INNERGEX

Renewable Energy.
Sustainable Development.

ANNUAL REPORT AT DECEMBER 31, 2020

For more than 30 years now, Innergex Renewable Energy Inc. has believed in a world where abundant renewable energy promotes healthier communities and creates shared prosperity. As an independent renewable power producer that develops, acquires, owns and operates hydroelectric facilities, wind farms, solar farms and energy storage facilities, Innergex is convinced that renewable energy will lead the way to a better world. Innergex operates in Canada, the United States, France and Chile and follows a sustainable development philosophy that balances people, our planet and prosperity. The Corporation's shares are listed on the Toronto Stock Exchange ("TSX") under the symbols INE, INE.PR.A and INE.PR.C and its convertible debentures are listed under the symbols INE.DB.B and INE.DB.C.

OUR STORY

1990 Founding of Innergex in Canada

1994 First hydro facility in Quebec (Saint-Paulin)

1999 First hydro facility in Ontario (Batawa)

2000 First acquisition in Quebec (Montmagny)

2003 Innergex Power Income Fund First IPO (IEF.UN)

2004 Founding of Cartier Wind Energy partnership and first acquisition in the U.S. (Horseshoe Bend)

2005 First hydro facility in B.C. (Rutherford Creek)

2006 First wind farm in Quebec (Baie-des-Sables)

2007 Innergex Renewable Energy Inc. first IPO (TSX: INE)

2010 IEF.UN merged into TSX: INE

2011 Acquisition of our first solar farm (Stardale)

2013 First community wind farm in partnership with RCM of Rivière-du-Loup (Viger-Denonville)

2016 First acquisition in France (seven wind farms)

2018 Acquisition of Alterra Power Corp, Cartier Wind Farms, and joint venture with Energía Llaima in Chile (50%)

2019 Commissioning of its largest solar and wind farms in Texas (Phoebe and Foard City)

2020 Strategic Alliance with Hydro-Québec and acquisitions in Chile (Salvador) and the U.S. (Mountain Air)

CONTENTS

Message to shareholders P**4**

Management's discussion and analysis P**20**

Responsibility for financial reporting P**82**

Independent auditor's report P**83**

Consolidated financial statements P**90**

Notes to the consolidated financial statements P**96**

KEY FIGURES

Innergex measures its performance using key performance indicators ("KPIs"). Innergex believes that these indicators are important, as they provide management and the reader with additional information about its production and cash generating capabilities, its ability to pay dividends and fund its growth.

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.

PRODUCTION KPIs

Production in comparison with LTA (''long-term average'') in megawatt/hours ("MWh") and gigawatt/hours ("GWh")

Production and Production Proportionate

FINANCIAL KPIs

Revenues and Revenues Proportionate

Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EBITDA Proportionate

Adjusted Net Earnings (Loss)

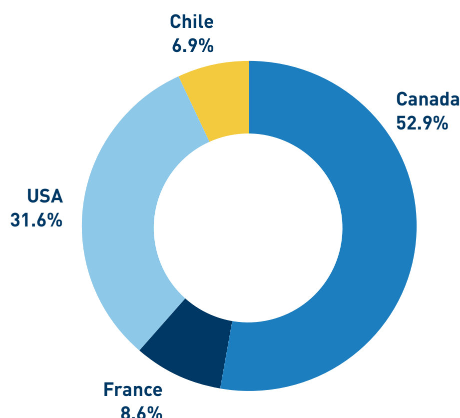
Free Cash Flow

Payout Ratio

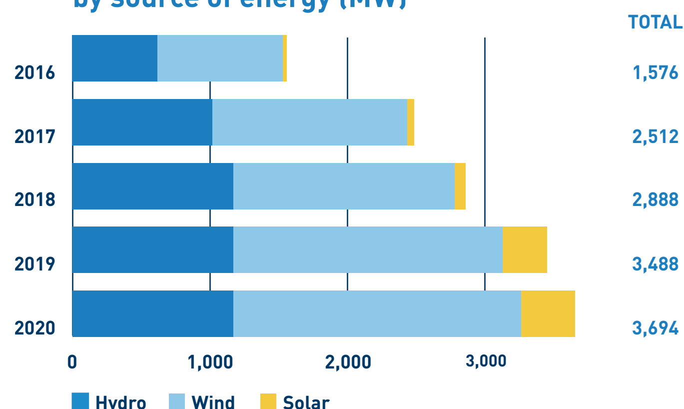
OPERATIONAL KEY PERFORMANCE INDICATORS

As at February 25, 2021, the Corporation has four geographic segments and three operating segments.

