust for the following elements:</i>			
Transaction costs related to realized acquisitions	8,280	6,450	2,970
Realized loss on derivative financial instruments	6,092	—	—
Free Cash Flow	105,125	87,207	75,702
Dividends declared on common shares	90,215	71,621	68,524
Payout Ratio	86%	82%	91%
Dividends declared on common shares and paid in cash ³	80,497	67,990	63,346
Payout Ratio - after the impact of the DRIP	77%	78%	84%

1. Free Cash Flow and Payout ratio are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of the MD&A for more information.
2. The portion of Free Cash Flow attributed to non-controlling interests is subtracted, regardless of whether an actual distribution to non-controlling interests is made, in order to reflect the fact that such distributions may not occur in the period they are generated.
3. These are dividends declared on Common Shares outstanding that were not registered in the DRIP at the time of the declaration; the dividends declared on Common Shares registered in the DRIP were paid in Common Shares.

Free Cash Flow

When evaluating its operating results, a key performance indicator for the Corporation is the cash flows available for distribution to common shareholders and for reinvestment to fund the Corporation's growth. Free Cash Flow is a non-IFRS measure that the Corporation calculates as cash flows from operating activities before changes in non-cash operating working capital items, less maintenance capital expenditures net of proceeds from disposals, scheduled debt principal payments and preferred share dividends declared. It also subtracts the portion of Free Cash Flow attributed to non-controlling interests regardless of whether an actual distribution to non-controlling interests is made in order to reflect the fact that such distribution may not occur in the period the Free Cash Flow is generated. The Corporation also adjusts for other elements that represent cash inflows or outflows that are not representative of the Corporation's long-term cash generating capacity. Such adjustments include adding back transaction costs related to realized acquisitions (which are financed at the time of the acquisition) and adding back realized losses or subtracting realized gains on derivative financial instruments used to hedge the interest rate on project-level debt or the exchange rate on equipment purchases.

For the year ended December 31, 2018, the Corporation generated Free Cash Flow of \$105.1 million, compared with \$87.2 million for the corresponding period last year. The increase in Free Cash Flow is due mainly to higher cash flows from operating activities before changes in non-cash working capital items, partly offset by greater scheduled debt principal payments, higher Free Cash Flow attributed to non-controlling interests and higher maintenance capital expenditures net of proceeds from disposals.

Payout Ratio

The Payout Ratio represents the dividends declared on common shares divided by Free Cash Flow. The Corporation believes it is a measure of its ability to sustain current dividends and dividend increases as well as its ability to fund its growth.

For the year ended December 31, 2018, the dividends on common shares declared by the Corporation amounted to 86% of Free Cash Flow, compared with 82% for the corresponding period last year. This change results mainly from higher dividend payments as a result of the issuance of 24,327,225 shares on February 6, 2018, related to the Alterra acquisition, to the increase in the quarterly dividend, to additional shares following the exercise of share options and to additional shares issued under the DRIP.

The Payout Ratio reflects the Corporation's decision to invest yearly in advancing the development of its Prospective Projects, which investments must be expensed as incurred. The Corporation considers such investments essential to its long-term growth and success, as it believes that the greenfield development of renewable energy projects offers the greatest potential internal rates of return and represents the most efficient use of management's expertise and value-added skills. For the year ended December 31, 2018, the Corporation incurred prospective project expenses of \$19.6 million, compared with \$12.1 million for the corresponding period last year. This 62% increase for the period is attributable mainly to activities undertaken to submit projects in request-for-proposals processes, to pursuing opportunities in new international markets, including the United States, France, Iceland and Chile, to future requests for proposals and expressions of interest in Canadian provinces and to the advancement of a number of prospective projects. Excluding these discretionary expenses, the Corporation's Payout Ratio would have been approximately 13% lower for the year ended December 31, 2018, and approximately 9% lower for the prior period.

For its acquisition of the remaining interest in the five Cartier Wind Farms and Operating Entities, the Corporation contracted a \$228 million one-year term credit facility to pay for a portion of the transaction and intends to divest selected assets or portions of existing assets to repay it. Given the anticipated cash flows from operations, the project-level financing secured for the Brúarvirkjun and Phoebe projects, the additional equity provided by the DRIP and the expected proceeds from the asset sales transaction, the Corporation does not expect to require additional equity in order to complete its Brúarvirkjun, Phoebe and Foard City projects currently under construction.

PROJECTED FINANCIAL PERFORMANCE

As at December 31, 2018, the Corporation had 68 Operating Facilities with a net installed capacity of 2,082 MW (gross 3,062 MW) and produced, on a consolidated basis, 6,283 GWh.

The increase in installed capacity and in the number of facilities in operation in 2018 is related to the acquisition of Alterra Power Corp. in February 2018 and of a 50% ownership in Energía Llaima in Chile completed in July 2018. The increase in the net installed capacity is also attributable to the 62% interest acquired in the Cartier Wind Farms.

In 2018, Power Generated was expected to increase 41%, Revenues were expected to increase 40% and Adjusted EBITDA was expected to increase 27%; however, with the 62% acquired interest in the Cartier Wind Farms, the respective increases were 43%, 44% and 29%. Adjusted EBITDA Proportionate was expected to increase 43%; however, higher Adjusted EBITDA than expected and the acquisition of Energía Llaima resulted in a 49% increase.

The Corporation makes certain projections to provide readers with an indication of its business activities and operating performance. In 2019, the Corporation expects power generated to increase 20%, Revenues to increase 15%, Adjusted EBITDA to increase 15%, Adjusted EBITDA Proportionate to increase 12% and Free Cash Flow to increase by 10%. In addition to current activities, these projections take into account the contribution of current Development Projects to achieve commercial operation during the year but do not take into account either possible acquisitions or divestments of assets or additional Development Projects.

	2019		2018		2017	
Power Generated (GWh)	approx.	+20%	6,283	+43%	4,394	+25%
Revenues	approx.	+15%	576,616	+44%	400,263	+37%
Adjusted EBITDA	approx.	+15%	385,081	+29%	298,728	+38%
Adjusted EBITDA Proportionate	approx.	+12%	459,107	+49%	308,343	+37%
Projected Free Cash Flow	approx.	+10%	105,125		87,207	
Number of facilities in operation		70	68		54	
Net installed capacity (MW)		2,684 ¹	2,082		1,124	
Consolidated LTA production, annualized (GWh)		6,588	6,283		5,036	

1. The Foard City wind project encounters delays in obtaining specific permits which could result in a reduction of the project size. For more information, please refer to the "2018 Highlights" section.

With seven acquisitions that added 14 operating facilities to its portfolio of assets, Innergex underwent tremendous growth in 2018. We also advanced eight Development Projects, three of which are currently under construction.

Looking ahead, we will continue our strategic reflection on the divestment of selected assets in light of the one-year credit facility contracted for the acquisition of the remaining interest in the Cartier Wind Farms and Operating Entities. We also anticipate achieving commercial operation at both the Phoebe solar project and Foard City wind project (depending on the aforementioned delay) in the United States and will continue to advance our prospective developments to meet commercial operation and budget schedules. The Innergex team remains committed to seeking out strategic opportunities for acquisitions to gain a foothold in new markets as well as consolidate its position in regions where it already operates.

SEGMENT INFORMATION

Geographic Segments

As at December 31, 2018, and excluding its investments in joint ventures and associates, which are accounted for using the equity method, the Corporation had interests in the following operating assets: 29 hydroelectric facilities, six wind farms and one solar farm in Canada, 15 wind farms in France, one hydroelectric facility and two solar farms in the United States and two geothermal facilities in Iceland. The Corporation operates in four principal geographical areas, which are detailed below.

	Year ended December 31, 2018	
	2018	2017
Revenues		
Canada	387,679	344,440
France	87,016	52,300
Iceland	95,198	—
United States	6,723	3,523
	576,616	400,263

	As at	
	December 31, 2018	December 31, 2017
Non-current assets, excluding derivatives financial instruments and deferred tax assets ¹		
Canada	3,757,207	2,977,859
France	956,214	973,740
Iceland ²	832,289	—
United States ³	526,716	7,052
Chile	154,299	—
	6,226,725	3,958,651

1. Includes the investments in joint ventures and associates.

2. Includes the Brúarvirkjun hydro project under construction.

3. Includes the Phoebe solar project and the Foard City wind project under construction.

Canada

Revenues up 13% to \$387.7 million for the year ended December 31, 2018

Non-current assets, excluding derivatives financial instruments and deferred tax assets up 26% to \$3,757.2 million for the year ended December 31, 2018

The increase in Canadian revenues for the year is attributable mainly to the 62% acquired interest in the Cartier Wind Farms and to higher production at Quebec wind farms and the Upper Lillooet hydro facility.

For the year ended December 31, 2018, the increase in non-current assets, excluding derivative financial instruments and deferred income tax assets in Canada, stems mainly from the acquisition of the remaining interest in the Cartier Wind Farms and Operating Entities and of Alterra, partly offset by depreciation of property, plant and equipment and amortization of intangible assets.

France

Revenues up 66% to \$87.0 million for the twelve-month period ended December 31, 2018

Non-current assets, excluding derivatives financial instruments and deferred tax assets down 2% to \$956.2 million for the year ended December 31, 2018

The increase in revenues in France for the year is attributable mainly to the annualized effect of the facilities acquired and commissioned in 2017 and to higher production at all French wind facilities.

For the period ended December 31, 2018, the change in non-current assets, excluding derivative financial instruments and deferred income tax assets in France, stems from the depreciation of property, plant and equipment and amortization of intangible assets, partly offset by the foreign exchange rate effect.

Iceland

Revenues at \$95.2 million for the year ended December 31, 2018

Non-current assets, excluding derivatives financial instruments and deferred tax assets at \$832.3 million for the year ended December 31, 2018

The increases in revenues and in non-current assets, excluding financial instruments and deferred income tax assets, stem from the two geothermal facilities acquired in February 2018 as part of the Alterra acquisition.

United States

Revenues up 91% to \$6.7 million for the year ended December 31, 2018

Non-current assets, excluding derivatives financial instruments and deferred tax assets up to \$526.7 million for the year ended December 31, 2018

The increase in revenues for the year can be explained mainly by the addition of the Kokomo and Spartan solar facilities acquired in February 2018 as part of the Alterra acquisition.

For the period ended December 31, 2018, the increase in non-current assets is attributable mainly to the acquisition of Alterra, which owns the Kokomo and Spartan solar facilities and interests in two US-based joint ventures and associates that are not consolidated and to the addition of the Phoebe solar project and the Foard City wind project, both being under construction.

Chile

Non-current assets, excluding derivatives financial instruments and deferred tax assets at \$154.3 million for the year ended December 31, 2018

The investment of the Corporation in Energía Llaima in Chile is accounted for using the equity method; its revenues are therefore not consolidated. Please refer to the "Investments in Joint Ventures and Associates" for more information.

For the period ended December 31, 2018, the increase in non-current assets is attributable to the investment in Energía Llaima and its acquisition of the Duqueco hydro project on July 3, 2018, and July 5, 2018, respectively.

Operating Segments

As at December 31, 2018, the Corporation had five operating segments: hydroelectric generation, wind power generation, geothermal power generation, solar power generation and site development.

Through its hydroelectric, wind power, geothermal power and solar power generation segments, the Corporation sells electricity produced by its hydroelectric, wind, geothermal and solar facilities mainly to publicly owned utilities or other creditworthy counterparties. Through its site development segment, Innergex analyzes potential sites and develops hydroelectric, wind, geothermal 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, 2018. 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, geothermal and solar power generation segments are accounted for at cost.

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

	SUMMARY OPERATING RESULTS					
	Hydroelectric	Wind	Geothermal	Solar	Site Development	Total
Year ended December 31, 2018						
Power generated (MWh)	2,825,113	2,200,095	1,196,939	61,289		6,283,436
Revenues	238,724	223,579	95,198	19,115	—	576,616
Expenses:						
Operating	49,746	33,755	53,149	1,222	—	137,872
General and administrative	10,815	16,487	6,114	673	—	34,089
Prospective projects	—	—	—	—	19,574	19,574
Adjusted EBITDA ¹	178,163	173,337	35,935	17,220	(19,574)	385,081
Year ended December 31, 2017						
Power generated (MWh)	2,775,715	1,560,425	—	40,057	18,013	4,394,210
Revenues	226,211	155,307	—	16,824	1,921	400,263
Expenses:						
Operating	44,151	26,098	—	678	745	71,672
General and administrative	9,934	7,271	—	144	457	17,806
Prospective projects	—	—	—	—	12,057	12,057
Adjusted EBITDA ¹	172,126	121,938	—	16,002	(11,338)	298,728

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

	FINANCIAL POSITION					
	Hydroelectric	Wind	Geothermal	Solar	Site Development	Total
As at December 31, 2018						
Goodwill	20,036	42,438	47,266	93	162	109,995
Total assets	2,577,675	2,442,365	913,081	156,166	391,997	6,481,284
Total liabilities	2,313,816	2,438,536	275,956	146,844	346,571	5,521,723
Acquisition of property, plant and equipment during the period	8,368	803	13,394	386	165,501	188,452
As at December 31, 2017 (Restated¹)						
Goodwill	8,269	30,311	—	—	—	38,580
Total assets	2,425,646	1,651,537	—	101,449	11,824	4,190,456
Total liabilities	2,093,158	1,515,468	—	102,765	25,803	3,737,194
Acquisition of property, plant and equipment during the year	18,804	352,968	—	12	185,884	557,668

1. For more information on the restatement, please refer to the "Accounting Changes" section.

Hydroelectric Generation Segment

Revenues up 6% to \$238.7 million for the year ended December 31, 2018

For the twelve-month period ended December 31, 2018, this segment produced 94% of the LTA, compared with production at 93% of the LTA last year. Production was lower than the LTA due mainly to below-average water flows in British Columbia, Quebec and Ontario and to challenging post-commissioning activities that have mostly been addressed at the Upper Lillooet River and Boulder Creek hydro facilities.

The increase in revenues compared with last year is due mainly to the contribution of the Upper Lillooet River and Boulder Creek hydroelectric facilities commissioned in March and May 2017, to a better selling price at Miller Creek, which is based on a formula using the Platts Mid-C pricing indexes, and to higher revenues in British Columbia, partly offset by lower revenues from the Quebec facilities. Expenses for the period were higher due mainly to challenging post-commissioning activities that have mostly been addressed at the Upper Lillooet River and Boulder Creek hydro facilities. In 2017, operating expenses for

the 12-month period were impacted by a \$3.3 million aggregate payment related to water rights for 2011 and 2012 for Fire Creek, Lamont Creek, Stokke Creek, Tipella Creek and Upper Stave River, which were reassessed following the decision by the British Columbia Ministry of Forests, Lands and Natural Resource Operations to apply higher rental rates based on the facilities' combined production rather than apply lower rates for each facility based on its individual production, as had previously been the ministry's practice. The Corporation was denied leave to appeal the Environmental Review Board decision to the Supreme Court of Canada for the years 2013 and following. An appeal is ongoing for the years 2011 and 2012 on different grounds not related to the previous appeal with the Environmental Appeal Board. Since 2013, these facilities' water rights fees have been paid at the higher rates. A 49.99% portion of the water rights payment was allocated to the non-controlling interests.

The increase in total assets since December 31, 2017, stems mainly from the February 2018 acquisition of Alterra, which owns interests in two joint ventures and associates, and from the investment in Energía Llaima, which owns interests in three hydro facilities. The increase was partly offset by depreciation of property, plant and equipment and amortization of intangible assets.

The increase in total liabilities since December 31, 2017, is attributable mainly to the acquisition of Alterra in February 2018 and to the acquisition of 50% of Energía Llaima in July 2018, partly offset by scheduled repayment of long-term debt.

Wind Power Generation Segment

Revenues up 44% to \$223.6 million for the year ended December 31, 2018

For the year ended December 31, 2018, this segment produced 100% of the LTA compared with production at 91% of the LTA last year. Production was aligned with LTA due mainly to above-average wind regimes in Quebec, partly offset by below-average wind regimes and outages caused by maintenance activities in France.

Revenues increased due mainly to the contribution of the wind facilities acquired in France in 2017, to the 62% acquired interest in the Cartier Wind Farms, to compensation from a manufacturer for low-availability of equipment at a wind farm and to higher production at all wind facilities in France and in Quebec.

The increase in total assets since December 31, 2017, is mainly attributable to the acquisition of the remaining interest in the Cartier Wind Farms and Operating Entities and of Alterra, which owns interests in several joint ventures and associates, partly offset by depreciation of property, plant and equipment and amortization of intangible assets.

The increase in total liabilities since December 31, 2017, is mainly attributable to the acquisition of the remaining interest in the Cartier Wind Farms and Operating Entities and of Alterra, which owns interests in several joint ventures and associates, partly offset by the scheduled repayment of long-term debt.

Geothermal Power Generation Segment

Revenues at \$95.2 million for the year ended December 31, 2018

For the year ended December 31, 2018, this segment produced 104% of the LTA.

The increase in revenues stems from the two geothermal facilities acquired in February 2018 as part of the Alterra acquisition.

The increase in total assets since December 31, 2017, results from the acquisition of Alterra in February 2018 which included two geothermal facilities in Iceland and a 30% investment in the Blue Lagoon (recorded in joint ventures and associates), partly offset by depreciation of property, plant and equipment and from amortization of intangible assets.

The increase in total liabilities since December 31, 2017, results from the acquisition of Alterra in February 2018 which included two geothermal facilities in Iceland and a 30% investment in the Blue Lagoon (recorded in joint ventures and associates).

Solar Power Generation Segment

Revenues up 14% at \$19.1 million for the year ended December 31, 2018

For the the year ended December 31, 2018, this segment produced 101% of the LTA compared with production at 106% of the LTA last year. Production was higher than the LTA due mainly to above-average solar regime in Ontario, partly offset by below-average solar regimes in Indiana and Michigan.

The increase in revenues stem from the addition of the Kokomo and Spartan solar facilities acquired in February 2018 as part of the Alterra acquisition.

The increase in total assets since December 31, 2017, results mainly from the acquisition of Alterra, which owns the Kokomo and Spartan solar facilities, and from the investment in Energía Llaima, which owns an interest in Pampa Elvira that is not consolidated, partly offset by depreciation of property, plant and equipment and the amortization of intangible assets.

The increase in total liabilities since December 31, 2017, is mainly due to the acquisition of Alterra, which owns the Spartan and Kokomo solar facilities, and to the investment in Energía Llaima, which owns an interest in Pampa Elvira, partly offset by the scheduled repayment of long-term debt.

Site Development Segment

Expenses up 48% to \$19.6 million for the year ended December 31, 2018

These increases in expenses for the year are mainly due to investments made to pursue growth opportunities and to the addition of Alterra's prospective projects.

The increase in total assets since December 31, 2017, stems mainly from the development of the Phoebe solar project and Foard City wind project.

Since December 31, 2017, the increase in total liabilities has mainly been due to the Phoebe solar project and Foard City wind project.

QUARTERLY FINANCIAL INFORMATION

<i>(in millions of dollars, unless otherwise stated)</i>	Three months ended			
	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	Mar. 31, 2018
Power generated (MWh)	1,747,708	1,556,891	1,823,321	1,136,345
Revenues	166.2	140.8	149.5	117.9
Adjusted EBITDA ¹	113.2	91.6	99.1	79.3
Realized and unrealized net (loss) gain on financial instruments	(1.6)	(3.0)	12.8	(11.3)
Net earnings (loss)	14.0	9.4	16.8	(14.6)
Adjusted Net Earnings ¹	13.0	19.5	1.5	(7.2)
Net earnings (loss) attributable to owners of the parent	14.7	10.7	13.3	(6.6)
Net earnings (loss) attributable to owners of the parent (\$ per share – basic and diluted)	0.10	0.07	0.09	(0.07)
Dividends declared on common shares	22.6	22.6	22.5	22.5
Dividends declared on common shares, \$ per share	0.170	0.170	0.170	0.170

1. Adjusted EBITDA and Adjusted Net Earnings are not a recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

<i>Restated²</i>	Three months ended			
	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	Mar. 31, 2017
<i>(in millions of dollars, unless otherwise stated)</i>				
Power generated (MWh)	1,106,060	1,243,099	1,322,781	722,273
Revenues	108.0	108.2	109.5	74.5
Adjusted EBITDA ¹	80.1	81.8	85.9	50.9
Realized and unrealized net (loss) gain on financial instruments	(1.4)	(1.0)	(0.5)	5.1
Net earnings (loss)	3.4	4.2	13.9	(2.5)
Adjusted Net Earnings ¹	3.9	4.8	13.5	(6.5)
Net earnings attributable to owners of the parent	7.0	5.7	14.4	2.3
Net earnings attributable to owners of the parent (\$ per share – basic and diluted)	0.05	0.04	0.12	0.01
Dividends declared on common shares	17.9	17.9	17.9	17.9
Dividends declared on common shares, \$ per share	0.165	0.165	0.165	0.165

1. Adjusted EBITDA and Adjusted Net Earnings are not a recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

2. For more information on the restatement, please refer to the "Accounting Changes" section. Only data from 2017 was restated.

Comparing the results for the most recent quarters illustrates the seasonality that is characteristic of the Corporation's production and the variability of power generated, revenues and Adjusted EBITDA from quarter to quarter. As the Corporation's annualized consolidated LTA is 41% 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. 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. Seasonality can also be explained by wind regimes that are generally best in the first and last quarters, as the wind segment also accounts for 41% of the Corporation's annualized consolidated LTA. Solar irradiation is at its highest during the summer months and at its lowest during the winter months. Geothermal production is fairly stable throughout the year.

Readers may expect the net earnings or losses to reflect this seasonality characteristic of hydroelectric facilities, wind farms and solar farms. However, other factors can also influence these figures, some of which have a relatively stable quarter-to-quarter impact while others are more variable. For the Corporation, the factors responsible for the largest fluctuations in net earnings (loss) are the unrealized and realized gains (losses) on financial instruments arising from the increase (decrease) in benchmark interest rates, foreign exchange fluctuations and fluctuations in future expected aluminum prices. Historical analysis of net earnings (losses) should take these factors into account. It should be noted that the unrealized changes in the market value of derivative financial instruments result from interest rate fluctuations, foreign exchange fluctuations and changes in the value of embedded derivatives linked to aluminum and do not have an impact on the Corporation's Adjusted EBITDA, finance costs, cash flows from operating activities, Free Cash Flow or Payout Ratio.

INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Electricity Production

	Three months ended December 31					
	2018			2017		
	Production (MWh) ¹	LTA (MWh) ¹	Production as a % of LTA	Production (MWh) ¹	LTA (MWh) ¹	Production as a % of LTA
Toba Montrose	60,698	78,296	78%	—	—	—
Shannon	165,436	185,391	89%	—	—	—
Flat Top	209,528	229,921	91%	—	—	—
Dokie	103,142	89,468	115%	—	—	—
Jimmie Creek	13,992	13,441	104%	—	—	—
Umbata Falls	45,523	33,037	138%	45,551	33,037	138%
Viger-Denonville	22,115	20,300	109%	24,190	20,300	119%
Peuchén	92,887	66,778	139%	—	—	—
Mampil	46,496	49,383	94%	—	—	—
Guayacan	23,478	21,679	108%	—	—	—
Pampa Elvira	11,647	13,399	87%	—	—	—

1. Corresponds to 100% of the facility's electricity production and LTA.

	Year ended December 31					
	Production (MWh) ¹	2018 LTA (MWh) ¹	Production as a % of LTA	Production (MWh) ¹	2017 LTA (MWh) ¹	Production as a % of LTA
Toba Montrose ²	655,796	704,194	93%	—	—	—
Shannon ²	617,821	646,637	96%	—	—	—
Flat Top ³	612,565	666,581	92%	—	—	—
Dokie ²	269,421	264,168	102%	—	—	—
Jimmie Creek ²	173,571	165,904	105%	—	—	—
Umbata Falls	121,425	109,101	111%	136,833	109,101	125%
Viger-Denonville	77,961	72,400	108%	73,369	72,400	101%
Peuchén ⁴	134,478	124,738	108%	—	—	—
Mampil ⁴	100,062	98,962	101%	—	—	—
Guayacan ⁵	34,966	33,930	103%	—	—	—
Pampa Elvira ⁵	23,632	26,319	90%	—	—	—

1. Corresponds to 100% of the facility's electricity production and LTA.

2. For the period from February 6, 2018, to December 31, 2018.

3. Flat Top was commissioned on March 23, 2018.

4. For the period from July 5, 2018, to December 31, 2018.

5. For the period from July 3, 2018, to December 31, 2018.

Innergex's share of Adjusted EBITDA of joint ventures and associates

	Three months ended December 31		Year ended December 31	
	2018	2017	2018	2017
Innergex's share of Adjusted EBITDA of joint ventures and associates ¹ :				
Toba Montrose (40%) ²	1,326	—	20,209	—
Shannon (50%) ^{2,5}	985	—	2,804	—
Flat Top (51%) ^{3,5}	894	—	2,707	—
Dokie (25.5%) ²	2,804	—	6,109	—
Jimmie Creek (50.99%) ²	747	—	8,142	—
Umbata Falls (49%)	1,559	1,589	4,189	5,066
Viger-Denonville (50%)	1,389	1,551	4,834	4,549
Blue Lagoon (30%) ^{2,4}	4,148	—	16,590	—
Energía Llaima (50%) ⁶	6,009	—	8,442	—
	19,861	3,140	74,026	9,615

1. Innergex's share of Adjusted EBITDA of joint ventures and associates is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information

2. For the period from February 6, 2018, to December 31, 2018.

3. Flat Top was commissioned on March 23, 2018.

4. HS Orka (53.9% interest) holds a 30% interest in Blue Lagoon.

5. Ownership interest is in the sponsor equity of Shannon and Flat Top, however, tax equity partners hold 100% of the tax equity interests.

6. Energía Llaima includes the Guayacan (69.47% interest), Pampa Elvira (55% interest) facilities for the period from July 3, 2018, to December 31, 2018 and the Mampil (100% interest) and Peuchén (100% interest) facilities for the period from July 5, 2018, to December 31, 2018.

The summarized financial information on next page represents amounts shown in the joint ventures' and associates' financial statements prepared in accordance with IFRS adjusted for fair value adjustments at acquisition and differences in accounting policies.

Summary Statements of Earnings and Comprehensive Income (Loss)

	Year ended December 31, 2018										
	Energia Llaima (181-day period)	Toba Montrose (329-day period)	Shannon (329-day period)	Flat Top (329-day period)	Dokie (329-day period)	Jimmie Creek (329-day period)	Umbata Falls	Viger-Denonville	Blue Lagoon (329-day period)	Others	Total
Revenues	30,739	65,435	13,934	15,057	31,610	19,166	9,459	11,724	172,094	—	369,218
Operating, general and administrative expenses	13,855	14,913	8,326	9,750	7,655	3,202	910	2,056	116,793	—	177,460
Adjusted EBITDA ¹	16,884	50,522	5,608	5,307	23,955	15,964	8,549	9,668	55,301	—	191,758
Finance costs	6,043	25,409	632	332	9,659	8,638	2,257	3,423	1,373	—	57,766
Other net (revenues) expenses	(3,588)	(495)	(785)	90	360	672	(81)	(72)	1,069	—	(2,830)
Depreciation and amortization	7,406	14,988	8,798	10,447	11,327	4,380	4,011	2,517	13,656	—	77,530
Unrealized net (gain) loss on financial instruments	—	1,135	(12,454)	(6,315)	—	—	(715)	(768)	—	—	(19,117)
Provision for income taxes	1,557	—	—	—	—	—	—	—	10,025	—	11,582
Net earnings	5,466	9,485	9,417	753	2,609	2,274	3,077	4,568	29,178	—	66,827
Other comprehensive income (loss)	13,780	—	9,906	14,851	—	—	—	(180)	(20,353)	31	18,035
Total comprehensive income	19,246	9,485	19,323	15,604	2,609	2,274	3,077	4,388	8,825	31	84,862
Net earnings attributable to Innergex	2,715	3,794	10,720	2,502	665	1,160	1,508	2,284	8,762	—	34,110
Total comprehensive income attributable to Innergex	9,605	3,794	15,673	10,076	665	1,160	1,508	2,194	2,650	31	47,356
Distributions received from the joint ventures and associates by the Corporation	—	7,000	2,202	3,232	510	2,295	1,790	2,013	7,557	—	26,599

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

Summary Statements of Earnings and Comprehensive Income (Loss)

	Year ended December 31, 2017		
	Umbata Falls	Viger-Denonville	Total
Revenues	11,645	10,998	22,643
Operating, general and administrative expenses	1,307	1,899	3,206
Adjusted EBITDA ¹	10,338	9,099	19,437
Finance costs	2,392	3,466	5,858
Other net expenses (revenues)	23	(40)	(17)
Depreciation and amortization	4,016	2,815	6,831
Unrealized net gain on financial instruments	(2,056)	(575)	(2,631)
Net earnings	5,963	3,433	9,396
Other comprehensive income	—	1,630	1,630
Total comprehensive income	5,963	5,063	11,026
Net earnings attributable to:			
Innergex	2,921	1,717	4,638
Total comprehensive income attributable to:			
Innergex	2,921	2,532	5,453
Distributions received from the joint ventures and associates by the Corporation	1,823	1,378	3,201

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

Summary Statements of Financial Position

	As at December 31, 2018								
	Energia Llaima	Toba Montrose	Shannon	Flat Top	Dokie	Jimmie Creek	Umbata Falls	Viger- Denonville	Blue Lagoon
Cash and cash equivalents	30,531	13,348	6,329	5,786	2,776	7,298	2,866	1,857	10,144
Other current assets	34,067	8,881	3,466	7,896	11,427	3,319	903	1,093	13,375
Current assets	64,598	22,229	9,795	13,682	14,203	10,617	3,769	2,950	23,519
Non-current assets	570,472	762,471	389,088	482,951	225,788	231,632	56,872	53,757	538,975
	635,070	784,700	398,883	496,633	239,991	242,249	60,641	56,707	562,494
Accounts payable and other payables	3,849	5,229	12,197	12,178	2,460	3,682	241	746	25,470
Other current liabilities	11,048	9,800	4,663	10,491	7,554	925	3,181	3,405	13,203
Current liabilities	14,897	15,029	16,860	22,669	10,014	4,607	3,422	4,151	38,673
Non-current liabilities	244,620	567,230	12,075	13,492	133,815	165,990	38,023	49,652	70,180
Tax equity interest	—	—	227,759	283,661	—	—	—	—	—
Sponsor/Partner's equity interest	308,598	202,441	142,189	176,811	96,162	71,652	19,196	2,904	453,641
Non-controlling interests	66,955	—	—	—	—	—	—	—	—
	635,070	784,700	398,883	496,633	239,991	242,249	60,641	56,707	562,494

Summary Statements of Financial Position

	As at December 31, 2017	
	Umbata Falls	Viger-Denonville
Cash and cash equivalents	1,620	1,760
Other current assets	1,930	1,245
Current assets	3,550	3,005
Non-current assets	60,658	53,812
	64,208	56,817
Accounts payable and other payables	198	744
Other current liabilities	3,314	3,611
Current liabilities	3,512	4,355
Non-current liabilities	40,924	49,920
Partner's equity	19,772	2,542
	64,208	56,817

Reconciliation of the above summarized financial information to the carrying amount of the interest in the joint ventures and associates recognized in the consolidated financial statements:

Summary of Investments in Joint Ventures and Associates

For the year ended December 31, 2018											
	Energia Llama	Toba Montrose	Shannon	Flat Top	Dokie	Jimmie Creek	Umbata Falls	Viger-Denonville	Blue Lagoon	Others	Total
Balance January 1, 2018	—	—	—	—	—	—	9,688	1,272	—	51	11,011
Business acquisitions	—	84,182	57,623	80,810	24,366	37,670	—	—	141,135	—	425,786
Increase in investment	144,694	—	—	2,520	—	—	—	—	—	5	147,219
Share of earnings (loss)	2,715	3,794	10,720	2,502	665	1,160	1,508	2,284	8,762	—	34,110
Share of other comprehensive income (loss)	6,890	—	4,953	7,574	—	—	—	(90)	(6,112)	31	13,246
Foreign exchange	—	—	—	—	—	—	—	—	—	—	—
Distributions received	—	(7,000)	(2,202)	(3,232)	(510)	(2,295)	(1,790)	(2,013)	(7,557)	—	(26,599)
Balance December 31, 2018	154,299	80,976	71,094	90,174	24,521	36,535	9,406	1,453	136,228	87	604,773

Reconciliation of the above summarized financial information to the carrying amount of the interest in the joint venture and associates recognized in the consolidated financial statements:

Summary of Investments in the Joint Venture and Associates

For the year ended December 31, 2017				
	Umbata Falls	Viger-Denonville	Others	Total
Balance January 1, 2017	8,590	118	51	8,759
Share of earnings	2,921	1,717	—	4,638
Share of other comprehensive income	—	815	—	815
Distributions received	(1,823)	(1,378)	—	(3,201)
Balance December 31, 2017	9,688	1,272	51	11,011

Toba Montrose

The Corporation holds a 51% voting interest and 40% participating economic interest in East Toba and Montrose Creek hydro facilities ("Toba Montrose"). In 2046, the Corporation's economic interest will increase to 51% for no additional consideration.

For the period from February 6, 2018, to December 31, 2018, production was 93% of the LTA due to below-average water flows.

Toba Montrose recorded net earnings of \$9.5 million for the period from February 6, 2018, to December 31, 2018.

Toba Montrose uses a derivative financial instrument to manage its exposure to the risk of increasing interest rates on its debt financing and does not own or issue any derivative financial instruments for speculation purposes. An amortizing interest rate swap totaling \$92.7 million used to hedge the interest rate of the Toba Montrose loan had a net negative value of \$30.7 million at December 31, 2018.

Shannon

The Corporation holds a 50% sponsor equity interest in the Shannon wind facility, with the remaining 50% sponsor equity interest and tax equity interest held by third parties.

For the period from February 6, 2018, to December 31, 2018, production was 96% of the LTA due mainly to below-average wind regimes.

Shannon recorded net earnings of \$9.4 million for the period from February 6, 2018, to December 31, 2018.

On June 29, 2015, Shannon entered into a long-term power hedge covering the period from June 1, 2016, to May 31, 2029. The power hedge provides for Shannon to receive a fixed dollar amount per MWh for a fixed quantity of power. Shannon and the hedge provider settle net on a monthly basis. Shannon hedges approximately 85% of its output; the power hedge had a net positive value of \$47.7 million at December 31, 2018.

One of the primary incentives for renewable energy in the United States has been the production tax credit program ("PTC"), whereby corporations that generate electricity from renewable energy sources, including wind, are eligible for tax credits which provide a tax benefit for each unit of generation for the first 10 years of the facility's operation (until 2025 for Shannon). The Shannon tax equity investors are allocated a portion of Shannon's taxable income (losses) and PTCs and a portion of the cash generated until they achieve an agreed after-tax investment return (the "Flip Point"). After the Flip Point, the Shannon tax equity investors will be allocated 5% of cash distributions and taxable income (losses) and the sponsors will be allocated 95% of all cash distributions and taxable income (losses).

For the period from February 6, 2018, to December 31, 2018, the wind facility generated approximately US\$14.6 million (\$15.5 million) of PTCs.

The tax equity investors' and sponsors' taxable income (losses) and PTCs and cash distributions allocations are detailed in the table below. These allocations will change when the Tax Equity Investors reach their expected return.

	Tax Equity Investors	Sponsors
Taxable income (losses) and PTCs	99.0%	1.0%
Cash distributions	64.1%	35.9%

Due to exceptionally low winds at the facility during certain parts of 2016 and 2017, there is currently a higher allocation of cash to the tax equity investors, which commenced in the first quarter of 2017. The cash allocations are based on a quarterly test measuring cumulative generation for the project since tax equity funding (December 14, 2015) with allocations to the Sponsors and Tax Equity Investors based on cumulative allocations.

Tax equity investors in U.S. projects generally require sponsor guaranties as a condition to their investment. To support the tax equity investments at Shannon, Alterra, a subsidiary of Innergex, executed a guarantee indemnifying the tax equity investors against certain breaches of project level representations, warranties and covenants and other events. The Corporation believes these indemnifications cover matters which are substantially under its control, and are very unlikely to occur.

Flat Top

The Corporation holds a 51% sponsor equity interest in the Flat Top wind facility, with the remaining 49% sponsor equity interest and tax equity interest held by third parties. The wind farm began commercial operation on March 23, 2018.

For the period from March 23, 2018, to December 31, 2018, production was 92% of the LTA due mainly to below-average wind regimes and to post-commissioning activities.

Flat Top recorded net earnings of \$0.8 million for the period from February 6, 2018, to December 31, 2018.

On May 24, 2017, Flat Top entered into a long-term power hedge covering the period from August 1, 2018, to July 31, 2031. The power hedge provides for the Corporation to receive a fixed dollar amount per MWh for a fixed quantity of power. Flat Top and the hedge provider settle net on a monthly basis. Flat Top hedges approximately 81% of its output; the power hedge had a net positive value of \$16.7 million at December 31, 2018.

One of the primary incentives for renewable energy in the United States has been the PTC program, whereby corporations that generate electricity from renewable energy sources, including wind, are eligible for tax credits which provide a tax benefit for each unit of generation for the first 10 years of the facility's operation (until 2028 for Flat Top). The Flat Top tax equity investors are allocated a portion of Flat Top's taxable income (losses) and PTCs and a portion of the cash generated until they achieve an agreed after-tax investment return. After the Flip Point, the Flat Top tax equity investors will be allocated 5% of cash distributions and taxable income (losses) and the sponsors will be allocated 95% of all cash distributions and taxable income (losses).

For the period from March 23, 2018, to December 31, 2018, the wind facility generated approximately US\$14.5 million (\$19.1 million) of PTCs.

The tax equity investors' and sponsors' taxable income (losses) and PTCs and cash distributions allocations are detailed in the table below. These allocations will change when the tax equity investors reach their expected return.

	Tax Equity Investors	Sponsors
Taxable income (losses) and PTCs	99.00%	1.00%
Cash distributions	21.97%	78.03%

Tax equity investors in U.S. projects generally require sponsor guaranties as a condition to their investment. To support the tax equity investments at Flat Top, Alterra, a subsidiary of Innergex, executed a guarantee indemnifying the Tax Equity Investors against certain breaches of project level representations, warranties and covenants and other events. The Corporation believes these indemnifications cover matters that are substantially under its control and very unlikely to occur.

Dokie

The Corporation holds a 25.5% voting and participating interest in the Dokie wind facility.

For the period from February 6, 2018, to December 31, 2018, production was 102% of the LTA due mainly to above-average wind regimes.

Dokie recorded net earnings of \$2.6 million for the period from February 6, 2018, to December 31, 2018.

Jimmie Creek

The Corporation holds a 50.99% voting and participating interest in the Jimmie Creek hydro facility.

For the period from February 6, 2018, to December 31, 2018, production was 105% of the LTA due mainly to above-average water flows.

Jimmie Creek achieved net earnings of \$2.3 million for the period from February 6, 2018 to December 31, 2018.

Umbata Falls

The Corporation holds a 49% voting and participating interest in the Umbata Falls hydro facility.

For the year ended December 31, 2018, production was 111% of the LTA, due to above-average water flows.

For the year ended December 31, 2018, the decrease in Adjusted EBITDA is due mainly to lower production this year compared with the same period last year and to the end of the EcoEnergy program subsidies in May 2018.

Net earnings increased for the the year ended December 31, 2018, mainly due to a smaller unrealized net loss on financial instruments.

Viger-Denonville

The Corporation holds a 50% voting and participating interest in the Viger-Denonville wind facility.

For the year ended December 31, 2018, production was 108% of the LTA due mainly to above-average wind regime.

For the year ended December 31, 2018, the Adjusted EBITDA increased due mainly to higher production compared with last year.

For the year ended December 31, 2018, the increase in net earnings compared with last year is due mainly to higher Adjusted EBITDA.

For the year ended December 31, 2018, the decrease in total comprehensive income is attributable mainly to other comprehensive loss compared to an other comprehensive income in 2017.

Energía Llaima

The Corporation holds a 50% voting and equity interest in Energía Llaima, which produces and sells electricity from the Guayacan (69.47% interest), Mampil (100% interest) and Peuchén (100% interest) hydro facilities and the Pampa Elvira (55% interest) solar-thermal facility in Chile.

For the period from July 3, 2018, to December 31, 2018, production of the four facilities combined was 103% of the LTA due mainly to above-average water flows at the hydro facilities, partly offset by repair and maintenance work performed at Pampa Elvira.

For the period from July 3, 2018, to December 31, 2018, Energía Llaima recorded net earnings of \$5.5 million.

Blue Lagoon

HS Orka holds a 30% interest in Blue Lagoon hf., which operates the Blue Lagoon geothermal spa in Iceland.

Blue Lagoon recorded net earnings of \$8.8 million for the period from February 6, 2018, to December 31, 2018.

Commitments of joint ventures and associates

As at December 31, 2018, the Corporation's share of the expected schedule of commitment payments for the joint ventures and associates were as follows:

Years of	Hydroelectric Generation	Wind Power Generation	Total
2019	1,606	4,494	6,100
2020	1,420	4,497	5,917
2021	1,439	5,060	6,499
2022	1,458	5,063	6,521
2023	1,477	5,067	6,544
Thereafter	40,094	46,737	86,831
Total	47,494	70,918	118,412

NON-WHOLLY OWNED SUBSIDIARIES

Summarized financial information regarding each of the Corporation's subsidiaries that has material non-controlling interests is set out below. Amounts are shown before intragroup eliminations.

HS Orka hf ("HS Orka")

The Corporation holds a 53.9% voting and participating interest in HS Orka, which produces and sells electricity from two operating geothermal plants located in Iceland, namely Reykjanes and Svartsengi.

Summary Statements of Earnings and Comprehensive Income – HS Orka

	Period of 329 days ended December 31, 2018
Revenues	95,198
Adjusted EBITDA ¹	27,906
Net earnings ²	1,998
Other comprehensive loss	(36,711)
Total comprehensive loss	(34,713)
Net earnings attributable to:	
Innergex	1,077
Non-controlling interests	921
	1,998
Total comprehensive loss attributable to:	
Innergex	(18,710)
Non-controlling interests	(16,003)
	(34,713)

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

2. Expenses also include non-cash expenses, such as depreciation and amortization totalling \$19.8 million and an unrealized net loss on financial instruments related to embedded derivatives totalling \$16.9 million, partly offset by earnings from the Blue Lagoon of \$8.8 million for the 329-day period ended December 31, 2018.

For the period from February 6, 2018 to December 31, 2018, net earnings of \$2.0 million are attributable mainly to high generation, which was 104% of the budget, partially offset by costs of production and changes in the fair value of the embedded derivatives.

Summary Statement of Financial Position – HS Orka

	As at December 31, 2018
Current assets	33,526
Non-current assets	832,290
	865,816
Current liabilities	36,620
Non-current liabilities	205,088
Equity attributable to Innergex	341,443
Non-controlling interests	282,665
	865,816

Harrison Hydro Limited Partnership ("Harrison Hydro L.P.") and Its Subsidiaries

The Corporation owns a 50.01% voting and participating interest in Harrison Hydro Limited Partnership, which has interests in six hydroelectric facilities: Douglas Creek, Fire Creek, Lamont Creek, Stokke Creek, Tipella Creek and Upper Stave River.

Summary Statements of Earnings and Comprehensive Income – Harrison Hydro L.P.

	Year ended December 31	
	2018	2017
Revenues	50,509	50,891
Adjusted EBITDA ¹	40,411	36,847
Net loss and comprehensive loss	(4,172)	(6,798)
Net (loss) earnings and comprehensive (loss) income attributable to:		
Innergex	(2,565)	(3,970)
Non-controlling interests	(1,607)	(2,828)
	(4,172)	(6,798)

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

For the year ended December 31, 2018, the decrease in net loss is attributable mainly to a \$3.3 million non-recurring expense recorded in 2017 related to water rights for 2011 and 2012 for the Harrison Hydro L.P. facilities, which were reassessed following the decision by the British Columbia Ministry of Forests, Lands and Natural Resource Operations to apply higher rental rates based on the facilities' combined production rather than apply lower rates for each facility based on its individual production, as had previously been the ministry's practice. The Corporation was denied leave to appeal the Environmental Review Board's decision for the years 2013 and following to the Supreme Court of Canada of the decision of the Environmental Review Board's decision for the years 2013 and following. An appeal is ongoing for the years 2011 and 2012 on different grounds not related to the previous Environmental Appeal Board appeal. Since 2013, these facilities' water rights fees have been paid at the higher rates. A 49.99% portion of the water rights payment was allocated to the non-controlling interests.

Summary Statements of Financial Position – Harrison Hydro L.P.

	As at	
	December 31, 2018	December 31, 2017
Current assets	20,642	13,376
Non-current assets	587,713	601,105
	608,355	614,481
Current liabilities	17,480	17,163
Non-current liabilities	451,381	453,647
Equity attributable to Innergex	88,218	90,787
Non-controlling interests	51,276	52,884
	608,355	614,481

The decrease in equity attributable to Innergex and non-controlling interests is due mainly to the recognition of a comprehensive loss.

Kwoiek Creek Resources Limited Partnership

The Corporation owns a 50.0% voting interest in Kwoiek Creek Resources Limited Partnership, which owns the Kwoiek Creek hydroelectric facility and all the preferred units.

Summary Statements of Earnings and Comprehensive Income – Kwoiek Creek Resources Limited Partnership

	Year ended December 31	
	2018	2017
Revenues	17,899	19,016
Adjusted EBITDA ¹	13,846	15,234
Net loss and comprehensive loss	(2,096)	(890)
Net loss and comprehensive loss attributable to:		
Innergex	(1,048)	(445)
Non-controlling interest	(1,048)	(445)
	(2,096)	(890)

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

For the year ended December 31, 2018, the decreases in revenues and Adjusted EBITDA are due mainly to production levels that were lower than last year. The recognition of a net loss is attributable mainly to the recording of a \$4.1 million (2017- \$4.2 million) preferred return payable to the Corporation on the \$39.8 million preferred units. It is also attributable to the interest on the \$3.7 million subordinated debt payable to a partner. Excluding these elements, net earnings would have been \$2.0 million (2017- \$3.3 million).

Summary Statements of Financial Position – Kwoiek Creek Resources Limited Partnership

	As at	
	December 31, 2018	December 31, 2017
Current assets	4,306	7,335
Non-current assets	169,408	172,223
	173,714	179,558
Current liabilities	5,428	7,919
Non-current liabilities	191,784	193,480
Deficit attributable to Innergex	(11,282)	(10,672)
Non-controlling interests deficit	(12,216)	(11,169)
	173,714	179,558

For the year ended December 31, 2018, the increase in the deficit attributable to owners is mainly due to the net loss incurred.

Mesgi'g Ugju's'n (MU) Wind Farm, L.P. ("Mesgi'g Ugju's'n")

The Corporation owns a 50% voting interest in Mesgi'g Ugju's'n (MU) Wind Farm, L.P., which owns the Mesgi'g Ugju's'n wind facility, and a participation interest of 72.4% in 2018 (participation interest to decline over the years).

Summary Statement of Earnings and Comprehensive Income – Mesgi'g Ugju's'n

	Year ended December 31	
	2018	2017
Revenues	62,592	51,845
Adjusted EBITDA ¹	55,766	46,219
Net earnings	33,137	21,825
Other comprehensive (loss) income	(174)	3,246
Total comprehensive income	32,963	25,071
Net earnings attributable to:		
Innergex	23,981	15,795
Non-controlling interest	9,156	6,030
	33,137	21,825
Total comprehensive income attributable to:		
Innergex	23,855	18,144
Non-controlling interest	9,108	6,927
	32,963	25,071

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

For the year ended December 31, 2018, the increase in net earnings is due mainly to higher production from above-average wind regimes and from compensation received from a manufacturer for low availability of equipment.

Summary Statement of Financial Position – Mesgi'g Ugju's'n

	As at	
	December 31, 2018	December 31, 2017
Current assets	23,533	21,727
Non-current assets	276,142	283,271
	299,675	304,998
Current liabilities	12,500	16,004
Non-current liabilities	246,394	247,867
Equity attributable to Innergex	44,575	44,826
Non-controlling interest deficit	(3,794)	(3,699)
	299,675	304,998

For the year ended December 31, 2018, the equity attributable to owners remained stable due to distributions to owners similar to the comprehensive income.

Innergex Sainte-Marguerite, S.E.C. ("SM S.E.C.")

The Corporation owns 50.01% of the common units and all of the preferred units of SM S.E.C., which owns the Sainte-Marguerite hydroelectric facility.

Summary Statements of Earnings and Comprehensive Income – SM S.E.C.

	Year ended December 31	
	2018	2017
Revenues	11,246	12,755
Adjusted EBITDA ¹	8,502	10,507
Net loss and comprehensive loss	(4,315)	(2,104)
Net loss and comprehensive loss attributable to:		
Innergex	(2,158)	(1,052)
Non-controlling interest	(2,157)	(1,052)
	(4,315)	(2,104)

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

For the year ended December 31, 2018, the increase in net loss and comprehensive loss is due mainly to lower production and revenues compared with last year. A \$4.6 million preferred return payable to Innergex on the \$43.7 million preferred units was recorded. Excluding the preferred return, net earnings would have been \$0.3 million.

Summary Statements of Financial Position – SM S.E.C.

	As at	
	December 31, 2018	December 31, 2017
Current assets	1,542	2,794
Non-current assets	126,863	129,614
	128,405	132,408
Current liabilities	6,550	8,085
Non-current liabilities	122,915	121,067
Equity attributable to Innergex	7,711	9,870
Non-controlling interests deficit	(8,771)	(6,614)
	128,405	132,408

For the year ended December 31, 2018, the decrease in the equity attributable to owners is mainly due to the net loss and comprehensive loss.

Innergex Europe (2015) Limited Partnership and Its Subsidiaries ("Innergex Europe")

The Corporation owns a 69.55% interest in Innergex Europe, which owns the Antoigné, Beaumont, Bois d'Anchat, Bois des Cholletz, Les Renardières, Longueval, Montjean, Plan Fleury, Porcien, Rougemont 1-2, Theil-Rabier, Vaite, Vallottes and Yonne wind facilities. The Corporation also owns all preferred units.

Summary Statements of Earnings and Comprehensive Income – Innergex Europe

	Year ended December 31	
	2018	2017
Revenues	87,016	52,300
Adjusted EBITDA ¹	68,626	40,164
Net loss	(17,989)	(23,538)
Other comprehensive income	1,130	354
Total comprehensive loss	(16,859)	(23,184)
Net loss attributable to:		
Innergex	(12,511)	(16,370)
Non-controlling interests	(5,478)	(7,168)
	(17,989)	(23,538)
Total comprehensive loss attributable to:		
Innergex	(11,602)	(16,124)
Non-controlling interests	(5,257)	(7,060)
	(16,859)	(23,184)

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

For the year ended December 31, 2018, production was 90% of the LTA, due mainly to below-average wind regimes and outages caused by maintenance activities; however, production still increased by 57% over last year. The decrease in net loss is due mainly to higher revenues resulting from higher production and to the facilities commissioned and acquired in 2017, partly offset by higher finance costs and depreciation and amortization expenses. Expenses include \$6.7 million in interest payable to Desjardins on the \$78.0 million debenture (\$5.0 million on the \$78.0 million debenture in 2017) and a \$15.2 million preferred return payable to Innergex on the \$178.1 million preferred units (\$11.5 million on the \$178.1 million preferred units in 2017). Excluding these items, net earnings would have been \$3.9 million (net loss of \$5.1 million in 2017). Expenses also include non-cash expenses such as depreciation and amortization, which totalled \$47.8 million (\$31.7 million in 2017).

Summary Statements of Financial Position – Innergex Europe

	As at	
	December 31, 2018	December 31, 2017
Current assets	40,787	76,091
Non-current assets	957,524	967,260
	998,311	1,043,351
Current liabilities	140,042	119,935
Non-current liabilities	888,376	934,396
Deficit attributable to Innergex	(34,969)	(21,541)
Non-controlling interests	4,862	10,561
	998,311	1,043,351

The decrease in current assets is due to lower accounts receivable related to the reimbursement of commodity taxes for the Plan Fleury, Les Renardières and Theil-Rabier wind facilities and to lower restricted cash and short-term investments stemming from the amounts used to pay for remaining construction costs of the Rougemont 1-2, Vaite, Plan Fleury and Les Renardières facilities.

For the year ended December 31, 2018, the increase in the deficit attributable to Innergex is mainly due to the net loss.

Spartan

The Corporation owns 100% of the sponsor equity interest in the Spartan solar facility and none of the tax equity interest, which is owned by a third party.

Summary Statements of Earnings and Comprehensive Income (Loss) – Spartan

	Period of 329 days ended December 31, 2018
Revenues	1,781
Adjusted EBITDA ¹	1,373
Net loss	(444)
Other comprehensive income	1,641
Total comprehensive income	1,197
Net loss attributable to:	
Tax equity investor	(530)
Innergex	86
	(444)
Total comprehensive income (loss) attributable to:	
Tax equity investor	483
Innergex	714
	1,197

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

Summary Statement of Financial Position – Spartan

	As at December 31, 2018
Current assets	1,012
Non-current assets	28,342
	29,354
Current liabilities	882
Non-current liabilities	12,687
Tax equity interest	11,547
Equity attributable to Innergex	4,238
	29,354

Kokomo

The Corporation holds a 90% sponsor equity interest in the Kokomo solar facility, with the remaining 10% sponsor equity interest and tax equity interest held by third parties.

Summary Statements of Earnings and Comprehensive Income (Loss) – Kokomo

	Period of 329 days ended December 31, 2018
Revenues	844
Adjusted EBITDA ¹	607
Net loss	(251)
Other comprehensive income	636
Total comprehensive income	385
Net loss attributable to:	
Tax equity investor	(211)
Sponsors	(40)
	(251)
Total comprehensive income (loss) attributable to:	
Tax equity investor	182
Sponsors	203
	385

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

Summary Statement of Financial Position – Kokomo

	As at December 31, 2018
Current assets	160
Non-current assets	13,318
	13,478
Current liabilities	596
Non-current liabilities	5,546
Tax equity interest	4,804
Sponsors equity interest	2,532
	13,478

RELATED PARTY TRANSACTIONS

Related party transactions conducted in the normal course of operations are measured at fair value which is the amount established and agreed to by the related parties, unless specific requirements within IFRS require different treatment.

As part of the acquisition of Alterra, the following debts were assumed: (i) in 2011, Ross J. Beaty, chairman of the board of directors and a large shareholder of Alterra, entered into a revolving credit facility with Alterra (the "Credit Facility"). The Credit Facility had a borrowing capacity of \$20 million and made funds available to Alterra on a revolving basis at an interest rate of 8% per annum, compounded and payable monthly. In addition, a standby fee in the amount of 0.75% of the Credit Facility and a drawdown fee in the amount of 1.5% of amounts advanced were payable in cash. The Credit Facility matured on March 31, 2018. Alterra had borrowed \$17.3 million under the Credit Facility; and (ii) in October 2016, Ross J. Beaty loaned, through a five-year term bond, US\$35.7 million to Alterra's subsidiary Magma Energy Sweden A.B (the "Bond"). The Bond paid interest at 8.5% per annum with an upfront fee of 2% of the principal which was paid at closing of the financing. The Bond was collateralized by 15% of the outstanding shares in HS Orka. To optimize its treasury management, the Corporation repaid both the Credit Facility and the Bond in the first quarter of 2018.

NON-IFRS MEASURES

This MD&A has been prepared in accordance with IFRS. However, some measures referred to in this MD&A are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Innergex believes that these indicators are important, as they provide management and the reader with additional information about the Corporation's production and cash generation capabilities, its ability to sustain current dividends and dividend increases and its ability to fund its growth. These indicators also facilitate the comparison of results over different periods. Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EBITDA Proportionate, Innergex's share of Adjusted EBITDA of joint ventures and associates, Adjusted Net Earnings (Loss), Free Cash Flow and Payout Ratio are not measures recognized by IFRS and have no standardized meaning prescribed by IFRS.

	Three months ended December 31		Year ended December 31	
	2018	2017	2018	2017
		Restated ¹		Restated ¹
Net earnings	13,953	3,513	25,718	19,136
Income tax expenses (recovery)	1,376	(451)	2,694	7,101
Finance costs	55,444	40,398	199,804	147,492
Depreciation and amortization	48,349	34,476	171,797	129,429
EBITDA	119,122	77,936	400,013	303,158
Other net expenses	9,139	2,480	15,273	2,453
Share of earnings of joint ventures and associates	(16,722)	(1,707)	(34,110)	(4,638)
Unrealized net (gain) loss on financial instruments	1,612	1,350	3,905	(2,245)
Adjusted EBITDA	113,151	80,059	385,081	298,728
Adjusted EBITDA margin	68%	74%	67%	75%

1. For more information on the restatement, please refer to the "Accounting Changes" section.

References in this document to "Adjusted EBITDA" are to net earnings (loss) to which are added (deducted) provision (recovery) for income tax expenses, finance cost, depreciation and amortization, other net expenses, share of (earnings) loss of joint ventures and associates and unrealized net (gain) loss on financial instruments. Innergex believes that the presentation of this measure enhances the understanding of the Corporation's operating performance. Readers are cautioned that Adjusted EBITDA should not be construed as an alternative to net earnings, as determined in accordance with IFRS.

References in this document to "Adjusted EBITDA Margin" are to Adjusted EBITDA divided by revenues. Innergex believes that the presentation of this measure enhances the understanding of the Corporation's operating performance.

References in this document to "Innergex's share of Adjusted EBITDA of the joint ventures and associates" are to Innergex's ownership interest in the equity or in the sponsors' equity when applicable of the Adjusted EBITDA of the joint ventures and associates. Please refer to the "Joint Ventures and Associates" section of this MD&A for more information.

References in this document to "Adjusted EBITDA Proportionate" are to Adjusted EBITDA plus Innergex's share of Adjusted EBITDA of the joint ventures and associates. Innergex believes that the presentation of this measure enhances the understanding of the Corporation's operating performance. Readers are cautioned that Adjusted EBITDA Proportionate should not be construed as an alternative to net earnings, as determined in accordance with IFRS. Please refer to the "Operating Results" section of this MD&A for more information.

References to "Adjusted Net Earnings (Loss)" are to net earnings or losses of the Corporation, to which the following elements are added (subtracted): unrealized net (gain) loss on financial instruments; realized (gain) loss on financial instruments; income tax expense (recovery) related to the above items; and the share of unrealized net (gain) loss on derivative financial instruments of joint ventures and associates, net of related tax. Innergex uses derivative financial instruments to hedge its exposure to various risks. Accounting for derivatives under International Accounting Standards requires that all derivatives are marked-to-market with changes in the mark-to-market of the derivatives for which hedge accounting is not applied being taken to the profit and loss account. The application of this accounting standard results in a significant amount of profit and loss volatility arising from the use of derivatives that are not designated for hedge accounting. The Adjusted Net Earnings (Loss) of the Corporation aims to eliminate the impact of the mark-to-market rules on derivatives on the profit and loss of the Corporation. Innergex believes that the analysis and presentation of net earnings or loss on this basis enhances understanding of the Corporation's operating performance. Readers are cautioned that Adjusted Net Earnings (Loss) should not be construed as an alternative to net earnings, as determined in accordance with IFRS. Please refer to the "Operating Results" section of this MD&A for the reconciliation of Adjusted Net Earnings (Loss).

References to "Free Cash Flow" are to cash flows from operating activities before changes in non-cash operating working capital items, less maintenance capital expenditures net of proceeds from disposals, scheduled debt principal payments, preferred share dividends declared and the portion of Free Cash Flow attributed to non-controlling interests, plus or minus other elements that are not representative of the Corporation's long-term cash generating capacity, such as transaction costs related to realized acquisitions (which are financed at the time of the acquisition), realized losses or gains on derivative financial instruments used to hedge the interest rate on project-level debt or the exchange rate on equipment purchases. Innergex believes that presentation of this measure enhances the understanding of the Corporation's cash generation capabilities, its ability to sustain current dividends and dividend increases and its ability to fund its growth. Readers are cautioned that Free Cash Flow should not be construed as an alternative to cash flows from operating activities, as determined in accordance with IFRS. Please refer to the "Free Cash Flow and Payout Ratio" section of this MD&A for the reconciliation of Free Cash Flow.

References to "Payout Ratio" are to dividends declared on common shares divided by Free Cash Flow. Innergex believes that this is a measure of its ability to sustain current dividends and dividend increases as well as its ability to fund its growth.

FORWARD-LOOKING INFORMATION

To inform readers of the Corporation's future prospects, this MD&A contains forward-looking information within the meaning of applicable securities laws ("Forward-Looking Information"). Forward-Looking Information can generally be identified by the use of words such as "approximately", "may", "will", "could", "believes", "expects", "intends", "should", "would", "plans", "potential", "project", "anticipates", "estimates", "scheduled" or "forecasts", or other comparable terminology that state that certain events will or will not occur. It represents the projections and expectations of the Corporation relating to future events or results as of the date of this MD&A.

Future-oriented financial information: Forward-Looking Information includes future-oriented financial information or financial outlook within the meaning of securities laws, including information regarding the Corporation's expected production, projected revenues, projected Adjusted EBITDA and projected Adjusted EBITDA Proportionate, Projected Free Cash Flow and intention to dividend quarterly, the estimated project size, costs and schedule, including expected obtainment of permits, start of construction, work conducted and start of commercial operation for Development Projects and Prospective Projects, the Corporation's intention to submit projects under Requests for proposals, the qualification of U.S. projects for PTCs and ITCs, the potential divestiture of selected assets by the Corporation and other statements that are not historical facts. Such information is intended to inform readers of the potential financial impact of expected results, of the expected commissioning of Development Projects, of the potential financial impact of completed and future acquisitions and of the Corporation's ability to sustain current dividends and to fund its growth. Such information may not be appropriate for other purposes.

Assumptions: Forward-Looking Information is based on certain key assumptions made by the Corporation, including, without restriction, those concerning hydrology, wind regimes, geothermal resources and solar irradiation, performance of operating facilities, project performance, economic, financial and financial market conditions, the Corporation's success in developing and constructing new facilities, expectations and assumptions concerning availability of capital resources and timely performance by third parties of contractual obligations, receipt of regulatory approvals and the divestiture of selected assets.

Risks and Uncertainties: Forward-Looking Information involves risks and uncertainties that may cause actual results or performance to be materially different from those expressed, implied or presented by the Forward-Looking Information. These are referred to in the Risks and Uncertainties” section of this MD&A and include, without limitation: the ability of the Corporation to execute its strategy for building shareholder value (including through the potential divestiture of selected assets); its ability to raise additional capital and the state of the capital markets; liquidity risks related to derivative financial instruments; variability in hydrology, geothermal resources, wind regimes and solar irradiation; delays and cost overruns in the design and construction of projects; the ability to secure new power purchase agreements or renew any power purchase agreement; fluctuation affecting prospective power prices; health, safety and environmental risks; uncertainties surrounding the development of new facilities; obtainment of permits; equipment failure or unexpected operations and maintenance activity; interest rate fluctuations and refinancing risk; financial leverage and restrictive covenants governing current and future indebtedness; the possibility that the Corporation may not declare or pay a dividend; failure to realize the anticipated benefits of such acquisitions (including the acquisition of the Cartier Wind Farms); integration of the businesses acquired or to be acquired (including the Alterra Acquisition and the acquisition of the Cartier Wind Farms); changes in governmental support to increase electricity to be generated from renewable sources by independent power producers; variability of installation performance and related penalties; the ability to attract new talent or to retain officers or key employees; litigation; performance of major counterparties; social acceptance of renewable energy projects; relationships with stakeholders; equipment supply; exposure to many different forms of taxation in various jurisdictions; changes in general economic conditions; regulatory and political risks; ability to secure appropriate land; reliance on PPAs; availability and reliability of transmission systems (including due to reliance on third parties); foreign market growth and development risks; foreign exchange fluctuations; increases in water rental cost or changes to regulations applicable to water use; assessment of water, wind, solar and geothermal resources and associated electricity production; natural disasters and force majeure; cybersecurity; sufficiency of insurance coverage limits and exclusions; a credit rating that may not reflect actual performance of the Corporation or a lowering (downgrade) of the credit rating; integration of the facilities and projects acquired and to be acquired; reliance on shared transmission and interconnection infrastructure and the fact that revenues from certain facilities will vary based on the market (or spot) price of electricity; risks related to U.S. production and investment tax credits, changes in U.S. corporate tax rates and availability of tax equity financing; host country economic, social and political conditions; risk inherent in geothermal resources; aluminum price risks; geological occurrences, rockslides, avalanches, tornados, hurricanes or other occurrences outside the Corporation’s control; adverse claims to property title; unknown liabilities; reliance on intellectual property and confidential agreements to protect our rights and confidential information; and reputational risks arising from misconduct of representatives of the Corporation.

Although the Corporation believes that the expectations and assumptions on which Forward-Looking Information is based are reasonable under the current circumstances, readers are cautioned not to rely unduly on this Forward-Looking Information as no assurance can be given that it will prove to be correct. 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 so required by law.

Forward-Looking Information in this MD&A

The following table outlines the Forward-Looking Information contained in this MD&A, which the Corporation considers important to better inform readers about its potential financial performance, together with the principal assumptions used to derive this information and the principal risks and uncertainties that could cause actual results to differ materially from this information.

Principal Assumptions

Principal Risks and Uncertainties

Expected production

For each facility, the Corporation determines a long-term average annual level of electricity production ("LTA") over the expected life of the facility, based on engineers' studies that take into consideration a number of important factors: for hydroelectricity, the historically observed flows of the river, the operating head, the technology employed and the reserved aesthetic and ecological flows; for wind energy, the historical wind and meteorological conditions and turbine technology; for solar energy, the historical solar irradiation conditions, panel technology and expected solar panel degradation and for geothermal power facilities, the historical geothermal resources, natural depletion of geothermal resources over time, the technology used and the potential of energy loss to occur before delivery. Other factors taken into account include, without limitation, site topography, installed capacity, energy losses, operational features and maintenance. Although production will fluctuate from year to year, over an extended period it should approach the estimated LTA. On a consolidated basis, the Corporation estimates its LTA by adding together the expected LTAs of all the facilities in operation, for the facilities that it consolidates. This consolidation excludes however the facilities which are accounted for using the equity method (Dokie, East Toba, Flat Top, Guayacan, Jimmie Creek, Mampil, Montrose Creek, Pampa Elvira, Peuchén, Shannon, Umbata Falls and Viger-Denonville).

Improper assessment of water, wind, solar and geothermal resources and associated electricity production

Variability in hydrology, wind regimes, solar irradiation and geothermal resources

Risks inherent in geothermal resource

Equipment supply risk, including failure or unexpected operations and maintenance activity

Natural disasters and force majeure

Regulatory and political risks affecting production

Health, safety and environmental risks affecting production

Variability of installation performance and related penalties

Availability and reliability of transmission systems

Litigation

Projected revenues

For each facility, expected annual revenues are estimated by multiplying the LTA by a price for electricity stipulated in the PPA secured with a public utility or other creditworthy counterparty mainly. In most cases these PPAs stipulate a base price for electricity produced and, in some cases, a price adjustment depending on the month, day and hour of its delivery. This excludes facilities, which receive revenues, based on the market (or spot) price for electricity, including the Miller Creek hydroelectric facility, which receives a price based on a formula using the Platts Mid-C pricing indices, the Horseshoe Bend hydroelectric facility, for which 85% of the price is fixed and 15% is adjusted annually as determined by the Idaho Public Utility Commission. Revenues at the HS Orka facilities also fluctuate with the price of aluminum, as certain of those PPAs are linked to such price. In most cases, power purchase agreements also contain an annual inflation adjustment based on a portion of the Consumer Price Index. On a consolidated basis, the Corporation estimates annual revenues by adding together the projected revenues of all the facilities in operation that it consolidates. This consolidation excludes however the facilities which are accounted for using the equity method (Dokie, East Toba, Flat Top, Guayacan, Jimmie Creek, Mampil, Montrose Creek, Pampa Elvira, Peuchén, Shannon, Umbata Falls and Viger-Denonville).

See principal assumptions, risks and uncertainties identified under "Expected Production"

Reliance on various forms of PPAs

Revenues from certain facilities will vary based on the market (or spot) price of electricity

Fluctuations affecting prospective power prices

Changes in general economic conditions

Ability to secure new Power Purchase Agreements or renew any Power Purchase Agreement

Projected Adjusted EBITDA

For each facility, the Corporation estimates annual operating earnings by adding (deducting) to net earnings (loss) provision (recovery) for income tax expenses, finance cost, depreciation and amortization, other net expenses, share of (earnings) loss of joint ventures and associates and unrealized net (gain) loss on financial instruments. The Adjusted EBITDA consolidated excludes however the facilities which are accounted for using the equity method (Dokie, East Toba, Flat Top, Guayacan, Jimmie Creek, Mampil, Montrose Creek, Pampa Elvira, Peuchén, Shannon, Umbata Falls and Viger-Denonville). Innergex believes that the presentation of this measure enhances the understanding of the Corporation's operating performance. Readers are cautioned that Projected Adjusted EBITDA should not be construed as an alternative to net earnings, as determined in accordance with IFRS.

See principal assumptions, risks and uncertainties identified under "Expected Production" and "Projected Revenues"

Projected Adjusted EBITDA Proportionate

On a consolidated basis, the Company estimates annual Adjusted EBITDA Proportionate by adding to the projected Adjusted EBITDA Innergex's share of Adjusted EBITDA of the joint ventures (Dokie, East Toba, Flat Top, Guayacan, Jimmie Creek, Mampil, Montrose Creek, Pampa Elvira, Peuchén, Shannon, Umbata Falls and Viger-Denonville).

See principal assumptions, risks and uncertainties identified under "Expected Production" and "Projected Revenues"

Principal Assumptions

Principal Risks and Uncertainties

Projected Free Cash Flow and intention to pay dividend quarterly

The Corporation estimates Projected Free Cash Flow as projected cash flows, from operating activities before changes in non-cash operating working capital items, less estimated maintenance capital expenditures net of proceeds from disposals, scheduled debt principal payments, preferred share dividends declared and the portion of Free Cash Flow attributed to non-controlling interests, plus or minus other elements that are not representative of the Corporation's long-term cash generating capacity, such as transaction costs related to realized acquisitions (which are financed at the time of the acquisition), realized losses or gains on derivative financial instruments used to hedge the interest rate on project-level debt or the exchange rate on equipment purchases. The Corporation estimates the annual dividend it intends to distribute based on the Corporation operating results, cash flows, financial conditions, debt covenants, long-term growth prospects, solvency, test imposed under corporate law for declaration of dividends and other relevant factors.

See principal assumptions, risks and uncertainties identified under "Expected Production" and "Projected Revenues"

Interest rate fluctuations and financing risk
Financial leverage and restrictive covenants governing current and future indebtedness
unexpected maintenance capital expenditures

Possibility that the Corporation may not declare or pay a dividend

Estimated project costs, expected obtainment of permits, start of construction, work conducted and start of commercial operation for Development Projects or Prospective Projects

For each Development Project and Prospective Project, the Corporation may provide (where available) an estimate of potential installed capacity, estimated project costs, project financing terms and each project's development and construction schedule, based on its extensive experience as a developer, in addition to information directly related incremental internal costs, site acquisition costs and financing costs, which are eventually adjusted for the projected costs and construction schedule provided by the engineering, procurement and construction ("EPC") contractor retained for the project.
The Corporation provides indications based on assumptions regarding its current strategic positioning and competitive outlook, as well as scheduling and construction progress, for its Development Projects and its Prospective Projects, which the Corporation evaluates based on its experience as a developer.

Uncertainties surrounding development of new facilities

Performance of major counterparties, such as suppliers or contractors

Delays and cost overruns in the design and construction of projects

Ability to secure appropriate land

Obtainment of permits

Health, safety and environmental risks

Social acceptance of renewable energy projects

Ability to secure new Power Purchase Agreements or renew any Power Purchase agreement

Relationships with stakeholders

Equipment supply

Interest rate fluctuations and financing risk

Risks related to U.S. PTCs and ITCs, changes in U.S. corporate tax rates and availability of tax equity financing

Relationships with stakeholders

Regulatory and political risks

Higher-than-expected inflation

Natural disaster

Ability of the Corporation to execute its strategy for building shareholder value

Failure to realize the anticipated benefits of completed and future acquisitions

Changes in governmental support to increase electricity to be generated from renewable sources by independent power producers

Regulatory and political risks

Foreign market growth and development risks

Outcome of insurance claims

Principal Assumptions	Principal Risks and Uncertainties
<p>Intention to submit projects under requests for proposals The Corporation provides indications of its intention to submit projects under requests for proposals ("Request for Proposals" or "RFP") based on the state of readiness of some of its Prospective Projects and their compatibility with the announced terms of these RFPs.</p>	<p>Regulatory and political risks</p> <p>Ability of the Corporation to execute its strategy for building shareholder value</p> <p>Ability to secure new PPAs</p> <p>Changes in governmental support to increase electricity to be generated from renewable sources by independent power producers</p> <p>Social acceptance of renewable energy projects</p> <p>Relationships with stakeholders</p>
<p>Qualification for PTCs and ITC For certain Development Projects in the United States, the Corporation has conducted on- and off-site activities expected to qualify its Development Projects for PTCs or ITC at the full rate and to obtain tax equity financing on such a basis. To assess the potential qualification of a project, the Corporation takes into account the construction work performed and the timing of such work.</p>	<p>Risks related to U.S. PTCs and ITCs, changes in U.S. corporate tax rates and availability of tax equity financing</p> <p>Regulatory and political risks</p> <p>Delays and cost overruns in the design and construction of projects</p> <p>Obtainment of permits</p>
<p>Potential divestiture of selected assets The Corporation ability to successfully identify potential purchasers for some of the Corporation's assets and its ability to assess and realize the value of such assessment in a successful divestiture and the timing of the completion of the transaction.</p>	<p>Ability of the Corporation to execute its strategy for building shareholder value</p> <p>Regulatory and political risks</p> <p>Performance of counterparties</p> <p>Financial leverage and restrictive covenants governing current and future indebtedness</p> <p>Fluctuations affecting prospective power Prices</p> <p>Variability in hydrology, geothermal resources, wind regimes and solar irradiation</p> <p>Failure to realize the anticipated benefits of completed and future acquisitions (including the acquisition of the Cartier Wind Farms)</p> <p>Ability to raise additional capital and the state of the capital market</p> <p>Interest rate fluctuations and refinancing risk</p>

RISKS AND UNCERTAINTIES

The Corporation is exposed to various risks and uncertainties and has outlined below those that it considers material. Additional risks and uncertainties are discussed in the "Risk Factors" section of the Corporation's most recent Annual Information Form available on SEDAR at sedar.com. There may also exist additional risks and uncertainties that are not presently known to the Corporation or that are currently believed to be immaterial that may adversely affect the Corporation's business.

Ability of the Corporation to Execute its Strategy for Building Shareholder Value

The Corporation's strategy for building shareholder value is to acquire or develop high-quality renewable power production facilities that generate sustainable cash flows and provide an attractive risk-adjusted return on invested capital, and to distribute a stable dividend. However, there is no certainty that the Corporation will be able to acquire or develop high-quality renewable power production facilities at attractive prices to supplement its growth. Furthermore, this strategy may require the divestiture

by the Corporation of certain assets, to pursue new opportunities, to support or realise the benefits of completed or future acquisitions, raise additional capital and/or lower the debts of the Corporation.

The successful execution of this strategy requires careful timing and business judgment, the resources to complete the development of power generating facilities, as well as an accurate assessment of the assets of the Corporation and the value that it would receive in exchange for their divestiture. The Corporation may underestimate the costs necessary to bring power generating facilities into commercial operation, may be unable to quickly and efficiently integrate new acquisitions into its existing operations, inaccurately evaluate the value of its assets or be unable to find a purchaser therefor in a manner which timely supports the Corporation's strategy.

Ability to Raise Additional Capital and the State of the Capital Market

Future development and construction of new facilities, the development of the Development Projects and the Prospective Projects and other capital expenditures will be financed by the Corporation out of cash generated from the its Operating Facilities, borrowing or the issuance and sale of additional equity. To the extent that external sources of capital, including issuance of additional securities of the Corporation, become limited or unavailable, the Corporation's ability to make necessary capital investments to construct or maintain existing or future facilities would be impaired. There is no certainty that sufficient capital will be available on acceptable terms to fund further development or expansion. There are numerous renewable energy projects to be constructed in the coming years that will result in competition for capital. In addition, payment of dividends may impair the Corporation's ability to finance its ongoing and future projects.

Furthermore, the Corporation's capital-raising efforts could involve the issuance and sale of additional Common Shares, or debt securities convertible into its Common Shares, which, depending on the price at which such shares or debt securities are issued or converted, could have a material dilutive effect on holders of the Corporation's Common Shares and adversely impact the trading price of the Corporation's Common Shares.

Liquidity Risks Related to Derivative Financial Instruments

Derivative financial instruments are entered into with major financial institutions and their effectiveness is dependent on the performance of these institutions. Failure by one of them to perform its obligations could involve a liquidity risk. Liquidity risks related to derivative financial instruments also include the settlement of bond forward contracts on their maturity dates and the early termination option included in some interest rate swap contracts and foreign exchange contracts. The Corporation uses derivative financial instruments to manage its exposure to the risk of an increase in interest rates on its debt financing, of foreign currency variation or of electricity market price variation. The Corporation does not own or issue financial instruments for speculation purposes.

Variability in Hydrology, Geothermal Resources, Wind Regimes and Solar Irradiation

The amount of energy generated by the Corporation's hydroelectric facilities depends on the availability of water flows. There is no certainty that the long-term availability of such resources will remain unchanged. The Corporation's revenues may be significantly affected by events that impact the hydrological conditions of the Corporation's hydroelectric project facilities such as low and high-water flows within the watercourses on which the Corporation's hydroelectric facilities are located. In the event of severe flooding, the Corporation's hydroelectric facilities may be damaged. Geothermal resources by their nature deteriorate over time. There is no certainty that there will be sufficient geothermal fluids to maintain the resource or that generation of power will permit maintenance of the resource as presently anticipated. Similarly, the amount of energy generated by the Corporation's wind farms will depend upon the availability of wind, which is naturally variable. A reduced or increased amount of wind at the location of one of the wind farms over an extended period may reduce the production from such facility and may reduce the Corporation's revenues and profitability. Finally, the amount of energy to be generated by the Corporation's solar farms will depend on the availability of solar radiation, which is naturally variable. Lower solar irradiation levels at only Corporation's solar farms over an extended period may reduce the production from such facilities and the Corporation's revenues and profitability. Variability in hydrology, geothermal resources, wind regimes and solar irradiation and their predictability may also be affected by climate changes which may provoke unforeseen changes in the historical trends.

Delays and Cost Overruns in the Design and Construction of Projects

Delays and cost over-runs may occur in completing the construction of the Development Projects and the development and construction of Prospective Projects and future projects that the Corporation will undertake. A number of factors which could cause such delays or cost over-runs include, without limitation, permitting delays, construction pricing escalation, changing engineering and design requirements, the performance of contractors, labour disruptions, adverse weather conditions and the availability of financing. Even when complete, a facility may not operate as planned due to design or manufacturing flaws, which may not all be covered by warranty. Mechanical breakdown could occur in equipment after the period of warranty has expired, resulting in loss of production as well as the cost of repair. In addition, if the Development Projects are not brought into commercial operation within the delay stipulated in their PPA, the Corporation may be subject to penalty payments or the counterparty may be entitled to terminate the related PPA.

The Ability to Secure New Power Purchase Agreements or Renew Any Power Purchase Agreement

Securing new PPAs, which is a key component of the Corporation's growth strategy, is a risk factor in light of the competitive environment faced by the Corporation. The Corporation expects to continue to enter into various forms of PPAs (corporate or utility owned) for the sale of its power, which PPAs are mainly obtained through participation in competitive Requests for Proposals processes or bilateral negotiations. During these processes and negotiations, the Corporation faces competitors ranging from large utilities to small independent power producers, some of which have significantly greater financial and other resources than the Corporation. There is no assurance that the Corporation will be selected as power supplier following any particular Request for Proposals in the future, that the Corporation will be successful in such negotiations or that existing PPAs will be renewed or will be renewed on equivalent terms and conditions upon the expiry of their respective terms.

Fluctuations Affecting Prospective Power Prices

If the Corporation is unable to secure or renew PPAs for its development assets or maintain or renew PPAs for its producing assets or contract for the sale of 100% of generation, the Corporation may be forced to sell electrical power generated at market price. Although, most of the output at the Shannon Wind Farm and the Flat Top Wind Farm are, and once completed the Phoebe Solar Project will be, sold under long-term PPAs, output not sold under the long-term power hedge agreement is and will be subject to merchant prices. If the Corporation is unable to produce sufficient power to meet its contractual obligations under its PPAs, the Corporation will be forced to purchase third-party power at merchant prices. If the settlement point of the Corporation's long-term power hedge agreements (a form of PPA) differs from the point of interconnection, power sales pursuant to that power hedge are further subject to locational risk. This potential difference in pricing is referred to as a "basis differential". Depending on the specifics of the power hedge, a large basis differential could require the Corporation to purchase third-party power at merchant prices, or otherwise supplement the basis differential to the hedge provider. Power sales under power hedges are also required to be sold in blocks of hourly periods. If the Corporation's output within any given block is insufficient to meet its contractual commitments, it may be required to purchase third party power at merchant prices to meet its commitments. This potential risk is referred to as a "shape risk".

The market price of power in individual jurisdictions can be volatile and may be incapable of being controlled. If the price of electricity should drop significantly, in each of the cases described above, the economic prospects of the operational properties that rely, in whole or in part, on merchant prices, such as the Shannon Wind Farm, the Flat Top Wind Farm, the Miller Creek Facility or development properties in which the Corporation has an interest, could be significantly reduced or rendered uneconomic. A material reduction in such prices, or a non-material reduction in such prices coupled with the impact of the aggregate risks described above, could have a material adverse effect on the Corporation's financial condition, in particular, with respect to the Shannon Wind Farm.

Health, Safety and Environmental Risks

The ownership, construction and operation of the Corporation's power generation assets carry an inherent risk of liability related to worker health and safety and the environment, including the risk of government-imposed orders to remedy unsafe conditions and/or to remediate or otherwise address environmental contamination, potential penalties for contravention of health, safety and environmental laws, licences, permits and other approvals, and potential civil liability. Compliance with health, safety and environmental laws (and any future changes) and the requirements of licences, permits and other approvals, such as sound level and other operational restrictions, remain material to the Corporation's business. The Corporation has incurred and will continue to incur significant capital and operating expenditures to comply with health, safety and environmental laws and to obtain and comply with licences, permits and other approvals and to assess and manage its potential liability exposure. Nevertheless, the Corporation may become subject to government orders, investigations, inquiries or other proceedings (including civil claims) relating to health, safety and environmental matters. The occurrence of any of these events or any changes, additions to or more rigorous enforcement of, health, safety and environmental laws, licences, permits or other approvals could have a significant impact on operations and/or result in additional material expenditures. As a consequence, no assurances can be given that additional environmental and workers' health and safety issues relating to presently known or unknown matters will not require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) material to its business and operations.

Uncertainties Surrounding Development of New Facilities

The Corporation participates in the construction and development of new power generating facilities. These facilities have greater uncertainty surrounding their feasibility, social acceptance and future profitability than existing Operating Facilities with established track records. In certain cases, many factors affecting costs are not yet determined, such as land royalty payments, water royalties, or municipal or other applicable taxes. The Corporation is in some cases required to advance funds and post-performance bonds during development of its new facilities. If some of these facilities are not completed or do not operate to the expected specifications, or unforeseen costs or taxes are incurred, the Corporation could be adversely affected.