Gross installed capacity by country (MW)



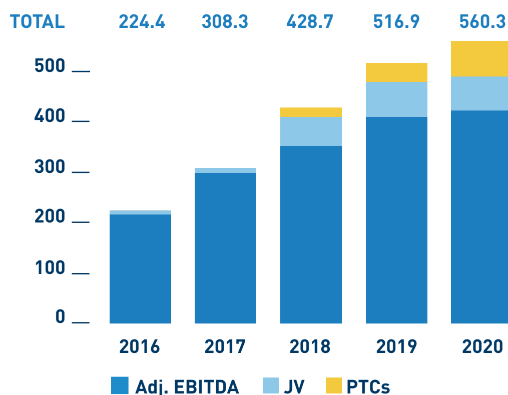
Gross installed capacity by source of energy (MW)



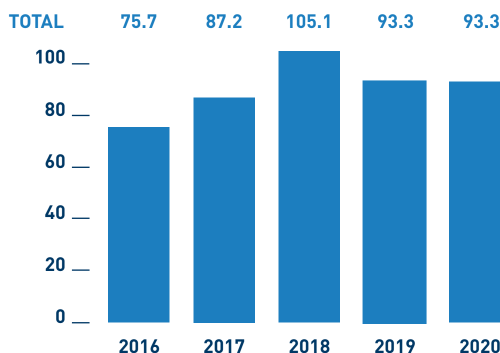
* Gross Installed Capacity for continued operations

FINANCIAL KEY PERFORMANCE INDICATORS

Ajusted EBITDA Proportionate ($M)



Free Cash Flow ($M)



MESSAGE TO SHAREHOLDERS

30 YEARS OF GROWTH, 30 YEARS OF SUCCESS

In 2020, Innergex celebrated its 30th anniversary. Milestones of this significance compel us to take a moment to appreciate just how far we have come. From its humble beginnings as a trailblazer in the emerging renewable energy sector back in 1990, Innergex now owns and operates a portfolio of 75 facilities spanning three continents, with a total installed capacity of 3,694 MW. Now that renewable energy, energy transition and greenhouse gas emission reduction objectives have made it to the top of every country's to-do list, Innergex will continue to grow, bolstered by a strategic alliance with a new partner and main shareholder: Hydro-Québec.

In addition to representing an important milestone, 2020 will primarily be remembered for the emergence of a global pandemic and its impact on public health and the global economy. While our primary focus was to ensure the health and wellbeing of employees at our various operating and construction sites as well as our office employees, we also managed to maintain our power generation activities as they were deemed an essential service in all of the regions where we are present.

Finally, 2020 will also have ushered in a new era of heightened awareness of the climate threat and the importance of renewable energies. Sustainability will have taken on an even more significant role in the transition towards a better world. With a business model based on the 3Ps of sustainability: People, our Planet and Prosperity, 30-plus years of expertise in the renewable energy sector, and a capacity for innovation and integration of new technologies, Innergex is ideally positioned to capitalize on the opportunities generated by this acceleration of the transition to sustainable power generation.

It would appear that we are all on the same page about the urgency to act now. We will contribute to this global endeavour through our mission to build a better world with renewable energy.

30TH ANNIVERSARY HIGHLIGHTS

The year started on a high note with the announcement of the Strategic Alliance between Innergex and Hydro-Québec. Hydro-Québec's stellar reputation both here and abroad and its high-level of expertise and desire to extend its reach beyond its borders fit perfectly with our entrepreneurial culture, operational agility, and knowledge of international markets.

Together, we can become a significant player by leveraging our respective strengths to accelerate development in North America, Latin America, and Europe.

In addition to this Strategic Alliance, Hydro-Québec, via a Private Placement of Innergex common shares, made an investment that enabled us to complete the acquisitions of Salvador solar facility in Chile and of the Mountain Air wind farms in Idaho. Hydro-Québec's EVLO subsidiary also won a request for proposals for the Tonnerre battery storage project in France, which is managed by Innergex. This first joint venture project will facilitate the launch of Hydro-Québec's brand-new patented lithium iron phosphate battery.

Innergex is also pursuing development outside of this alliance. The burgeoning renewable energy market in the United States provided many opportunities in 2020. The first one is the Hillcrest solar project in Ohio, for which construction was launched in January and continued throughout the year, despite the pandemic. It is expected to be fully commissioned in the second quarter of 2021. In addition, thanks to an extension of renewable energy production tax credits from the U.S. Department of the Treasury last spring, we kickstarted construction of the Griffin Trail wind project in Texas in September, wrapped up its financing by December, and anticipate a summer 2021 commissioning. These two projects are part of a long list of development activities that are moving along quickly, several of which could begin construction as early as 2021. This is the case for two solar plus battery storage projects in Hawaii, where construction launch is imminent. Two other projects in the same region have also been awarded a power purchase agreement in 2020.

After several years of effort, we have begun the construction of our first wind project initiated by the Innergex team in France, Yonne II, which is scheduled to be commissioned in the first quarter of 2021, in addition to advancing several other Innergex projects in this market. We also resumed the construction of our hydroelectric facility in Nunavik, Innavik, which began in 2019. Activities were delayed by the pandemic last Spring, but construction activities have accelerated to the point that the initial delivery date should be met. Innavik, our 45th Canadian facility, is made possible by our extensive hydroelectric expertise, but more importantly, by our tradition of taking root and working with the communities. At Innergex, we know that to make growth more sustainable, we must protect our planet while contributing to the development of host communities.

GENEROUS RESPONSE TO A HEALTH AND ECONOMIC CRISIS

The COVID-19 pandemic had severe consequences for a staggering number of people's lives and livelihoods, while it tested and confirmed the resilience of our business model.

COVID created a major logistical headache for our employees, whose protection was our priority. Solutions were quickly deployed by our operations teams, who maintained operating activities while minimizing the risk of transmission of the virus. Essential maintenances were completed, and we are proud of the professionalism and discipline shown by our employees and subcontractors.

Our office employees also had to adapt to a new reality, working remotely, which has been in effect since March and continues to this day. Thanks to their adaptability and professionalism, all tasks and priorities have been accomplished.

As for the financial implications, the main impact on our activities has been the notices of curtailment imposed on us by BC Hydro, invoking force majeure, which we are disputing, although we have complied under protest.

This pandemic did have some upside, including highlighting the generosity of our employees. Together, we made the decision to allocate funds earmarked for our 30th anniversary celebration to be reallocated to support the communities in which our facilities and offices operate. Employees also showed tremendous generosity by launching an initiative to raise extra support, through the "Time for Solidarity" campaign, to contribute almost $265,000 to support those affected by the public health and economic crisis.

DOING MORE FOR OUR PLANET

Despite the public health and economic crises we are experiencing, our commitment to our planet was at the core of all of our activities and decision-making processes in 2020.

We continue to focus on deploying renewable energy and innovative green technologies to accelerate the global energy transition.

We know that energy storage is the key to a successful and sustainable energy transition, which is why we will be transitioning from the exploratory phase to the deployment of battery storage technologies, such as our Tonnerre and Hawaii projects. We will also be exploring green hydrogen, which, in addition to offering exciting prospects for energy storage, may well become the green fuel of the 21st century. We will actively seek innovative partnerships with companies familiar with hydrogen, which could also benefit from our green power generation expertise – our focus for the last 30 years.

Our aim is to add value to the green electrons we produce, knowing that this value may also be found beyond conventional electricity markets.

We will continue our organic growth activities in the United States and France, where we are managing several wind, solar and storage projects. In Chile, we will continue to invest in acquisitions and projects to be developed, both within and outside of the framework of our partnership with Energía Llaima.