Obtainment of Permits

The Corporation does not currently hold all the approvals, licences and permits required for the construction and operation of the Development Projects or the Prospective Projects, including environmental approvals and permits necessary to construct and operate the Development Projects or the Prospective Projects. The failure to obtain or delays in obtaining all necessary licences, approvals or permits, including renewals thereof or modifications thereto, could result in construction of the Development Projects or the Prospective Projects being delayed or not being completed or commenced. There can be no assurance that any one Prospective Project will result in any actual operating facility.

In addition, delays may occur in obtaining necessary government approvals required for future power projects.

From time to time, and to secure long lead times required for ordering equipment, the Corporation may place orders for equipment and make deposits thereon or advance projects prior to obtaining all requisite permits and licences. The Corporation only takes such actions where it reasonably believes that such licences or permits will be forthcoming in due course prior to the requirement to expend the full amount of the purchase price. However, any delay in permitting could adversely affect the Corporation.

Environmental permits to be issued regarding any of the Development Projects or the Prospective Projects may contain conditions that need to be satisfied prior to obtaining a PPA, to start construction, during construction and during and after the operation of the Development Projects. It is not possible to predict the conditions imposed by such permits or the cost of any mitigating measures required by such permits.

Equipment Failure or Unexpected Operations and Maintenance Activity

The Corporation's facilities are subject to the risk of equipment failure due to deterioration of the asset from use or age, latent defect and design or operator error, among other things. To the extent that a facility's equipment requires longer-than-forecast down times for maintenance and repair, or suffers disruptions of power generation for other reasons, the Corporation's business, operating results, financial condition or prospects could be adversely affected.

Interest Rate Fluctuations and Refinancing Risk

Interest rate fluctuations are of particular concern to a capital-intensive industry such as the electric power business. The Corporation faces interest rate and debt refinancing risk in respect of floating-rate bank credit facilities used for construction and long-term financings. The Corporation's ability to refinance debt on favourable terms is dependent on debt capital market conditions, which are inherently variable and difficult to predict. Interest rate fluctuation and refinancing risks could affect the Corporation's ability to raise additional capital.

Financial Leverage and Restrictive Covenants Governing Current and Future Indebtedness

The Corporation's and its subsidiaries' operations are subject to contractual restrictions contained in the instruments governing any of their current and future indebtedness. The degree to which the Corporation and its subsidiaries are leveraged could have important consequences to shareholders, including: (i) the Corporation's and its subsidiaries' ability to obtain additional financing for working capital, capital expenditures, acquisitions or other project developments in the future may be limited; (ii) a significant portion of the Corporation's and its subsidiaries' cash flows from operations may be dedicated to the payment of the principal of and interest on their indebtedness, thereby reducing funds available for future operations; (iii) certain of the Corporation's and its subsidiaries' borrowings will be at variable rates of interest, which exposes the Corporation and its subsidiaries to the risk of increased interest rates; and (iv) the Corporation and its subsidiaries may be more vulnerable to economic downturns and be limited in their ability to withstand competitive pressures.

The Corporation and its subsidiaries are subject to operating and financial restrictions through covenants in certain loan, equity finance and security agreements. These restrictions prohibit or limit the Corporation's and its subsidiaries' ability to, among other things, incur additional debt, provide guarantees for indebtedness, create liens, dispose of assets, liquidate, dissolve, amalgamate, consolidate or effect any corporate or capital reorganization, make distributions or pay dividends, issue any equity interests and create subsidiaries. These restrictions may limit the Corporation's and its subsidiaries' ability to obtain additional financing, withstand downturns in the Corporation's and its subsidiaries' business and take advantage of business opportunities. Moreover, the Corporation and its subsidiaries may be required to seek additional debt or equity financing on terms that include more restrictive covenants, require repayment on an accelerated schedule or impose other obligations that limit the Corporation's or its subsidiaries' ability to grow the business, acquire assets or take other actions the Corporation or its subsidiaries might otherwise consider appropriate or desirable.

Possibility that the Corporation May Not Declare or Pay a Dividend

Holders of Common Shares, Series A Shares and Series C Shares do not have a right to dividends on such shares unless declared by the Board of Directors. The declaration of dividends is at the discretion of the Board of Directors even if the Corporation has sufficient funds, net of its liabilities, to pay such dividends.

The Corporation may not declare or pay a dividend if the Corporations' cash available for distribution is not sufficient or if there are reasonable grounds for believing that (i) the Corporation is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realizable value of the Corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of its outstanding shares.

Failure to Realize the Anticipated Benefits of Completed and Future Acquisitions

The Corporation believes that completed and future acquisitions (including the Alterra Acquisition, the acquisition of the Cartier Wind Farms, the Energía Llaima acquisition and the Phoebe Solar Project acquisition) will provide benefits for the Corporation. However, there is a risk that some or all the expected benefits will fail to materialize or may not occur within the time periods anticipated by the management of the Corporation. The realization of such benefits may be affected by many factors, many of which are beyond the control of the Corporation.

Integration of the Completed and Future Acquisitions

The integration of completed and future business and/or project acquisitions (including the Alterra Acquisition, the Energía Llaima acquisition and the Phoebe acquisition and the acquisition of the Cartier Wind Farms) and their respective activities, employees and officers, operations and facilities may result in significant challenges and management of the Corporation may be unable to accomplish the integration successfully or without spending significant amounts of money or other resources. For completed and future acquisitions, there can be no assurance that Management will be able to successfully integrate the teams, activities and facilities forming part of such acquisitions or fully realize the expected benefits of such acquisitions.

Changes in Governmental Support to Increase Electricity to be Generated from Renewable Sources by Independent Power Producers

Development and growth of renewable energy is dependent on governmental support, policies and incentives. Many governments have introduced portfolio standards, tax credits and other incentives to increase the portion of renewable energy in their electricity generation supply mix to reduce greenhouse gas emissions over time. There is a risk that governmental support providing incentives for renewable energy could change at any time and that additional increase in the procurement of renewable energy projects from independent power producers be reduced or suspended at any time. As a result, the Corporation may face reduced ability to develop its prospective projects and may suffer material write-offs of prospective projects.

Variability of Installation Performance and Related Penalties

The ability of the Corporation's facilities to generate the maximum amount of power which can be sold to Hydro-Québec, BC Hydro, IESO, Électricité de France and other purchasers of electricity under PPAs is an important determinant of the Corporation's revenues. If one of the Corporation's facilities delivers less than the required quantity of electricity in a given contract year or is otherwise in default under its respective PPA, penalty payments may be payable to the relevant purchaser by the Corporation. The payment of any such penalties by the Corporation could adversely affect the revenues and profitability of the Corporation.

Ability to Attract New Talent or to Retain Officers or Key Employees

The Corporation's officers and other key employees play a significant role in the Corporation's success. The conduct of the Corporation's business and the execution of the Corporation's growth strategy rely heavily on teamwork and the Corporation's future performance and development depend to a significant extent on the abilities, experience and efforts of its management team. The Corporation's ability to retain its management team or attract suitable replacements should key members of the management team leave is dependent on the competitive nature of the employment market.

The loss of services from key members of the management team or a limitation in their availability could adversely impact the Corporation's prospects, financial condition and cash flow.

Further, such a loss could be negatively perceived in the capital markets. The Corporation's success also depends largely upon its continuing ability to attract, develop and retain skilled employees to meet its needs from time to time.

Litigation

In the normal course of its operations, the Corporation may become involved in various legal actions, including but not limited to those involving claims relating to contract disputes, personal injuries, property damage, property taxes and land rights. The Corporation maintains adequate provisions for its outstanding or pending claims, including those identified under section "Legal Proceedings and Regulatory Actions". The final outcome with respect to outstanding, pending or future actions cannot be predicted with certainty, and therefore there can be no assurance that their resolution will not have an adverse effect on the financial position or results of operation of the Corporation in a particular quarter or financial year.

Performance of Major Counterparties

The Corporation enters into purchase orders with third-party suppliers for generation equipment for projects under construction, generator interconnection agreements with utilities and other interconnection providers for transmission infrastructure and the right to interconnect such projects, each of which involves deposits prior to equipment being delivered and it also enters into construction agreements with contractors and other third parties. Should one or more of these suppliers or contractors be unable to meet their obligations under the contracts, this would result in possible loss of revenue, delay in construction and increase in construction costs for the Corporation. Failure of any equipment supplier, contractor or transmission provider to meet its obligations to the Corporation may result in the Corporation not being able to meet its commitments and thus lead to potential defaults under PPAs or power hedges.

Social Acceptance of Renewable Energy Projects

The social acceptance by local stakeholders, including, in some cases, First Nations and other Indigenous peoples, and local communities is critical to our ability to find and develop new sites suitable for viable renewable energy projects. Failure to obtain proper social acceptance for a project may prevent the development and construction of a project and lead to the loss of all investments made in the development and the write-off of such prospective project.

Relationships with Stakeholders

The Corporation enters into various types of arrangements with communities or joint venture partners for the development of its projects. Certain of these partners may have or develop interests or objectives which are different from or even in conflict with the objectives of the Corporation. Any such differences could have a negative impact on the success of the Corporation's projects. The Corporation is sometimes required through the permitting and approval process to notify and consult with various stakeholder groups, including landowners, Indigenous communities and municipalities. Any unforeseen delays in this process may negatively impact the ability of the Corporation to complete any given project on time or at all.

Equipment Supply

The Corporation's development and operation of power facilities is dependent on the supply of equipment from third parties. Equipment pricing may rapidly increase depending, among others, on the equipment availability, the raw material prices and on the market for such product. Any significant increase in the price of supply of equipment could negatively affect the future profitability of the Corporation's facilities and the Corporation's ability to develop other projects. There is no guarantee that manufacturers will meet all their contractual obligations. Failure of any supplier of the Corporation to meet its commitments would adversely affect the Corporation's ability to complete projects on schedule and to honour its obligations under PPAs.

Exposure to Many Different Forms of Taxation in Various Jurisdictions

The Corporation is subject to many different forms of taxation in various jurisdictions throughout the world, including but not limited to, income tax, withholding tax, tax on capital, property tax, sales tax, transfer tax, social security and other payroll related taxes, which may be amended or may lead to disagreements with tax authorities regarding the application of tax law. Tax law and administration is extremely complex and often requires the Corporation to make subjective determinations. The computation of taxes involves many factors, including the interpretation of tax legislation in various jurisdictions in which the Corporation is or may become subject to tax assessments. The Corporation's estimate of tax related assets, liabilities, recoveries and expenses incorporates significant assumptions. These assumptions include, but are not limited to, the tax rates in various jurisdictions, the effect of tax treaties between jurisdictions and taxable income projections. To the extent that such assumptions differ from actual results, the Corporation may have to record additional tax expenses and liabilities, including interest and penalties.

Changes in General Economic Conditions

Changes in general economic conditions could have an effect on the assessment of the value of the Corporation's assets, affecting its ability to raise capital, through financing, re-financing, divestiture of certain assets or generally its ability to execute its strategy. Furthermore, most of the PPAs of the Corporation have fixed price adjusted annually for inflation on a CPI formula basis. If the inflation is lower than expected or if it decreases, the Corporation's projected revenues and projected adjusted EDITDA and free cash flow may be lower than expected or reduced which would respectively impact the payout ratio.

Regulatory and Political Risks

The development and operation of power generating facilities are subject to changes in governmental regulatory requirements and the applicable governing statutes, including regulations related to the environment, unforeseen environmental effects, general economic conditions and other matters beyond the control of the Corporation.

Moreover, the operation of power generating facilities is subject to extensive regulation by various government agencies at the municipal, provincial, state and federal levels. There is always the risk of changes being made in government policies and laws which may result in increased rates, such as for water rentals, and for income, capital and municipal taxes.

The Corporation holds permits and licences from various regulatory authorities for the construction and operation of its facilities. These licences and permits are critical to the operation of the Corporation's business. Most of these permits and licences are long-term in nature, reflecting the anticipated useful life of the facilities. In some cases, these permits may need to be renewed prior to the end of the anticipated useful life of such facilities and there is no guarantee that such renewals will be granted or on which conditions they will be renewed. These permits and licences require the Corporation's compliance with the terms thereof.

Ability to Secure Appropriate Land

There is significant competition for appropriate sites for new power generating facilities. Optimal sites are difficult to identify and obtain given that geographic features, legal restrictions and ownership rights naturally limit the areas available for site development. There can be no assurance that the Corporation will be successful in obtaining any particular site in the future.

Reliance on Various Forms of PPAs

The power generated by the Corporation is mostly sold under long-term power purchase agreements and in some cases under power hedges and commercial or industrial retail contracts. If, for any reason, any of the purchasers of power under such PPAs were unable or unwilling to fulfill their contractual obligations under the relevant PPA or if they refuse to accept delivery of power pursuant to the relevant PPA, the Corporation's business, operating results, financial condition or prospects could be adversely affected. If the Development Projects are not brought into commercial operation within the delay stipulated in their respective PPA or power hedges, the Corporation may be subject to penalty payments or the counterparty may be entitled to terminate the related PPA or power hedges.

Availability and Reliability of Transmission Systems

The Corporation's ability to sell electricity is impacted by the availability of the various transmission systems in each jurisdiction. The failure of existing transmission facilities, the lack of adequate transmission capacity or delays in construction would have a material adverse effect on the Corporation's ability to deliver electricity to its various counterparties or to the point of interconnection, thereby affecting the Corporation's business, operating results, financial condition or prospects.

Foreign Market Growth and Development risks

The Corporation may, regarding any international expansion of its activities, face risks related to (i) its ability to effectively consummate future acquisitions, create new partnerships and develop, construct and operate projects in an unfamiliar regulatory and procurement market (ii) competing with more established competitors, (iii) foreign exchange fluctuations, (iv) lack of knowledge of foreign market and (v) changes in international and local taxation.

Foreign Exchange Fluctuations

The Corporation occasionally purchases equipment from foreign suppliers. As such, the Corporation may be exposed to changes in the Canadian dollar in relation to the foreign currency denominated equipment purchases. Our development work and operations in Canada, France, the U.S., Iceland and Latin America make us subject to foreign currency fluctuations.

Some of our revenue and costs are denominated in currencies other than the Canadian dollar. Foreign exchange fluctuations may impact our results as they are reported in Canadian dollars.

Our functional and reporting currency is the Canadian dollar. As such, our foreign investments, operations costs and assets will be exposed to net changes in currency exchange rates. Volatility in exchange rates could have an adverse effect on our business, financial condition and operating results.

Increase in Water Rental Cost or Changes to Regulations Applicable to Water Use

The Corporation is required to make rental payments for water rights once its projects are in commercial operation. Significant increases in water rental costs in the future or changes in the way that governments who regulate water supply or apply such regulations (including those of Québec, BC, Ontario, Idaho, U.S., Iceland and Chile) where the Corporation has hydroelectric Operating Facilities, could have a material adverse effect on the Corporation's business, operating results, financial condition or prospects.

Assessment of Water, Wind, Solar and Geothermal Resources and Associated Electricity Production

The strength and consistency of the water, geothermal, wind and solar resources at power facilities of the Corporation may vary from what the Corporation anticipates. Electricity production estimates of the Corporation are based on assumptions and factors that are inherently uncertain, which may result in actual electricity production being different from the estimates of the Corporation, including (i) the extent to which the limited time period of the site-specific hydrological, wind, geothermal or solar data accurately reflects long-term water flows, wind speeds, geothermal resources and solar radiation; (ii) the extent to which historical data accurately reflects the strength and consistency of the water, wind, solar and geothermal resources in the future; (iii) the strength of the correlation between the site-specific water, wind, solar and geothermal data and the longer-term regional data; (iv) the potential impact of climatic factors and climatic change; (v) the accuracy of assumptions on a variety of factors,

including but not limited to weather, icing and soiling of water and wind turbines and snow on solar panels, site access, wake and line losses, replenishment and maintenance of geothermal resources and wind shear; (vi) the accuracy with which anemometers measure wind speed, and the difference between the hub height of the wind turbines and the height of the meteorological towers used for data collection; (vii) the potential impact of topographical variations, turbine placement and local conditions, including vegetation; (viii) the inherent uncertainty associated with the specific methodologies and related models, in particular future-orientated models, used to project the water, wind and solar resource; and (ix) the potential for electricity losses to occur before delivery.

Natural Disasters and Force Majeure

The Corporation's facilities, operations and project under development are exposed to potential damage, partial or full loss, resulting from environmental disasters (e.g. floods, high winds, fires, and earthquakes), equipment failures or other unforeseen event. The occurrence of a significant event which disrupts or delay the ability of the Corporation's power generation assets to produce or sell power for an extended period, including events which preclude existing customers under PPAs from purchasing electricity, could have a material negative impact on the business of the Corporation. The Corporation's generation assets could be exposed to effects of severe weather conditions, natural disasters and potentially catastrophic events such as a major accident or incident. The occurrence of such an event may not release the Corporation from performing its obligations pursuant to PPAs or other agreements with third parties. Furthermore, force majeure events affecting our assets could result in damages to the environment or harm third parties. In addition, many of the Corporation's projects are located in remote areas which make access for repair of damage difficult.

Cybersecurity

The Corporation is dependent on various information technologies to carry out multiple business activities. A successful cyber intrusion, such as, and not limited to, unauthorized access, malicious software or other violations on the system that control generation and transmission at any of our offices or facilities could severely disrupt or otherwise affect business operations or diminish competitive advantages. These attacks on our information base systems through theft, alteration or destruction could generate unexpected expenses to investigate and repair security breaches or system damage and could lead to litigation, fines, other remedial action, heightened regulatory scrutiny and damage to our reputation. A breach of our cyber/data security measures could have a material adverse effect on the Corporation's business, operations, financial condition and operating results.

Credit Rating May Not Reflect Actual Performance of the Corporation or a Lowering (Downgrade) of the Credit Rating

The credit ratings applied to the Corporation, the Series A and Series C Shares (the "Credit Ratings") are an assessment, by the rating agencies, of the Corporation's ability to pay its obligations. The Credit Ratings are based on certain assumptions about the future performance and capital structure of the Corporation that may or may not reflect the actual performance or capital structure of the Corporation. Changes in the Credit Ratings in the future may affect the market price or value and the liquidity of the securities of the Corporation. There is no assurance that any Credit Ratings will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the rating agencies.

Revenues from Certain Facilities Will Vary Based on the Market (or Spot) Price of Electricity

Because the prices for electricity purchased from certain Operating Facilities vary based on the market price for electricity (including the Miller Creek Facility is based on a formula using the Platts mid-C spot price for electricity), revenues from such facilities on the electricity market or under the applicable power purchase agreement will vary. Without limiting the generality of the above, for the Miller Creek Facility, if the Platts mid-C index declines from its current levels, the Miller Creek Facility's revenues and adjusted EBITDA will be negatively impacted. An increase in the volatility of the Platts mid-C spot price would add uncertainty to the determination of potential revenues and adjusted EBITDA of the Miller Creek Facility and could have an adverse impact on the Corporation's results.

Risks related to U.S. Production and Investment Tax Credits, Changes in U.S. Corporate Tax Rates and Availability of Tax Equity Financing

The Corporation owns interest in projects for which on and off-site project activities are or were performed to qualify for U.S. renewable tax incentives (PTCs or ITCs). There can be no assurance that the projects will qualify for PTCs or ITCs or, if they do, that they will qualify for full PTCs or ITCs. There also can be no assurance that the PTCs or ITCs will continue to be available. Any new tax rule, regulation or other guidance promulgated (as the same may be amended, updated or otherwise modified from time to time, including those amendments passed in late 2017) in the U.S. may jeopardize or otherwise impede the effectiveness of such on and off-site project activities qualifying such projects for the full value of PTCs.

Qualification of the projects for PTCs or ITCs is critical to obtaining tax equity financing for wind projects. The inability to qualify the projects for PTCs or ITCs, in whole or in part, would adversely affect the financing options for those projects. If the qualification of a project for PTCs or ITCs is not successful, there may be a material impairment of the Corporation's investment in that project.

Other government actions could be taken that could, directly or indirectly, inhibit the Corporation's ability to raise tax equity financing. For example, following the tax reform enacted in late-2017, lower corporate tax rates in the U.S. may impact the amount of available tax equity investment for specific projects or generally in the market, impeding our ability to obtain sufficient amounts of tax equity investment on terms and at rates beneficial to the Corporation and its projects.

Host Country Economic, Social and Political Conditions

A number of the Corporation's principal assets are located in foreign domiciles. Although the operating environments in these jurisdictions are considered favourable compared to that in other countries, there are still economic, social and political risks associated with operating in foreign jurisdictions. These risks include, but are not limited to, terrorism, hostage taking, war, civil unrest or military repression, expropriation, repatriation or nationalization without adequate compensation, extreme fluctuations in currency exchange rates, high rates of inflation and labour unrest, renegotiation or nullification of existing concessions, licenses, permits and contracts, difficulties enforcing judgments in such jurisdictions, changes to tax and royalty regimes, changes to environmental regulatory regimes, volatile local political, legal and economic climates, nepotism, subsidies directed at industries competing with ours, difficulties obtaining key equipment and components for equipment, currency control and host-country favourable legislation.

Host country economic, social and political uncertainty can arise as a result of lack of support for our activities in local communities in the vicinity of our properties. Changes in renewable resource, energy or investment policies or shifts in political attitudes may also adversely affect the Corporation's business. The effect of these factors cannot be accurately predicted. Though the effects of competition will increase the likelihood of market efficiencies and benefit our properties, elimination of power cost subsidies may increase the inability of end-use consumers to pay for power and lead to political opposition to privatization initiatives and have an adverse impact on our properties and operations.

Risks Inherent in Geothermal Resources

Until a geothermal resource is actually accessed and tested by production wells, the temperature and composition of underground fluids must be considered estimates only. In addition, estimates as to the percentage of heat that can be expected to be recovered at the surface and the efficiency of converting the heat into electrical energy are subject to a number of assumptions including, but not limited to, resource base temperature, areal extent of the geothermal reservoir, thickness of the geothermal reservoir, percentage of resource recovery and the expected lifetime of the geothermal reservoir. All statements as to MW capacity and expected generation, even in operational geothermal power facilities, are therefore necessarily subject to natural fluctuations. If any of these assumptions proves to be materially incorrect, it may affect the generation capacity of a property.

Aluminum Price Risks

A portion of the revenue of the Corporation's Icelandic operations is subject to the market price for aluminum. Accordingly, fluctuations in the market price for aluminum could have a material adverse effect on the Corporation's financial position.

Adverse Claims to Property Title

Although the Corporation has taken reasonable precautions to ensure that legal title to its properties is properly documented, there can be no assurance of title to any of its property interests, or that such title will ultimately be secured. However, the results of the Corporation's investigations should not be construed as a guarantee of title. No assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining authorizations nor that such exploration and mining authorizations will not be challenged or impugned by third parties. The Corporation's property interests may also be subject to prior unregistered agreements or transfers or other land claims, and title may be affected by undetected defects and adverse laws and regulations.

The Corporation cannot guarantee that title to its properties will not be challenged. Title insurance is not always available, or available on acceptable terms, and the Corporation's ability to ensure that it has obtained secure claim to individual properties may be severely constrained. A successful challenge to the precise area and location of these claims could result in the Corporation being unable to operate on its properties as permitted or being unable to enforce its rights with respect to its properties.

Unknown Liabilities

As part of the Corporation's completed and future acquisitions, it has assumed liabilities and risks. While the Corporation conducted due diligence, there may be liabilities or risks that the Corporation failed, or was unable, to discover in the course of performing the due diligence investigations or for which the Corporation was not indemnified. Any such liabilities, individually or in the aggregate, could have a material adverse effect on the Corporation's financial position and results of operations.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 periods, 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, intangible assets, project development costs and goodwill, deferred income taxes, asset retirement obligations, as well as the fair value of financial assets and liabilities including derivatives, effectiveness of hedging relationships and classification of structured entities. 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.

Fair Value of Financial Instruments

Certain financial instruments, such as derivative financial instruments, are carried in the consolidated statements of financial position at fair value, with changes in fair value reflected in earnings unless hedge accounting is used in which case the changes are recognized in comprehensive income. Fair values of some financial instruments are estimated by using valuation techniques that require several assumptions such as interest rate, credit spread and other.

Useful Lives of Property, plant and equipment and Intangible assets

Property, plant and equipment and intangible assets represent a significant proportion of the Corporation's total assets. The Corporation reviews estimates of the useful lives of property, plant and equipment and intangible assets on an annual basis and adjust depreciation on a prospective basis, if necessary.

Impairment of non-financial assets

The Corporation makes a number of estimates when calculating the recoverable amount of an asset or a cash-generating unit using value in use calculations based on discounted future cash flows. Future cash flows may be influenced by a number of estimates such as electricity production, duration of the projects, selling prices, costs to operate, capital expenditures, growth rate and the discount rate. The likelihood of being able to develop future projects is also assessed in regards of the competitive business environment and the willingness expressed by the governmental authorities of procuring additional sources of energy.

Business acquisition fair value

The Corporation makes a number of estimates when determining the acquisition date fair values of consideration transferred, assets acquired and liabilities assumed in a business acquisition. Fair values are estimated using valuation techniques which require several assumptions such as future production, earnings and expenses and discount rates.

Determining control, joint control or significant influence of an investee

The determination of whether the Corporation has control, joint control or significant influence over an investee requires the Corporation to make assumptions and judgments in evaluating the classification requirements.

Based on the contractual arrangements between the Corporation and the other respective partner, and the fact that the Corporation owns more than 50% of the economic interest, the Corporation concluded that it has control over Kwoiek Creek Resources L.P. and Mesgi'g Ugju's'n (MU) Wind Farm L.P.

Asset retirement obligations

The Corporation makes a number of estimates when calculating fair value of the asset retirement obligations which represent the present value of future remediation costs for various projects. Estimates for these costs are dependent on labour costs, the effectiveness of remedial and restoration measures, inflation rates, discount rates that reflect a current market assessment of the time value of money and the risk specific to the obligation, and the timing of the outlays.

Hedging

The Corporation makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated.

The Corporation may, from time to time, enter into long-term power hedge agreements which require critical judgments to determine the fair value and the designation of the long-term power hedge. As part of the designation of the power hedges as cash flow hedges, the Corporation makes certain judgments regarding the probability of future events. As part of determining fair value, the Corporation makes certain assumptions, estimates and judgments regarding future events. Unobservable forecast future power prices are inherently subjective and impact the change in fair value recognized in the consolidated statement of earnings and the consolidated statement of comprehensive income.

Income Taxes

The calculation of income taxes requires judgment in interpreting tax rules and regulations. The Corporation's tax filings are also subject to audits, the outcome of which could change the amount of current and deferred tax assets and liabilities. The Corporation believes that it has sufficient amounts accrued for outstanding tax matters based on the information that currently is available. Deferred tax assets and liabilities require management's judgment in determining the amounts to be recognized. In particular, judgment is required when assessing the timing of reversal of temporary differences to which future income tax rates are applied. Further, the amount of deferred tax assets, which is limited to the amount that is probable to be realized, is estimated with consideration given to the timing, sources and amounts of future taxable profit.

ACCOUNTING CHANGES

New Accounting Standards and Interpretations Adopted During the Year

IFRS 2, *Share-based Payments*

In June 2016, the IASB issued amendments to IFRS 2, *Share-based Payments* ("IFRS 2"), clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Adoption of the amendments of IFRS 2 did not have a material impact on the Corporation's financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). This standard replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue-Barter Transactions Involving Advertising Services*. IFRS 15 applies to all contracts with customers except those that are within the scope of other IFRSs. The application of this standard did not have a material impact on the Corporation's financial statements.

IFRS 9 (2014), *Financial Instruments*

In July 2014, the IASB issued the complete IFRS 9 (2014), *Financial Instruments* ("IFRS 9 (2014)"). IFRS 9 (2014) differs in some regards from IFRS 9 (2013) which the Corporation early adopted effective October 1, 2014. IFRS 9 (2014) includes updated guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new expected credit loss model for calculating impairment. The Corporation applied IFRS 9 (2014) retrospectively with restatement of prior periods. Other than the changes described below, there was no impact on the opening statement of financial position as of January 1, 2017, and on the information presented onwards.

A clarification to IFRS 9 was released in October 2017 related to the treatment of a modification of a financial liability that does not result in the derecognition of the financial liability. The amortized cost of the financial liability is recalculated using the modified cash flows and the original effective interest rate. Any change in the amortized cost is recognized in the statement of earnings on the date of the modification or at the date of the application of IFRS 9 (2014). This change is required to be applied retrospectively.

The following tables show the effects of the retrospective application to the modifications of the Montagne-Sèche, L.P. debt in 2014 and the Stardale L.P. debt in 2016 :

	As presented on January 1, 2017	Application of IFRS 9 (2014)	Restated balance as of January 1, 2017
Long-term debt	2,507,236	(4,922)	2,502,314
Deferred tax liabilities	176,965	1,317	178,282
Deficit	(601,157)	3,605	(597,552)

	As presented on December 31, 2017	Application of IFRS 9 (2014)	Restated balance as of December 31, 2017
Long-term debt	3,047,583	(4,196)	3,043,387
Deferred tax liabilities	215,593	1,123	216,716
Deficit	(651,233)	3,073	(648,160)

	Year ended December 31, 2017	Application of IFRS 9 (2014)	Restated balance for the year ended December 31, 2017
Finance costs	146,766	726	147,492
Deferred income taxes expenses	3,154	(194)	2,960

New Accounting Standards and Interpretations Issued but Not Yet Adopted

IFRS 16, Leases

On January 13, 2016, the IASB issued IFRS 16, *Leases* (“IFRS 16”) that provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17, *Leases* and its associated interpretive guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, IFRS 16 does not include significant changes to the requirements for lessors. IFRS 16 is effective January 1, 2019, with earlier application permitted. The Corporation adopted this standard retrospectively on January 1, 2019 without restating the figures for the comparative periods (modified retrospective approach). While the Corporation is still completing its assessment of the impacts, the Corporation expects that the initial adoption of IFRS 16 will result in the recognition of lease liabilities (primarily for land leases and for the rental of office space), being recognized in the consolidated statement of financial position, with the recognition of a corresponding right-of-use asset. The Corporation also expects a decrease in operating expenses (land leases) and general and administrative expenses (office space rental), offset by a corresponding increase in finance costs (originating from the lease liabilities) and depreciation (originating from the corresponding right-of-use assets).

Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures

On October 12, 2017, the IASB published *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28) to clarify that an entity applies IFRS 9, *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendments are effective for periods beginning on or after 1 January, 2019. The application of this standard is not expected to have an impact for the Corporation.

ESTABLISHMENT AND MAINTENANCE OF DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings, the President and Chief Executive Officer and the Chief Financial Officer 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 made known to the President and Chief Executive Officer and the Chief Financial Officer by others, particularly during the period in which the annual filings are being prepared; and (ii) the information required to be disclosed by the Corporation in its annual filings, interim filings and other reports filed or submitted by it under 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.

The President and Chief Executive Officer and the Chief Financial Officer of the Corporation have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Corporation's DC&P and ICFR as at December 31, 2018, and have concluded that they were effective at the financial year-end. There were no significant weakness relating to the design and operation of DC&P and no material weakness relating to the design and operation of ICFR at the financial year-end. During the period beginning on October 1, 2018, and ended on December 31, 2018, there was no change to the ICFR that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR.

The President and Chief Executive Officer and the Chief Financial Officer have also limited the scope of the Corporation's design of DC&P and ICFR to exclude the controls, policies and procedures of the Alterra Power Group Entities together with the Phoebe solar project, the Foard City wind project and the Hillcrest solar project, and the investment in the Energía Llaima for a 50% ownership which comprises the Duquenco hydro project (collectively "entities excluded from the Corporation's control policies and procedures"). The evaluation of the design and the operating effectiveness of the DC&P and ICFR for these entities will be completed in the 12 months following their dates of acquisition. A summary of the financial information about the entities excluded is presented in the "Entities Excluded from the Corporation's Control Policies and Procedures" section of this MD&A.

ENTITIES EXCLUDED FROM THE CORPORATION'S CONTROL POLICIES AND PROCEDURES

As stated in the "Establishment and Maintenance of DC&P and ICFR" section of this MD&A, the figures for the Alterra Power Group Entities together with the Phoebe solar project, the Foard City wind project and the Hillcrest solar project (together the "Alterra Entities and U.S. Development Projects"), and the 50% interest in the Energía Llaima joint venture which comprises the Duquenco River hydro project are excluded from the Corporation's control policies and procedures.

Summary financial information about the Alterra Power Group Entities and Energía Llaima is set out below:

Summary Statement of Earnings and Comprehensive Income (Loss) – Alterra Entities and U.S. Development Projects

	Period of 329 days ended December 31, 2018
Revenues	97,823
Adjusted EBITDA ¹	29,086
Net earnings	4,936
Other comprehensive income (loss)	(38,400)
Total comprehensive loss	(33,464)

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

Summary Statement of Financial Position – Alterra Entities and U.S. Development Projects

	As at December 31, 2018
Current assets	40,976
Non-current assets	1,556,212
	<u>1,597,188</u>
Current liabilities	115,966
Non-current liabilities	765,486
Equity	417,430
Non-controlling interests	298,306
	<u>1,597,188</u>

The results, assets and liabilities of the Energía Llaima joint venture are incorporated into these consolidated financial statements using the equity method of accounting. Summary financial information about Energía Llaima is set out below:

Summary Statement of Earnings and Comprehensive Income (Loss) – Energía Llaima

	Period of 181 days ended December 31, 2018
Revenues	30,739
Adjusted EBITDA ¹	16,884
Net earnings and comprehensive income	<u>5,466</u>

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

Summary Statement of Financial Position – Energía Llaima

	As at December 31, 2018
Current assets	64,598
Non-current assets	570,472
	<u>635,070</u>
Current liabilities	14,897
Non-current liabilities	244,620
Equity attributable to owners of Energía Llaima	308,598
Non-controlling interests	66,955
	<u>635,070</u>

Responsibility for Financial Reporting

The consolidated financial statements of Innergex Renewable Energy Inc. (the “Corporation”) and the management's discussion and analysis and all of the information herein concerning the Corporation are the responsibility of Management.

These consolidated financial statements were prepared by Management in accordance with **International Financial Reporting Standards (“IFRS”)** by applying the detailed accounting policies set out in the notes to the consolidated financial statements. Management is of the opinion that the consolidated financial statements were prepared based on reasonable criteria and using justifiable and reasonable estimates. The Corporation's financial information, presented elsewhere in the annual report, is consistent with what is presented in the consolidated financial statements.

Management maintains efficient and high-quality internal accounting and management control systems while ensuring that costs are reasonable. These systems provide assurance that the financial information is relevant, accurate and reliable, and that the Corporation's assets are correctly accounted for and adequately safeguarded.

The Board of Directors of the Corporation is responsible for ensuring that Management fulfils its financial reporting responsibilities. In addition, the Board of Directors is ultimately responsible for reviewing and approving the Corporation's consolidated financial statements. The Board of Directors fulfils this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board of Directors and all of its members are external non-related Directors.

The Audit Committee meets with Management and the independent auditor for the purposes of discussing internal controls relating to the financial reporting process, audit of financial information and other financial issues, and to make sure that each party is properly fulfilling its responsibilities. In addition, the Audit Committee reviews the annual report, the consolidated financial statements and the independent auditors' report. The Audit Committee submits its finding to the Board of Directors for review and for approval of the consolidated financial statements prior to their presentation to the shareholders. The Audit Committee also determines whether to retain the services of an independent auditor and to renew their mandate, which is subject to Board review and shareholders' approval.

These consolidated financial statements were approved by the Corporation's Board of Directors. The Corporation's consolidated financial statements were audited by its independent auditor, KPMG LLP, in accordance with **Canadian generally accepted auditing standards** and on the shareholders' behalf. KPMG LLP enjoys full and unrestricted access to the Audit Committee.

[s] Michel Letellier
Michel Letellier, MBA
President and Chief Executive Officer

[s] Jean-François Neault
Jean-François Neault, CPA, CMA, MBA
Chief Financial Officer

Innergex Renewable Energy Inc.

Longueuil, Canada, February 27, 2019



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Innergex Renewable Energy Inc.

Opinion

We have audited the consolidated financial statements of Innergex Renewable Energy Inc. (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2018;
- the consolidated statement of earnings for the year then ended;
- the consolidated statement of comprehensive income (loss) for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter - Comparative Information

The financial statements for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on February 21, 2018.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions;
- the information, other than the financial statements and the auditors' report thereon, included in the "2018 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and the information, other than the financial statements and the auditors' report thereon, included in the "2018 Annual Report" as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

The engagement partner on the audit resulting in this auditors' report is Girolamo Cordi.