In the Canadian market, we will continue to be on the lookout for new renewable energy development opportunities, as green economic recovery initiatives will require more clean electricity. The first step is to make fossil-fuelled electricity a thing of the past across Canada while increasing renewable generation, even in provinces that already have clean energy while still relying heavily on fossil fuels for transportation and heating. To achieve this, we seek to partner with communities to develop renewable energy projects that would generate immediate economic benefits through job creation while making a significant contribution to meeting our climate goals at home while promoting sustainable development from coast to coast to coast.

BUILDING A BETTER WORLD THROUGH OUR PEOPLE

Since Day 1, we have believed that renewable energy promotes healthier communities and creates shared prosperity. A growing number of partners also share this vision. The Innergex team conceives innovative renewable energy projects by combining its expertise with its desire to make a positive impact, with the support of an experienced Board of Directors, which now includes two new directors who contribute by bringing their knowledge to the table. We are strengthening our governance with new practices, updated policies and anticipation of trends, for which we thank the directors.

Our skillful and flexible approach, especially in these times of pandemic, eloquently demonstrates the exceptional talent of our esteemed colleagues. Thank you for your efforts and adaptability, as well as your tremendous foresight when proposing innovative ideas to support our sustainable growth.

Finally, our projects would not be what they are without the contribution of our investors, partners, suppliers, and the communities that host them. Thank you for working with us to build a better world.

Michel Letellier
President and CEO

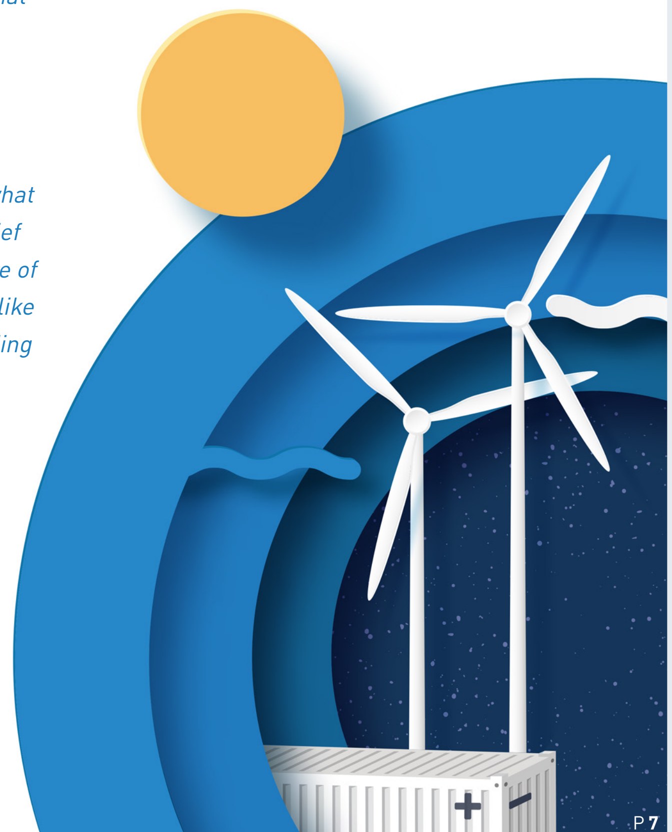
Since its foundation, Innergex has been led by extraordinary people. Mr. Jean La Couture is one of the key individuals who has guided our Corporation to grow in a sustainable manner. Mr. La Couture has been a member of our Board since the early 2000s and became its Chairman in 2010. Since then, he has ensured the Corporation's exemplary governance and accountability. Most fundamentally, thanks to his experience, he was able to anticipate the complex issues that arose during our expansion.

On behalf of Innergex's employees, shareholders, partners and stakeholders, I would like to thank Mr. La Couture for his exceptional commitment that has shaped what Innergex has become. As President and Chief Executive Officer, I can attest to the pleasure of working with an experienced entrepreneur like him. Innergex will continue to grow by building on the legacy of this great man.

Jean La Couture
Chairman of the Board of Directors

This is the last year that I will serve as Chairman of the Board of Innergex. Over the past 15 years, I have seen this company grow, but more importantly, I have seen its management grow in leadership, integrity and concern for people.