Montréal, Canada

February 27, 2019

* CPA auditor, CA, public accountancy permit No. A109612

CONSOLIDATED STATEMENTS OF EARNINGS

	Notes	Year ended December 31	
		2018	2017
			(Restated Note 2.1)
Revenues		576,616	400,263
Expenses			
Operating	6	137,872	71,672
General and administrative		34,089	17,806
Prospective projects		19,574	12,057
Earnings before finance costs, income taxes, depreciation, amortization, other net expenses, share of earnings of joint ventures and associates and unrealized net loss (gain) on financial instruments		385,081	298,728
Finance costs	7	199,804	147,492
Other net expenses	8	15,273	2,453
Earnings before income taxes, depreciation, amortization, share of earnings of joint ventures and associates and unrealized net loss (gain) on financial instruments		170,004	148,783
Depreciation	6,18	128,321	92,762
Amortization	6,19	43,476	36,667
Share of earnings of joint ventures and associates	9	(34,110)	(4,638)
Unrealized net loss (gain) on financial instruments	10	3,905	(2,245)
Earnings before income taxes		28,412	26,237
Provision for income taxes			
Current	11	8,521	4,141
Deferred	11	(5,827)	2,960
		2,694	7,101
Net earnings		25,718	19,136
Net earnings (loss) attributable to:			
Owners of the parent		32,692	29,475
Non-controlling interests	29	(6,974)	(10,339)
		25,718	19,136
Weighted average number of common shares outstanding (in 000s)	12	130,030	108,427
Basic net earnings per share (\$)	12	0.21	0.22
Diluted weighted average number of common shares outstanding (in 000s)	12	130,907	109,247
Diluted net earnings per share (\$)	12	0.21	0.22

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Notes	Year ended December 31	
		2018	2017
			(Restated Note 2.1)
Net earnings		25,718	19,136
Items of comprehensive income (loss) that will be subsequently reclassified to earnings:	27		
Foreign currency translation differences for foreign operations		(14,757)	27
Related deferred income taxes		205	(60)
Foreign exchange (loss) gain on the designated hedges on the net investments in foreign operations		(5,912)	69
Related deferred income taxes		645	147
Change in fair value of financial instruments designated as cash flow hedges		(48,743)	15,047
Related deferred income taxes		13,577	(4,172)
Change in fair value of financial instruments of joint ventures and associates designated as cash flow hedges	9	13,246	815
Related deferred income taxes		(3,287)	(201)
Share of non-controlling interests in:			
Foreign currency translation differences for foreign operations		(11,288)	320
Foreign exchange loss on the designated hedges on the net investments in foreign operations		(287)	(323)
Change in fair value of hedging instruments		(600)	1,260
Related deferred income taxes		150	(98)
Items of comprehensive income (loss) that will not be subsequently reclassified to earnings:			
Defined benefit plan actuarial losses	24	(520)	—
Related deferred income taxes		104	—
Other comprehensive (loss) income		(57,467)	12,831
Total comprehensive (loss) income		(31,749)	31,967
Other comprehensive (loss) income attributable to:			
Owners of the parent		(45,442)	11,672
Non-controlling interests		(12,025)	1,159
		(57,467)	12,831
Total comprehensive (loss) income attributable to:			
Owners of the parent		(12,750)	41,147
Non-controlling interests		(18,999)	(9,180)
		(31,749)	31,967

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at		December 31, 2018	December 31, 2017
	Notes		(Restated Note 2.1)
ASSETS			
Current assets			
Cash and cash equivalents		79,586	61,914
Restricted cash and short-term investments	15	29,981	58,676
Accounts receivable	16	102,723	87,500
Income taxes receivable		1,163	—
Derivative financial instruments	10	2,370	5,416
Prepaid and others		12,454	8,104
		228,277	221,610
Non-current assets			
Reserve accounts	17	51,895	49,970
Property, plant and equipment	18	4,482,928	3,188,238
Intangible assets	19	925,009	654,081
Project development costs	20	30,119	—
Investments in joint ventures and associates	9	604,773	11,011
Derivative financial instruments	10	9,817	9,558
Deferred tax assets	11	16,465	11,873
Goodwill	21	109,995	38,580
Other long-term assets		22,006	5,535
		6,481,284	4,190,456

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at		December 31, 2018	December 31, 2017
	Notes		(Restated Note 2.1)
LIABILITIES			
Current liabilities			
Dividends payable to shareholders		24,093	19,406
Accounts payable and other payables	22	132,139	91,032
Income taxes payable		8,836	3,282
Derivative financial instruments	10	29,999	22,749
Current portion of long-term debt	23	445,928	109,875
Current portion of other liabilities	24	505	500
		641,500	246,844
Non-current liabilities			
Derivative financial instruments	10	118,002	54,494
Long-term debt	23	4,024,324	3,043,387
Other liabilities	24	173,345	79,507
Convertible debentures	25	238,648	96,246
Deferred tax liabilities	11	325,904	216,716
		5,521,723	3,737,194
SHAREHOLDERS' EQUITY			
Common share capital	26 a)	6,546	2,867
Contributed surplus from reduction of capital on common shares	26 b)	1,270,822	939,047
Preferred shares	26 c)	131,069	131,069
Share-based payments	26 d)	1,782	1,713
Convertible debentures	25	3,976	1,877
Deficit		(748,890)	(648,160)
Accumulated other comprehensive (loss) income	27	(35,513)	9,929
Equity attributable to owners		629,792	438,342
Non-controlling interests	29	329,769	14,920
Total shareholders' equity		959,561	453,262
		6,481,284	4,190,456

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended December 31, 2018	Equity attributable to owners							Total	Non-controlling interests	Total shareholders' equity
	Common share capital account	Contributed surplus from reduction of capital on common shares	Preferred shares	Share-based payments	Convertible debentures	Deficit	Accumulated other comprehensive income (loss)			
Balance January 1, 2018 (Restated Note 2.1)	2,867	939,047	131,069	1,713	1,877	(648,160)	9,929	438,342	14,920	453,262
Net earnings (loss)	—	—	—	—	—	32,692	—	32,692	(6,974)	25,718
Other items of comprehensive loss	—	—	—	—	—	—	(45,442)	(45,442)	(12,025)	(57,467)
Total comprehensive income (loss)	—	—	—	—	—	32,692	(45,442)	(12,750)	(18,999)	(31,749)
Common shares issued on February 6, 2018 (Note 5 b)	330,607	—	—	—	—	—	—	330,607	—	330,607
Business acquisition (Note 5 b)	—	—	—	—	—	—	—	—	313,569	313,569
Common shares issued through dividend reinvestment plan	9,929	—	—	—	—	—	—	9,929	—	9,929
Reduction of capital on common shares (Note 26 b)	(337,785)	337,785	—	—	—	—	—	—	—	—
Buyback of common shares	(20)	(6,010)	—	—	—	(3,457)	—	(9,487)	—	(9,487)
Share-based payments	—	—	—	69	—	—	—	69	—	69
Convertible debentures issued (Net of \$766 of deferred income taxes) (Note 25)	—	—	—	—	2,099	—	—	2,099	—	2,099
Shares vested - Performance Share Plan	948	—	—	—	—	—	—	948	—	948
Buyback of non-controlling interests (Note 29.1)	—	—	—	—	—	(33,808)	—	(33,808)	32,108	(1,700)
Investments from non-controlling interests	—	—	—	—	—	—	—	—	507	507
Dividends declared on common shares	—	—	—	—	—	(90,215)	—	(90,215)	—	(90,215)
Dividends declared on preferred shares	—	—	—	—	—	(5,942)	—	(5,942)	—	(5,942)
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(12,336)	(12,336)
Balance December 31, 2018	6,546	1,270,822	131,069	1,782	3,976	(748,890)	(35,513)	629,792	329,769	959,561

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended December 31, 2017	Equity attributable to owners									
	Common shares capital account	Contributed surplus from reduction of capital on common shares	Preferred shares	Share-based payments	Convertible debentures	Deficit	Accumulated other comprehensive (loss) income	Total	Non-controlling interests	Total shareholders' equity
Balance January 1, 2017 (Restated Note 2.1)	162,862	775,413	131,069	2,199	1,877	(597,552)	(1,743)	474,125	14,712	488,837
Net earnings (loss) (Restated Note 2.1)	—	—	—	—	—	29,475	—	29,475	(10,339)	19,136
Other items of comprehensive income	—	—	—	—	—	—	11,672	11,672	1,159	12,831
Total comprehensive income (loss)	—	—	—	—	—	29,475	11,672	41,147	(9,180)	31,967
Common shares issued through dividend reinvestment plan	5,135	—	—	—	—	—	—	5,135	—	5,135
Reduction of capital on common shares	(166,460)	166,460	—	—	—	—	—	—	—	—
Buyback of common shares	(1)	(471)	—	—	—	(305)	—	(777)	—	(777)
Share-based payments	—	—	—	99	—	—	—	99	—	99
Common shares options exercised	1,335	—	—	(585)	—	(1,234)	—	(484)	—	(484)
Shares purchased - Performance Share Plan	(4)	(2,355)	—	—	—	(981)	—	(3,340)	—	(3,340)
Investments from non-controlling interests	—	—	—	—	—	—	—	—	16,846	16,846
Dividends declared on common shares	—	—	—	—	—	(71,621)	—	(71,621)	—	(71,621)
Dividends declared on preferred shares	—	—	—	—	—	(5,942)	—	(5,942)	—	(5,942)
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(7,458)	(7,458)
Balance December 31, 2017 (Restated Note 2.1)	2,867	939,047	131,069	1,713	1,877	(648,160)	9,929	438,342	14,920	453,262

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31	
		2018	2017 (Restated Note 2.1)
OPERATING ACTIVITIES			
Net earnings		25,718	19,136
Items not affecting cash:			
Depreciation	18	128,321	92,762
Amortization	19	43,476	36,667
Share of earnings of joint ventures and associates	9	(34,110)	(4,638)
Unrealized net loss (gain) on financial instruments	10	3,905	(2,245)
Inflation compensation interest	7	6,798	3,910
Amortization of financing fees	7	5,248	2,980
Accretion of long-term debt and convertible debentures	7	2,367	2,130
Accretion expenses on other liabilities	7	3,265	1,664
Amortization of below market contracts	8	(2,381)	—
Share-based payments		69	(385)
Deferred income taxes		(5,827)	2,960
Others		1,703	607
Interest expense on long-term debt and convertible debentures	7	177,395	134,420
Interest paid		(168,993)	(125,825)
Gain on contingent considerations	8	—	(881)
Distributions received from joint ventures and associates	9	26,599	3,201
Changes in net pension fund obligations		19	—
Current income tax expense	11	8,521	4,141
Net income taxes paid		(5,367)	(2,583)
Effect of exchange rate fluctuations		3,685	648
		220,411	168,669
Changes in non-cash operating working capital items	28 a)	(11,021)	23,782
		209,390	192,451
FINANCING ACTIVITIES			
Dividends paid on common shares		(75,599)	(65,875)
Dividends paid on preferred shares		(5,942)	(5,942)
Distributions to non-controlling interests		(12,336)	(7,458)
Investments from non-controlling interests		—	16,842
Increase of long-term debt	28 c)	2,070,430	668,856
Repayment of long-term debt	28 c)	(1,114,449)	(576,187)
Payment of deferred financing costs	28 c)	(26,736)	(1,161)
Payment of other liabilities	24	—	(246)
Net proceeds from issuance of convertible debentures	25	143,090	—
Payment for buyback of common shares		(9,487)	(4,119)
		968,971	24,710

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31	
		2018	2017 (Restated Note 2.1)
INVESTING ACTIVITIES			
Cash acquired on business acquisitions	5	8,632	5,335
Business acquisitions	5	(872,977)	(152,797)
Decrease of restricted cash and short-term investments		34,440	70,203
Net funds invested in the reserve accounts	17	(731)	(85)
Additions to property, plant and equipment		(183,028)	(135,656)
Additions to intangible assets		(2,766)	—
Additions to project development costs		(9,129)	—
Investments in joint ventures and associates	9	(134,065)	—
Buyback of non-controlling interests	29.1	(1,700)	—
(Additions to) reductions of other long-term assets		(190)	1,020
Proceeds from disposal of property, plant and equipment		651	24
		(1,160,863)	(211,956)
Effects of exchange rate changes on cash and cash equivalents		174	482
Net increase in cash and cash equivalents		17,672	5,687
Cash and cash equivalents, beginning of year		61,914	56,227
Cash and cash equivalents, end of year		79,586	61,914
<i>Cash and cash equivalents is comprised of:</i>			
Cash		79,586	60,695
Short-term investments		—	1,219
		79,586	61,914

Additional information is presented in Note 28.

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

DESCRIPTION OF BUSINESS

Innergex Renewable Energy Inc. (“Innergex” or the “Corporation”) was incorporated under the *Canada Business Corporation Act* on October 25, 2002, and its shares and convertible debentures are listed on the Toronto Stock Exchange. The Corporation is a developer, acquirer, owner and operator of renewable power-generating facilities, essentially focused on the hydroelectric, wind, geothermal and solar power sectors. The Corporation’s head office is located at 1225 St-Charles Street West, 10th floor, Longueuil, QC, J4K 0B9, Canada.

These consolidated financial statements were approved by the Board of Directors on February 27, 2019.

1. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The Corporation’s significant accounting policies are described in Note 3. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments and assets and liabilities acquired in business combinations at acquisition date that are measured at fair value, as described in the significant accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional Currency and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation’s functional currency.

2. APPLICATION OF IFRS

2.1 New accounting standards and interpretations adopted during the year

The Corporation has adopted the following new standards and interpretations, with a date of initial application of January 1, 2018:

IFRS 2, *Share-based Payments*

In June 2016, the IASB issued amendments to IFRS 2, *Share-based Payments* (“IFRS 2”), clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Adoption of the amendments of IFRS 2 did not have a material impact on the Corporation’s financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, IASB issued IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”). This standard replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue-Barter Transactions Involving Advertising Services*. IFRS 15 applies to all contracts with customers except those that are within the scope of other IFRSs. The application of this standard did not have a material impact on the Corporation’s financial statements.

IFRS 9 (2014), *Financial Instruments*

In July 2014, the IASB issued the complete IFRS 9 (2014), *Financial Instruments* ("IFRS 9 (2014)"). IFRS 9 (2014) differs in some regards from IFRS 9 (2013) which the Corporation early adopted effective October 1, 2014. IFRS 9 (2014) includes updated guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new expected credit loss model for calculating impairment. The Corporation applied IFRS 9 (2014) retrospectively with restatement of prior periods. Other than the changes described below, there was no impact on the opening statement of financial position as of January 1, 2017, and on the information presented onwards.

A clarification to IFRS 9 was released in October 2017 related to the treatment of a modification of a financial liability that does not result in the derecognition of the financial liability. The amortized cost of the financial liability is recalculated using the modified cash flows and the original effective interest rate. Any change in the amortized cost is recognized in the statement of earnings on the date of the modification or at the date of the application of IFRS 9 (2014). This change is required to be applied retrospectively.

The following tables show the effects of the retrospective application to the modifications of the Montagne-Sèche, L.P. debt in 2014 and the Stardale L.P. debt in 2016 (see note 23):

	As presented on January 1, 2017	Application of IFRS 9 (2014)	Restated balance as of January 1, 2017
Long-term debt	2,507,236	(4,922)	2,502,314
Deferred tax liabilities	176,965	1,317	178,282
Deficit	(601,157)	3,605	(597,552)

	As presented on December 31, 2017	Application of IFRS 9 (2014)	Restated balance as of December 31, 2017
Long-term debt	3,047,583	(4,196)	3,043,387
Deferred tax liabilities	215,593	1,123	216,716
Deficit	(651,233)	3,073	(648,160)

	Year ended December 31, 2017	Application of IFRS 9 (2014)	Restated balance for the year ended December 31, 2017
Finance costs	146,766	726	147,492
Deferred income taxes expenses	3,154	(194)	2,960

2.2 New accounting standards and interpretations issued but not yet adopted

IFRS 16, *Leases*

On January 13, 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16") that provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17, *Leases* and its associated interpretive guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, IFRS 16 does not include significant changes to the requirements for lessors. IFRS 16 is effective January 1, 2019, with earlier application permitted. The Corporation adopted this standard retrospectively on January 1, 2019 without restating the figures for the comparative periods (modified retrospective approach). While the Corporation is still completing its assessment of the impacts, the Corporation expects that the initial adoption of IFRS 16 will result in the recognition of lease liabilities (primarily for land leases and for the rental of office space), being recognized in the consolidated statement of financial position, with the recognition of a corresponding right-of-use asset. The Corporation also expects a decrease in operating expenses (land leases) and general and administrative expenses (office space rental), offset by a corresponding increase in finance costs (originating from the lease liabilities) and depreciation (originating from the corresponding right-of-use assets).

Amendments to IAS 28, *Long-term Interests in Associates and Joint Ventures*

On October 12, 2017, the IASB published *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28) to clarify that an entity applies IFRS 9, *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendments are effective for periods beginning on or after 1 January, 2019. The application of this standard is not expected to have an impact for the Corporation.

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Corporation, and the subsidiaries that it controls. Control exists when the Corporation has the power over the subsidiary, when it is exposed or has rights to variable returns from its involvement with the subsidiary and when it has the ability to use its power to affect its returns. Subsidiaries that the Corporation controls are consolidated from the effective date of acquisition up to the effective date of disposal or loss of control.

Details of the Corporation's significant subsidiaries at the end of the reporting period are set out below.

Name of subsidiaries	Principal activity	Place of creation and operation	Proportion of ownership interest and voting rights held by the Corporation
Harrison Hydro L.P. and its subsidiaries	Own and operate hydroelectric facilities	Canada	50.01%
Creek Power Inc. and its subsidiaries	Own and operate hydroelectric facilities	Canada	100.00%
Kwoiek Creek Resources L.P. ¹	Own and operate a hydroelectric facility	Canada	50.00%
Ashlu Creek Investments Limited Partnership	Own and operate a hydroelectric facility	Canada	100.00%
Innergex Inc.	Own and operate hydroelectric and wind facilities	Canada	100.00%
Big Silver Creek Power Limited Partnership	Own and operate a hydroelectric facility	Canada	100.00%
Innergex Sainte-Marguerite S.E.C.	Own and operate a hydroelectric facility	Canada	50.01%
Mesgi'g Ugnu's'n (MU) Wind Farm L.P. ²	Own and operate a wind facility	Canada	50.00%
Innergex Cartier Energy LP	Own and operate wind facilities	Canada	100.00%
Innergex Europe (2015) Limited Partnership and its subsidiaries	Own and operate wind facilities	Canada/Europe	69.55%
HS Orka hf	Own geothermal facilities	Iceland	53.90%

1. The Corporation owns more than 50% of the economic interest in Kwoiek Creek Resources L.P. (see note 29.2)

2. The Corporation owns more than 50% of the economic interest in Mesgi'g Ugnu's'n (MU) Wind Farm L.P. (see note 29.2)

Investments in joint ventures and associates

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity in which the Corporation has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Corporation holds between 20% and 50% of the voting power of another entity.

The determination of whether the Corporation has control, joint control or significant influence over an investee requires the Corporation to make assumptions and critical judgments in evaluating the classification requirements.

The earnings, and assets and liabilities of joint ventures and associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture or an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Corporation's share of the earnings (loss) and other comprehensive income of the joint venture or associate. When the Corporation's share of losses of a joint venture or an associate exceeds the Corporation's interest in that joint venture or associate (which includes any long-term interest that, in substance, forms part of the Corporation's net investment in the joint venture), the Corporation discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Corporation has incurred legal or constructive obligations or made payments on behalf of the joint venture or the associate.

An investment is accounted for using the equity method from the date on which the investee becomes a joint venture or an associate. On acquisition of the investment in a joint venture or associate, any excess of the cost of the investment over the Corporation's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in earnings (loss).

At the end of each reporting period, the Corporation reviews the carrying amounts of its investments in joint ventures and associates to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the net investment is estimated. Because goodwill that forms part of the carrying amount of a net investment in an associate or a joint venture is not separately recognised, it is not tested for impairment separately by applying the requirements for impairment testing of goodwill. Instead, the entire carrying amount of the investment is tested for impairment as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised in those circumstances forms part of the carrying amount of the net investment in the associate or joint venture and is not allocated to any asset, including goodwill. Accordingly, any reversal of that impairment loss is recognised to the extent that the recoverable amount of the net investment subsequently increases.

The Corporation discontinues the use of the equity method from the date when the investment ceases to be a joint venture or an associate. When the Corporation retains an interest in the former joint venture or associate and the retained interest is a financial asset, the Corporation measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the joint venture or associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture or associate is included in the determination of the gain or loss on disposal of the joint venture or associate. In addition, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that joint venture or associate on the same basis as would be required if that joint venture or associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that joint venture would be reclassified to earnings (loss) on the disposal of the related assets or liabilities, the Corporation reclassifies the gain or loss from equity to earnings (loss) (as a reclassification adjustment) when the equity method is discontinued.

Investments in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Corporation discontinues the use of the joint operation method from the date when the investment ceases to be a joint arrangement. When the Corporation retains an interest in the former joint arrangement, the Corporation measures the retained interest at its carrying amount. The difference between the carrying amount of the

joint operation at the date the joint operation was discontinued is included in the determination of the gain or loss on disposal of the joint operation. In addition, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that joint operation on the same basis as would be required if that joint operation had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that joint operation would be reclassified to earnings (loss) on the disposal of the related assets or liabilities, the Corporation reclassifies the gain or loss from equity to earnings (loss) (as a reclassification adjustment) when the joint operation is discontinued.

When the Corporation undertakes its activities under joint operations, the Corporation as a joint operator recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Corporation accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When the Corporation transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Corporation is considered as conducting the transaction with other parties to the joint operation and profits and losses resulting from the transactions are recognized in the Corporation's consolidated financial statements only to the extent of the other parties' interests in the joint operation.

When the Corporation transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Corporation does not recognize its share of the gains and losses until it resells those assets to a third party.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the aggregate of the fair values, at the acquisition date, of assets transferred, liabilities incurred or assumed, and equity instruments issued by the Corporation in exchange for control of the acquiree. Where appropriate, the consideration transferred includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the consideration transferred when they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRS and reflected through net earnings. Changes in the fair value of contingent consideration classified as equity are not recognized.

Identifiable assets acquired, as well as liabilities and contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests ("NCI"). The excess of the aggregate of consideration transferred, the amount of any NCI, and in a business combination achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. Any negative goodwill is recognized directly in the consolidated statement of earnings.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances and short-term investments with original maturities of three months or less, net of bank overdrafts whenever they are an integral part of the Corporation's cash management process.

Restricted cash and short-term investments

The Corporation holds restricted cash and short-term investments as required under some of its project financings.

The restricted cash accounts and short-term investments are currently invested in cash or in short-term investments having maturities of three months or less.

The availability of funds in the restricted cash and short-term investments accounts are restricted by various agreements.

Reserve accounts

The Corporation holds three types of reserve accounts designed to help ensure its financial stability. The first is the hydrology/wind reserve established at the start of commercial operations of a facility to compensate for the variability of cash flows related to fluctuations in hydrology, wind or solar conditions or other unpredictable events. The second is the major maintenance reserve established in order to prefund any major plant repairs that may be required to maintain the Corporation's generating capacity. A third reserve is the dismantlement reserve aiming to have sufficient funding available for decommissioning of wind farms at the end of the projects.

The reserve accounts are currently invested in cash or in short-term investments having maturities of a year or less as well as in Government-backed securities.

The availability of funds in the reserve accounts may be restricted by credit agreements.

Property, plant and equipment

Property, plant and equipment are comprised mainly of hydroelectric, wind farm, solar and geothermal facilities that are either in operation or under construction. They are recorded at cost less accumulated depreciation and accumulated impairment losses if any.

Property, plant and equipment are depreciated using the straight-line method over the lesser of (i) the estimated useful lives of the assets or (ii) the period for which the Corporation owns the rights to the assets. Improvements that increase or extend the service life or capacity of an asset are capitalized. Maintenance and repair costs are expensed as incurred. Property, plant and equipment are not depreciated until they are ready for their intended use.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in earnings (loss).

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in earnings (loss) in the period in which they are incurred.

The useful lives used to calculate depreciation are summarized as follows:

Type of property, plant and equipment	Useful life for the depreciation period
Hydroelectric facilities	8 to 75 years
Wind farm facilities	14 to 25 years
Geothermal facilities	5 to 50 years
Solar facilities	15 to 35 years
Other equipments	3 to 10 years

Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recorded to earnings (loss) on a straight-line basis over the term of the leases.

Intangible assets

Intangible assets consist of various permits, licenses and agreements. Intangibles assets are amortized using the straight-line method over a period ending on the maturity date of the permits, licenses or agreements of each facility. The estimated useful lives reflect the respective Power Purchase Agreements' ("PPA") renewable rights periods, since it is the Corporation's intention to exercise its option to renew its PPAs where allowable. They are recorded at cost less accumulated amortization and accumulated impairment losses. Amortization starts when the related facility becomes ready for its intended use.

The Corporation recognizes an intangible asset arising from a service concession arrangement when it has the right to charge for usage of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition. Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalized borrowing costs, less accumulated amortization and accumulated impairment losses.

Intangible assets related to facilities under construction are not amortized until the related facilities are ready for their intended use.

The estimated useful lives and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The useful lives used to calculate amortization is as follows:

Intangible assets related to:	Useful life for the amortization period
Hydroelectric facilities	4 to 75 years
Wind farm facilities	8 to 20 years
Geothermal facilities	5 to 64 years
Solar facilities	20 years

Project development costs

Project development costs represent costs incurred for the acquisition of prospective projects and for the development of hydroelectric, wind farm, solar and geothermal sites, including the geothermal property expansion rights owned in Iceland. They are recorded at cost less impairment losses. Development phase starts when a public announcement is made by a utility that a prospective project has been selected to be awarded a PPA. These costs are transferred to property, plant and equipment or intangible assets when construction starts. Current costs for prospective projects are expensed as incurred and costs of a project under development are written off if the project is abandoned. Borrowing costs directly attributable to the acquisition or development are capitalized as project development costs.

Impairment of property, plant and equipment, intangible assets and project development costs other than goodwill

At the end of each reporting period, the Corporation reviews the carrying amounts of its non-financial assets, other than goodwill, to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

If the recoverable amount of an asset or CGU is lower than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognized immediately in earnings (loss).

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised recoverable amount, to the extent that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized. A reversal of an impairment loss is recognized immediately in earnings (loss).

Goodwill

Goodwill arises during business combinations and is measured at the acquisition date. It is subsequently measured at cost, less accumulated impairment losses (if any).

For purposes of impairment testing, goodwill is allocated to each of the Corporation's CGU (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the CGU may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Any impairment loss is recognized in earnings (loss). An impairment loss recognized for goodwill is not reversed in subsequent periods.

Other long-term assets

Other long-term assets include security deposits under various agreements, prepaid leases and royalty fees and long-term receivables.

Assets held for sale

An asset is classified as held for sale if management is committed to a plan to sell, the asset is available for immediate sale, an active plan to locate a buyer is initiated, the sale is highly probable (typically within 12 months of classification as held for sale), the asset is being actively marketed for sale at a price reasonable in relation to its fair value, and actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn. Any asset classified as held for sale is measured at the lower of its carrying value or fair value less costs to sell.

Accrual for acquisition of long-term assets

The accrual for acquisition of long-term assets is defined as long-term debt commitments that have been secured and that will be drawn upon to finance the Corporation's projects currently under development or construction.

Provisions and asset retirement obligations

A provision is a liability of uncertain timing or amount. Provisions are recognized into other liabilities when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. A legal obligation can arise through a contract, legislation, or other operation of law. A constructive obligation arises from an entity's actions whereby, through an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated that it will accept certain responsibilities and has thus created a valid expectation that it will discharge those responsibilities. The amount recognized as a provision is the best estimate, at each period end, of the expenditures required to settle the present obligation considering the risks and uncertainties associated with the obligation. Where expenditures are expected to be incurred in the future, the obligation is measured at its present value using a current market-based, risk adjusted interest rate.

Asset retirement obligations are recorded in other liabilities when those obligations are incurred and are measured as the present value, if a reasonable estimate of the expected costs to settle the liability can be determined, discounted at a current pre-tax rate specific to the liability. In subsequent periods, the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows. The accretion of the liability as a result of the passage of time is charged to earnings while changes resulting from the revisions to either the timing, the amount of the original estimate of the undiscounted cash flows or a change of the discount rate are accounted for as part of the carrying amount of the related property, plant and equipment. The carrying amount of the asset retirement obligations is reviewed at each quarter end to reflect current estimates and changes in the discount rate.

Financial instruments

The Corporation initially recognizes financial assets on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through earnings (loss), then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Corporation classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

(i) Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.

The Corporation currently classifies its cash and cash equivalents, restricted cash and short-term investments, accounts receivable, and reserve accounts as financial assets measured at amortized cost.

(ii) Financial assets measured at fair value

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognized in net earnings unless hedge accounting is used in which case the changes are recognized in other comprehensive income. Also, for investments in equity instruments that are not held for trading, the Corporation may irrevocably elect, at initial recognition, to present subsequent changes in the investment's fair value in other comprehensive income. For such investments measured at fair value through other comprehensive income, gains and losses are never reclassified to profit or loss, and no impairment is recognized in profit or loss. Dividends earned from such investments are recognized in profit or loss, unless the dividend clearly represents a repayment of part of the cost of the investment. This election is made on an investment-by-investment basis.

The Corporation currently classifies its derivative financial instruments as financial assets measured at fair value.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial liabilities are classified into the following categories.

(i) Financial liabilities measured at amortized cost

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

The Corporation currently classifies its dividends payable to shareholders, accounts payable and other payables and long-term debt as liabilities measured at amortized cost.

(ii) Financial liabilities measured at fair value

Financial liabilities at fair value are initially recognized at fair value and are re-measured at each reporting date with any changes therein recognized in net earnings unless hedge accounting is used in which case the changes are recognized in other comprehensive income.

The Corporation currently classifies its derivative financial instruments as financial liabilities measured at fair value.

The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments are classified in fair value hierarchy levels as follows:

- Level 1: valuation based on quoted prices (unadjusted) in active markets to which the entity has access at the evaluation date for identical assets or liabilities;
- Level 2: valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The Corporation recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Impairment of financial assets

Since January 1, 2018, upon the initial adoption of IFRS 9 (2014), the Corporation prospectively estimates the expected credit losses associated with the financial assets accounted for at amortized cost. The impairment methodology used depends on whether there is a significant increase in the credit risk or not. For trade receivables, the Corporation measures loss allowances at an amount equal to the lifetime expected credit loss (ECL) as allowed by IFRS 9 (2014) under the simplified method. The Corporation recognises in earnings (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal thereof) that is required to adjust the loss allowance at the reporting date to the required amount.

Hedging relationships

The Corporation enters into derivative financial instruments to hedge its market risk exposures. On initial designation of new hedges the Corporation formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Corporation makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated.

For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net earnings.

Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in net earnings as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect net earnings, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in accumulated other comprehensive income as part of equity. The amount recognized in other comprehensive income is removed and included in net earnings under the same line item in the consolidated statement of earnings as the hedged item, in the same period that the hedged cash flows affect net earnings. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in net earnings. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income remains in accumulated other comprehensive income until the forecasted transaction affects net earnings. If the forecasted transaction is no longer expected to occur, then the balance in accumulated other comprehensive income is recognized immediately in net earnings.

Net investment in foreign operation hedges

The Corporation applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Corporation's functional currency (Canadian dollars).

Foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the accumulated other comprehensive income. Any ineffective portion of changes in the hedging instruments is recognized directly in net earnings. When the hedged part of a net investment is disposed of, the relevant

amount in accumulated other comprehensive income is transferred to the statement of earnings as part of the profit or loss on disposal.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Corporation's equity therein. The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interest's proportionate share in the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition by acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the acquisition.

Revenue recognition

Revenue is recognized as the Corporation satisfies its performance obligation which occurs, upon delivery of electricity at rates provided for under the PPAs entered into with the purchasing utilities, on the merchant market or upon compensations from insurance or suppliers for loss of revenues when it is virtually certain that the claim will be received.

Government assistance

Government assistance in the form of subsidies or refundable investment tax credits are recorded in the consolidated financial statements when there is reasonable assurance that the Corporation complied with all conditions necessary to obtain the assistance.

The Corporation is entitled to subsidies under the EcoEnergy program. The subsidies are equal to 1¢ per kWh produced for the first 10 years following commissioning of each facility. The Ashlu Creek, Fitzsimmons Creek (ended in July 2017), Douglas Creek, Fire Creek, Stokke Creek, Tipella Creek, Lamont Creek, Upper Stave River, Magpie (ended in June 2017), Umbata Falls (ended in May 2018) and Toba Montrose hydro facilities and the Carleton (ended in November 2018), Baie-des-Sables (ended in March 2017), L'Anse-à-Valleau (ended in November 2017) and Dokie wind farms are entitled to the subsidies. As per the PPAs, the Corporation must transfer 75% of the Carleton, Baie-des-Sables and L'Anse-à-Valleau wind farms subsidies to Hydro-Québec. Gross EcoEnergy subsidies of \$9,301 (\$11,177 in 2017) are included in the revenues and the 75% payable to Hydro-Québec for the Carleton, Baie-des-Sables and L'Anse-à-Valleau wind farms are included in operating expenses.

The Corporation incurs renewable energy development expenditures, which are eligible for refundable investment tax credits. The recorded investment tax credits are based on management's estimates of amounts expected to be recovered and are subject to an audit by the taxation authorities. Investment tax credits for renewable energy development expenditures are reflected as a reduction in the cost of the assets or expenses to which they relate.

Employee benefits

The Corporation's net obligation in respect of defined benefit multi-employer pension plans or pension fund commitments at HS Orka is calculated separately for each plan by estimating the amount of future benefits that current and former employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. The calculation is performed annually by qualified actuaries using a method based on earned benefits. Remeasurements of the net defined benefit liabilities related to actuarial gains and losses are recognized in other comprehensive income, and other expenses related to the defined benefit plans are recognized as incurred in the consolidated statement of earnings.

Contributions to the defined contribution pension plan is recognized as an employee benefit expense in earnings (loss) in the period during which services are rendered by employees.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-based payment

The Corporation measures equity-settled share option awards using the fair value method. Expense is measured at the grant date at the fair value of the award and is recognized over the vesting period based on the Corporation's estimate of the number of options that will eventually vest. Each equity-settled share option award that vests in installments is accounted for as a separate award with its own distinct fair value measurement. The fair value of options is amortized to earnings over the vesting period with an offset to share-based payment in equity. For options that are forfeited before vesting, the compensation expense that had previously been recognized and the offset to share-based payment in equity are reversed. When options are exercised, the corresponding share-based payment in equity and the proceeds received by the Corporation are credited to share capital.

Performance share plan ("PSP plan")

The Corporation measures equity-settled awards using the fair value method. The expense is measured at the grant date at the fair value of the award and is recognized over the vesting period based on the Corporation's estimate of the number of shares that will eventually vest and a corresponding liability is recorded. For shares that are forfeited before vesting, the expense that had previously been recognized is reversed. When shares are purchased by the fiduciary on the secondary market, the corresponding fair value is debited to common shares capital. On the vesting date, each performance share right entitles its holder to one common share of the Corporation with all the reinvested dividends accrued thereon from the grant date. When paid, the corresponding fair value is credited from the common share capital against the corresponding liability.

Cash settled share-based payment

Under the Corporation's Deferred Share Unit Plan (the "DSU Plan"), Directors and officers may elect to receive all or any portion of their compensation in DSUs in lieu of cash compensation. The Corporation cash-settled share-based payments are measured at fair value at the grant date with a corresponding liability. Until the liability is settled, the fair value of the liability is remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in earnings (loss). DSUs cannot be redeemed for cash until the Director leaves the Board or the officer leaves the Corporation.

Foreign currency translation

The Corporation and its subsidiaries each determine their functional currency based on the currency of the primary economic environment in which they operate. Transactions denominated in a currency other than the functional currency of an entity are translated at the exchange rate in effect on the transaction date. The resulting exchange gains and losses are included in each entity's net earnings in the period in which they arise.

The Corporation's foreign operations are translated to the Corporation's presentation currency, for inclusion in the consolidated financial statements. Foreign-denominated monetary and non-monetary assets and liabilities of foreign operations are translated at exchange rates in effect at the end of the reporting period and revenue and expenses are translated at exchange rates in effect at the transaction date. The resulting translation gains and losses are included in other comprehensive income (loss) with the cumulative gain or loss reported in accumulated other comprehensive income. Amounts previously recognized in accumulated other comprehensive income are recognized in earnings when there is a reduction in the net investment.

The Corporation designates a portion of its U.S. dollar-denominated debt to hedge its investment in its U.S. functional currency foreign operations. The Corporation also designates a portion of its foreign exchange forwards to hedge its investment in its Euro functional currency foreign operations. Translation gains or losses on the portion of the debt and foreign exchange forwards designated as hedges are included in other comprehensive income with the cumulative gain or loss reported in accumulated other comprehensive income. The gain or loss relating to the portion of the debt and foreign exchange forwards in excess of the investment in the foreign subsidiaries is recognized immediately in earnings. Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to earnings in the same way as exchange differences relating to the foreign operations. The Corporation formally documents these hedges. On a quarterly basis, the Corporation reviews the hedges to ensure that they effectively offset the translation gains or losses arising from its investment in its U.S. and its Euro functional currencies foreign operations.

The exchange rates for the currencies used in the preparation of the consolidated financial statements were as follow:

	Exchange rates as at		Average exchange rates for years	
	December 31, 2018	December 31, 2017	2018	2017
Euro	1.5613	1.5052	1.5301	1.4652
ISK	0.01170	—	0.01201	—
US dollar	1.3642	1.2545	1.2958	1.2980

Income taxes

Current and deferred income taxes are recognized in earnings except to the extent that it relates to a business combination, or to items recognized directly in equity or in other comprehensive income (loss).

Current income taxes are the expected taxes on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax is not recognized in respect of subsidiaries for the temporary differences between the carrying amounts of the investments and the tax basis, unless such differences are expected to reverse in the foreseeable future.

Deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Earnings (loss) per share

The Corporation presents basic and diluted earnings per share data for its common shares. Basic earnings (loss) per share is calculated by dividing net earnings attributable to common shareholders of the Corporation by the weighted average number of shares outstanding during the period as adjusted by the number of common shares held in trust under the PSP plan.

The Corporation uses the treasury stock method for calculating diluted earnings (loss) per share. Diluted earnings (loss) per share is calculated similarly to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares from the assumed conversion of convertible debentures and the exercise of share options, if dilutive. The number of additional shares is calculated by assuming that convertible debentures were converted and that outstanding share options were exercised and that the proceeds from such exercises were used to acquire shares at the average market price during the year.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Significant estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 periods, 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, intangible assets, project development costs and goodwill, deferred income taxes, asset retirement obligations, as well as the fair value of financial assets and liabilities including derivatives, effectiveness of hedging relationships and classification of structured entities. 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.

Critical judgments and estimates

Fair Value of Financial Instruments

Certain financial instruments, such as derivative financial instruments, are carried in the consolidated statements of financial position at fair value, with changes in fair value reflected in earnings unless hedge accounting is used in which case the changes are recognized in comprehensive income. Fair values of some financial instruments are estimated by using valuation techniques that require several assumptions such as interest rate, credit spread and other.

Useful Lives of Property, plant and equipment and Intangible assets

Property, plant and equipment and intangible assets represent a significant proportion of the Corporation's total assets. The Corporation reviews estimates of the useful lives of property, plant and equipment and intangible assets on an annual basis and adjust depreciation on a prospective basis, if necessary.

Impairment of non-financial assets

The Corporation makes a number of estimates when calculating the recoverable amount of an asset or a cash-generating unit using value in use calculations based on discounted future cash flows. Future cash flows may be influenced by a number of estimates such as electricity production, duration of the projects, selling prices, costs to operate, capital expenditures, growth rate and the discount rate. The likelihood of being able to develop future projects is also assessed in regards of the competitive business environment and the willingness expressed by the governmental authorities of procuring additional sources of energy.

Business acquisition fair value

The Corporation makes a number of estimates when determining the acquisition date fair values of consideration transferred, assets acquired and liabilities assumed in a business acquisition. Fair values are estimated using valuation techniques which require several assumptions such as future production, earnings and expenses and discount rates.

Determining control, joint control or significant influence of an investee

The determination of whether the Corporation has control, joint control or significant influence over an investee requires the Corporation to make assumptions and judgments in evaluating the classification requirements.

Based on the contractual arrangements between the Corporation and the other respective partner, and the fact that the Corporation owns more than 50% of the economic interest, the Corporation concluded that it has control over Kwoiek Creek Resources L.P. and Mesgi'g Ugnu's'n (MU) Wind Farm L.P.

Asset retirement obligations

The Corporation makes a number of estimates when calculating fair value of the asset retirement obligations which represent the present value of future remediation costs for various projects. Estimates for these costs are dependent on labour costs, the effectiveness of remedial and restoration measures, inflation rates, discount rates that reflect a current market assessment of the time value of money and the risk specific to the obligation, and the timing of the outlays.

Hedging

The Corporation makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated.

The Corporation may, from time to time, enter into long-term power hedge agreements which require critical judgments to determine the fair value and the designation of the long-term power hedge. As part of the designation of the power hedges as cash flow hedges, the Corporation makes certain judgments regarding the probability of future events. As part of determining fair value, the Corporation makes certain assumptions, estimates and judgments regarding future events. Unobservable forecast future power prices are inherently subjective and impact the change in fair value recognized in the consolidated statement of earnings and the consolidated statement of comprehensive income.

Income Taxes

The calculation of income taxes requires judgment in interpreting tax rules and regulations. The Corporation's tax filings are also subject to audits, the outcome of which could change the amount of current and deferred tax assets and liabilities. The Corporation believes that it has sufficient amounts accrued for outstanding tax matters based on the information that currently is available. Deferred tax assets and liabilities require management's judgment in determining the amounts to be recognized. In particular, judgment is required when assessing the timing of reversal of temporary differences to which future income tax rates are applied. Further, the amount of deferred tax assets, which is limited to the amount that is probable to be realized, is estimated with consideration given to the timing, sources and amounts of future taxable profit.

5. BUSINESS ACQUISITIONS

a. Acquisition of our partner's interest in five wind farms

On October 24, 2018, the Corporation completed the acquisition of TransCanada's 62% interest in five wind farms in Quebec's Gaspé peninsula, namely Baie-des-Sables, Carleton, Gros-Morne, L'Anse-à-Valleau and Montagne Sèche (the "Cartier Wind Farms"), and its 50% interest in the operating entities of the Cartier Wind Farms (the "Cartier Operating Entities"), for a total consideration of \$621,471.

The Corporation previously owned a 38% interest in the Cartier Wind Farms and a 50% interest in the Cartier Operating Entities which were accounted for as joint operations as they represented rights to the assets and obligations for the liabilities of the wind farms. After the acquisition, the Corporation owns 100% of Cartier Wind Farms and 100% of the Cartier Operating Entities. Upon acquisition, the Corporation did not remeasure its previously held interest in the Cartier Wind Farms.

Concurrent with the closing of the acquisition, Innergex has obtained two short-term credit facilities of \$400,000 and \$228,000 respectively to cover the purchase price and transaction costs in their entirety.

The Cartier acquisition added an additional gross installed capacity of 365 MW to the Corporation's portfolio.

The following table reflects the preliminary acquisition accounting and the fair value of the net assets acquired:

	Preliminary acquisition accounting
Cash and cash equivalents	1,414
Accounts receivable	6,653
Prepaid and others	2,586
Property, plant and equipment	575,995
Intangible assets	73,162
Goodwill	11,165
Accounts payable and other payables	(4,722)
Other liabilities	(33,617)
Deferred tax liabilities	(11,165)
Net assets acquired	621,471

Goodwill is not deductible for tax purposes. The acquisition accounting remains subject to the completion of the valuation of property, plant and equipment, intangible assets, goodwill and deferred tax liabilities.

The transaction costs relating to this acquisition have been expensed in accordance with IFRS 3 (see note 8).

The amounts of revenues and net earnings of the acquired interest in the facilities since October 24, 2018 included in the consolidated statement of earnings are \$19,975 and \$4,675 respectively for the 69 days ended December 31, 2018.

Had the acquisition taken place on January 1, 2018, the consolidated revenues and net earnings for the period from January 1, 2018 to October 23, 2018 would have been \$67,016 and \$4,381 higher respectively.

b. Acquisition of Alterra Power Corp

On February 6, 2018, Innergex acquired all of the issued and outstanding common shares of Alterra Power Corp ("Alterra").

The Innergex common shares issuable to Alterra shareholders with the transaction represent an ownership of approximately 18% of the combined corporation. One member of the Board of Directors of Alterra joined the Board of Directors of Innergex at the closing of the transaction.

The total purchase price of \$450,865 for Alterra was comprised of a cash consideration of \$120,258 and the issuance of 24,327,225 common shares of the Corporation at a price of \$13.59, for a value of \$330,607.

Alterra and its subsidiaries are engaged in the development, construction and operation of renewable energy projects. As at February 6, 2018, Alterra's operating facilities consisted of a 53.9% net interest in two geothermal power plants in Iceland ("Svartsengi" and "Reykjanes"), and an indirect 30% interest in Blue Lagoon, which operates the Blue Lagoon geothermal spa in Iceland ("Blue Lagoon"). It also consisted of a 40% net interest in two run-of-river hydro power plants ("Toba Montrose"), a 25.5% net interest in a wind farm ("Dokie"), a 51% net interest in a run of river hydro power plant ("Jimmie Creek") in British Columbia, a 50% net interest in the sponsor equity of a wind farm ("Shannon") located in Texas, a 90% net interest in the sponsor equity of a solar project ("Kokomo") located in Indiana and a 100% net interest in the sponsor equity of a solar project ("Spartan") located in Michigan.

The Alterra acquisition added an additional gross installed capacity of 840 MW to the Corporation's portfolio.

The following table reflects the final acquisition accounting and the fair value of the net assets acquired:

	Final acquisition accounting
Cash and cash equivalents	7,218
Restricted cash and short-term investments	5,893
Accounts receivable	17,745
Prepaid and others	3,925
Reserve accounts	873
Property, plant and equipment	524,186
Intangible assets	240,009
Project development costs	19,298
Investments in joint ventures and associates	425,786
Goodwill	59,288
Other long term assets	16,281
Accounts payable and other payables	(40,747)
Income tax liabilities	(1,126)
Long-term debt	(323,237)
Derivative financial instruments	(30,282)
Other liabilities	(47,972)
Deferred tax liabilities	(112,704)
Non-controlling interests	(313,569)
Net assets acquired	450,865

Goodwill is not deductible for tax purposes.

The transaction costs relating to this acquisition have been expensed in accordance with IFRS 3 (see note 8).

Non controlling interest are measured at their proportionate share of the acquiree's identifiable net assets.

The amounts of revenues and net earnings of the facilities since February 6, 2018 included in the consolidated statement of earnings are \$97,823 and \$4,936 respectively for the 329 days ended December 31, 2018.