I am very pleased to have witnessed the evolution of a Quebec company that is dynamic and beneficial to the planet.



GUIDED BY THE THREE P'S OF SUSTAINABLE DEVELOPMENT TO CREATE A BETTER WORLD

Innergex is guided by its belief in pursuing sustainable growth that creates a balanced relationship between people, our planet and prosperity. Our people provide the innovation, drive and expertise behind our success. By remaining focused on generating and supplying energy exclusively from renewable sources, we promote a healthier planet for all. Generating prosperity and driving opportunities both internally and externally will ensure we can continue to make a positive impact on our employees, our communities, and our stakeholders.

PEOPLE
THE HEART OF OUR SUCCESS

Our employees' diverse skills, experience, and backgrounds has been, and will continue to be, the backbone of our success. Innergex takes great pride in creating a safe workplace that not only works to foster innovation and inclusion, but promotes collaboration. With our office staff working from home this year as a safety measure and comprehensive safety programs developed for our on-site operations staff, we were proud of our team's adaptability and resilience that allowed us to continue on our path of growth and not miss a beat during the health pandemic. Our goal is to attract experts in their field who share a common passion to help make the world a better place while creating economic growth.

IN 2020

Our employees receive fair and competitive compensation with

$48.6 MILLION IN EMPLOYEE WAGES AND BENEFITS paid out[1]

1. Compared with $46.0 million in 2019. Includes wages and benefits expenses capitalized to projects under construction or development, and wages and benefits expenses recharged to joint ventures and associates.

Promoting equal opportunities for a more balanced and diverse workplace, we are proud to have had

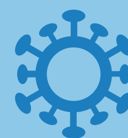
28.5% WOMEN OFFICERS

and

34.8% WOMEN IN OTHER MANAGEMENT POSITIONS

Launched a **MORE EXTENSIVE AND BENEFICIAL** Employee and Family Assistance Program for employees

All office employees have been working from home since March 2020 and



COMPREHENSIVE COVID-19 SAFETY MEASURES were put in place in all operating facilities to protect operators and other workers on-site

Our employee pulse survey had a **81% RESPONSE RATE**

PLANET
FOR A CLEANER ENVIRONMENT

For over 30 years, Innergex has been a leader in developing solutions and making a difference in reducing greenhouse gas (GHG) emissions in the production of energy. Working with nature by harnessing the sun's rays, the movement of wind, and the natural flow of rivers, Innergex remains committed to the responsible development of natural resources. Our long-term vision for sustainable development, combined with helping meet global carbon emissions targets and reduce emissions to net-zero, will allow Innergex to continue to deliver results and build a better world. We believe that sustainable development is not just about what we do – producing renewable energy – but also about how we do it.

IN 2020

Our facilities do not emit significant amounts of GHGs and produce green electricity that offsets GHG emissions.

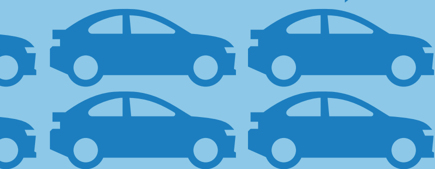
The GHG emissions offset by Innergex's production of clean, renewable energy was approximately

6,780,613

METRIC TONNES OF CO_2, equivalent to

REMOVING

1,464,908



GASOLINE PASSENGER VEHICLES
from roads over the year [1]

$612,000

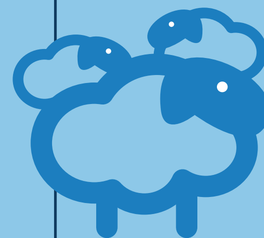
WAS DISBURSED TO LONG-TERM ENVIRONMENTAL MONITORING PROGRAMS
which study fish, wildlife, and their habitats in and around our facilities

We supplied the equivalent of

1,007,462

HOUSEHOLDS
with clean, renewable energy [2]

Successfully initiated a program to manage vegetation growth at our Phoebe solar facility in Texas with



A FLOCK OF 55-77 SHEEP
throughout

1,395

ACRES
of the facility

1. Based on Innergex's 2020 Production Proportionate of 9,590,140 MWh and calculated through https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator.
2. Based on Innergex's 2020 Production Proportionate in each country in which we operate, divided by the local household average consumption, with data from the World Energy Council (2014).