Had the acquisition taken place on January 1, 2018, the consolidated revenues and net earnings for the period from January 1, 2018 to February 5, 2018 would have been \$11,471 and \$4,578 higher respectively.

c. Acquisition of assets of Phoebe

On July 2, 2018, Innergex acquired a 250 MW_{AC}/315 MW_{DC} photovoltaic solar project located in Winkler County, Texas. Full notice to proceed with construction was also issued on July 2, 2018 and commercial operation should be reached in the third quarter of 2019. The project is also eligible to receive a federal Investment Tax Credit (ITC) equal to approximately 30% of the project's capital costs. The ITC will be mostly allocated to the Tax Equity Investor. The Phoebe project will sell 100% of its output to the Electric Reliability Council of Texas ("ERCOT") power grid and receive a fixed price on 89% of its energy produced under a 12-year power purchase agreement.

The total purchase price for Phoebe was US\$100,191 (\$131,791) and was comprised entirely of cash consideration.

Total construction costs are estimated at US\$397,000 (\$524,000) and will be partly financed in priority through a US\$115,864 (\$152,940) construction loan and a US\$176,225 (\$232,617) tax equity bridge loan. The construction loan will be replaced by a term loan and the tax equity bridge loan will be retired by equity funding from the Tax Equity Investor upon completion of certain project milestones. From its Revolving term credit facility, the Corporation issued a letter of credit for an amount of US\$105,000 (\$138,600) in support of its obligations under these financing agreements.

The following table reflects the fair value of the assets acquired:

	Assets acquired	
	US\$	\$
Property, plant and equipment	84,043	110,550
Derivative financial instruments	16,148	21,241
Total assets acquired	100,191	131,791

The Corporation determined that, at the acquisition date, Phoebe constituted a group of assets rather than a business as defined in IFRS 3, and has accounted for the acquisition as an asset acquisition.

d. Acquisition of Rougemont 1-2 and Vaite wind facilities

On May 24, 2017, the Corporation through Innergex Europe (2015) Limited Partnership acquired the Rougemont 1-2 and Vaite projects located in France ("Rougemont 1-2 and Vaite"). The purchase price for Rougemont 1-2 and Vaite consisted of a cash consideration of €51,380 (\$77,773), subject to certain adjustments. Subsequently, during 2018, the Corporation completed its acquisition accounting for Rougemont 1-2 and Vaite. The adjustments made resulted in an increase to intangible assets and long-term debt of €4,294 (\$6,499).

Rougemont 1-2 and Vaite added an additional gross installed capacity of 119.5 MW to the Corporation's portfolio of wind farms.

The following table reflects the final acquisition accounting and the fair value of the net assets acquired:

	Preliminary acquisition accounting	Subsequent adjustments	Final acquisition accounting	
	€	€	€	\$
Cash and cash equivalents	45	—	45	68
Restricted cash and short-term investments	6,443	—	6,443	9,752
Accounts receivable	4,699	—	4,699	7,113
Prepaid and others	52	—	52	79
Property, plant and equipment	165,962	—	165,962	251,217
Intangible assets	34,786	4,294	39,080	59,155
Goodwill	7,827	—	7,827	11,848
Accounts payable and other payables	(5,612)	—	(5,612)	(8,495)
Income tax payable	(252)	—	(252)	(382)
Long-term debt	(144,627)	(4,294)	(148,921)	(225,421)
Derivative financial instruments	(6,645)	—	(6,645)	(10,059)
Asset retirement obligations	(3,723)	—	(3,723)	(5,636)
Deferred tax liabilities	(7,575)	—	(7,575)	(11,466)
Net assets acquired	51,380	—	51,380	77,773

The transaction costs relating to this acquisition have been expensed as transaction costs of the business combination in accordance with IFRS 3 (see note 8).

e. Acquisition of Plan Fleury and Les Renardières wind facilities

On August 25, 2017, the Corporation through Innergex Europe (2015) Limited Partnership acquired the Plan Fleury and Les Renardières wind facilities projects located in France ("Plan Fleury and Les Renardières"). The purchase price for Plan Fleury and Les Renardières consisted of a cash consideration of €27,352 (\$40,839), subject to certain adjustments. Subsequently, during 2018, the Corporation completed its acquisition accounting in the Plan Fleury and Les Renardières. The adjustments made resulted in an increase to intangible assets and long-term debt, and a decrease in goodwill and deferred tax liabilities. In total, an adjustment of €361 (\$543) has been made to the consideration transferred.

Plan Fleury and Les Renardières added an additional gross installed capacity of 43 MW to the Corporation's portfolio of wind farms.

The following table reflects the final acquisition accounting and the fair value of the net assets acquired:

	Preliminary acquisition accounting	Subsequent adjustments	Final acquisition accounting	
	€	€	€	\$
Cash and cash equivalents	186	—	186	277
Restricted cash and short term investments	19,639	—	19,639	29,322
Accounts receivable	13,123	—	13,123	19,595
Prepaid and others	168	—	168	250
Property, plant and equipment	67,579	—	67,579	100,903
Intangible assets	26,454	763	27,217	40,634
Goodwill	7,772	(107)	7,665	11,443
Accounts payable and other payables	(24,690)	—	(24,690)	(36,865)
Long-term debt	(75,107)	(1,124)	(76,231)	(113,820)
Deferred tax liabilities	(7,772)	107	(7,665)	(11,443)
Net assets acquired	27,352	(361)	26,991	40,296

6. OPERATING EXPENSES

	Year ended December 31	
	2018	2017
Salaries	5,991	5,287
Insurance	4,089	4,308
Operation and maintenance	97,334	32,190
Property taxes and royalties	30,458	29,887
	137,872	71,672

Depreciation of \$128,321 (2017- \$92,762) and amortization of \$43,476 (2017- \$36,667) recorded in the consolidated statements of earnings are mainly related to operating expenses incurred to generate revenues.

7. FINANCE COSTS

	Year ended December 31	
	2018	2017
		Restated (Note 2.1)
Interest expense on long-term debt and on convertible debentures	177,395	134,420
Inflation compensation interest	6,798	3,910
Amortization of financing fees	5,248	2,980
Accretion of long-term debt and convertible debentures	2,367	2,130
Accretion expenses on other liabilities	3,265	1,664
Other	4,731	2,388
	199,804	147,492

8. OTHER NET EXPENSES (REVENUES)

	Year ended December 31	
	2018	2017
Transaction costs related to business combinations (note 5)	8,280	6,450
Realized loss on derivative financial instruments	6,092	—
Realized loss (gain) on foreign exchange	5,914	(910)
Change in fair value of contingent considerations (note 24 a)	—	(881)
Other net revenues	(3,170)	(2,644)
Loss on disposal of property, plant and equipment	538	888
Recovery of loan impairment	—	(450)
Amortization of below market contract	(2,381)	—
	15,273	2,453

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

9.1 Details of material joint ventures and associates

Details of the Corporation's material joint ventures and associates are as follows:

Joint ventures and associates	Principal activity	Place of creation and principal place of operation	Proportion of ownership interest and voting rights held by the Corporation	
			December 31, 2018	December 31, 2017
Energia Llaima	Own and operate three hydroelectric facilities and a solar facility	Chile	50%	—
Toba Montrose	Own and operate two hydroelectric facilities	British Columbia	40%	—
Shannon	Own and operate a wind farm	Texas	50% ¹	—
Flat Top	Own and operate a wind farm	Texas	51% ^{1,3}	—
Dokie	Own and operate a wind farm	British Columbia	25.5%	—
Jimmie Creek	Own and operate a hydroelectric facility	British Columbia	50.99% ³	—
Umbata Falls	Own and operate a hydroelectric facility	Ontario	49%	49%
Viger-Denonville	Own and operate a wind farm	Quebec	50%	50%
Blue Lagoon	Own and operate a geothermal spa	Iceland	30% ²	—

1. Ownership interest is in the sponsor equity. However, tax equity partners hold 100% of the tax equity interests.

2. Ownership interest is through HS Orka hf. (of which the Corporation owns 53.9%), which owns a 30% interest in Blue Lagoon.

3. The Corporation doesn't consolidate these entities as it doesn't control the decision making.

The summarized financial information below represents amounts shown in the joint ventures' and associates' financial statements prepared in accordance with IFRS adjusted for fair value adjustments at acquisition and differences in accounting policies.

Summary Statements of Earnings and Comprehensive Income (Loss)

	Year ended December 31, 2018										
	Energia Llaima (181-day period)	Toba Montrose (329-day period)	Shannon (329-day period)	Flat Top (329-day period)	Dokie (329-day period)	Jimmie Creek (329-day period)	Umbata Falls	Viger-Denonville ^e	Blue Lagoon (329-day period)	Others	Total
Revenues	30,739	65,435	13,934	15,057	31,610	19,166	9,459	11,724	172,094	—	369,218
Operating, general and administrative expenses	13,855	14,913	8,326	9,750	7,655	3,202	910	2,056	116,793	—	177,460
Finance costs	16,884	50,522	5,608	5,307	23,955	15,964	8,549	9,668	55,301	—	191,758
Other net (revenues) expenses	6,043	25,409	632	332	9,659	8,638	2,257	3,423	1,373	—	57,766
Depreciation and amortization	(3,588)	(495)	(785)	90	360	672	(81)	(72)	1,069	—	(2,830)
Unrealized net (gain) loss on financial instruments	7,406	14,988	8,798	10,447	11,327	4,380	4,011	2,517	13,656	—	77,530
Provision for income taxes	—	1,135	(12,454)	(6,315)	—	—	(715)	(768)	—	—	(19,117)
Net earnings	1,557	—	—	—	—	—	—	—	10,025	—	11,582
Other comprehensive income (loss)	5,466	9,485	9,417	753	2,609	2,274	3,077	4,568	29,178	—	66,827
Total comprehensive income	13,780	—	9,906	14,851	—	—	—	(180)	(20,353)	31	18,035
Net earnings attributable to Innergex	19,246	9,485	19,323	15,604	2,609	2,274	3,077	4,388	8,825	31	84,862
Total comprehensive income attributable to Innergex	2,715	3,794	10,720	2,502	665	1,160	1,508	2,284	8,762	—	34,110
Distributions received from the joint ventures and associates by the Corporation	9,605	3,794	15,673	10,076	665	1,160	1,508	2,194	2,650	31	47,356
	—	7,000	2,202	3,232	510	2,295	1,790	2,013	7,557	—	26,599

Summary Statements of Earnings and Comprehensive Income (Loss)

	Year ended December 31, 2017		
	Umbata Falls	Viger-Denonville	Total
		Restated	
Revenues	11,645	10,998	22,643
Operating, general and administrative expenses	1,307	1,899	3,206
	10,338	9,099	19,437
Finance costs	2,392	3,466	5,858
Other net expenses (revenues)	23	(40)	(17)
Depreciation and amortization	4,016	2,815	6,831
Unrealized net gain on financial instruments	(2,056)	(575)	(2,631)
Net earnings	5,963	3,433	9,396
Other comprehensive income	—	1,630	1,630
Total comprehensive income	5,963	5,063	11,026
Net earnings attributable to:			
Innergex	2,921	1,717	4,638
Total comprehensive income attributable to:			
Innergex	2,921	2,532	5,453
Distributions received from the joint ventures and associates by the Corporation	1,823	1,378	3,201

Summary Statements of Financial Position

As at December 31, 2018									
	Energia Llaima	Toba Montrose	Shannon	Flat Top	Dokie	Jimmie Creek	Umbata Falls	Viger-Denonville	Blue Lagoon
Cash and cash equivalents	30,531	13,348	6,329	5,786	2,776	7,298	2,866	1,857	10,144
Other current assets	34,067	8,881	3,466	7,896	11,427	3,319	903	1,093	13,375
Current assets	64,598	22,229	9,795	13,682	14,203	10,617	3,769	2,950	23,519
Non-current assets	570,472	762,471	389,088	482,951	225,788	231,632	56,872	53,757	538,975
	635,070	784,700	398,883	496,633	239,991	242,249	60,641	56,707	562,494
Accounts payable and other payables	3,849	5,229	12,197	12,178	2,460	3,682	241	746	25,470
Other current liabilities	11,048	9,800	4,663	10,491	7,554	925	3,181	3,405	13,203
Current liabilities	14,897	15,029	16,860	22,669	10,014	4,607	3,422	4,151	38,673
Non-current liabilities	244,620	567,230	12,075	13,492	133,815	165,990	38,023	49,652	70,180
Tax equity interest	—	—	227,759	283,661	—	—	—	—	—
Sponsor/Partner's equity interest	308,598	202,441	142,189	176,811	96,162	71,652	19,196	2,904	453,641
Non-controlling interests	66,955	—	—	—	—	—	—	—	—
	635,070	784,700	398,883	496,633	239,991	242,249	60,641	56,707	562,494

Reconciliation of the above summarized financial information to the carrying amount of the interest in the joint ventures and associates recognized in the consolidated financial statements:

For the year ended December 31, 2018											
	Energia Llaima	Toba Montrose	Shannon	Flat Top	Dokie	Jimmie Creek	Umbata Falls	Viger-Denonville	Blue Lagoon	Others	Total
Balance January 1, 2018	—	—	—	—	—	—	9,688	1,272	—	51	11,011
Business acquisitions	—	84,182	57,623	80,810	24,366	37,670	—	—	141,135	—	425,786
Increase in investment	144,694	—	—	2,520	—	—	—	—	—	5	147,219
Share of earnings	2,715	3,794	10,720	2,502	665	1,160	1,508	2,284	8,762	—	34,110
Share of other comprehensive income (loss)	6,890	—	4,953	7,574	—	—	—	(90)	(6,112)	31	13,246
Distributions received	—	(7,000)	(2,202)	(3,232)	(510)	(2,295)	(1,790)	(2,013)	(7,557)	—	(26,599)
Balance December 31, 2018	154,299	80,976	71,094	90,174	24,521	36,535	9,406	1,453	136,228	87	604,773

As at December 31, 2017		
	Umbata Falls	Viger-Denonville
Cash and cash equivalents	1,620	1,760
Other current assets	1,930	1,245
Current assets	3,550	3,005
Non-current assets	60,658	53,812
	64,208	56,817
<hr/>		
Accounts payable and other payables	198	744
Other current liabilities	3,314	3,611
Current liabilities	3,512	4,355
Non-current liabilities	40,924	49,920
Partner's equity	19,772	2,542
	64,208	56,817

Reconciliation of the above summarized financial information to the carrying amount of the interest in the joint venture recognized in the consolidated financial statements:

For the year ended December 31, 2017				
	Umbata Falls	Viger-Denonville	Others	Total
Balance January 1, 2017	8,590	118	51	8,759
Share of earnings	2,921	1,717	—	4,638
Share of other comprehensive income	—	815	—	815
Distributions received	(1,823)	(1,378)	—	(3,201)
Balance December 31, 2017	9,688	1,272	51	11,011

Energia Llaima

On July 3, 2018, Innergex acquired a 50% ownership in Energia Llaima, which owns interest in the Guyacan hydro facility (12 MW) and the Pampa Elvira solar facility (34 MW). Energia Llaima also owns interests in two hydro facilities in development (125 MW) and other early development stage projects. Innergex invested an initial amount of US\$10,000 (\$13,154) through available funds under its corporate revolving credit facilities and has agreed to invest an additional US\$100,000 (\$131,540) over a 12-month period, of which US\$90,000 (\$118,386) was invested for the acquisition of the Duqueco hydro project.

On July 5, 2018, Innergex and Energia Llaima completed the acquisition of the 140 MW Duqueco hydro project in Chile. The Duqueco hydro project includes two hydro facilities commissioned in 2001, Peuchén (85 MW) and Mampil (55 MW).

On July 5, 2018, Duqueco SpA closed a US\$130,000 (\$170,677) non-recourse term loan project financing for the Duqueco SpA hydroelectric projects. The 15-year term loan bears a variable interest rate at LIBOR+3.50%. US\$60,600 (\$79,562) of principal will be repaid over the period of the loan and US\$69,400 (\$91,115) will be reimbursed at maturity in 2033. The annual scheduled debt repayment will be increased by a cash flow sweep calculated as follows: 50% of the available cash flow for the years ending in 2019 to 2021, 30% of the available cash flow for the following years.

Toba Montrose

The Corporation holds a 51% voting interest and a 40% economic interest in East Toba and Montrose Creek hydro facilities ("Toba Montrose"). In 2046, the Corporation's economic interest will increase to 51% for no additional consideration and its partner's economic interest will decrease from 60% to 49%.

At the date of the acquisition of Alterra, Toba Montrose had total loan facilities of \$436,589.

The debt consists of two credit facilities which were entered into on November 8, 2007. The first is a \$370,000, 38-year senior secured credit facility with a fixed interest rate to correspond with the three-year construction period and a repayment period over the 35-year term of the project's PPA with BC Hydro. The interest rate on this credit facility is 6.173% per annum. The second credit facility is a \$100,000, 38-year senior secured credit facility with a floating interest rate, to correspond with the three-year construction period and a repayment period over the 35-year term of the project's PPA with BC Hydro. The floating interest rate on this credit facility is based on three-month Bankers' Acceptance Rates plus a credit spread of 1.60% per annum. The principal repayments for both debts are set to \$6,622 for the year 2019.

Toba Montrose holds an interest rate swap contract which provides for quarterly settlements from November 1, 2010 to June 30, 2045. Pursuant to the interest rate swap agreement, Toba Montrose will receive interest on a notional amount at the three-month Bankers' Acceptance Rate from the counterparty and will pay interest on the notional amount at an interest rate of 5.341% per annum. The notional amount is \$92,699 at December 31, 2018 and is reduced in amounts based on the scheduled principal repayments on the floating rate facility over the life of the interest rate swap.

Toba Montrose is subject to certain covenants regarding its loan agreements and as at December 31, 2018 was in compliance with all debt covenants.

Shannon

The Corporation holds a 50% sponsor equity interest in the Shannon wind facility, with the remaining 50% sponsor equity interest and tax equity interest held by third parties.

On June 29, 2015 Shannon entered into a long-term power hedge covering the period from June 1, 2016 to May 31, 2029. The power hedge provides for Shannon to receive a fixed dollar per MWh for a fixed quantity of power.

The Corporation's equity pick up of the results of Shannon are calculated in accordance with the hypothetical liquidation at book value ("HLBV") method which allocates earnings or losses by measuring the distribution amounts that would be due to the members (investors) in a hypothetical liquidation of the entity at the net book value of the underlying assets. The Corporation believes the HLBV method is the method that most appropriately reflects how an increase or decrease in net assets of the venture will affect cash payments to investors (both sponsors and tax equity investors) over the life of the venture and upon its liquidation given the disproportionate allocations of cash and tax attributes that are present.

One of the primary incentives for renewable energy in the United States has been the production tax credits program ("PTC"), whereby corporations that generate electricity from renewable energy sources, including wind, are eligible for tax credits which provide a tax benefit for each unit of generation for the first ten years of the facility's operation (until 2025). The Shannon tax equity investors are allocated a portion of Shannon's taxable income (losses) and PTCs and a portion of the cash generated until they achieve an agreed after-tax investment return (the "Flip Point"). After the Flip Point, the Shannon tax equity investors will be allocated 5% of cash distributions and taxable income (losses), and the sponsors will be allocated 95% of all cash distributions and taxable income (losses).

For the period from February 6, 2018 to December 31, 2018, the wind facility generated approximately US\$14,573 (\$15,536) of PTCs.

The Tax Equity Investors and Sponsors' taxable income (losses) and PTCs and cash distributions allocations are detailed in the table below. These allocations will change when the Tax Equity Investors reach their expected return.

	Tax Equity Investors	Sponsors
Taxable income (losses) and PTCs	99.0%	1.0%
Cash distributions	64.1%	35.9%

Tax equity investors in US wind projects generally require sponsor guarantees as a condition to their investment. To support the tax equity investment in Shannon, Alterra Power Corp., a subsidiary of Innergex, executed a guarantee indemnifying the tax equity investors against certain breaches of project level representations, warranties and covenants and other events. The Corporation believes these indemnifications cover matters which are substantially under its control, and are very unlikely to occur.

Flat Top

The Corporation holds a 51% sponsor equity interest in the Flat Top wind facility, with the remaining 49% sponsor equity interest and tax equity interest held by third parties. The wind farm began commercial operation on March 23, 2018.

On May 24, 2017 Flat Top entered into a long-term power hedge covering the period from August 1, 2018 to July 31, 2031. The power hedge provides for Flat Top to receive a fixed dollar per MWh for a fixed quantity of power.

As of the date of the acquisition of Alterra, Flat Top had a total construction loan of US\$211,082 (\$264,486).

On March 23, 2018, Flat Top achieved commercial operation and concurrently Flat Top's US\$216,678 (\$278,843) construction loan was retired by a US\$211,300 (\$271,922) tax equity investment, a US\$2,902 (\$3,735) security deposit placed by Alterra on July 19, 2017 for future capital contributions and further capital contributions from the other sponsor.

The Corporation's share of earnings of Flat Top are calculated in accordance with the HLBV method.

Flat Top is part of the PTC program in the United States which provides a tax benefit for each unit of generation for the first ten years of the facility's operation (until 2028). The Flat Top tax equity investors are allocated a portion of Flat Top's taxable income (losses) and PTCs and a portion of the cash generated until they achieve an agreed after-tax investment return (the "Flip Point"). After the Flip Point, the Flat Top tax equity investors will be allocated 5% of cash distributions and taxable income (losses), and the sponsors will be allocated 95% of all cash distributions and taxable income (losses).

For the period from March 23, 2018 to December 31, 2018, the wind facility generated approximately US\$14,481 (\$19,057) of PTCs.

The Tax Equity Investors and Sponsors' taxable income (losses) and PTCs and cash distributions allocations are detailed in the table below. These allocations will change when the Tax Equity Investors reach their expected return.

	Tax Equity Investors	Sponsors
Taxable income (losses) and PTCs	99.00%	1.00%
Cash distributions	21.97%	78.03%

Tax equity investors in US wind projects generally require sponsor guarantees as a condition to their investment. To support the tax equity investment in Flat Top, Alterra Power Corp, a subsidiary of Innergex, executed a guarantee indemnifying the tax equity investors against certain breaches of project level representations, warranties and covenants and other events. The Corporation believes these indemnifications cover matters which are substantially under its control, and are very unlikely to occur.

Dokie

The Corporation holds a 25.5% interest in the Dokie wind facility.

As of the date of the acquisition of Alterra, Dokie had total loan facilities of \$149,265.

Dokie executed a credit agreement on December 7, 2009 for a \$175,000 loan with an annual fixed interest rate of 7.243% and a maturity date of December 31, 2030. The principal repayments are set to \$7,554 for 2019.

Dokie is subject to certain covenants regarding its loan agreements and as at December 31, 2018 was in compliance with all debt covenants.

Jimmie Creek

The Corporation holds a 50.99% interest in the Jimmie Creek hydro facility.

As of the date of the acquisition of Alterra, Jimmie Creek had total loan facilities of \$167,558.

Jimmie Creek executed a credit agreement in October 2014 for a \$176,450, 42-year senior secured credit facility at a fixed interest rate, which corresponded with the two-year construction period, and a repayment period over the 40-year term (plus final 10% bullet payment due on maturity) of the Jimmie Creek project's PPA with BC Hydro. The annual interest rate on the loan is fixed at 5.255%. The principal repayments are set to \$925 for 2019.

Jimmie Creek is subject to certain covenants regarding its loan agreements and as at December 31, 2018 was in compliance with all debt covenants.

Umbata Falls

The Corporation holds a 49% interest in the Umbata Falls hydro facility.

The loan consists of a five-year term loan, amortized over a 18.5-year period starting in April 2015. The loan bears interest at the Bankers' Acceptance Rate plus an applicable credit margin for an all-in rate of 5.48%. The quarterly repayments are increased by a cash flow sweep calculated as follows: the percentage of excess of actual production over the forecasted production multiplied by the quarterly excess cash flow.

The lender also agreed to make available a letter of credit facility in a principal amount not exceeding \$500. As at December 31, 2018, an amount of \$470 has been used to secure two letters of credit. This debt is secured by all of Umbata Falls LP's assets with a carrying value of \$64,208.

Umbata Falls, L.P. holds an amortizing interest rate swap contract of \$40,147 as at December 31, 2018 (\$41,621 in 2017), maturing in 2034 and bearing an interest rate of 3.98%.

Viger-Denonville

The Corporation holds a 50% interest in the Viger-Denonville wind facility.

The loan consists of an 18-year term loan, amortized over an 18-year period which started in June 2014. The term loan carries a floating interest rate equal to the Banker's Acceptance Rate plus an applicable margin for an all-in rate of 6.00%. The principal repayments are variable and set to \$2,896 for 2019. The lenders also agreed to make available a letter of credit facility in an amount not to exceed \$984. As at December 31, 2018, an amount of \$984 has been used to secure one letter of credit. These loans are secured by Viger-Denonville, L.P.'s assets with a carrying value of \$56,817.

Viger-Denonville, L.P. holds an amortizing interest rate swap contract of \$46,528 as at December 31, 2018 (\$49,262 in 2017), maturing in 2031 and bearing an interest rate of 3.40%.

Blue Lagoon

HS Orka hf ("HS Orka"), holds a 30% interest in Blue Lagoon hf, which operates the Blue Lagoon geothermal spa in Iceland.

9.2 Commitments of joint ventures and associates

As at December 31, 2018, the Corporation's share of the expected schedule of commitment payments for joint ventures and associates are as follows:

Year of expected payment	Hydroelectric Generation	Wind Power Generation	Total
2019	1,606	4,494	6,100
2020	1,420	4,497	5,917
2021	1,439	5,060	6,499
2022	1,458	5,063	6,521
2023	1,477	5,067	6,544
Thereafter	40,094	46,737	86,831
Total	47,494	70,918	118,412

10. DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation holds interest rate swap contracts and bond forwards contracts ("Interest hedging instruments") that enable it to hedge its exposure to the floating interest rates payable on a portion of its long-term debt. The Corporation also holds foreign exchange forward contracts ("foreign exchange forward") that enable it to hedge its exposure to foreign exchange rates on net investments in France. The counterparties to the contracts are major financial institutions; the Corporation does not anticipate any payment defaults on their part. The estimated impact of an increase in swap rates curve of 0.1% would decrease the negative fair value of these financial instruments by \$9,853. Conversely, a decrease in swap rates curve of 0.1% would result in an increase of \$11,849 of the negative fair value of these financial instruments. The estimated impact of an increase of 1% in the euro exchange rate against the Canadian dollar would increase the negative fair value of these financial instruments by \$3,537. Conversely, a decrease in the euro exchange rate against the Canadian dollar of 1.0% would result in a positive fair value of \$3,538 of these financial instruments.

The Corporation records embedded derivatives separately from the host contracts:

- The inflation embedded derivative relates to provisions establishing minimum inflation rate at 3% of the selling prices provided for under some of the PPAs entered into with Hydro-Québec. The Corporation does not anticipate any payment defaults from the counterparty. The fair value of these financial instruments is evaluated using revenue estimates based on long-term production averages estimated for each facility. It varies based on the difference between the 3% minimum inflation rate and the long-term inflation rate, which is estimated at 2% as at December 31, 2018 over the remaining terms of these agreements, discounted at a rate of 3.11%. The expected impact of a 0.1% increase in the long-term inflation rate would reduce the fair value of these financial instruments by \$97. A 0.1% decrease in the long-term inflation rate would increase the fair value of these financial instruments by \$97.

Innergex holds hedge agreements to mitigate the risk of fluctuations in the interest rates on its long-term debts. The fair value is based on Level 2 valuation techniques. Hedge accounting is applied on these contracts.

As part of the acquisition of Alterra, the Corporation acquired HS Orka which has two power purchase agreements that have embedded derivatives that are accounted for separately from the host contracts. HS Orka signed power sales agreements on power supply until the year 2026 and the sale of power until the year 2019. Payments under the agreements are made in USD and are linked to the price of aluminum. These long-term power sales agreements feature embedded derivatives, the value of which is adjusted upon changes in the future price of aluminum. In evaluating the value of embedded derivatives, generally accepted valuation methods are applied, as the market value is not available. The fair value is based on Level 2 valuation techniques. The fair value of the embedded derivatives are calculated on the basis of the forward price of aluminum. The expected present value of cash flows based on the reporting date is calculated on the basis of the registered forward price of aluminum on the London Metal Exchange (LME) over the remaining lifetime of the contracts. The embedded derivatives are recorded at fair value at inception and at each subsequent reporting period based on the expected present value of cash flows. The fair value change of the embedded derivatives is recognized in earnings or loss. When calculating the present value, the discount rate the Corporation uses is based on the current government yield curve for US sovereign strips plus applicable counterparty risk spread which is calculated based on the credit rating of the counterparty.

On July 2, 2018, Innergex acquired Phoebe including its long-term power hedge agreement. The power hedge covers the period from July 1, 2019 to June 30, 2031 and provides for Phoebe to receive a fixed dollar amount per MWh for a fixed quantity of power. The effective portion of changes in the fair value of the power hedge are recorded in other comprehensive income. The fair value of the power hedge is based on Level 3 valuation techniques as the forward power prices are not based on observable market data for the entirety of the contracted period. The power forward price curves are constructed using various assumptions depending on the observable market data available as of the valuation date and are summarized as follows:

- Observable monthly market prices through December 2024 for ERCOT South.
- A perpetual heat rate based on the calendar year forward electricity price and the NYMEX natural gas calendar strip resulting in calendar year average power prices through December 2029, the date that NYMEX natural gas prices are no longer observable. These calendar year average prices are also adjusted for seasonality based on calendar year 2019.
- After December 2029, the prior year's monthly price is inflated by 2.3% per year.

The Corporation designated the power hedge as a cash flow hedge for accounting purposes upon acquisition of Phoebe on July 2, 2018. The effective portion of changes in the fair value of the power hedge are recorded in other comprehensive income (loss of US\$19,702 for the year ended December 31, 2018). The ineffective portion is recognized in the statement of earnings, however there was no ineffective portion in 2018. There was no realized gain or loss recognized for the year ended December 31, 2018. Phoebe is hedging approximately 89% of its expected output; the power hedge was in a liability position of US\$3,554 at December 31, 2018.

The valuation is sensitive to changes in future power prices. As at December 31, 2018, the projected power prices for the period of January 1, 2025 to June 30, 2031 are expected to be in a range of US\$16.58 to US\$101.15 per MWh.

A 10% increase in power prices would increase the liability by US\$21,069 and a 10% decrease would decrease the liability by US\$21,068.

The classification of the fair value hierarchy of all the financial assets and liabilities remained the same during 2018.

Financial assets (liabilities)	Embedded derivatives (Level 2)	Foreign exchange forwards (Level 2)	Interests hedging instruments (Level 2)	Inflation provisions (Level 3)	Power hedge (Level 3)	Total
As at January 1, 2018	—	(17,294)	(46,710)	1,735	—	(62,269)
Derivatives acquired on business/ asset acquisitions (Note 5)	(31,195)	—	913	—	21,241	(9,041)
Recognized in consolidated statement of earnings	(16,863)	(13,489)	14,143	(753)	—	(16,962)
Variation in fair value of derivative financial instruments recognized in other comprehensive income	—	(1,346)	(21,644)	—	(26,353)	(49,343)
Net foreign exchange differences	1,649	—	(111)	—	263	1,801
As at December 31, 2018	(46,409)	(32,129)	(53,409)	982	(4,849)	(135,814)

1. The \$3,905 unrealized net loss on financial instruments recognized in the consolidated statement of earnings includes a gain of \$13,057 resulting from an intragroup loan. On consolidation, although the intragroup loan is eliminated from the consolidated statement of financial position, the related exchange loss is recognized in the consolidated statement of earnings.

Financial assets (liabilities)	Foreign exchange forwards (Level 2)	Interests hedging instruments (Level 2)	Inflation provisions (Level 3)	Total	
As at January 1, 2017		(8)	(62,790)	2,707	(60,091)
Derivatives acquired on business acquisitions (Note 5)		—	(11,010)	—	(11,010)
Recognized in consolidated statement of earnings ¹		(16,224)	10,798	(972)	(6,398)
Variation in fair value of derivative financial instruments recognized in other comprehensive income		(1,062)	16,307	—	15,245
Net foreign exchange differences		—	(15)	—	(15)
As at December 31, 2017		(17,294)	(46,710)	1,735	(62,269)

1. The \$2,245 unrealized net gain on financial instruments recognized in the consolidated statement of earnings includes a gain of \$8,643 resulting from an intragroup loan. On consolidation, although the intragroup loan is eliminated from the consolidated statement of financial position, the related exchange loss is recognized in the consolidated statement of earnings.

Reported in the consolidated statements of financial position:

As at	December 31, 2018	December 31, 2017
Current assets	2,370	5,416
Non-current assets	9,817	9,558
Current liabilities	(29,999)	(22,749)
Non-current liabilities	(118,002)	(54,494)
	(135,814)	(62,269)

Interest rate risk

On July 3, 2018, the Corporation entered into two US\$ denominated hedge agreements to mitigate the risk of fluctuations in the interest rates on its long-term debts following the Phoebe acquisition. The fair value is based on Level 2 valuation techniques. Hedge accounting is applied on these contracts.

On December 19, 2018, the Corporation entered into five hedge agreements to mitigate the risk of fluctuations in the interest rates on its long-term debts following the Cartier acquisition. The fair value is based on Level 2 valuation techniques. Hedge accounting is applied on these contracts.

The wind farms acquired in 2017 hold interest rate swaps to mitigate the risk of fluctuations in the interest rates on their long-term debts. Hedge accounting is applied on these contracts. Rates on contracts represent the interest rate, excluding the applicable margin on the debts.

The terms of the contracts reducing the Corporation's risk of interest rate fluctuations are as follows:

Contracts	Maturity	Early termination option	Notional Amounts	
			December 31, 2018	December 31, 2017
Contracts used to hedge the interest rate risk				
Interest rate swaps, 4.27% to 4.41%	2018	None	—	82,600
Bond forwards, 1.74%	2018	None	—	50,000
Interest rate swap, 2.63%, converted at a fixed rate of CAD 1.3642/US	2019	None	214,679	—
Interest rate swap, 2.16%	2023	None	29,000	—
Interest rate swap, 2.32%	2023	None	49,000	—
Interest rate swap, 2.31%, converted at a fixed rate of CAD 1.3642/US	2024	None	13,403	—
Interest rate swaps, 2.33%	2024	2019	20,000	20,000
Interest rate swaps, 2.30%	2024	2019	20,000	20,000
Interest rate swap, 3.07%, converted at a fixed rate of CAD 1.3642/US	2026 ¹	None	142,255	—
Interest rate swap, 1.86%, converted at a fixed rate of CAD 1.3642/US	2026	None	6,200	—
Interest rate swap, 1.91%, amortizing	2026	None	91,464	98,056
Interest rate swaps, 2.94% to 4.83%, amortizing	2026	None	—	39,151
Interest rate swaps, from 3.35% to 3.50%, amortizing	2027	None	—	29,831
Interest rate swaps, 2.1825%	2027	2022	20,000	20,000
Interest rate swaps, 2.325%	2028	2022	30,000	30,000
Interest rate swaps, 2.3275%	2028	2022	52,600	52,600
Interest rate swap, 3.74%, amortizing	2030	None	75,141	79,947
Interest rate swap, 4.22%, amortizing	2030	2021	—	23,361
Interest rate swap, 2.64%, amortizing, translated at CAD 1.5613/Euro	2030	None	14,942	15,537
Interest rate swap, 4.25%, amortizing	2031	2020	35,182	37,035
Interest rate swap, 0.78%, amortizing, translated at CAD 1.5613/Euro	2031	None	69,128	67,132
Interest rate swap, 1.302%, amortizing, translated at CAD 1.5613/Euro	2032	None	70,201	71,620
Interest rate swap, 1.303%, amortizing, translated at CAD 1.5613/Euro	2032	None	42,862	43,553
Interest rate swap, 1.475%, amortizing, translated at CAD 1.5613/Euro	2032	None	38,909	13,753
Interest rate swap, 1.277%, amortizing, translated at CAD 1.5613/Euro	2032	None	75,336	77,024
Interest rate swap, 2.827%, amortizing	2032	None	569,361	—
Interest rate swap, 4.61%, amortizing	2035	2025	89,438	92,455
Interest rate swap, 2.85%, amortizing	2041	2021	18,017	18,314
			1,787,118	981,969

1. Forward starting interest rate swap; effective date on September 30, 2019.

Foreign exchange forward contracts

As part of the Yonne, Rougemont 1-2 and Vaite and Plan Fleury and Les Renardières Acquisitions, the Corporation entered in 2017 into hedge agreements to reduce the Corporation's foreign exchange risk.

On April 23, 2018, the Corporation extended all of its foreign exchange forward contracts which hedge its exposure to foreign exchange rate on its investment in France. The contracts have been extended for a period of two years following their original expiry date ranging from April 2018 to August 2019.

Contracts	Maturity	Early termination option	Notional Amounts	
			December 31, 2018	December 31, 2017
Contracts used to hedge the foreign exchange risk				
Foreign exchange forwards amortizing until 2041, allowing conversion at a fixed rate of CAD 1.7332/Euro (before 1.7575/Euro)	2020	none	156,364	162,881
Foreign exchange forwards amortizing until 2042, allowing conversion at a fixed rate of CAD 1.7340/Euro (before 1.7588/Euro)	2020	none	47,949	50,671
Foreign exchange forwards amortizing until 2041, allowing conversion at a fixed rate of CAD 1.6850/Euro (before 1.7150/Euro)	2021	none	111,945	113,938
Foreign exchange forwards amortizing until 2043, allowing conversion at a fixed rate of CAD 1.7654/Euro (before 1.7890/Euro)	2021	none	159,538	170,208
Foreign exchange forwards amortizing until 2043, allowing conversion at a fixed rate of CAD 1.7804/Euro (before 1.8011/Euro)	2021	none	77,896	81,882
			553,692	579,580

A portion of the Libor advances of US\$145,035 (\$197,857) drawn on the revolving credit facilities available until 2023, is used as a hedge on the net investment in foreign operations.

Hedging instruments

As at December 31, 2018, the following items were designated as cash-flow hedging instruments to mitigate the interest rate risk, the power price risk and the foreign exchange risk:

	Notional amount of the hedging instrument	Carrying amount of the hedging instrument		Cumulative changes in fair value used for calculating hedge ineffectiveness
		Assets	Liabilities	
Cash-flow hedges:				
Interest rate risk				
Interest rate swaps	1,689,515	7,429	(60,838)	(10,207)
Power price risk				
Power hedge	7,705 GWh	4,469	(9,318)	(26,877)
Net investment hedges:				
Foreign exchange risk				
Libor advances	194,716	—	194,716	5,588
Foreign exchange forwards	63,674	288	(4,369)	(58)

All the hedging instruments are accounted for in the short-term or long-term portion of derivative financial instruments in the consolidated statements of financial position.

The following table summarizes the Corporation's hedged items as at December 31, 2018:

	Cumulative changes in fair value used for calculating hedge ineffectiveness	Cash flow hedge reserve ¹	Foreign currency translation reserve - Active Hedging Relationships	Foreign currency translation reserve - Terminated Hedging Relationships	Cost of hedging reserve
Cash-flow hedge:					
Interest rate risk					
Interest rate swaps	11,988	(11,359)	2,671	—	—
Power price risk					
Power hedge	26,877	—	—	—	—
Hedge of net investment in a foreign operation:					
Foreign exchange risk					
Libor advances	(5,588)	—	—	—	(5,588)
Foreign exchange forwards	(173)	—	61	(3,782)	1,408

1. The balance of cash flow hedge reserve for which hedge accounting is no longer applied is nil.

The following table summarizes the impact of hedge ineffectiveness and hedging gains or losses as at December 31, 2018:

	Changes in fair value of the hedging instrument recognized in other comprehensive income	Hedge ineffectiveness recognized in profit or loss	Amount reclassified from the cash flow hedge reserve to profit or loss	Amount reclassified from the foreign currency translation reserve to profit or loss
Cash-flow hedge:				
Interest rate risk				
Interest rate swaps	(31,889)	142	—	—
Power price risk				
Power hedge	(17,454)	(1)	—	—
Hedge of net investment in a foreign operation:				
Foreign exchange risk				
Libor advances	(4,853)	—	—	—
Foreign exchange forwards	(1,346)	(122)	203	—

Ineffectiveness is accounted for in the unrealized net loss (gain) on financial instruments in the consolidated statements of earnings.

Hedging ineffectiveness can result from the credit valuation adjustment applied to the fair value of hedging derivatives as well as the designation of hedging derivatives with a non-zero fair value at the inception of a hedging relationship.

11. PROVISION FOR INCOME TAXES

a. Income taxes recognized in statements of earnings

	December 31, 2018	December 31, 2017
Current income taxes		(Restated Note 2.1)
Current tax expense in respect of the current year	8,526	4,148
Adjustments recognized in the current year in relation to the current tax expense of prior years	(5)	(7)
	8,521	4,141
Deferred income taxes		
Deferred tax (recovery) expense recognized in the current year	(4,874)	5,269
Decrease in deferred income tax rates	(558)	(2,565)
Adjustments recognized in the current year in relation to the deferred tax of prior years	(395)	256
	(5,827)	2,960
Provision for income taxes recognized in the current year	2,694	7,101

The following table summarizes the reconciliation of the income tax expense calculated at the Canadian statutory income tax rate and the income tax expense recognized in statements of earnings.

	December 31, 2018	December 31, 2017
		(Restated Note 2.1)
Earnings before income taxes	28,412	26,237
Canadian statutory income tax rate	26.6%	26.6%
Income taxes expenses calculated at the statutory rate	7,558	6,979
Items affecting the statutory rate:		
Non-deductible expenses	3,235	2,678
Effect of previously unrecognized tax losses balances used in the year	(355)	(322)
Income taxable at a different rate than the Canadian statutory tax rate	(2,425)	(1,839)
Decrease in deferred income tax rates	(558)	(2,565)
(Decrease) Increase in taxable temporary differences in relation to investments in subsidiaries and in joint ventures and associates	(2,018)	710
Tax on dividends on preferred shares	164	160
Adjustments recognized in the current year in relation to the current taxes of prior years	(5)	(7)
Adjustments recognized in the current year in relation to the deferred taxes of prior years	(395)	256
Income taxes on (earnings) loss allocated to non-controlling interests on non-taxable entities	(4,725)	760
Changes in unrecognized deferred tax asset	1,977	—
Others	241	291
Provision for income taxes recognized in the current year	2,694	7,101

The tax rate used for 2018 and 2017 reconciliations above is the average combined corporate tax rate payable by corporate entities in Canada on taxable profits under federal and provincial tax laws.

b. Income taxes recognized in other comprehensive income

	December 31, 2018	December 31, 2017
Deferred income taxes		
Foreign currency translation differences for foreign operations	(205)	60
Foreign exchange loss on the designated hedges on the net investments in foreign operations	(645)	(147)
Change in fair value of financial instruments designated as cash flow hedges	(13,577)	4,172
Change in fair value of financial instruments of joint ventures and associates designated as cash flow hedges	3,287	201
Share of non-controlling interests in change in fair value of hedging instruments	(150)	98
Defined benefit plan actuarial losses	(104)	—
Total income taxes recognized directly in other comprehensive income	(11,394)	4,384

c. Deferred income tax balances

The following is the analysis of deferred income tax assets (liabilities) presented in the consolidated statements of financial position:

	December 31, 2018	December 31, 2017
		(Restated Note 2.1)
Assets	16,465	11,873
Liabilities	(325,904)	(216,716)
	(309,439)	(204,843)

	As at January 1, 2018	Recognized in statement of earnings	Recognized in other comprehensive income	Recognized in business acquisitions	Recognized directly in equity	Net exchange differences	As at December 31, 2018
Deferred income tax assets (liabilities) in relation to:	(Restated Note 2.1)						
Property, plant and equipment	(159,943)	(8,442)	—	(30,713)	—	(525)	(199,623)
Intangible assets	(150,542)	(826)	—	(35,153)	—	2,527	(183,994)
Project development costs	11,403	8,127	—	(17,706)	—	103	1,927
Investments into subsidiaries and in joint ventures and associates	(4,455)	(3,273)	(709)	(80,735)	—	(943)	(90,115)
Non-repatriated income from foreign subsidiaries	(1,247)	220	—	—	—	—	(1,027)
Derivative financial instruments	52,721	2,041	11,357	4,794	—	161	71,074
Long-term debt	(3,836)	2,138	—	3,827	—	117	2,246
Convertible debentures	(358)	196	—	—	(766)	—	(928)
Other liabilities	521	(942)	101	4,021	—	—	3,701
Financing fees	(4,186)	(1,710)	—	42	—	(1)	(5,855)
Share-based payment	1,381	50	—	—	—	—	1,431
Others	—	1,732	—	(1,104)	—	—	628
	(258,541)	(689)	10,749	(152,727)	(766)	1,439	(400,535)
Tax losses carried forward	53,698	6,516	645	29,019	—	1,218	91,096
	(204,843)	5,827	11,394	(123,708)	(766)	2,657	(309,439)

As at December 31, 2018, the Corporation, its subsidiaries and joint ventures and associates have non-capital losses totaling approximately \$345,000 that may be applied against future taxable income. The non-capital losses in Canada and the United-States expire gradually between 2026 and 2038. The non-capital losses in France are subject to restrictions over time but have no expiration date.

The Corporation recognized a deferred income tax asset on non-capital losses because it is probable that sufficient taxable profit and taxable capital gains will be available from hydroelectric, solar and wind projects currently in operation.

	As at January 1, 2017	Recognized in statement of earnings	Recognized in other comprehensive income	Recognized in business acquisitions	Net exchange differences	As at December 31, 2017
Deferred income tax assets (liabilities) in relation to:						(Restated Note 2.1)
Property, plant and equipment	(159,667)	1,575	—	(1,011)	(840)	(159,943)
Intangible assets	(115,461)	1,394	—	(34,366)	(2,109)	(150,542)
Project development costs	14,992	(3,589)	—	—	—	11,403
Investments into subsidiaries and in joint ventures and associates	(3,664)	(559)	(232)	—	—	(4,455)
Non-repatriated income from foreign subsidiaries	(1,225)	(22)	—	—	—	(1,247)
Derivative financial instruments	53,549	92	(4,299)	3,262	117	52,721
Long-term debt	(5,644)	(432)	—	2,162	78	(3,836)
Convertible debentures	(486)	128	—	—	—	(358)
Other liabilities	560	(39)	—	—	—	521
Financing fees	(4,268)	468	—	(396)	10	(4,186)
Share-based payment	1,205	176	—	—	—	1,381
	(220,109)	(808)	(4,531)	(30,349)	(2,744)	(258,541)
Tax losses carried forward	53,676	(2,152)	147	1,198	829	53,698
	(166,433)	(2,960)	(4,384)	(29,151)	(1,915)	(204,843)

d. Unrecognized deductible temporary differences, unused tax losses and unused tax credits

	December 31, 2018	December 31, 2017
Tax losses - revenue in nature	292,350	4,468
Tax losses- capital in nature	5,920	8,584
Transaction costs	477	477
	298,747	13,529

The unrecognized tax losses-revenue in nature will expire gradually between 2019 and 2038.

12. EARNINGS PER SHARE

The net earnings per share is computed as follows:

	Year ended December 31	
	2018	2017
		(Restated Note 2.1)
Net earnings attributable to owners of the parent	32,692	29,475
Dividends declared on preferred shares	(5,942)	(5,942)
Net earnings available to common shareholders	26,750	23,533
Weighted average number of common shares (in 000s)	130,030	108,427
Basic net earnings per share (\$)	0.21	0.22
Weighted average number of common shares (in 000s)	130,030	108,427
Effect of dilutive elements on common shares (in 000s) ^{1,2}	877	820
Diluted weighted average number of common shares (in 000s)	130,907	109,247
Diluted net earnings per share (\$)	0.21	0.22

1. Share options for which the exercise price was below the average market price of common shares are included in the calculation of diluted weighted average number of shares outstanding.

2. A total of 203,416 shares held in trust related to the PSP are included in the calculation of diluted weighted average number of shares outstanding.

	Year ended December 31	
	2018	2017
Shares that are excluded from the dilutive elements on common shares that can be issued from (in 000s):		
Share options	203	203
Convertible debentures	14,167	6,667

13. KEY MANAGEMENT PERSONNEL COMPENSATION

The following are the expenses that the Corporation recognized for its key management personnel. The members of the Board of Directors as well as the President and CEO, CFO, CIO and all the Senior Vice-Presidents and Vice-Presidents are key management personnel of the Corporation.

	Year ended December 31	
	2018	2017
Salaries and short-term benefits	6,073	5,642
Attendance fees for members of the Board of Directors	738	700
Performance share plan	1,769	1,503
Share-based payments	69	390
	8,649	8,235

14. EMPLOYEE BENEFITS

The expenses that the Corporation recognized for its employee benefits is composed of salaries and short-term benefits. Employee benefits were included in the following categories:

	Year ended December 31	
	2018	2017
Operating expenses	5,991	5,287
General and administrative	23,316	9,815
Prospective projects expenses	8,218	6,942
Transaction costs	1,941	1,538
Capitalized in Property, plant and equipment	1,006	2,306
Capitalized in Project development costs	148	—
	40,620	25,888

15. RESTRICTED CASH AND SHORT-TERM INVESTMENTS

As at	December 31, 2018	December 31, 2017
Restricted cash accounts	10,397	24,586
Restricted proceeds account	13,948	27,037
Debt service payment accounts	5,636	7,053
	29,981	58,676

As required under several projects' credits agreements, the Corporation maintains restricted cash accounts and restricted proceeds accounts. The unused portion of the loans proceeds are held in restricted proceeds account managed by the lenders and amounts are transferred from time to time into the restricted cash accounts to finance the construction of the projects. The restricted cash accounts are used to pay the current construction costs of the projects and to hold the construction holdback amounts that will be released at the end of the construction of the respective projects.

Included in restricted cash are funds related to a grant that HS Orka is participating in and administering, which was received and is to be distributed to the grant partners.

In relation with the six run-of-river hydroelectric facilities at Harrison Hydro L.P. (the "Harrison Operating Facilities"), the Corporation maintains debt service payment accounts. The debt service payment accounts require a monthly transfer equal to one-sixth of the next semi-annual bond payments and a monthly transfer equal to one-third of the next quarterly bond payment required on the outstanding junior bonds. Senior and junior loan payments are taken from this account on their due dates.

16. ACCOUNTS RECEIVABLE

As at	December 31, 2018	December 31, 2017
Trade	94,437	52,196
Commodity taxes	2,241	25,110
Investment tax credits	671	2,418
Others	5,374	7,776
	102,723	87,500

The Corporation establishes an allowance for credit losses that represents an estimate of expected credit losses of trade and other receivables.

Most of the Corporation's trade receivables relate to electricity sold to public utilities including Hydro-Québec, British Columbia Hydro and Power Authority, Hydro One Inc. and its affiliates, Idaho Power Company and Électricité de France. Hydro-Québec currently holds a credit rating of Aa2 from Moody's. British Columbia Hydro and Power Authority currently holds a credit rating of Aaa from Moody's. The Ministry of Energy of the Province of Ontario has stated that the Province of Ontario, which currently holds a credit rating of A+ from Standard & Poor's (S&P), will honor the obligation of Hydro One Inc. and of its affiliates under the PPAs to which it is a party. Hydro One Inc. and its affiliates currently holds a credit rating of A from S&P. Idaho Power Company currently has a credit rating of BBB from S&P. Électricité de France currently has a credit rating of A- from S&P. HS Orka's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Over 34% of the HS Orka revenue is attributable to sales transactions with two customers. HS Orka has set a credit policy where all new customers are evaluated with respect to payment history and other factors and credit limits are set. Customers that are behind in payments are prohibited to make further transactions with the Corporation until they settle their debt or the HS Orka's collection department approves further transactions based on an agreement.

At December 31, 2018, \$62 of trade and other receivables were more than 90 days overdue and a total write-off of impaired receivables of \$314 was recorded during the year.

Commodity taxes and investment tax credits are receivable from governments, mainly in relation with the development and construction of projects.

17. RESERVE ACCOUNTS

	Hydrology / wind power reserve	Major maintenance reserve	Total
Reserves – As at January 1, 2018	45,914	4,056	49,970
Reserves acquired on business acquisitions (Note 5)	873	—	873
Net (withdrawals from) investments in the reserves	(78)	809	731
Impact of foreign exchange fluctuations	321	—	321
Reserves – end of year	47,030	4,865	51,895
Less: Current portion	—	—	—
Long-term portion	47,030	4,865	51,895

	Hydrology / wind power reserve	Major maintenance reserve	Total
Reserves – As at January 1, 2017	46,311	3,178	49,489
Net (withdrawals from) investments in the reserves	(793)	878	85
Impact of foreign exchange fluctuations	396	—	396
Reserves – end of year	45,914	4,056	49,970
Less: Current portion	—	—	—
Long-term portion	45,914	4,056	49,970

Short-term investments are held at major financial institutions. The Corporation recorded no impairment on these financial instruments since the counterparties have high credit ratings.

The availability of \$51,024 (\$49,180 in 2017) in the reserve accounts is restricted by credit agreements.

18. PROPERTY, PLANT AND EQUIPMENT

	Lands	Hydroelectric facilities	Wind farm facilities	Solar facilities	Geothermal facilities	Facilities under construction	Other equipments	Total
Cost								
As at January 1, 2018	3,055	2,081,857	1,410,294	124,322	—	—	14,476	3,634,004
Additions	69	7,887	611	386	13,394	164,141	1,964	188,452
Business acquisitions (Note 5)	—	—	575,995	37,517	430,305	165,862	1,052	1,210,731
Dispositions	(46)	(824)	(149)	(318)	(164)	—	(20)	(1,521)
Other changes	—	—	11,073	(3)	—	—	—	11,070
Net foreign exchange differences	17	485	27,887	3,369	(25,218)	9,134	46	15,720
As at December 31, 2018	3,095	2,089,405	2,025,711	165,273	418,317	339,137	17,518	5,058,456
Accumulated depreciation								
As at January 1, 2018	—	(230,616)	(172,439)	(33,733)	—	—	(8,978)	(445,766)
Depreciation	—	(40,019)	(62,217)	(7,519)	(16,580)	—	(1,986)	(128,321)
Dispositions	—	280	4	4	24	—	20	332
Net foreign exchange differences	—	(267)	(1,566)	(81)	266	—	(125)	(1,773)
As at December 31, 2018	—	(270,622)	(236,218)	(41,329)	(16,290)	—	(11,069)	(575,528)
Carrying amount as at December 31, 2018	3,095	1,818,783	1,789,493	123,944	402,027	339,137	6,449	4,482,928

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

The financing costs related to a specific project financing are entirely capitalized to the specific property, plant and equipment. Financing costs related to the revolving credit facilities are capitalized for the portion of the financing actually used for a specific property, plant and equipment. Additions in the current period include \$8,995 of capitalized financing costs incurred prior to commissioning.

The cost of the facilities were reduced by investment tax credits of \$3,003 (\$3,003 as at December 31, 2017).

	Lands	Hydroelectric facilities	Wind farm facilities	Solar facility	Facilities under construction	Other equipments	Total
Cost							
As at January 1, 2017	3,011	1,613,017	876,569	124,303	426,059	10,830	3,053,789
Additions	4	17,870	12,147	12	61,319	3,677	95,029
Business acquisitions (Note 5)	40	—	340,396	—	122,203	—	462,639
Transfer of assets upon commissioning	—	453,495	156,086	—	(609,581)	—	—
Dispositions	—	(2,001)	(178)	—	—	(95)	(2,274)
Other changes	—	—	3,215	7	—	(23)	3,199
Net foreign exchange differences	—	(524)	22,059	—	—	87	21,622
As at December 31, 2017	3,055	2,081,857	1,410,294	124,322	—	14,476	3,634,004
Accumulated depreciation							
As at January 1, 2017	—	(194,633)	(123,831)	(27,775)	—	(7,543)	(353,782)
Depreciation	—	(37,400)	(47,848)	(5,958)	—	(1,556)	(92,762)
Dispositions	—	1,212	41	—	—	90	1,343
Other changes	—	—	—	—	—	25	25
Net foreign exchange differences	—	205	(801)	—	—	6	(590)
As at December 31, 2017	—	(230,616)	(172,439)	(33,733)	—	(8,978)	(445,766)
Carrying amount as at December 31, 2017	3,055	1,851,241	1,237,855	90,589	—	5,498	3,188,238

As of October 1, 2017, the Corporation changed the useful life for the depreciation period for some components of the property, plant and equipment assets mainly related to certain Quebec wind farms facilities. The estimated useful lives of the speed increasers and the blades, which were formerly equal to 15 and 20 years respectively, were increased to 20 and 25 years, which reflects the state of the assets and the predictive maintenance conducted. This change in estimates was recorded prospectively. The estimated annual impact of this change in accounting estimates is a decrease of \$2,932 in annual depreciation expense for the 12 months following the change in estimates.

19. INTANGIBLE ASSETS

	Hydroelectric facilities	Wind farm facilities	Solar facilities	Geothermal facilities	Facilities under construction	Total
Cost						
As at January 1, 2018	562,756	287,861	9,538	—	—	860,155
Additions	—	—	—	2,597	—	2,597
Business acquisitions (Note 5)	—	81,517	1,220	211,679	26,389	320,805
Disposal	(73)	—	—	—	—	(73)
Other changes	(3,046)	—	—	—	—	(3,046)
Net foreign exchange	216	8,338	18	(13,474)	—	(4,902)
As at December 31, 2018	559,853	377,716	10,776	200,802	26,389	1,175,536
Accumulated amortization						
As at January 1, 2018	(152,289)	(51,102)	(2,683)	—	—	(206,074)
Amortization	(18,138)	(21,504)	(531)	(3,303)	—	(43,476)
Disposal	73	—	—	—	—	73
Net foreign exchange	(116)	(1,000)	1	65	—	(1,050)
As at December 31, 2018	(170,470)	(73,606)	(3,213)	(3,238)	—	(250,527)
Net value as at						
December 31, 2018	389,383	304,110	7,563	197,564	26,389	925,009

	Hydroelectric facilities	Wind farm facilities	Solar facility	Facilities under construction	Total
Cost					
As at January 1, 2017	545,215	165,489	9,538	—	720,242
Additions	23,041	—	—	—	23,041
Business acquisitions (Note 5)	—	94,249	—	21,423	115,672
Transfer of assets upon commissioning	—	21,423	—	(21,423)	—
Other changes	(5,326)	(1,122)	—	—	(6,448)
Net foreign exchange	(174)	7,822	—	—	7,648
As at December 31, 2017	562,756	287,861	9,538	—	860,155
Accumulated amortization					
As at January 1, 2017	(137,629)	(35,542)	(2,206)	—	(175,377)
Amortization	(20,070)	(16,120)	(477)	—	(36,667)
Other changes	5,326	1,122	—	—	6,448
Net foreign exchange	84	(562)	—	—	(478)
As at December 31, 2017	(152,289)	(51,102)	(2,683)	—	(206,074)
Net value as at					
December 31, 2017	410,467	236,759	6,855	—	654,081

20. PROJECT DEVELOPMENT COSTS

As at	December 31, 2018	December 31, 2017
Cost		
Beginning of year	—	—
Project development cost acquired on business acquisitions (note 5)	19,298	—
Additions	10,048	—
Net foreign exchange	773	—
End of year	30,119	—

On December 31, 2018, the Corporation conducted annual impairment tests on project development costs. Based on the result of these tests, no impairment charge was required.

21. GOODWILL

The carrying amount of goodwill allocated to each CGU is not significant in comparison with the Corporation's total carrying amount of goodwill, with the exception of goodwill allocated to the HS Orka hf CGU. As such, the Corporation presents its goodwill by groups of units. Allocation of goodwill to each significant CGU or group of units is as follows:

As at	Hydroelectric facilities	Wind farm facilities	Solar facilities	HS Orka hf	Facilities under construction	Total
As at January 1, 2018	8,269	30,311	—	—	—	38,580
Business acquisitions (Note 5)	11,767	11,004	93	47,266	162	70,292
Net foreign exchange	—	1,123	—	—	—	1,123
As at December 31, 2018	20,036	42,438	93	47,266	162	109,995

As at	Hydroelectric facilities	Wind farm facilities	Total
As at January 1, 2017	8,269	—	8,269
Business acquisitions (Note 5)	—	29,771	29,771
Net foreign exchange	—	540	540
As at December 31, 2017	8,269	30,311	38,580

On December 31, 2018, the Corporation conducted its annual goodwill impairment tests. Based on the result of these tests, no impairment charge was required.

The recoverable amount of each CGU was determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a period extending to the lesser of 50 years or the period for which the Corporation owns its rights on the site and discount rates of 4.7% to 5.2% (4.1% to 5.4% in 2017).

Assumptions used to determine the recoverable amount of assets are the following:

- The discount rate is a weighted average between the consolidated cost of debt and the consolidated cost of equity.
- The expected selling price of electricity once the power purchase agreements are renewed or on the spot market.
- A cash-generating unit is an individual facility.
- The future expected cash flows are based on the budgets before debt service and income tax of each cash-generating unit. The budgets have been built using long-term averages of expected production. These long-term averages approximate actual results.

22. ACCOUNTS PAYABLE AND OTHER PAYABLES

As at	December 31, 2018	December 31, 2017
Trade and other payables	106,332	63,487
Current portion of construction holdbacks	3,440	9,104
Interest payable	18,057	15,523
Commodity taxes	4,310	2,918
	<u>132,139</u>	<u>91,032</u>

23. LONG-TERM DEBT

(references to US\$, € and ISK are in thousands)	Interests rate 2018	Maturity	December 31, 2018	December 31, 2017
				(Restated Note 2.1)
Unsecured short-term credit facility term loan				
a) Innergex	4.02%-4.36%	2019	228,000	—
Revolving credit facilities including LIBOR advances of US\$149,035				
a) Innergex	4.02%-4.36%	2023	387,409	281,438
Subordinated unsecured term loan				
a) Innergex	5.13%	2023	150,000	—
			765,409	281,438
Project and other loans				
b) Phoebe (US\$149,727)	4.02%	2019-2026	204,257	—
c) Plan Fleury (€36,113)	1.00%-1.80%	2019-2034	56,383	68,353
d) Les Renardières (€31,946)	1.05%-1.80%	2019-2034	49,878	60,471
e) Rougemont 1 (€51,621)	0.64%	2019-2035	80,596	79,695
f) Rougemont 2 (€58,557)	0.68%	2019-2035	91,425	89,158
g) Montagne-Sèche	—	—	—	22,300
h) HS Orka (€59,425) (ISK199,869)	3.15%	2022-2031	96,515	—
h) Alterra (including US\$20,775)	8.06%-8.56%	2023	118,548	—
i) Spartan (US\$9,825)	6.31%	2023	13,403	—
j) Rutherford Creek	6.88%	2024	28,009	32,061
k) Valottes (€9,515)	1.80%-2.69%	2024-2026	14,856	16,458
l) Ashlu Creek	3.95%	2025	86,606	89,387
m) Sainte-Marguerite	7.40%-8.00%	2025-2064	63,888	67,705
n) Antoigné (€5,000)	2.67%	2025	7,806	8,601
o) Longueval (€5,869)	1.69%-1.86%	2025	9,163	10,121
p) Porcien (€5,989)	1.66%-1.86%	2025	9,350	10,378
q) Innergex Champagne et Innergex Lorraine (€9,050)	7.25%	2025	14,129	13,208
r) Bois d'Anchat (€8,977)	2.25%-3.20%	2025-2030	14,016	14,691
s) Magpie	4.34%-4.37%	2025-2031	49,238	52,030
t) L'Anse-à-Valleau	—	—	—	30,490
u) Fitzsimmons Creek	2.98%	2026	19,786	20,230
v) Kokomo (US\$4,545)	6.31%	2026	6,200	—
w) Montjean (€16,247)	2.56%-2.95%	2026-2031	25,367	26,392
x) Theil Rabier (€16,247)	2.56%-2.94%	2026-2031	25,367	29,381
y) Mesgi'g Ugju's'n	3.92%-4.28%	2026-2036	250,923	257,515
z) Carleton	—	—	—	38,802
aa) Beaumont (€21,433)	2.16%-2.63%	2027-2031	33,464	34,558
bb) Yonne (€53,447)	1.08%-1.54%	2028-2031	83,447	86,325
cc) Stardale	3.92%	2030	87,575	93,427
dd) Cholletz (€9,570)	2.64%	2030	14,942	15,537
ee) Innergex Cartier Energie	3.81%	2032	570,408	—
ff) Vaite (€53,655)	0.84%	2035	83,772	83,031
gg) Big Silver Creek	4.57%-4.76%	2041-2056	197,223	197,223
hh) Innergex Europe	8.00%	2046	77,957	77,957

	Interests rate 2018	Maturity	December 31, 2018	December 31, 2017
Project and other loans - continued				
ii) Harrison Operating Facilities	3.91%-6.58%	2049	451,021	452,513
jj) Kwoiek Creek	5.08%-10.07%	2052-2054	169,043	170,635
kk) Northwest Stave River	5.30%	2053	71,972	71,972
ll) Tretheway Creek	4.99%	2055	92,916	92,916
mm) Boulder Creek and Upper Lillooet	4.22%-4.46%	2043-2056	491,643	491,643
Other loans with various interest rates		2019	12	11
			3,761,104	2,905,175
Total long-term debt			4,526,513	3,186,613
Deferred financing costs			(56,261)	(33,351)
			4,470,252	3,153,262
Current portion of long-term debt			(445,928)	(109,875)
Long-term portion			4,024,324	3,043,387

a. Innergex

Unsecured short-term credit facility term loan

On October 24, 2018, the Corporation executed a one-year term credit facility of \$228,000 to be reimbursed through the strategic divestment of selected assets. As at December 31, 2018, Bankers' Acceptances ("BA") rate advances totaling \$228,000 were due under this facility. The loan bears a 4.03% interest rate.

Revolving term credit facility

On February 21, 2017, the Corporation executed a Fifth Amended and Restated Credit Agreement of its existing \$425,000 revolving credit facilities. These amendments give the Corporation flexibility in borrowing in euros using EURIBOR loans. The Corporation also extended its revolving term from 2020 to 2021 to provide greater financing flexibility. On October 31, 2017, the Corporation increased its revolving credit facilities by \$50,000 and added a new lender to the syndicate of lenders. It also extended the maturity of its revolving facility from December 2021 to December 2022 to provide greater financial flexibility. As at December 31, 2017, the revolving credit facilities were standing at \$475,000.

On February 6, 2018 the Corporation announced that it had increased its revolving credit facilities by \$225,000 to \$700,000 and added a new lender to the syndicate of lenders.

On December 19, 2018, the Corporation executed a Seventh Amended and Restated Credit Agreement. These amendments reflect the changes following the new Cartier Credit Facility. The Corporation also extended its revolving term from 2022 to 2023 to provide greater financing flexibility.

As at December 31, 2018, the Bankers' Acceptances ("BA") rate advances and prime rate advances totaling \$184,096 along with a LIBOR rate advance of \$203,313 (US\$149,035) were due under this facility. The all-in effective interest rate was 4.35% after accounting for the interest swaps. An amount of \$169,136 has been used to secure letters of credit. Thus, the unused and available position of the facility was \$143,455.

The carrying value of assets of the Corporation and subsidiaries given as securities under this facility totals approximately \$478,000.

Moreover, the Corporation also has a Letter of Credit Facility of an amount of up to US\$15,000 guaranteed by Export Development Canada in place. A letter of credit has been issued for an amount of \$20,463 (US\$15,000) as of December 31, 2018 and none in 2017 under this facility.

Subordinated unsecured term loan

On February 1, 2018, the Corporation closed a \$150,000 subordinated unsecured 5-year term loan. The loan bears a 5.13% interest rate, is repayable in semi-annual installments and matures in 2023. The loan is repayable in full at maturity.

b. Phoebe

On July 2, 2018, Innergex acquired Phoebe Energy Project, LLC and concurrently closed a construction and long-term project financing.

The financing agreement comprises two facilities or tranches:

- A US\$115,864 construction loan carrying an interest rate of 1-month LIBOR +1.5% (approximately 90% fixed through an interest rate swap entered into on July 3, 2018 resulting in a fixed interest rate of 4.13%). As at December 31, 2018, the full amount of US\$115,864 had been drawn from this tranche; following the start of the facility commercial operation, it will be replaced with a term loan carrying an interest rate of 3-month LIBOR +2.0% for the first four years and LIBOR +2.5% thereafter (approximately 90% fixed through an interest rate swap entered into on July 3, 2018 resulting in a fixed interest rate of 5.07% for the first four years and 5.57% thereafter); The term loan is for a period of 7 years with principal payments beginning in 2021 and the remaining 85% of the principal will be due upon maturity on September 30, 2026.
- A US\$176,225 tax equity bridge loan carrying an interest rate of 1-month LIBOR +1.5% (approximately 90% fixed through an interest rate swap entered into on July 3, 2018 resulting in a fixed interest rate of 4.13%); following the start of the facility commercial operation, it is expected that the tax equity bridge loan will be repaid with the proceeds from a Tax Equity Investor. As at December 31, 2018, an amount of US\$33,863 had been drawn from this tranche.

The lenders also agreed to make available a letter of credit facility. As at December 31, 2018 an amount of US\$67,763 (\$92,442) had been used to secure two letters of credit.

This debt is secured by the assets of Phoebe Energy Project, LLC with a carrying value of \$193,301 (US\$141,695).

c. Plan Fleury

As part of the acquisition of Plan Fleury in 2017, the Corporation assumed the related loan facilities for a total value of €40,302.

- A €2,554 loan bearing a variable interest rate at EURIBOR+1.8% and fully repayable in 2018. It was a short-term bridge financing dedicated to pre-finance relevant Value Added Taxes expenditures recoverable from the government. Following the acquisition, the debt increased by €4,714 in 2017.
- A €27,688 loan bearing a fixed interest rate at 1.65% for the first 10 years and a variable rate thereafter, repayable in quarterly installments starting in 2020 and maturing in 2032.
- A €5,273 loan bearing a fixed interest rate at 1.65% for the first 10 years and a variable rate thereafter, repayable in quarterly installments starting in 2020 and maturing in 2034.
- A €4,145 loan bearing a fixed interest rate at 1% for 3 years, repayable in quarterly installments and maturing in 2019. The principal repayments are set to €2,005 for 2019.
- A €642 loan bearing a variable interest rate at EURIBOR+1.8%, repayable in semi annual installments and maturing in 2019. As at December 31, 2018, the effective interest rate was 1.8%. The principal repayments are set to €502 for 2019. Following the acquisition, the debt increased by €395 in 2017.
- A €1,585 revolving loan facility for a debt service reserve, bearing interest at a variable rate at EURIBOR+1.8%, maturing in 2033. As at December 31, 2018, no funds have been drawn from this facility.

The debt is secured by the assets of Éole de Plan Fleury with a carrying value of approximately €58,166.

d. Les Renardières

As part of the acquisition of Les Renardières in 2017, the Corporation assumed the related loan facilities for a total value of €35,699.

- A €2,131 loan bearing a variable interest rate at EURIBOR+1.8% and fully repayable in 2018. It was a short-term bridge financing dedicated to pre-finance relevant Value Added Taxes expenditures recoverable from the government. Following the acquisition, the debt increased by €4,288 in 2017.
- A €24,769 loan bearing a fixed interest rate at 1.70% for the first 10 years and a variable rate thereafter, repayable in quarterly installments starting in 2020 and maturing in 2032.
- A €4,394 loan bearing a fixed interest rate at 1.70% for the first 10 years and a variable rate thereafter, repayable in quarterly installments starting in 2020 and maturing in 2034.
- A €3,762 loan bearing a fixed interest rate at 1.05% for 3 years, repayable in quarterly installments and maturing in 2019. The principal repayments are set to €1,881 for 2019.

- A €643 loan bearing a variable interest rate at EURIBOR+1.8%, repayable in semi-annual installments and maturing in 2019. As at December 31, 2018, the effective interest rate was 1.8%. The principal repayments are set to €416 for 2019. Following the acquisition, the debt increased by €188 in 2017.
- A €1,400 revolving loan facility for a debt service reserve, bearing interest at a variable rate at EURIBOR+1.8%, maturing in 2033. As at December 31, 2018, no funds have been drawn from this facility.

The debt is secured by the assets of Les Renardières with a carrying value of approximately €47,858.

e. Rougemont 1

As part of the Rougemont 1-2 and Vaite Acquisition in 2017, the Corporation assumed the related loan facilities for a total of €51,579.

- A €1,592 loan bearing a variable interest rate at EURIBOR +1% and fully repayable in 2018. It was a bridge financing dedicated to the consumer taxes recoverable from the government. Following the acquisition, the debt decreased by a net amount of €1,426 in 2017.
- A €49,987 loan bearing a variable interest rate at EURIBOR +1.4% to 1.95%, repayable in semi-annual installments and maturing in 2035. The principal repayments are set to €2,855 for 2019. The loan was accounted for at its fair market value of €50,948 for an effective rate of 0.81%. As at December 31, 2018, the all-in effective interest rate was 2.03% (1.97% in 2017) after accounting for the interest swap. Following the acquisition, the debt increased by €3,345 in 2017.
- A €2,410 revolving loan facility for a debt service reserve, bearing interest at a variable rate at EURIBOR +1.5% to 1.65%, maturing in 2027. As at December 31, 2018, no funds have been drawn from this facility.

The lenders also agreed to make available a letter of credit facility in an amount not to exceed €1,000. As at December 31, 2018 an amount of €700 has been used to secure letter of credits related to the decommissioning guarantee.

The debt is secured by the assets of Énergies du Plateau Central with a carrying value of approximately €65,202.

f. Rougemont 2

As part of the Rougemont 1-2 and Vaite Acquisition in 2017, the Corporation assumed the related loan facilities for a total of €40,758.

- A €776 loan bearing a variable interest rate at EURIBOR +1% and fully repayable in 2019. At at December 31, 2018, the effective interest rate was 0.76%. It is a bridge financing dedicated to the consumer taxes recoverable from the government. Following the acquisition, the debt decreased by a net amount of €477 in 2017.
- A €31,096 loan bearing a variable interest rate at EURIBOR + 1.4% to 1.95%, repayable in semi-annual installments and maturing in 2035. The principal repayments are set to €1,754 for 2019. The loan was accounted for at its fair market value of €31,688 for an effective rate of 0.81%. As at December 31, 2018, the all-in effective interest rate was 2.09% (1.99% in 2017) after accounting for the interest swap. Following the acquisition, the debt increased by €840 in 2017.
- A €8,886 loan bearing a variable interest rate at EURIBOR +1.4% to 1.95%, repayable in semi-annual installments and maturing in 2035. The principal repayments are set to €1,593 for 2019. The loan was accounted for at its fair market value of €9,341 for an effective rate of 0.84%. As at December 31, 2018, the all-in effective interest rate was 2.19% (1.25% in 2017) after accounting for the interest swap. Following the acquisition, the debt increased by €17,975 in 2017.
- A €2,840 revolving loan facility for a debt service reserve, bearing interest at a variable rate at EURIBOR + 1.5% to 1.65%, maturing in 2027. As at December 31, 2018, no funds have been drawn from this facility.

The lenders also agreed to make available a letter of credit facility in an amount not to exceed €1,000. As at December 31, 2018 an amount of €861 has been used to secure letters of credit related to the decommissioning guarantee.

The debt is secured by the assets of Énergies du Plateau Central 2 with a carrying value of approximately €77,710.

g. Montagne-Sèche

In May 2014, the Corporation renegotiated the loan to extend the maturity to June 2021. The loan consisted of a 7-year term loan, amortized over a 16-year period starting in May 2014. The loan bore interest at the BA rate plus an applicable margin. The amount borrowed was repaid in full during the last quarter of 2018.

The 2014 renegotiation was accounted for as a debt modification under the October 2017 amendment to IFRS 9. Upon initial application of IFRS 9 (2014), the loan was remeasured at the original effective interest rate, resulting in a gain represented by the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. The gain was applied retrospectively with restatement of the prior period, yielding a \$1,060 decrease in the loan amount as at December 31, 2017 (see note 2.1).

h. HS Orka and Alterra

As part of the acquisition of Alterra, the Corporation assumed the related loan facilities for a total fair value of \$305,045.

- A \$112,991 loan facility with three tranches (Tranche A: \$67,295, Tranche B: \$22,455, Tranche C: US\$21,110) and an interest rate from 7.91% to 8.56% after accounting for the interest swap. The loan facility has no scheduled payments of principal prior to maturity of 2023.

The loan facility is secured by future cash flow, and indirect equity investments in Toba Montrose, Dokie, Jimmie Creek and Flat Top with a carrying value of approximately \$232,000

- A \$76,919 (€49,641) HS Orka corporate loan. The loan carries an initial term of five years with options to extend the loan's term up to 18 years. The interest rate on the facility is the Euro Interbank Offered Rate ("EURIBOR") plus 3.15%. As at December 31, 2018, the effective interest rate was 3.15%. Primary uses of loan proceeds include construction of the Brúarvirkjun hydro project, as well as drilling and other field development activities at Reykjanes. The loan will fund in tranches upon the fulfillment of certain conditions precedent. The loan was accounted for at its fair market value of \$79,784 for an effective rate of 3.6%. Following the acquisition, the debt increased by \$13,565 (€8,688) in 2018.
- A \$2,864 (ISK230,618) HS Orka corporate loan with an interest rate of 5.6% maturing in 2031. The loan was accounted for at its fair value of \$2,805. Following the acquisition, the debt increased by \$525 (ISK59,020) in 2018.

The loans are secured by the operating assets of HS Orka, Reykjanes expansion and the Brúarvirkjun project, with a carrying value of approximately \$865,000 (€555,000).

- A \$48,155 (US\$38,431) holding company bond owed by the subsidiary Magma Energy Sweden A.B ("Magma Sweden"). Under the terms of the bond, it became immediately payable upon the delisting of Alterra shares from the TSX as a result of the acquisition. Consequently the bond was settled in full on February 6, 2018 following completion of the acquisition of Alterra.
- A \$44,010 (US\$35,124) holding company bond owed by Magma Sweden. The holding company bond was secured by shares in HS Orka, had an interest rate of 8.5% per annum and a maturity date of October 23, 2021. The bond was repaid in full during the first quarter of 2018 (see note 31).
- A \$17,300 short-term revolving credit facility. The facility had a borrowing amount of \$20,000 with funds made available on a revolving basis at an interest rate of 8% per annum compounded and payable monthly. The amount borrowed was repaid in full during the first quarter of 2018 and the facility expired on March 31, 2018 (see note 31).

i. Spartan

As of the date of the acquisition of Alterra, Spartan had total loan facilities of US\$10,029.

On December 22, 2017, Spartan entered into a US\$10,200 (\$12,984), 6-year senior secured term loan with a floating interest rate and a balloon payment based on a 6-year maturity and 20 year amortization. The floating interest rate is based on three month LIBOR plus a spread of 3.5% per annum. The principal repayments are set to US\$550 for 2019. As at December 31, 2018, the all-in effective interest rate was 5.81% after accounting for the interest rate swap.

The loan is secured by the assets of Spartan PV1, LLC, with a carrying value of approximately US\$21,000.

j. Rutherford Creek

The loan bearing fixed interest of 6.88% is amortized over a 20-year period starting in 2004. This debt is repayable by monthly blended payments of principal and interest totaling \$511. The principal repayments are variable and are set at \$4,340 for 2019.

The loan is secured by the assets of Rutherford Creek Power Limited Partnership, with a carrying value of approximately \$71,964.

k. Valottes

The loan comprises two facilities:

- A €4,749 loan bearing a fixed interest rate at 2.69%, repayable in quarterly installments and maturing in 2024. The principal repayments are set to €601 for 2019.
- A €7,273 loan bearing a fixed interest rate at 5.34%, repayable in quarterly installments and maturing in 2026. The principal repayments are set to €727 for 2019. The term loan was accounted for at its fair market value of €8,502 for an effective rate of 1.80%.

The debt is secured by the assets of Energie des Valottes with a carrying value of approximately €19,535.

On December 31, 2018, owing to low production during the year, the Corporation did not fulfill the minimum debt service coverage ratio of the loan. The lender is therefore contractually entitled to request for immediate repayment of the outstanding loan amount. Consequently, the outstanding balance is presented as current liability as at December 31, 2018. The lender has not requested early repayment of the loan as of the date when these financial statements were approved by the Board of Directors.

l. Ashlu Creek

The loan consists of a 15-year term loan, maturing in September 2025 and amortized over a 25-year period ending in September 2035. The loan bears interest at the BA rate plus an applicable margin. The term loan is repayable in quarterly installments. The principal repayments are variable and are set at \$3,211 for 2019. As at December 31, 2018, the all-in effective interest rate was 6.26% (6.14% in 2017) after accounting for the interest rate swap.

The lenders also agreed to make available a letter of credit facility in an amount not to exceed \$3,000. As at December 31, 2018 an amount of \$1,288 had been used to secure a letter of credit.

The loan is secured by the assets of Ashlu Creek hydroelectric facility with a carrying value of approximately \$147,818.

m. Sainte-Marguerite

The loan consists of a term loan, bearing interest at a fixed rate of 7.40%, repayable in monthly blended payments of principal and interest and maturing in 2025. The principal repayments for 2019 are set at \$2,039. The term loan was accounted for at its fair market value of \$37,455 for an effective rate of 3.30%.

The loan is secured by the assets of Innergex Sainte-Marguerite L.P. with a carrying value of approximately \$128,957.

In 2014, a debenture was issued by Innergex Sainte-Marguerite L.P. to RRMD for a total amount of \$42,401. This debenture carries an interest rate of 8.00%; it has no predetermined repayment schedule and matures in 2064. The partner, RRMD, is considered a related party. Unpaid interests are compounded and are recorded in other long-term liabilities (see note 24).

n. Antoigné

The loan consists of a €6,964 term loan, bearing interest at a fixed rate of 2.67%, repayable in quarterly installments and maturing in 2025. The principal repayments are set to €714 for 2019.

The loan is secured by the assets of Energie Antoigné with a carrying value of approximately €12,326.

o. Longueval

The loan comprises two facilities:

- A €6,069 loan bearing interest at a fixed rate of 1.86%, repayable in quarterly installments and maturing in 2025. The principal repayments are set to €639 for 2019.
- A €1,812 loan bearing interest at a fixed rate of 5.73%, repayable in semi-annual installments and maturing in 2025. The principal repayments are set to €216 for 2019. The term loan was accounted for at its fair market value of €2,186 for an effective rate of 1.72%.

The debt is secured by the assets of Eoliennes de Longueval with a carrying value of approximately €13,310.

p. Porcien

The loan comprises two facilities:

- A €6,069 loan bearing interest at a fixed rate of 1.86%, repayable in quarterly installments and maturing in 2025. The principal repayments are set to €639 for 2019.
- A €2,047 loan bearing interest at a fixed rate of 5.73%, repayable in semi-annual installments and maturing in 2025. The principal repayments are set to €214 for 2019. The term loan was accounted for at its fair market value of €2,454 for an effective rate of 1.67%.

The debt is secured by the assets of Energie du Porcien with a carrying value of approximately €13,492.

On December 31, 2018, owing to low production during the year, the Corporation did not fulfil the minimum debt service coverage ratio of the loan. The lender is therefore contractually entitled to request for immediate repayment of the outstanding loan amount. Consequently, the outstanding balance is presented as a current liability as at December 31, 2018. The lender had not requested early repayment of the loan as of the date when these financial statements were approved by the Board of Directors.

q. Financing of two of the French subsidiaries

On February 10, 2017, each of Innergex Champagne S.A.S. and Innergex Lorraine S.A.S. concluded a €4,250 subordinated debt financing with a French infrastructure fund. The subordinated loans carry an interest rate of 7.25%, have an eight-year tenor and their principal will be reimbursed in February 2025.

r. Bois d'Anchat

The loan comprises two facilities:

- A €1,005 loan bearing interest at a fixed rate of 3.20%, repayable in quarterly installments and maturing in 2025. The principal repayments are set to €49 for 2019.
- A €10,200 loan bearing interest at a fixed rate of 2.25%, repayable in quarterly installments and maturing in 2030. The principal repayments are set to €703 for 2019.