PROSPERITY
DRIVING THE GREEN ECONOMY

Renewable energy offers a path to economic recovery to emerge from pandemic times to a stronger, more inclusive, and more sustainable world. The decarbonization of the economy, which supports national and regional climate frameworks worldwide, presents an unprecedented opportunity for growth going forward. By increasing the world's share of green energy, Innergex will continue to lead the way to a more prosperous world for all.

IN 2020

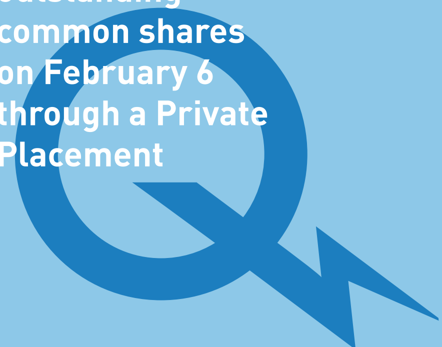
Our sponsorships and donations program supported **134 ORGANIZATIONS** that have shared over **$731,425 IN FUNDING**

Our collective efforts resulted in Innergex donating **MORE THAN $227,000** and our employees contributing a further **$37,225**

TO COVID-19 RELIEF EFFORTS in the countries where we conduct operations

Innergex **DECLARED $125,542,953 IN DIVIDENDS** on common shares

HYDRO-QUÉBEC BECAME THE MAIN SHAREHOLDER in the Corporation holding **19.9%** of the issued and outstanding common shares on February 6 through a Private Placement



GOVERNANCE
CONTRIBUTING TO A BRIGHTER FUTURE WITH A CLEAR VISION

Moving ahead requires a clear and comprehensive vision. The Innergex Board of Directors develops and directs the overall direction of the Corporation to ensure its continued growth while remaining aligned with the interests of its shareholders, partners, employees and other stakeholders. Each member brings a wealth of experience and expertise to the table to ensure that not only are all business matters being conducted in an ethical and fair manner, but decisions are made based upon the best available information.

IN 2020

9 OF 11, or **82%** of our board members were **INDEPENDENT**

The **AVERAGE AGE** of the Board of Directors at the end of 2020 was **62**

100% **OF EMPLOYEES** participated in a training and signed the **CODE OF CONDUCT** annual confirmation form reaffirming their commitment to uphold its standards

The **COMBINED ATTENDANCE** at Board and committee meetings was **100%**

SEVERAL MEMBERS of the Board of Directors are considered **EXPERTS IN** the field of Environmental, Social and Governance **(ESG)** criteria

BUSINESS STRATEGY

Innergex develops, acquires, owns and operates renewable power-generating facilities with a focus on hydroelectric, wind and solar production as well as energy storage technologies.

The Corporation's fundamental goal is to create wealth by efficiently managing its high-quality renewable energy assets and successfully pursuing its growth.

Innergex is committed to producing energy from sustainable renewable sources exclusively and to providing energy storage capacity, guided by its philosophy that balances investing in people, caring for our planet and generating prosperity by sharing economic benefits with local communities and creating shareholder value.

Innergex is committed to developing, acquiring, owning and operating renewable energy facilities exclusively that generate sustainable cash flows, provide an attractive risk-adjusted return on invested capital and enable the distribution of a sustainable dividend.

By harnessing the power of the sun's rays, the natural flow of water and the motion of the air, we work with nature to generate clean energy for a brighter future.

Innergex owns interests in 37 hydroelectric facilities drawing on 31 watersheds, 32 wind farms and 6 solar farms. The expertise and innovation developed by our skilled team in various energies and different locations can be leveraged and shared among the Corporation to maximize returns from our high-quality assets.