The debt is secured by the assets of Société d'Exploitation du Parc Éolien du Bois d'Anchat with a carrying value of approximately €19,808.

s. Magpie

A fixed rate bridge loan was amortized until August 2017. The bridge loan was repayable in monthly blended payments of principal and interest totaling \$27.

A debenture was amortized until December 2017. The debenture was repayable by yearly blended payments of principal and interest totaling \$400, excluding non-cash implicit interest of \$18.

A \$3,000 convertible debenture has no predetermined repayment schedule and matures in January 2025. The convertible debenture, bearing interest at a fixed rate of 15.5%, entitles the Minganie Regional County Municipality to a 30% interest in the facility upon conversion of the debenture on or before January 1, 2025. Early conversion is at the discretion of the Corporation. The municipality is a partner in Magpie L.P. and is considered a related party.

A \$55,882 term loan amortizing until 2031, bearing interest at a fixed rate of 6.36%, is repayable in monthly blended payments of principal and interest totaling \$379. The principal repayments for the term loan are variable and are set at \$2,052 for 2019.

The bridge loan and the term loan are secured by the assets of Magpie L.P. with a carrying value of approximately \$90,165.

t. L'Anse-à-Valleau

The loan consisted of an 18.5-year term loan starting in December 2007 and amortized over an 18.5-year period. The loan bore interests at the BA rate plus an applicable margin. The term loan was repayable in quarterly installments. The amount borrowed was repaid in full during the last quarter of 2018.

u. Fitzsimmons Creek

A term loan maturing in 2026 and amortized over a remaining 25-year period ending in January 2042. The loan advances bear interest at the BA rate plus an applicable margin. The principal repayments are variable and are set at \$375 for 2019. As at December 31, 2018, the all-in effective interest rate was 3.58% (3.59% in 2017) after accounting for the interest rate swap.

The lenders also agreed to make available a letter of credit facility in an amount not to exceed \$150 and a hydrology reserve letter of credit in an amount not to exceed \$310. As at December 31, 2018, amounts of \$50 and \$310 respectively, had been used to secure two letters of credit.

This debt is secured by the assets of Fitzsimmons Creek Hydro L.P. with a carrying value of approximately \$22,782.

v. Kokomo

As of the date of the acquisition of Alterra, Kokomo had total loan facilities of US\$4,489 (\$5,625).

On December 30, 2016, Kokomo entered into a US\$5,000 (\$6,265), 10-year senior secured term loan with a floating interest rate and a balloon payment based on a 10 year maturity and a 18 year amortization. The floating interest rate is based on three month LIBOR plus a spread of 3.5% per annum. The principal repayments are set to US\$231 for 2019. As at December 31, 2018, the all-in effective interest rate was 5.35% after accounting for the interest rate swap.

The debt is secured by the assets of Kokomo Solar I, LLC with a carrying value of approximately US\$10,000.

w. Montjean

The loan comprises facilities for a total value of €23,897.

- A €1,126 loan bearing a variable interest rate at EURIBOR +1.5%. It was a bridge financing dedicated to the consumer taxes and recoverable from the government. The unused and available position of this credit facility was €2,945 at acquisition. This loan was fully repaid in June 2017.
- A €12,680 loan on the credit margin bearing interest at a fixed rate of 1.25% until 2026, after which a variable rate will apply, repayable in quarterly installments and maturing in 2031. The principal repayments are set to €1,000 for 2019. The unused and available position of this credit facility was €2,320 at acquisition and nil as at December 31, 2018. The term loan was accounted for at its fair market value of €11,054 for an effective rate of 1.85%.
- A €4,125 loan bearing interest at a fixed rate of 1.15%, repayable in quarterly installments and maturing in 2026. The principal repayments are set to €413 for 2019. The loan was accounted for at its fair market value of €4,062 for an effective rate of 1.46%.
- A €700 loan facility for a debt service reserve, bearing interest at a fixed rate of 2.00%, repayable in quarterly installments starting in 2022 and maturing in 2031. This loan was accounted for at its fair market value of €675 for an effective rate of 2.73%.

The debt is secured by the assets of Montjean Energies with a carrying value of approximately €28,306.

x. Theil-Rabier

The loan comprises facilities for a total value of €23,897.

- A €1,234 loan bearing a variable interest rate at EURIBOR +1.5%. It was a bridge financing dedicated to the consumer taxes and recoverable from the government. This loan was fully repaid in June 2017.
- A €12,972 loan bearing interest at a fixed rate of 1.25% until 2026, after which a variable rate will apply until maturity, repayable in quarterly installments and maturing in 2031. The principal repayments are set to €1,000 for 2019. The unused portion of this credit facility was €2,028 at acquisition and nil as at December 31, 2018. The loan was accounted for at its fair market value of €11,345 for an effective rate of 1.84%.
- A €4,125 loan bearing interest at a fixed rate of 1.15%, repayable in quarterly installments and maturing in 2026. The principal repayments are set to €413 for 2019. The loan was accounted for at its fair market value of €4,062 for an effective rate of 1.46%.
- A €700 loan facility for a debt service reserve, bearing interest at a fixed rate of 2.00%, repayable in quarterly installments starting in 2022 and maturing in 2031. This loan was accounted for at its fair market value of €676 for an effective rate of 2.73%.

The debt is secured by the assets of Theil Rabier Energies with a carrying value of approximately €28,075.

y. **Mesgig'g Ugju's'n**

The construction loans was converted into a term loan in November 2017.

The loan comprises three facilities or tranches:

- A \$49,250 floating-rate construction loan carrying a swap-fixed interest rate of 2.41%; fully repaid in 2017 with the proceeds of the scheduled reimbursement by Hydro-Québec for the Mesgig'g Ugju's'n electrical substation.
- A \$103,000 floating-rate construction loan carrying a swap-fixed interest rate of 3.54%; converted into a 9.5-year term loan and the principal will be amortized over the term of the loan. The principal repayments are set at \$6,592 for 2019.
- A \$159,459 construction loan carrying a fixed interest rate of 4.28%; converted into a 19.5-year term loan and the principal will begin to be amortized after the maturity of the 9.5-year term loan. The term loan is repayable in quarterly installments starting in 2026 and maturing in 2036.

The lenders also agreed to make available a letter of credit facility in an amount not to exceed \$8,484. As at December 31, 2018, an amount of \$8,460 had been used to secure a letter of credit.

This debt is secured by the assets of Mesgig'g Ugju's'n (MU) Wind Farm L.P. with a carrying value of approximately \$300,000.

z. **Carleton**

The loan consisted of a 14-year term loan starting in June 2013 and amortized over a 14-year period. The term loan bore interest at the BA rate plus an applicable margin. The term loan was repayable in quarterly installments. The amount borrowed was repaid in full during the last quarter of 2018.

aa. **Beaumont**

The loan comprises three facilities:

- A €3,649 loan bearing interest at a fixed rate of 3.78%, repayable in quarterly installments and maturing in 2027. The principal repayments are set to €112 for 2019. The term loan was accounted for at its fair market value of €3,999 for an effective rate of 2.16%.
- A €902 loan bearing interest at a fixed rate of 2.63%, repayable in quarterly installments and maturing in 2027. The principal repayments are set to €57 for 2019.
- A €20,500 loan bearing interest at a fixed rate of 2.42%, repayable in quarterly installments and maturing in 2031. The principal repayments are set to €1,390 for 2019.

The debt is secured by the assets of Eoles Beaumont S.A.S. with a carrying value of approximately €44,463.

On December 31, 2018, owing to low production during the year, the Corporation did not fulfill the minimum debt service coverage ratio of the loan. The lender is therefore contractually entitled to request for immediate repayment of the outstanding loan amount. Consequently, the outstanding balance is presented as current liability as at December 31, 2018. The lender has not requested early repayment of the loan as of the date when these financial statements were approved by the Board of Directors.

bb. **Yonne**

As part of the Yonne Acquisition in 2017, the Corporation assumed the related loan facilities for a total of €70,814.

- A €11,350 loan bearing a variable interest rate at 0.93% and fully repaid in the second quarter of 2017. It was a bridge financing dedicated to the consumer taxes recoverable from the government.
- A €14,864 loan bearing a variable interest rate at EURIBOR +1.90%, repayable in quarterly installments and maturing in 2028. The principal repayments are set to €649 for 2019. The loan was accounted for at its fair market value of €15,328 for an effective rate of 1.08%.
- A €44,600 loan bearing a variable interest rate at EURIBOR +1.95%, repayable in quarterly installments and maturing in 2031. The principal repayments are set to €2,997 for 2019. The loan was accounted for at its fair market value of €46,075 for an effective rate of 1.54%. As at December 31, 2018, the all-in effective interest rate was 2.32% (idem in 2017) after accounting for the interest rate swap.

The debt is secured by the assets of Éoles-Yonne S.A.S. with a carrying value of approximately €98,138.

cc. Stardale

On February 22, 2016, Stardale refinanced its long-term debt to increase its borrowing by \$12,138 to a total of \$109,000. The loan bears interest at the BA rate plus an applicable credit margin. The principal repayments are variable and are set at \$5,042 for 2019.

The 2016 refinancing was accounted for as a debt modification under the October 2017 amendment to IFRS 9. Upon initial application of IFRS 9 (2014), the loan was remeasured at the original effective interest rate, resulting in a gain represented by the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. The gain was applied retrospectively with restatement of the prior period, yielding a \$3,136 decrease in the loan amount as at December 31, 2017 (see note 2.1).

As at December 31, 2018, the all-in effective interest rate was 5.06% (4.97% in 2017) after accounting for the interest rate swap.

The lenders also agreed to make available a letter of credit facility in an amount not to exceed \$5,600. As at December 31, 2018, an amount of \$5,600 had been used to secure two letters of credit.

The loan is secured by the assets of Stardale L.P. with a carrying value of approximately \$94,497.

dd. Cholletz

The loan comprises two facilities:

- A €1,500 loan bearing interest at 1.9%, repayable in quarterly installments. This loan was fully repaid in 2017.
- A €10,400 loan bearing interest at a fixed rate of 2.64% until 2026 and at variable rate plus an applicable margin afterwards, repayable in quarterly installments and maturing in 2030. The principal repayments are set to €808 for the 2019.

The debt is secured by the assets of Energie des Cholletz with a carrying value of approximately €19,345.

ee. Innergex Cartier Energie

On December 19, 2018, the Corporation closed a \$570,400 loan. The loan consists of a 14-year term loan, amortized over a 14-year period starting in March 2019. The loan bears interest at the BA rate plus an applicable margin. The term loan is repayable in quarterly installments. The principal repayments are variable and are set at \$38,518 for 2019. As at December 31, 2018, the all-in effective interest rate was 4.33% after accounting for the interest rate swap.

The lenders also agreed to make available a letter of credit facility in an amount not to exceed \$39,200. As at December 31, 2018 an amount of \$32,160 has been used to secure letters of credit.

The debt is secured by the assets of Innergex Cartier Energie S.E.C. with a carrying value of approximately \$815,522.

ff. Vaite

As part of the Rougemont 1-2 and Vaite Acquisition in 2017, the Corporation assumed the related loan facilities for a total of €53,545.

- A €552 loan bearing a variable interest rate at EURIBOR +1%. It was a bridge financing dedicated to the consumer taxes recoverable from the government. This loan was fully repaid in 2017.
- A €52,993 loan bearing a variable interest rate at EURIBOR +1.4% to 1.95%, repayable in semi-annual installments and maturing in 2035. The principal repayments are set to €3,192 for 2019. The loan was accounted for at its fair market value of €54,023 for an effective rate of 0.81%. As at December 31, 2018, the all-in effective interest rate was 2.21% (1.99% in 2017) after accounting for the interest swap. Following the acquisition, the debt increased by €2,820 in 2017.
- A €2,520 revolving loan facility for a debt service reserve, bearing interest at a variable rate at EURIBOR +1.5% to 1.65%, maturing in 2027. As at December 31, 2017, and 2018 no funds have been drawn from this facility.

The lenders also agreed to make available a letter of credit facility in an amount not to exceed €1,000. As at December 31, 2018 and 2017 an amount of €754 has been used to secure letter of credits related to the decommissioning guarantee.

The debt is secured by the assets of Énergies du Réchet with a carrying value of approximately €67,648.

gg. Big Silver Creek

The construction loan was converted into a term loan in January 2017.

The loan comprises three facilities or tranches:

- A \$51,012 construction loan carrying a fixed interest rate of 4.57%; in 2017 it was converted into a 25-year term loan and the principal will begin to be amortized over a 22-year period starting in 2019. The term loan is repayable in quarterly installments starting in 2019 and maturing in 2041. The principal repayments are set to \$803 for 2019.
- A \$128,311 construction loan carrying a fixed interest rate of 4.76%; in 2017 it was converted into a 39.5-year term loan. The term loan is repayable in quarterly installments starting in 2042 and maturing in 2056.
- A \$17,900 construction loan carrying a fixed interest rate of 4.76%; in 2017 it was converted into a 39.5-year term loan and its principal will be reimbursed at maturity in 2056.

This debt is secured by the assets of Big Silver Creek Power L.P. with a carrying value of approximately \$206,855.

hh. Innergex Europe (2015) Limited Partnership

Following the acquisitions in France, a debenture was issued to the other partner for proceeds of \$38,189 in 2016 and additional proceeds of \$39,768 in 2017 for a total of \$77,957. This debenture carries an interest rate of 8.00% compounded yearly and is payable quarterly if funds are available. The debenture will be repayable in full in 2046. The partner is considered a related party.

The Corporation invested a total of \$87,227 in 2016 and additional amounts of \$90,832 in 2017 for a total of \$178,059 in preferred units of Innergex Europe (2015) Limited Partnership which carry a preferred return rate of 8.00% compounded yearly and payable at the same time as the debenture. The preferred units are eliminated into the consolidation process.

ii. Harrison Operating Facilities

The Harrison Operating Facilities Senior Real Return bond bears interest at 2.96% adjusted by an inflation ratio as well as an inflation compensation interest factor. Both inflation adjustments are based on the All-items Consumer Price Index for Canada ("CPI"), which is not seasonally adjusted. Payments on this bond are due semi-annually and the bond matures in June 2049. Semi-annual payments are \$5,790 before CPI adjustment (\$6,932 including CPI adjustment in 2018). In December 2031, the payment amount decreases to \$4,481 before CPI adjustment, where it remains until maturity. For 2019, the principal repayments are set at \$6,601.

The Harrison Operating Facilities Senior Fixed Rate bond bears interest at 6.61%. Payments on this bond are due semi-annually with the bond maturing in September 2049. Semi-annual payments amount to \$8,072. In September 2031, the payment amount decreases to \$6,724, where it remains until maturity. For 2019, the principal repayments are set at \$3,865.

The Harrison Operating Facilities Junior Real Return Rate bond bears interest at 4.27% adjusted by an inflation ratio and an inflation compensation interest factor. Both inflation adjustments are based on the CPI, which is not seasonally adjusted. Payments on this bond are due quarterly and the bond matures in September 2049. Quarterly interest payments amount to \$389 before CPI adjustment (\$465 including CPI adjustment in 2018). Principal repayment are set at \$512 for 2019.

The bonds are secured by the Harrison Operating Facilities. The carrying value of the property and assets of the Harrison Operating Facilities totals approximately \$602,671.

	Senior Real Return Bond	Senior Fixed Rate Bond	Junior Real Return Bond	Total
Balance – January 1, 2018	221,415	202,135	28,964	452,514
Inflation compensation interest	6,030	—	767	6,797
Principal repayment	(6,391)	(3,658)	(487)	(10,536)
Amortization of revaluation	1,345	803	99	2,247
Balance – December 31, 2018	222,399	199,280	29,343	451,022

The compensation interest is a result of the CPI rate change over the reference period.

jj. Kwoiek Creek

The \$168,500 construction term loan bearing fixed interest rate of 5.08% is amortized over a 36-year period starting in January 2017. The term loan is repayable in quarterly installments. The principal repayments are variable and set at \$1,786 for 2019. The loan is secured by the assets of Kwoiek Creek Resources L.P. with a carrying value of approximately \$173,714.

The Corporation's partner in the Kwoiek Creek project made a \$3,662 loan to Kwoiek Creek Resources L.P. Under the project agreements, both partners can participate in the project financing. The loan bears a fixed interest rate of 10.07% and matures in 2054. The partner is considered a related party.

kk. Northwest Stave River

The loan bearing fixed interest of 5.30% is amortized over a 38-year period starting in 2015. The term loan is repayable in semi-annual installments starting in 2020 and maturing in 2053. The loan is secured by the assets of Northwest Stave River L.P. with a carrying value of approximately \$78,846.

ll. Tretheway Creek

The construction loan bearing fixed interest rate of 4.99% was converted into a 39-year term loan in April 2016 and is amortized over a 35-year period starting in 2020. The term loan is repayable in semi-annual installments starting in 2020 and maturing in 2055. The loan is secured by the assets of Tretheway L.P. with a carrying value of approximately \$102,806.

mm. Boulder Creek and Upper Lillooet River

The construction loan was converted into a term loan on June 29, 2018.

The loan comprises three facilities or tranches:

- A \$191,643 construction loan was converted into a 25-year term loan amortized over a 22-year period. The term loan will be repayable in semi-annual installments starting in 2021 and maturing in 2043. The term loan carries a fixed interest rate of 4.22%.
- A \$250,000 construction loan was converted into a 38-year term loan amortized over a 13-year period. The term loan will be repayable in semi-annual installments starting in 2043 and maturing in 2056. The term loan carries a fixed interest rate of 4.46%.
- A \$50,000 construction loan was converted into a 38-year term loan. The term loan carries a fixed interest rate of 4.46%. The principal will be repayable at maturity in 2056.

This debt is secured by the assets of Boulder Creek Power L.P. and Upper Lillooet River Power L.P. with a carrying value of approximately \$487,088.

Principal repayments

The principal repayments for the next years, excluding the revaluations and deferred financing costs, will be as follows:

	Principal repayments				
	Corporate and other loans	Project loans	Amortization of revaluation	Deferred financing costs	Long-term debt
2019	228,000	227,440	2,170	(11,682)	445,928
2020	—	129,964	(826)	(5,359)	123,779
2021	—	145,593	(881)	(4,591)	140,121
2022	—	223,984	(1,097)	(4,420)	218,467
2023	655,957	152,026	(1,310)	(4,024)	802,649
Thereafter	—	2,792,053	(26,559)	(26,186)	2,739,308
	883,957	3,671,060	(28,503)	(56,262)	4,470,252

24. OTHER LIABILITIES

	Contingent considerations	Asset retirement obligations	Interests payable on SM S.E.C. debenture (note 23 m)	Future ownership rights	Pension fund obligations	Below market contracts	Total
As at January 1, 2018	1,950	40,678	13,458	23,921	—	—	80,007
Liability assumed as part of the business acquisitions (note 5)	—	33,617	—	—	27,841	20,131	81,589
Interest expense included in finance cost	—	—	4,544	—	—	—	4,544
Accretion expense included in finance cost	63	2,194	—	1,008	—	—	3,265
Revisions in estimated cash flows	—	11,070	—	(3,046)	—	—	8,024
Change in pension fund obligations	—	—	—	—	539	—	539
Amortization of below market contract	—	—	—	—	—	(2,381)	(2,381)
Payment of contingent considerations	(251)	—	—	—	—	—	(251)
Impact of foreign exchange fluctuations	—	1,100	—	—	(1,454)	(1,132)	(1,486)
As at December 31, 2018	1,762	88,659	18,002	21,883	26,926	16,618	173,850
Current portion of other liabilities	(505)	—	—	—	—	—	(505)
Long-term portion of other liabilities	1,257	88,659	18,002	21,883	26,926	16,618	173,345

	Contingent considerations	Asset retirement obligations	Interests payable on SM S.E.C. debenture (note 23 m)	Future ownership rights	Total
As at January 1, 2017	2,949	15,256	9,256	—	27,461
Liability assumed as part of the business acquisition (note 5)	—	12,060	—	—	12,060
New obligations	—	8,604	—	23,041	31,645
Interest expense included in finance cost	—	—	4,202	—	4,202
Accretion expense included in finance cost	128	656	—	880	1,664
Gain on contingent considerations	(881)	—	—	—	(881)
Revisions in estimated cash flows	—	3,220	—	—	3,220
Payment of contingent considerations	(246)	—	—	—	(246)
Impact of foreign exchange fluctuations	—	882	—	—	882
As at December 31, 2017	1,950	40,678	13,458	23,921	80,007
Current portion of other liabilities	(500)	—	—	—	(500)
Long-term portion of other liabilities	1,450	40,678	13,458	23,921	79,507

a. Contingent considerations

An acquisition realized in 2011 provides for the potential payment of additional amounts to the vendors over a period commencing on the acquisition date and ending in 2056. The deferred payments are effectively intended to provide for a potential sharing of the value created if the projects perform better than the Corporation's expectations and would result in incremental accretion to the Corporation, net of these payments. The maximum aggregate amount of all deferred payments under this acquisition is limited to a present value amount of \$35,000 as at the acquisition date. In connection with the Magpie Acquisition in 2017, the Corporation assumed an obligation to pay contingent consideration to the Minganie Regional County Municipality until the convertible debenture issued by Magpie L.P. is converted. Upon conversion, the Minganie Regional County Municipality will be entitled to a participation of 30% in Magpie L.P.

b. Asset retirement obligations

Asset retirement obligations primarily arise from obligations to retire wind farms and the solar facilities upon expiry of the site leases. The wind farms and solar facilities were constructed on sites held under leases expiring at least 25 years after the signing date. During the year, the estimate of the expected costs to settle the liability were revised for the wind farms in Quebec. The Corporation estimates that the undiscounted value of the payments required for settling the obligations over a 25-year period will be as follows:

Year of expected payments	
2031	18,168
2032	16,941
2033	18,946
2034	1,961
2035	1,777
2036	12,896
2037	34,759
2038	7,955
2039	3,058
2040	1,235
2041	22,911
2042	21,871
	<u>162,478</u>

The cash flows were discounted at rates between 2.31% and 4.7% as at December 31, 2018 (1.94% to 4.45% in 2017) to determine the obligations.

c. Future ownership rights

Other liabilities includes various liabilities related to future ownership rights owned by First Nations for the Upper Lillooet River, Boulder Creek, Big Silver Creek and Tretheway Creek facilities, the counterpart of which is capitalized into the intangible assets.

d. Pension fund obligations

The Corporation records a pension fund obligation from HS Orka's defined benefit plan. Certain employees of HS Orka performed services for a third party, HS Veitur, and the two companies share the funding of HS Orka's pension plans. HS Orka has recognized HS Veitur's share of the pension obligation and a corresponding long-term receivable from HS Veitur in the amount of \$9,749 at December 31, 2018. Actuarial gains and losses relating to HS Veitur's share of the pension liability are recognized in profit and loss as they are reimbursable by HS Veitur (see note 33 f).

According to actuarial assessments, the Corporation's accrued pension obligation amounted to \$26,926 at December 31, 2018, discounted at a rate of 2%, taking into account the share in the net assets of the pension fund.

The portion of the increase in the pension fund related to HS Veitur's share is \$1,130 during the year.

Pension fund obligations February 6, 2018	\$	27,841
Contributions during the year		(1,608)
Current service cost		47
Interest expense		450
Actuarial changes HS Orka		520
Actuarial changes HS Veitur charged to profit and loss		1,130
Foreign exchange		(1,454)
Pension fund obligations December 31, 2018	\$	26,926

The pension obligations are as follows:

The pension fund for State employees	\$	12,973
The pension fund for Municipality of Hafnarfjörður employees		8,030
The pension fund for Municipality of Vestman Islands employees		5,923
Pension fund obligations December 31, 2018	\$	26,926

e. Below market contracts

Following the acquisition of HS Orka, existing long-term power sales contracts in place at the time of acquisition of control were recognized at fair value by comparing the contracted prices with the prevailing market prices. The contracted prices were lower than the prevailing market prices. As a result, these pre-existing contracts were considered to be below market and a liability was recognized at fair value as part of the purchase price allocation for HS Orka.

The Corporation amortizes the fair value of below market sales contracts over the remaining contract term and records the amount in other net expenses (revenues).

At December 31, 2018, HS Orka has two below market contracts remaining (expiring in 2019 and 2026).

25. CONVERTIBLE DEBENTURES

On June 12, 2018, the Corporation issued an aggregate principal amount of \$150,000 of 4.75% convertible debentures at a price of a thousand dollars per convertible debenture, bearing interest at a rate of 4.75% per annum, payable semi-annually on June 30 and December 31 each year, commencing on December 31, 2018. The convertible debentures will be convertible at the holder's option into common shares of the Corporation at a conversion price of \$20.00 per share, representing a conversion rate of 50 common shares per each thousand dollars of principal amount of convertible debentures. The convertible debentures will mature on June 30, 2025 and will not be redeemable before June 30, 2021, except in certain limited circumstances. On or after June 30, 2021, and before June 30, 2023, Innergex may redeem the debentures at par, plus accrued and unpaid interest, in certain circumstances. On or after June 30, 2023, Innergex may redeem the debentures at par, plus accrued and unpaid interest.

Proceeds from issue of 4.75% convertible debentures	150,000
Transaction costs	(6,910)
Net proceeds	143,090
Amount classified as equity	(2,865)
Liability component of convertible debentures at the time of issuance (effective interest rate of 6.08%)	140,225

On August 10, 2015, the Corporation issued an aggregate principal amount of \$100,000 of 4.25% convertible debentures at a price of a thousand dollars per convertible debenture, bearing interest at a rate of 4.25% per annum, payable semi-annually on August 31 and February 28 each year, commencing on February 28, 2016. The convertible debentures will be convertible at the holder's option into common shares of the Corporation at a conversion price of \$15.00 per share, representing a conversion rate of 66.6667 common shares per each thousand dollars of principal amount of convertible debentures. The convertible debentures will mature on August 31, 2020 and are redeemable since August 31, 2018. On

or after August 31, 2018, and before August 31, 2019, Innergex may redeem the Debentures at par plus accrued and unpaid interest, in certain circumstances. On or after August 31, 2019, Innergex may redeem the debentures at par plus accrued and unpaid interest.

The convertible debentures are subordinated to all other indebtedness of the Corporation.

The liability portion is being accreted such that the liability at maturity will equal the face value less prior conversions if any.

26. SHAREHOLDERS' CAPITAL

Authorized

The authorized capital of the Corporation consists of an unlimited number of common shares and an unlimited number of preferred shares, non-voting, retractable and redeemable. This includes up to 3,400,000 Cumulative Rate Reset Preferred Shares, Series A (the "Series A Preferred Shares"), up to 3,400,000 Cumulative Floating Rate Preferred Shares, Series B (the "Series B Preferred Shares") and up to 2,000,000 Cumulative Redeemable Fixed Rate Preferred Shares, Series C (the "Series C Preferred Shares").

a) Common shares

The change in the number of common shares was as follows as at:

As at	December 31, 2018	December 31, 2017
Issued and fully paid		
Beginning of the year	108,608,083	108,181,592
Common shares issued following the Alterra acquisition (note 5 b)	24,327,225	—
Common shares issued through dividend reinvestment plan	748,754	361,195
Common shares options exercised	—	121,378
Buyback of common shares	(697,212)	(56,082)
End of year	132,986,850	108,608,083
Held in trust under the PSP plan		
Beginning of the year	(273,762)	—
Purchased	—	(273,762)
Distributed	70,346	—
End of year	(203,416)	(273,762)
Common shares outstanding at end of the year	132,783,434	108,334,321

Buyback of common shares

On August 15, 2017, Innergex announced that it has received approval from the Toronto Stock Exchange (TSX) to proceed with a normal course issuer bid on its common shares (the Bid). Under the Bid, the Corporation could purchase for cancellation up to 2,000,000 of its common shares, representing approximately 1.84% of the 108,640,790 issued and outstanding common shares of the Corporation as at August 14, 2017. The Bid commenced on August 17, 2017 and terminated on August 16, 2018. As at December 31, 2017, 56,082 common shares have been purchased and cancelled at an average price of \$13.85. During the year ended December 31, 2018, an additional 697,212 common shares have been purchased and cancelled at an average price of \$13.60.

b) Contributed surplus from reduction of capital account on common shares

A special resolution to approve the reduction of the legal stated capital account maintained in respect of the common shares of the Corporation, without any payment or distribution to the shareholders was adopted on May 15, 2018. This resulted in a decrease of the shareholders' capital account of \$337,785 and an equivalent increase of the contributed surplus from reduction of capital on common shares account.

c) Preferred shares

Series A Preferred Shares

On September 14, 2010, the Corporation issued a total of 3,400,000 Series A Preferred Shares at \$25.00 per share for aggregate gross proceeds of \$85,000. The holders of Series A Preferred Shares are entitled to receive fixed cumulative preferential cash dividends, as and when declared by the Board of Directors. The dividends are payable quarterly on the 15th day of January, April, July and October in each year. For the initial five-year period to, but excluding January 15, 2016 (the "Initial Fixed Rate Period"), the dividends were payable at an annual rate equal to \$1.25 per share. The annual dividend rate for the five-year period starting January 15, 2016, equals \$0.902 per share.

For each five-year period after the Initial Fixed Rate Period (each a "Subsequent Fixed Rate Period"), the holders of the Series A Preferred Shares will be entitled to receive fixed cumulative preferential cash dividends as and when declared by the Board of Directors. The dividends will be payable quarterly in an annual amount per Series A Preferred Share equal to the sum of the yield on a Government of Canada bond with a five-year term to maturity on the applicable fixed rate calculation date, plus 2.79% applicable to such Subsequent Fixed Rate Period multiplied by \$25.00.

Each holder of Series A Preferred Shares will have the right, at its option, to convert all or any of its Series A Preferred Shares into the Series B Preferred Shares of the Corporation on the basis of one Series B Preferred Share for each Series A Preferred Share converted, subject to certain conditions, on January 15, 2016, and on January 15 every five years thereafter.

The Series A Preferred Shares were not redeemable by the Corporation prior to January 15, 2016. None were redeemed at that date. The next redemption date is January 15, 2021, and on January 15 every five years thereafter, at which time, the Corporation may, at its option, redeem all or any number of the outstanding Series A Preferred Shares.

Series B Preferred Shares

The holders of Series B Preferred Shares will be entitled to receive floating rate cumulative preferential cash dividends as and when declared by the Board of Directors. The dividends will be payable quarterly in an annual amount per Series B Preferred Share equal to the Treasury Bill rate for the preceding quarterly period plus 2.79% per annum determined on the 30th day prior to the first day of the applicable quarterly floating rate period multiplied by \$25.00.

Series C Preferred Shares

On December 11, 2012, the Corporation issued a total of 2,000,000 Series C Preferred Shares at \$25.00 per share for aggregate gross proceeds of \$50,000. Holders of the Series C Preferred Shares will be entitled to receive fixed cumulative preferential cash dividends as and when declared by the Corporation's Board of Directors. The dividends will be payable quarterly on the 15th day of January, April, July and October in each year at an annual rate equal to \$1.4375 per share. The Series C Preferred Shares were not redeemable by the Corporation prior to January 15, 2018. The Series C Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders.

d) Share-based payments

Share option plan

The Corporation has a share option plan providing for the granting of options by the Board of Directors to employees, officers, directors and certain consultants of the Corporation and its subsidiaries to purchase common shares. Options granted under the share option plan will have an exercise price of not less than the market price of the common shares at the date of grant of the option, calculated as the volume weighted average trading price of the common shares on the Toronto Stock Exchange for the five trading days immediately preceding the date of grant.

The maximum number of common shares of the Corporation available for issuance pursuant to options granted under the share option plan is 4,064,123. Any common shares subject to an option that expires or terminates without having been fully exercised may be subject to a further option. The number of common shares issuable to non-executive directors of the Corporation under the share option plan cannot at any time exceed 1% of the issued and outstanding common shares.

Options must be exercised during a period established by the Board of Directors, which may not be greater than 10 years after the date of grant. Options granted under the share option plan vest in equal amounts on a yearly basis over a period of four to five years following the grant date.

During 2017, 752,000 share options have been exercised at \$11.00 per share resulting in 121,378 common share issued cashless. The differences between the 752,000 options exercised and the 121,378 shares issued are the result of the exercise of the options without disbursement by the holders and the withholding of deductions at source by the Corporation as authorized by the share option plan and the Board of Directors.

Also 77,167 share options were granted during the 2017 year. The options granted under the share option plan vest in equal amounts on a yearly basis over a period of four years following the grant date. Options must be exercised before August 2024 at an exercise price of \$14.52.

The following table summarizes outstanding share options of the Corporation as at December 31, 2018 and 2017:

	December 31, 2018		December 31, 2017	
	Number of options (000's)	Weighted average exercise price (\$)	Number of options (000's)	Weighted average exercise price (\$)
Outstanding - beginning of year	2,782	10.14	3,457	10.23
Granted during the year	—	—	77	14.52
Exercised during the year	—	—	(752)	11.00
Canceled during the year	—	—	—	—
Outstanding - end of year	2,782	10.14	2,782	10.14
Options exercisable - end of year	2,661	9.94	2,512	9.80

The following options were outstanding and exercisable as at December 31, 2018:

Year of granting	Number of options outstanding (000's)	Exercise price (\$)	Number of options exercisable (000's)	Year of maturity
2011	770	9.88	770	2018 ¹
2012	397	10.70	397	2019
2010	618	8.75	618	2020
2013	397	9.13	397	2020
2014	397	10.96	397	2021
2016	126	14.65	63	2023
2017	77	14.52	19	2024
	2,782		2,661	

1. Maturity has been extended according to the share option plan. When the date on which an option expires occurs during or within 10 days after the last day of a black out period under a black out policy of the Corporation, the expiry date of the option will be the last day of such 10-day period.

Fair value is determined at the date of the grant and each tranche is recognized on a graded-vesting basis over the period during which the options vest and is measured using the Black-Scholes pricing model taking into account the terms and conditions upon which the options were granted.

The weighted average contractual life of the outstanding share options is five years. Expected volatility is estimated by considering historic average share price volatility.

e) Dividend Reinvestment Plan ("DRIP")

The Corporation implemented a 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, without paying fees such as brokerage commissions and service charges. Shares will either be purchased on the open market or issued from treasury. During the year ended December 31, 2018, 748,754 shares were issued from treasury under the DRIP.

f) Dividend Declared on common shares

The following dividends were declared on common shares by the Corporation:

	Year ended December 31	
	2018	2017
Dividends declared on common shares (\$/share)	0.68	0.66

g) Performance Share Plan and Deferred Share Unit Plan

Performance Share Plan (the "PSP Plan")

The goal of the PSP Plan is to motivate the executive officers to create long-term economic value for the Corporation and its shareholders. This portion of the Equity-Based Incentive Plan focuses executive officers on delivering business performance over the next three years against the total shareholder value and relative to a peers group. The award is paid out at the end of the three years, depending on how well the Corporation performed against targets set at the beginning of the three-year period.

The vesting date of the performance share rights is determined on the grant date which shall not exceed three (3) years thereafter. The payouts are made in shares, so the value fluctuates based on share price performance from the beginning of the grant. On the vesting date, each performance share right entitles its holder to one Common Share of the Corporation with all the reinvested dividends accrued thereon from the grant date, such dividend being either paid in cash, in shares or in a combination of both at the sole discretion of the Corporation.

The Corporation's Deferred Share Unit Plan (the "DSU Plan")

Under the Corporation's DSU Plan, directors and officers may elect to receive all or any portion of their compensation in DSUs in lieu of cash compensation. A DSU is a unit that has a value based upon the value of one Common Share. When a dividend is paid on Common Shares, the director's DSU account is credited with additional DSUs equivalent to the dividend paid.

DSUs cannot be redeemed for cash until the director leaves the Board or the officer leaves. DSUs are not shares, cannot be converted to shares, and do not carry voting rights. DSUs received by directors and officers in lieu of cash compensation and held by them represent an at-risk investment in the Corporation. The value of DSUs is based on the value of the Common Shares, and therefore is not guaranteed.

The number of PSP and DSU has varied as follows, for the years ended:

(in 000s)	December 31, 2018		December 31, 2017	
	PSP	DSU	PSP	DSU
Balance beginning of year	368	28	325	4
Granted during the year	—	26	135	23
Paid out during the year	(118)	—	(113)	—
Dividend reinvestment during the year	14	2	21	1
Balance end of year	264	56	368	28

From time to time, the Corporation provides instructions to a trustee under the terms of a Trust Agreement to purchase common shares of the Corporation in the open market in connection with the PSP plan. These shares are held in Trust for the benefit of the beneficiaries until the PSPs become vested or cancelled. The cost of these purchases has been deducted from share capital.

A compensation expense of \$2,089 was recorded during the year ended December 31, 2018 with respect to the PSP and DSU plan (2017- \$1,695).

27. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

	Foreign currency translation differences for foreign operations	Foreign exchange (loss) gain on the designated hedges on the net investments in foreign operations	Net currency translation reserve	Cash flow hedge - interest rate and power price risks	Share of cash flow hedge of joint ventures and associates - interest rate and power price risks	Defined benefit plan actuarial losses	Total
Balance as at January 1, 2018	1,061	(1,074)	(13)	9,279	663	—	9,929
Exchange differences on translation of foreign operations	(14,757)	—	(14,757)	—	—	—	(14,757)
Hedging (loss) gain of the reporting period	—	(5,912)	(5,912)	(48,743)	13,246	(520)	(41,929)
Related deferred tax	205	645	850	13,577	(3,287)	104	11,244
Balance as at December 31, 2018	(13,491)	(6,341)	(19,832)	(25,887)	10,622	(416)	(35,513)

	Foreign currency translation differences for foreign operations	Foreign exchange (loss) gain on the designated hedges on the net investments in foreign operations	Net currency translation reserve	Cash flow hedge - interest rate and power price risks	Share of cash flow hedge of joint ventures and associates - interest rate and power price risks	Total
Balance as at January 1, 2017	1,094	(1,290)	(196)	(1,596)	49	(1,743)
Exchange differences on translation of foreign operations	27	—	27	—	—	27
Hedging gain of the reporting period	—	69	69	15,047	815	15,931
Related deferred tax	(60)	147	87	(4,172)	(201)	(4,286)
Balance as at December 31, 2017	1,061	(1,074)	(13)	9,279	663	9,929

28. ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

a. Changes in non-cash operating working capital items

	Year ended December 31	
	2018	2017
Accounts receivable and income tax receivable	9,682	59,271
Prepaid and others	2,161	(1,844)
Accounts payable and other payables and income tax payable	(22,864)	(33,645)
	(11,021)	23,782

b. Additional information

	Year ended December 31	
	2018	2017
Interest paid (including \$5,031 capitalized interest (2017- \$6,882))	(174,024)	(132,707)
<i>Non-cash transactions:</i>		
Unpaid property, plant and equipment	2,394	(49,845)
Unpaid other liabilities	—	23,041
Unpaid intangible assets	(169)	(23,041)
Shares vested in PSP plan	948	—
Unpaid project development costs	919	—
Common shares issued through share options exercised	—	101
Remeasurement of asset retirement obligations	11,070	3,220
Common shares issued through dividend reinvestment plan	9,929	5,135
Common shares issued upon the acquisition of Alterra	330,607	—
Unpaid investment in joint venture and associates	13,154	—
Investment from non-controlling interests in subsidiaries	(507)	—
Loan to partners in exchange of non-controlling interests in subsidiaries	—	(4)

c. Changes in liabilities arising from financing activities

	Year ended December 31	
	2018	2017 (restated)
Changes in long-term debt		
Long-term debt at beginning of the period	3,153,262	2,601,711
Increase of long-term debt	2,070,430	668,856
Repayment of long-term debt	(1,114,449)	(576,187)
Payment of deferred financing costs	(26,736)	(1,161)
Business acquisitions (Note 5)	331,414	432,351
Other non-cash finance costs	17,102	8,403
Net foreign exchange differences	39,229	19,289
Long-term debt at end of the period	4,470,252	3,153,262
Changes in convertible debentures		
Convertible debentures at beginning of the period	96,246	94,840
Increase of convertible debentures issued	150,000	—
Transaction costs	(6,910)	—
Amount classified as equity	(2,865)	—
Accretion of convertible debentures	2,177	1,406
Convertible debentures at end of the period	238,648	96,246

29. SUBSIDIARIES

Details of non-wholly-owned subsidiaries that have non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Corporation:

Name of subsidiaries	Place of creation and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Earnings (loss) allocated to non-controlling interests for the year ended		Non-controlling interests (deficit)	
		Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Harrison Hydro L.P. and its subsidiaries	Canada	49.99%	49.99%	(1,607)	(2,828)	51,276	52,884
Creek Power Inc. and its subsidiaries	Canada	—%	33.33%	(5,192)	(4,533)	—	(27,065)
Kwoiek Creek Resources, L.P. ⁽¹⁾	Canada	50.00%	50.00%	(1,048)	(445)	(12,216)	(11,169)
Mesgi'g Ugju's'n (MU) Wind Farm L.P. ⁽¹⁾	Canada	50.00%	50.00%	9,156	6,030	(3,794)	(3,699)
Innergex Sainte-Marguerite, S.E.C.	Canada	49.99%	49.99%	(2,157)	(1,052)	(8,771)	(6,614)
Innergex Europe (2015) Limited Partnership and its subsidiaries	Canada/ Europe	30.45%	30.45%	(5,478)	(7,168)	4,862	10,561
HS Orka hf ²	Iceland	46.10%	—%	921	—	282,665	—
Spartan LLC ³	United States	Various	—%	(530)	—	11,547	—
Kokomo LLC ⁴	United States	Various	—%	(211)	—	4,804	—
Others	Canada	Various	Various	(828)	(343)	(604)	22
				(6,974)	(10,339)	329,769	14,920

1. The Corporation owns more than 50% of the economic interest in the subsidiary.

2. As part of the acquisition of Alterra, the Corporation owns a 53.9% ownership interest in HS Orka hf which owns two operating geothermal power plants in Iceland; Svartsengi and Reykjanes.

3. The Corporation holds 100% of the sponsor equity interest in the Spartan solar facility while the tax equity interest is held by a third party.

4. The Corporation holds 90% of the sponsor equity interest in the Kokomo solar facility, while the remaining 10% sponsor equity interest and tax equity interest are held by third parties.

Summarized financial information in respect of each of the Corporation's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Harrison Hydro L.P. and its subsidiaries

As at	December 31, 2018	December 31, 2017
Summary Statements of Financial Position		
Current assets	20,642	13,376
Non-current assets	587,713	601,105
	608,355	614,481
Current liabilities	17,480	17,163
Non-current liabilities	451,381	453,647
Equity attributable to owners	88,218	90,787
Non-controlling interests	51,276	52,884
	608,355	614,481
	Year ended December 31	
	2018	2017
Summary Statements of Earnings and Comprehensive income (loss)		
Revenues	50,509	50,891
Expenses	54,681	57,689
Net loss and comprehensive loss	(4,172)	(6,798)
Net loss and comprehensive loss attributable to:		
Owners of the parent	(2,565)	(3,970)
Non-controlling interests	(1,607)	(2,828)
	(4,172)	(6,798)
Summary Statements of Cash Flows		
Net cash inflow from operating activities	8,293	15,486
Net cash outflow from financing activities	(10,537)	(21,878)
Net cash outflow from investing activities	(1,585)	(1,287)
Net decrease in cash and cash equivalents	(3,829)	(7,679)
Distributions paid to non-controlling interests	—	5,998

Kwoiek Creek Resources L.P.

As at	December 31, 2018	December 31, 2017
Summary Statements of Financial Position		
Current assets	4,306	7,335
Non-current assets	169,408	172,223
	173,714	179,558
Current liabilities	5,428	7,919
Non-current liabilities ¹	191,784	193,480
Deficit attributable to owners	(11,282)	(10,672)
Non-controlling interest deficit	(12,216)	(11,169)
	173,714	179,558

1. Non-current liabilities include \$39,752 of preferred units owned by Innergex and \$3,662 subordinated debt owned by a partner

	Year ended December 31	
	2018	2017
Summary Statements of Earnings and Comprehensive loss		
Revenues	17,899	19,016
Expenses ¹	19,995	19,906
Net loss and comprehensive loss	(2,096)	(890)
Net loss and comprehensive loss attributable to:		
Owners of the parent	(1,048)	(445)
Non-controlling interest	(1,048)	(445)
	(2,096)	(890)
Summary Statements of Cash Flows		
Net cash outflow from operating activities	(2,049)	(97)
Net cash outflow from financing activities	(1,592)	(1,530)
Net cash inflow (outflow) from investing activities	267	(175)
Net decrease in cash and cash equivalents	(3,374)	(1,802)
Distributions paid to non-controlling interests	—	—

1. Expenses include \$4,113 (2017- \$4,185) of preferred return payable to Innergex on the \$39,752 preferred units and on the \$3,662 subordinated debt payable to a partner. Excluding these elements, the net earnings would have been \$2,017 (2017- \$3,294).

Mesgi'g Ugju's'n (MU) Wind Farm L.P.

As at	December 31, 2018	December 31, 2017
Summary Statements of Financial Position		
Current assets	23,533	21,727
Non-current assets	276,142	283,271
	299,675	304,998
<hr/>		
Current liabilities	12,500	16,004
Non-current liabilities	246,394	247,867
Equity attributable to owners	44,575	44,826
Non-controlling interest deficit	(3,794)	(3,699)
	299,675	304,998
<hr/>		
	Year ended December 31	
	2018	2017
Summary Statements of Earnings and Comprehensive loss		
Revenues	62,592	51,845
Expenses	29,455	30,020
Net earnings	33,137	21,825
Other comprehensive (loss) income	(174)	3,246
Total comprehensive income	32,963	25,071
<hr/>		
Net earnings attributable to:		
Owners of the parent	23,981	15,795
Non-controlling interest	9,156	6,030
	33,137	21,825
<hr/>		
Total comprehensive income attributable to:		
Owners of the parent	23,855	18,144
Non-controlling interest	9,108	6,927
	32,963	25,071
<hr/>		
Summary Statements of Cash Flows		
Net cash inflow from operating activities	51,709	77,324
Net cash outflow from financing activities	(39,901)	(47,379)
Net cash outflow from investing activities	(6,312)	(32,345)
Net increase (decrease) in cash and cash equivalents	5,496	(2,400)
<hr/>		
Distributions paid to non-controlling interests	9,202	1,460
<hr/>		

Innergex Sainte-Marguerite, S.E.C.

As at	December 31, 2018	December 31, 2017
Summary Statements of Financial Position		
Current assets	1,542	2,794
Non-current assets	126,863	129,614
	128,405	132,408
Current liabilities	6,550	8,085
Non-current liabilities ¹	122,915	121,067
Equity attributable to owners	7,711	9,870
Non-controlling interest deficit	(8,771)	(6,614)
	128,405	132,408

1. Non-current liabilities include \$43,720 of preferred units owned by Innergex

	Year ended December 31	
	2018	2017
Summary Statements of Earnings and Comprehensive loss		
Revenues	11,246	12,755
Expenses ¹	15,561	14,859
Net loss and comprehensive loss	(4,315)	(2,104)
Net loss and comprehensive loss attributable to:		
Owners of the parent	(2,158)	(1,052)
Non-controlling interest	(2,157)	(1,052)
	(4,315)	(2,104)

Summary Statements of Cash Flows

Net cash inflow from operating activities	2,672	3,768
Net cash outflow from financing activities	(3,070)	(2,928)
Net cash outflow from investing activities	(206)	(217)
Net (decrease) increase in cash and cash equivalents	(604)	623
Distributions paid to non-controlling interests	—	—

1. Expenses include \$4,591 of preferred return payable to Innergex on the \$43,720 preferred units. Excluding these elements, the net earnings would have been \$276.

Innergex Europe (2015) Limited Partnership and its subsidiaries

As at	December 31, 2018	December 31, 2017
Summary Statement of Financial Position		
Current assets	40,787	76,091
Non-current assets	957,524	967,260
	998,311	1,043,351
<hr/>		
Current liabilities	140,042	119,935
Non-current liabilities	888,376	934,396
Deficit attributable to owners	(34,969)	(21,541)
Non-controlling interest	4,862	10,561
	998,311	1,043,351
<hr/>		
	Year ended December 31, 2018	Year ended December 31, 2017
Summary Statement of Earnings and Comprehensive loss		
Revenues	87,016	52,300
Expenses ¹	105,005	75,838
Net loss	(17,989)	(23,538)
Other comprehensive income	1,130	354
Total comprehensive loss	(16,859)	(23,184)
<hr/>		
Net loss attributable to:		
Owners of the parent	(12,511)	(16,370)
Non-controlling interests	(5,478)	(7,168)
	(17,989)	(23,538)
<hr/>		
Total comprehensive loss attributable to:		
Owners of the parent	(11,602)	(16,124)
Non-controlling interests	(5,257)	(7,060)
	(16,859)	(23,184)
<hr/>		
Summary Statement of Cash Flows		
Net cash (outflow) inflow from operating activities	(52,272)	7,171
Net cash inflow from financing activities	58,451	177,775
Net cash outflow from investing activities	(2,676)	(182,484)
Net increase in cash and cash equivalents	3,503	2,462
<hr/>		
Distributions paid to non-controlling interests	—	640
<hr/>		

1. Expenses include \$7 (\$1,883 in 2017) of acquisition costs, \$6,653 (\$4,999 in 2017) of interest payable to RRMD on the \$77,957 (\$77,957 in 2017) debenture, \$15,181 (\$11,496 in 2017) of preferred return payable to Innergex on the \$178,059 (\$178,059 in 2017) preferred units and \$32 (\$51 in 2017) of interest payable to Innergex on a temporary bridge loan. Expenses also include non-cash expenses such as depreciation and amortization of a total amount of \$47,811 (\$31,679 in 2017).

HS Orka hf

As at	December 31, 2018
Summary Statement of Financial Position	
Current assets	33,526
Non-current assets	832,290
	865,816
Current liabilities	36,620
Non-current liabilities	205,088
Equity attributable to owners of the parent	341,443
Non-controlling interests	282,665
	865,816

	Period of 329 days ended December 31, 2018
Summary Statement of Earnings and Comprehensive Income	
Revenues	95,198
Expenses ¹	93,200
Net earnings	1,998
Other comprehensive loss	(36,711)
Total comprehensive loss	(34,713)
Net earnings attributable to:	
Owners of the parent	1,077
Non-controlling interests	921
	1,998
Total comprehensive loss attributable to:	
Owners of the parent	(18,710)
Non-controlling interests	(16,003)
	(34,713)

Summary Statement of Cash Flows	
Net cash inflow from operating activities	9,990
Net cash outflow from financing activities	(1,193)
Net cash outflow from investing activities	(11,393)
Net decrease in cash and cash equivalents	(2,596)
Distributions paid to non-controlling interests	2,668

1. Expenses also include non-cash expenses such as depreciation and amortization totalling \$19,774 and unrealized net loss on financial instruments related to embedded derivatives totalling \$16,863 for the 329-day period ended December 31, 2018.

Spartan

As at	December 31, 2018
Summary Statement of Financial Position	
Current assets	1,012
Non-current assets	28,342
	29,354
Current liabilities	882
Non-current liabilities	12,687
Tax equity interest	11,547
Sponsor equity interest	4,238
	29,354
	Period of 329 days ended December 31, 2018
Summary Statement of Earnings and Comprehensive Income	
Revenues	1,781
Expenses	2,225
Net loss	(444)
Other comprehensive income	1,641
Total comprehensive income	1,197
Net loss attributable to:	
Tax equity investor	(530)
Sponsor	86
	(444)
Total comprehensive income attributable to:	
Tax equity investor	483
Sponsor	714
	1,197
Summary Statement of Cash Flows	
Net cash inflow from operating activities	1,280
Net cash outflow from financing activities	(747)
Net cash inflow from investing activities	138
Net increase in cash and cash equivalents	671
Distributions paid to non-controlling interests	258

Kokomo**Statement of Financial Position**

As at	December 31, 2018
Summary Statement of Financial Position	
Cash and cash equivalents	94
Other current assets	66
Current assets	160
Non-current assets	13,318
	13,478
Accounts payable and other payables	278
Other current liabilities	318
Current liabilities	596
Non-current liabilities	5,546
Tax equity interest	4,804
Sponsors equity interest	2,532
	13,478

	Period of 329 days ended December 31, 2018
Summary Statement of Earnings and Comprehensive Income	
Revenues	844
Expenses	1,095
Net loss	(251)
Other comprehensive income	636
Total comprehensive income	385
Net loss attributable to:	
Tax equity investor	(211)
Sponsors	(40)
	(251)
Total comprehensive income attributable to:	
Tax equity investor	182
Sponsors	203
	385
Summary Statement of Cash Flows	
Net cash inflow from operating activities	317
Net cash outflow from financing activities	(253)
Net cash outflow from investing activities	(51)
Net increase in cash and cash equivalents	13
Distributions paid to non-controlling interests	208

29.1 Acquisition of minority interest in Creek Power Inc.

Creek Power Inc.

On May 15, 2018, Innergex acquired the 33.3% interest of Ledcor Power Ltd in Creek Power Inc., a company that indirectly owns the Fitzsimmons Creek, Boulder Creek and Upper Lillooet River hydro facilities located in British Columbia as well as a portfolio of prospective projects for a total consideration of \$1,700. Innergex already owned the remaining 67.7% interest in Creek Power Inc. Innergex also owned all the preferred equity and received virtually all of the cash flows generated by the 3 facilities.

The negative amount of \$32,108 previously recorded in non-controlling interest was eliminated as the Corporation now owns 100% of Creek Power Inc. Since the change in ownership did not result in a change of control, the difference between the adjustment to non-controlling interest and the consideration paid was recorded directly in deficit (\$33,808).

29.2 Financial support to structured entities

Kwoiek Creek Resources L.P.

Based on the contractual arrangements between the Corporation and the other partner, the Corporation concluded that it has control over Kwoiek Creek Resources L.P.

The Corporation invested \$39,752 in preferred units of Kwoiek Creek Resources L.P. This investment provides the Corporation with preferred distributions.

Kwoiek Creek Resources Inc., the other partner, invested \$3,662 in subordinated debt of Kwoiek Creek Resources L.P.

Interests or distributions on the aggregate subordinated debt and preferred units will be payable annually subject to the availability of gross revenues. The interests or distributions on preferred units are payable before making any distributions on the common units.

Mesgi'g Ugju's'n (MU) Wind Farm L.P.

Based on the contractual arrangements between the Corporation and the other partner, the Corporation concluded that it has control over Mesgi'g Ugju's'n (MU) Wind Farm L.P.

The Corporation is responsible for financing equity required by the project. Mi'gmawei Mawiomi Resources L.P. ("Mi'gmawei Mawiomi"), the other partner, can participate in the financing of the equity for an amount up to a maximum of \$2,300.

The Corporation invested a total of \$63,315 in units of Mesgi'g Ugju's'n (MU) Wind Farm L.P. This investment provides the Corporation with distributions. Mi'gmawei Mawiomi invested a total of \$2,300 in units of the Mesgi'g Ugju's'n (MU) Wind farm L.P.

30. JOINT OPERATIONS

Name of entities	Principal activity	Place of creation and operation	Proportion of ownership interest and voting rights held by the Corporation	
			December 31, 2018	December 31, 2017
Innergex AAV, L.P. ⁽¹⁾	own and operate a wind farm facility	Quebec	—%	100%
Innergex BDS, L.P. ⁽¹⁾	own and operate a wind farm facility	Quebec	—%	100%
Innergex CAR, L.P. ⁽¹⁾	own and operate a wind farm facility	Quebec	—%	100%
Innergex GM, L.P. ⁽¹⁾	own and operate a wind farm facility	Quebec	—%	100%
Innergex MS, L.P. ⁽¹⁾	own and operate a wind farm facility	Quebec	—%	100%
Others	operate wind farm facilities	Quebec	—%	50%

1. The Corporation owned through the Limited Partnerships a 38% ownership interest in the assets, liabilities, revenues and expenses of the wind farms, and 50% voting rights of the joint operations as of December 31, 2017. On October 24, 2018, the Corporation completed the acquisition of the remaining 62% interest in the assets, liabilities, revenues and expenses of the wind farms, and the remaining 50% voting rights of the joint operations. The Corporation thereon wholly owns the wind farms and the operators.

31. RELATED PARTY TRANSACTIONS

Related party transactions conducted in the normal course of operations are measured at exchange amount which is the amount established and agreed to by the related parties, unless specific requirements within IFRS require different treatment.

The Corporation's subsidiaries have entered into the following transactions with partners:

- Sainte Marguerite L.P.'s debenture to RRMD (see note 23 m)
- Magpie's convertible debenture to the municipality (see note 23 s)
- Innergex Europe (2015) Limited Partnership's debenture to RRMD (see note 23 hh)
- The Corporation's partner made a loan to Kwoiek Creek Resources L.P. (see note 23 jj)

As part of the Alterra acquisition, the following debts were assumed: (i) in 2011, Ross J. Beaty, chairman of the Board of Directors and a large shareholder of Alterra, entered into a revolving credit facility with Alterra (the "Credit Facility"). The Credit Facility had a borrowing capacity amount of \$20,000 and made funds available to Alterra on a revolving basis at an interest rate of 8% per annum, compounded and payable monthly. In addition, a standby fee in the amount of 0.75% of the Credit Facility, and a drawdown fee in the amount of 1.5% of amounts advanced, were payable in cash. The Credit Facility matured on March 31, 2018. Alterra had borrowed \$17,300 under the Credit Facility; and (ii) in October 2016, Ross J. Beaty loaned through a five-year term bond US\$35,700 to Alterra's subsidiary Magma Energy Sweden A.B (the "Bond"). The Bond paid interest at 8.5% per annum with an upfront fee of 2% of the principal which was paid at closing of the financing. The Bond was collateralized by 15% of the outstanding shares in HS Orka. In order to optimize its treasury management, the Corporation repaid both the Credit Facility and the Bond in the first quarter (see Note 23 h).

32. FINANCIAL INSTRUMENTS

a. Fair value disclosures

Fair value estimates are made at specific points in time using available information about the financial instrument in question. These estimates are subjective in nature and often cannot be determined precisely.

As at December 31, 2018, the Corporation determined that the carrying values of its current financial assets and liabilities approximated their fair values due to these instruments' short-term maturity.

As at December 31, 2018, the Corporation determined that the carrying values of its short-term investments and government-backed securities included in reserve accounts approximated their fair values due to these instruments' short-term maturity.

The fair value of each debt instrument is estimated utilizing standard financial industry practices where future expected cash flows are discounted at discount rates based on the interest rate and credit conditions prevailing in the financial markets as of the valuation date. Notably, for fixed rate instruments, contractual cash flows are discounted at an appropriate yield to maturity. For floating rate instruments, future expected contractual interest rates represent the sum of future expected levels of the reference interest rate index and the instrument's quoted margin whereas discount rates represent the sum of future expected levels of the reference index and an appropriate discount margin. Appropriate yields to maturity and discount margins are estimated utilizing the available quoted or indicative pricing of individual debt instruments or indices whose credit is deemed comparable to the debt instruments being evaluated.

The carrying values of long-term debts and the debentures are approximately \$166,678 higher than their estimated fair values based on the swap interest curve on December 31, 2018. All of these are estimated using Level 2 valuation techniques.

Financial assets or liabilities measured at fair value are derivative financial instruments which are level 3 for PPAs inflation provision and power hedge and level 2 for interest rate swap, bond forward contracts and foreign exchange forwards contracts.

b. Credit risk

Credit risk relates to the possibility that a loss may occur from a party's failure to comply with contractual requirements.

Cash and cash equivalents are mainly held at large Canadian financial institutions and, to a lesser degree, at major U.S. and European financial institutions.

The financial derivatives and related risks are described in detail in Note 10.

The accounts receivable and related risks are described in detail in Note 16.

The reserve accounts and related risks are described in detail in Note 17.

c. Liquidity risk

Liquidity risk relates to the capacity of the Corporation to meet liabilities as they become due. Certain covenants of long-term borrowing contracts could prevent the Corporation from repatriating funds from certain subsidiaries.

Some hedging instruments have embedded early termination options. 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 expenses, as a negative value would be the result of an environment in which actual rates are more beneficial than the rates embedded in the swap.

The Corporation has a negative working capital of \$413,223 as at December 31, 2018 (negative working capital of \$25,234 in 2017). If necessary, the Corporation can use its revolving credit facilities, as described in Note 23 a, of which \$143,455 was available as at December 31, 2018 (\$149,904 in 2017). In addition, in the event of lower revenue due to a decline in production or to a major equipment breakdown, the Corporation has available reserve accounts (as described in Note 17) and is covered by insurance plans. The Corporation considers its current level of working capital to be sufficient to meet its needs, considering that Innergex intends to divest selected assets or portions of

existing assets and that the tax equity bridge loan for the construction of the Phoebe solar project will be reimbursed through the tax equity investment at commercial operation.

The following table presents the maturities of the financial liabilities:

	Less than 1 year	Between 1 year and 5 years	Over 5 years	Total
Dividends payable to shareholders	24,093			24,093
Accounts payable and other payables	132,139			132,139
Income tax payable	8,836			8,836
Current portion of derivative financial instruments	29,999			29,999
Current portion of long-term debt	445,928			445,928
Current portion of other liabilities	505			505
Derivative financial instruments		59,469	58,533	118,002
Long-term debt		1,285,016	2,739,308	4,024,324
Other liabilities		9,703	147,024	156,727
Liability portion of convertible debentures		97,652	140,996	238,648
Total	641,500	1,451,840	3,085,861	5,179,201

The maturities are determined based on the expected terms of the payments. The principal repayments are net of amortization of debt revaluations and deferred financing costs. Other liabilities excludes the below market contracts in an amount of \$16,618.

d. Market risk

Market risk is related to fluctuations in the fair value or future cash flows of a financial instrument because of market price variations. Market risk includes foreign exchange and interest rate risks, described under separate headings, and other price risks.

Most sales of electricity are made pursuant to long-term agreements where the offtakers are committed to take and pay for the total production, up to certain annual limits. The inflation clauses of the sale price of electricity are normally allowing the Corporation to cover its increase of variable operation expenses. The inflation clauses included in some of the electricity purchasing contracts with Hydro-Québec are limited to a maximum of 6% per year. For some of the facilities, power generated is sold on the open market supported by financial or physical power hedges to address market price risk exposure or to a number of commercial and retail customers.

(i) Interest rate risk

The Corporation entered into fixed rate debts or hedge agreements to mitigate the risk of fluctuations in the interest rates on its non-recourse long-term debt. It also use hedge agreements on a portion of its revolving credit facilities.

The interest hedging instruments and related risks are described in detail in Note 10.

(ii) Foreign exchange risk

The foreign exchange risk relates to fluctuations in the U.S. dollar, the Icelandic krona, the Swedish krona, and Euro against the Canadian dollar.

The Corporation has subsidiaries in Europe for which the revenues, net of the expenses incurred, are repatriated to Canada. The Corporation's foreign exchange forwards are denominated in Euro. Repatriated funds that are not used to service the Euro denominated foreign exchange forwards are converted into Canadian dollars at the exchange rate in effect on the conversion date. The Corporation's statement of financial position has the following foreign currency net exposure as at December 31, 2018 of \$186,788. The Corporation's net risk is estimated to be \$2,917 for each 1% increase in the value of the Canadian dollar against the Euro. The Corporation uses a portion of its Euro denominated foreign exchange forwards to hedge its investment in its subsidiaries, as described in Note 10.

The Corporation has subsidiaries in the United States for which the revenues, net of the expenses incurred, are repatriated to Canada. A portion of the Corporation's debts is denominated in U.S. dollars. Repatriated funds that are not used to service the U.S. dollar-denominated debt are converted into Canadian dollars at the exchange rate in effect on the conversion date. The Corporation's statement of financial position has the following foreign currency net exposure as at December 31, 2018 of US\$172,412. The Corporation's net risk is estimated to be \$2,352 for each 1% increase in the value of the Canadian dollar against the U.S. dollar. The Corporation uses a portion of its U.S. dollar-denominated debt to hedge its investment in its subsidiaries, as described in Note 10.

The Corporation has subsidiaries in Iceland and Sweden for which the revenues, net of the expenses incurred, are repatriated to Canada. A portion of the Corporation's debts is denominated in Icelandic krona. Repatriated funds that are not used to service the Icelandic krona denominated debt are converted into Canadian dollars at the exchange rate in effect on the conversion date. The Corporation's statement of financial position has the following foreign currency net exposure as at December 31, 2018 of ISK296,965,293. The Corporation's net risk is estimated to be \$3,506 for each 1% increase in the value of the Canadian dollar against the Icelandic krona.

33. COMMITMENTS AND CONTINGENCIES

In addition to the commitments of the Joint Ventures presented in note 9, the Corporation entered into the following transactions:

a. Power Purchase Agreements

Quebec facilities

Under PPAs with terms varying from 20 to 25 years and expiring between 2019 and 2036, Hydro-Québec agreed to purchase all of the electrical energy produced by the facilities and wind farms located in the Province of Quebec. Certain facilities have an agreed maximum quantity of electricity and a minimum quantity of electricity to deliver during each of the consecutive 12-month periods. Expiring PPA's are being renegotiated under the renewal rights of the Corporation.

British Columbia facilities

Under PPAs with terms varying from 20 to 40 years and expiring between 2023 and 2057, British Columbia Hydro and Power Authority agreed to purchase all of the electrical energy produced by the facilities located in the Province of British Columbia.

On April 16, 2018, Innergex announced the renewal of the electricity purchase agreement for the Brown Lake hydro facility. The renewed agreement is for a 40-year term and is effective as of April 1, 2018. The agreement is subject to approval by the British Columbia Utilities Commission.

On April 16, 2018, Innergex and Sekw'el'was Cayoose Creek Band announced the renewal of the electricity purchase agreement for the Walden North hydro facility. The renewed agreement is for a 40-year term and is effective as of April 1, 2018. The agreement is subject to approval by the British Columbia Utilities Commission.

Ontario facilities

Under PPAs with terms varying from 20 to 30 years and expiring between 2025 and 2032, Hydro One inc. and its affiliates agreed to purchase all of the electrical energy produced by the facilities located in Ontario.

Europe facilities

Under PPAs with terms of 15 years expiring between 2024 and 2032, Électricité de France and S.I.C.A.E Oise agreed to purchase all of the electrical energy produced by the facilities located in France.

HS Orka sells power to a number of commercial and retail customers including power sold under two long-term PPA's that expire in 2019 and 2026 respectively.

USA facilities

Under a PPA with a 35-year term and expiring in 2030, Idaho Power Company agreed to purchase all of the electricity produced by Horseshoe Bend Hydroelectric Corporation.

Under PPAs with terms of 20 to 25 years expiring between 2036 and 2042, clients agreed to purchase all of the electricity produced by Kokomo and Spartan.

b. Other Commitments

(i) Hydroelectric facilities

The Corporation and its subsidiaries entered into royalties and other commitments related to surrounding municipalities, land owners and the operation of the hydroelectric facilities.

Ashlu Creek facility

The ownership of the assets of the project will be transferred to a First Nation in 2049 for a nominal financial consideration.

Boulder Creek facility

40% of the Corporation's ownership of the project will be transferred to the First Nation partner in 2057 for no financial consideration.

Big Silver facility

A 50% ownership of the assets of the project will be transferred to one of the First Nations partners in 2056 for no financial consideration.

Glen Miller facility

Glen Miller Power, Limited Partnership entered into a 30-year lease agreement, ending in December 2035, for the site that is in commercial operation. The lease has a 15-year extension option upon terms and conditions to be negotiated.

Glen Miller Power, Limited Partnership is committed to remit the facility to the lessor of the site, at the end of the lease agreement, for no consideration.

Harrison Hydro L.P.

The ownership of Douglas Creek Project L.P. and Tipella Creek Project L.P. will be transferred to a First Nation in 2069 for no financial consideration.

Kwoiek Creek facility

The Corporation's ownership of the project will be transferred to the First Nation partner in 2054 for no financial consideration.

Rutherford Creek facility

Rutherford L.P. agreed to make payments to the former owners, following the expiry of the Rutherford Creek PPA in 2024. This payment is based on the difference between the then selling price of electricity and the last selling price of electricity under the agreement, adjusted annually following the expiry of the agreement by 50% of the increase or decrease in the CPI over the previous 12 months. This amount will correspond to 35% of the gross revenues attributable to the difference for the 20-year period following the expiry of the power purchase agreement. After the 20-year period, that portion of the payment will correspond to 30% of the gross revenues attributable to the difference. This commitment is secured by the Rutherford L.P. facility but is subordinated to the term loan described in Note 23 j.

Tretheway facility

50% of the Corporation's ownership will be transferred to a First Nation in 2055 for no financial consideration.

Upper Lillooet facility

40% of the Corporation's ownership of the project will be transferred to the First Nation partner in 2057 for no financial consideration.

(ii) Wind farm facilities

The Corporation and its subsidiaries entered into royalties and other commitments related to amounts to set aside for the dismantling of wind farm components, commitments to surrounding municipalities and land owners and the operation of the wind farms.

Europe

The French subsidiaries entered into commitments related to land leases, maintenance and management contracts for the operations of the wind farms.

(iii) Solar facilities

Stardale Solar L.P. entered into a contract for the operations and maintenance of the solar farm.

(iv) Operating leases

The Corporation is engaged under long-term operating leases of premises which will expire between 2019 and 2028.

c. Summary of commitments

As at December 31, 2018, the expected schedule of commitment payments is as follows:

Year of expected payment	Hydroelectric Generation	Wind Power Generation	Solar Generation	Site Development	Total
2019	1,032	19,870	225	2,108	23,235
2020	1,066	20,113	231	2,088	23,498
2021	965	20,416	236	2,043	23,660
2022	953	21,976	242	2,053	25,224
2023	955	22,795	—	2,066	25,816
Thereafter	20,445	188,125	—	8,102	216,672
Total	25,416	293,295	934	18,460	338,105

d. Contingencies

The Corporation is subject to various claims that arise in the normal course of business. Management believes that adequate provisions have been made in the accounts where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies will not have an adverse effect on the financial position of the Corporation.

e. Notice to appeal on water rights

On March 23, 2017, the Comptroller of the Water Rights issued adjusted rental statements to the Harrison Hydro L.P. and its subsidiaries for the years 2011 and 2012 for an amount of \$3,300 in aggregate regarding water rental rates to be charged under the Water Act. The amount claimed was paid under protest and Harrison Hydro L.P. and its subsidiaries filed a notice of appeal of the decision to the Environmental Appeal Board, which was stayed until August 2018. This appeal will now go forward.

f. First Court rules in favor of HS Orka

In February 2016, HS Orka issued a legal letter to HS Veitur hf demanding full payment of a long-term receivable related to the shared pension liability. A \$9,547 claim was filed and is included under accounts receivable on the statement of financial position. This was following receipt of a termination notice by HS Veitur of an agreement regarding payments of the pension liability, sent on December 31, 2015. The two companies had reached an agreement on HS Veitur's share in 2011 and, based on this agreement, HS Orka considers its claim to be fully valid. Negotiations have not settled the matter. The court proceedings took place in March 2018. On April 17, 2018, the First Court of Iceland ruled in favor of HS Orka. HS Veitur filed an appeal to the Court of Appeal, which is a court of second instance. The trial of the case took place on February 21, 2019 and a judgement is expected within four weeks from the hearing date.

34. CAPITAL DISCLOSURES

The Corporation's strategy in managing its capital is: (i) to develop or acquire high-quality renewable power production facilities that generate sustainable and stable cash flows, with the objective of achieving a high return on invested capital, and (ii) to distribute a stable dividend.

The Corporation seeks to achieve its objectives by:

- Maintaining the generating capacity and enhancing the operation of its hydroelectric facilities, wind farms geothermal facilities and solar farms; and
- Acquiring and developing new renewable electricity generating facilities.

The Corporation maintains its generating capacity by investing the necessary funds to maintain and continually upgrade its equipment. The Corporation also invests amounts on an annual basis in major maintenance reserve in order to fund any major maintenance of hydroelectric facilities, wind farms or solar farms which may be required to preserve the Corporation's generating capacity.

The Corporation determines the amount of capital required, and its allocation between debt and equity, for the acquisition and development of new electricity-generating facilities by considering the specific characteristics of stability and growth of each facility. This determination is made in order to distribute a stable dividend while maintaining an acceptable level of indebtedness.

The Corporation has a hydrology/wind power reserve. This reserve could be used in the event that the net available cash for any given year is less than expected, due to normal changes in hydrology or wind conditions or other unpredictable factors.

The Corporation's capital is composed of long-term debt, convertible debentures and shareholders' equity. Total capital amounts to \$5,668,461 at year-end.

The Corporation uses equity primarily to finance the development of projects. The Corporation uses long-term debt to finance the construction of its facilities. The Corporation expects to finance 70% to 85% of its construction costs mostly through non-recourse long-term debt financing.

Future development and construction of new facilities, development of projects, expenses on prospective projects and other capital expenditures will be financed out of cash generated from the Corporation's operating facilities, borrowings and/or issuance of additional equity. To the extent that external sources of capital, including issuance of additional securities of the Corporation, become limited or unavailable, the Corporation's ability to make necessary capital investment to construct new or maintain existing project facilities will be impaired. There is no certainty that sufficient capital will be available on acceptable terms to fund further development or expansion.

Under the terms of the Revolving credit facilities described in Note 23 a, the Corporation needs to maintain a leverage ratio and an interest coverage ratio. If the ratios are not met, the lender has the ability to recall the facility.

Regarding the respective non-recourse projects financing, some subsidiaries of the Corporation need to maintain minimum debt coverage ratios. If the ratios of a particular project financing are not met, the lenders could have the ability to recall the particular debt. Certain financial restrictive clauses could prevent the subsidiaries from making distributions to the Corporation.

All debt covenants are monitored on a regular basis by the Corporation. As at December 31, 2018, the Corporation and its subsidiaries have met all material financial and non-financial conditions, unless indicated below, related to their credit agreements, trust indentures and PPAs. Were they not met, certain financial and non-financial covenants included in the credit agreements, trust indentures, 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. Financial ratios were not met for the Valottes, Porcien and Beaumont credit agreements due to low production. As lenders have the right to request a payment, the three loans were reallocated to the current portion of long-term debt.

The Corporation's capital management objectives, policies and procedures are to ensure the stability and sustainability of the dividend payable to its shareholders and the development or acquisition of power production facilities. The objectives were identical in prior years.

35. SEGMENT INFORMATION

Geographic segments

As at December 31, 2018, excluding its investments in joint ventures and associates which are accounted for as equity method, the Corporation had interests in the following operating assets: 29 hydroelectric facilities, six wind farms and one solar farm in Canada, 15 wind farms in France, two geothermal facilities in Iceland and one hydroelectric facility and two solar farms in the United States. The Corporation operates in four principal geographical areas, which are detailed below:

	Year ended December 31	
	2018	2017
Revenues		
Canada	387,679	344,440
France	87,016	52,300
Iceland	95,198	—
United States	6,723	3,523
	576,616	400,263

As at	December 31, 2018	December 31, 2017
Non-current assets, excluding derivatives financial instruments and deferred tax assets¹		
Canada	3,757,207	2,977,859
France	956,214	973,740
Iceland ²	832,289	—
United States ³	526,716	7,052
Chile	154,299	—
	6,226,725	3,958,651

1. Includes the investments in joint ventures and associates

2. Includes the Bruarvirkjun hydro project under construction.

3. Includes the Phoebe solar project under construction and the Foard City wind project under construction.

Major Customers

A major customer is defined as an external customer whose transaction with the Corporation amount to 10% or more of the Corporation's annual revenues. The Corporation has identified three major customers. The sales of the Corporation to these major customers are the following:

Major customer	Segment	Year ended December 31	
		2018	2017
British Columbia Hydro and Power authority	Hydroelectric generation	170,048	155,807
Hydro-Québec	Hydroelectric and wind power generation	185,088	154,360
Électricité de France	Wind power generation	84,484	49,987
		439,620	360,154

Operating segments

The Corporation has five operating segments: (a) hydroelectric generation (b) wind power generation (c) geothermal power generation, (d) solar power generation and (e) site development.

Through its hydroelectric, wind power, geothermal power and solar generation segments, the Corporation sells electricity produced by its hydroelectric, wind farm, geothermal and solar facilities mainly to publicly owned utilities or other creditworthy counterparties. Through its site development segment, it analyzes potential sites and develops hydroelectric, wind, geothermal 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. The Corporation evaluates performance based on earnings (loss) before finance costs, income taxes, depreciation, amortization, other net (revenues) expenses, share of (earnings) loss of joint ventures and associates and unrealized net (gain) loss on financial instruments. The Corporation accounts for inter-segment and management sales at carrying amount. Any transfers of assets from the site development segment to the hydroelectric, wind power generation, geothermal power generation or solar power generation segments are accounted for at carrying amount.

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

For the year ended December 31, 2018

Operating segments	Hydroelectric	Wind	Geothermal	Solar	Site development	Total
Revenues	238,724	223,579	95,198	19,115	—	576,616
Expenses:						
Operating	49,746	33,755	53,149	1,222	—	137,872
General and administrative	10,815	16,487	6,114	673	—	34,089
Prospective projects	—	—	—	—	19,574	19,574
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net expenses, share of earnings of joint ventures and associates and unrealized net loss on financial instruments	178,163	173,337	35,935	17,220	(19,574)	385,081
Finance costs						199,804
Other net expenses						15,273
Earnings before income taxes, depreciation, amortization, share of earnings of joint ventures and associates and unrealized net loss on financial instruments						170,004
Depreciation						128,321
Amortization						43,476
Share of earnings of joint ventures and associates						(34,110)
Unrealized net loss on financial instruments						3,905
Earnings before income taxes						28,412

As at December 31, 2018

Operating segments	Hydroelectric	Wind	Geothermal	Solar	Site development	Total
Goodwill	20,036	42,438	47,266	93	162	109,995
Total assets	2,577,675	2,442,365	913,081	156,166	391,997	6,481,284
Total liabilities	2,313,816	2,438,536	275,956	146,844	346,571	5,521,723
Acquisition of property, plant and equipment during the period	8,368	803	13,394	386	165,501	188,452

For the year ended December 31, 2017

Operating segments	Hydroelectric	Wind	Solar	Site development	Total
					Restated Note 2.1
Revenues	226,211	155,307	16,824	1,921	400,263
Expenses:					
Operating	44,151	26,098	678	745	71,672
General and administrative	9,934	7,271	144	457	17,806
Prospective projects	—	—	—	12,057	12,057
Earnings (loss) before finance costs, income taxes, depreciation, amortization, other net expenses, share of earnings of joint ventures and associates and unrealized net gain on financial instruments	172,126	121,938	16,002	(11,338)	298,728
Finance costs					147,492
Other net expenses					2,453
Earnings before income taxes, depreciation, amortization, share of earnings of joint ventures and associates and unrealized net gain on financial instruments					148,783
Depreciation					92,762
Amortization					36,667
Share of earnings of joint ventures and associates					(4,638)
Unrealized net gain on financial instruments					(2,245)
Earnings before income taxes					26,237

As at December 31, 2017 (Restated Note 2.1)

Goodwill	8,269	30,311	—	—	38,580
Total assets	2,425,646	1,651,537	101,449	11,824	4,190,456
Total liabilities	2,093,158	1,515,468	102,765	25,803	3,737,194
Acquisition of property, plant and equipment during the year	18,804	352,968	12	185,884	557,668

36. SUBSEQUENT EVENTS

a. Dividends declared by the Board of Directors

Date of announcement	Record date	Payment date	Dividend per common share (\$)	Dividend per Series A Preferred Share (\$)	Dividend per Series C Preferred Share (\$)
02/27/2019	03/29/2019	04/15/2019	0.1750	0.2255	0.359375

SHAREHOLDER INFORMATION

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As of March 1, 2019, the transfer agent and registrar of the Corporation will be AST Trust Company (Canada) for the Common Shares, the Series A shares, the Series B Shares and the Series C Shares. Computershare Trust Company of Canada will continue to be the agent and registrar of the Corporation for the 4.25% Convertible Debentures and the 4.75% Convertible Debentures. AST Trust Company (Canada) can be reached at inquiries@astfinancial.com or 1 800 387.0825.

Common Shares - TSX: INE

Innergex Renewable Energy Inc. had 132,799,509 common shares outstanding as at December 31, 2018, with a closing price of \$12.54 per share.

Series A Preferred Shares - TSX: INE.PR.A

Innergex Renewable Energy Inc. currently has 3,400,000 Series A preferred shares outstanding, with a nominal value of \$25 and a fixed cumulative preferential annual cash dividend of \$0.902 per share, payable quarterly on the 15th day of January, April, July and October. Series A preferred shares are not redeemable by the Corporation prior to January 15, 2021.

Series C Preferred Shares - TSX: INE.PR.C

Innergex Renewable Energy Inc. currently has 2,000,000 Series C preferred shares outstanding, with a nominal value of \$25 and a fixed-rate cumulative preferential annual cash dividend of \$1.4375 per share, payable quarterly on the 15th day of January, April, July and October. Series C preferred shares are redeemable by the Corporation since January 15, 2018.

Ce document est disponible en français.
Pour la version numérique, visitez innergex.com
Pour la version papier, écrivez-nous à info@innergex.com

Convertible Debentures - TSX: INE.DB.A

Innergex Renewable Energy Inc. currently has convertible debentures outstanding for an aggregate principal amount of \$100.0 million, bearing interest at a rate of 4.25% per annum, payable semi-annually on February 28 and August 31 of each year, commencing on February 28, 2016. The debentures are convertible at the holder's option into Innergex common shares at a conversion price of \$15.00 per share, representing a conversion rate of 66.6667 common shares per each thousand of dollars of principal amount of debentures. The debentures will mature on August 31, 2020 and are redeemable, in certain circumstances, since August 31, 2018.

Convertible Debentures - TSX: INE.DB.B

Innergex Renewable Energy Inc. currently has convertible debentures outstanding for an aggregate principal amount of \$150.0 million, bearing interest at a rate of 4.75% per annum, payable semi-annually on June 30 and December 31 of each year, commencing on December 31, 2018. The debentures are convertible at the holder's option into Innergex common shares at a conversion price of \$20.00 per share, representing a conversion rate of 50 common shares per each thousand of dollars of principal amount of debentures. The debentures will mature on June 30, 2025 and will not be redeemable before June 30, 2021.

Credit Rating by Standard & Poor's

Innergex Renewable Energy Inc.	BBB-
Series A Preferred Shares	P-3
Series C Preferred Shares	P-3

Dividend

On February 27, 2019, the Board of Directors announced an increase of \$0.02 in the annual dividend that the Corporation intends to distribute to its shareholders of common shares. This increase, raising the annual dividend from \$0.68 to \$0.70, payable quarterly, reflects the execution of the Corporation's strategy for building shareholder value. This is the sixth consecutive \$0.02 annual dividend increase.

Dividend Reinvestment Plan (DRIP)

Innergex Renewable Energy Inc. offers a Dividend Reinvestment Plan (DRIP) for its shareholders of common shares. This plan enables eligible holders of common shares to acquire additional common shares of the Corporation by reinvesting all or part of their cash dividends. For more information about the Corporation's DRIP, please visit our website at innergex.com or contact the DRIP administrator: Computershare Trust Corporation of Canada. Please note that if you wish to enrol in the DRIP but own your shares indirectly through a broker or financial institution, you must contact this intermediary and ask them to enrol in the DRIP on your behalf. Please note that the DRIP administrator will be AST Trust Company (Canada) as of March 1, 2019.

Independent Auditor

KPMG LLP

INNERGEX

Renewable Energy.
Sustainable Development.



innergex.com