SETTING THE COURSE FOR SUSTAINABLE GROWTH

The transition to a carbon-neutral economy will be led by the renewable energy sector. Innergex is well-positioned to continue its strategic growth and contribute to climate protection by further optimizing and growing its portfolio of renewable energy facilities. To do so, the Corporation has set four strategic goals to be achieved by 2025:

- **Grow responsibly**: Focus growth on current markets and target opportunities in neighbouring ones
- **Build expertise**: Become an expert in deploying energy storage technologies
- **Optimize operations**: Leverage expertise and innovation to maximize returns from its high-quality assets
- **Diversify activities**: Increase diversification of the Corporation's activities and assets

The Corporation will rely on its experience to pursue acquisitions and the development of new projects. It will adopt and master new technologies, mainly energy storage, expand its customer base beyond traditional utilities and deploy new business models through which it will offer more value for the electrons produced or stored.

Innergex has a solid track record, with decades of producing green energy from its quality assets. Its existing renewable energy facilities are operated by a dedicated team of skilled professionals who will continue optimizing operations and providing quality maintenance.

With soaring interest in renewable energy development bringing new players to the sector, Innergex will also remain committed to the approach that has long provided responsible growth. Its belief of nurturing relationships to develop long-term partnerships with stakeholders and communities, in particular Indigenous ones, has enabled the Corporation to develop unique, value-creating renewable projects.

A SKILLED AND PASSIONATE TEAM PROVIDING EXPERTISE

Innergex recognizes that what it has accomplished and what is yet to come would not be possible without its highly skilled team of employees who share its mission, vision, values and key principles.

Their collective knowledge, talent, abilities, experience and sound judgment have always been key to its long-term success. The management team has a proven track record of delivering projects on-time and on-budget.

Furthermore, a pool of specialized partners provide services outside the Corporation's realm of expertise when necessary, from engineering firms to environmental monitoring professionals.

INFORMATION ON COVID-19

COVID-19 has negatively impacted the global economy, disrupted financial markets and supply chains, significantly reduced travel and interrupted business activity. Federal, state and local governments have implemented mitigation measures, including travel restrictions, stay at home orders, border closings, social distancing, shelter-in-place restrictions and limitations on business policies.

Although our business is considered essential services, these government actions have already affected the ability of Innergex's employees, customers, suppliers and other business partners to conduct business activities as usual, and this could last for an extended period. This could have a material effect on our operating results, financial condition, liquidity, capital expenditures and the trading value of our securities, in particular:

- Impact of supply chain disruption on the construction activities
- Impact on employees and cybersecurity
- Impact on liquidity
- Impact on capital expenditures and costs
- Impact on general electricity demand
- Impact on merchant prices

The effects of COVID-19 on business may continue for an extended period, and the ultimate impact on the Corporation of the pandemic will depend on future developments that are uncertain and cannot be predicted including, and without limitations, the duration and severity of the pandemic, the duration of government mitigation measures, the effectiveness of the actions taken to contain and treat the disease, and the length of time it takes for normal economic and operating conditions to resume.

POWER PRODUCTION: AN ESSENTIAL SERVICE

Power production activities have continued in all segments, as they have been deemed essential services in every region where the Corporation operates. Innergex's renewable power production is sold mainly through power purchase agreements, which include sufficient protection to prevent material reduction in demand, to financially solid counterparties, and no credit issues are anticipated. As such, the Corporation does not intend to make any changes to its workforce and intends to maintain salaries and benefits. Only BC Hydro sent curtailment notices for some hydro facilities which are disputed by the Corporation (please refer to the Capital and Liquidity section of the Management's Discussion and Analysis for more information).

HEALTH AND SAFETY OF OUR EMPLOYEES AND VISITORS

Since March 2020, Innergex has implemented numerous measures to protect employees, suppliers and business partners from COVID-19.

All Operations teams were split into segregated work groups to reduce risks of contamination across teams. Cleaning procedures were implemented and continue to be enforced to ensure common surfaces are disinfected. COVID-19 screening protocols and measures were revised and improved specifically for monitoring the health and safety of our employees. Specific instructions and guidance on COVID-19 health and safety measures were introduced.

All office employees were instructed to work from home. Office presence is limited to essential tasks.

Visitors and contractors must complete a questionnaire before accessing a site or an office and must respect additional hygiene measures.

IT systems have remained available remotely and multiple controls are in place to ensure overall security while working remotely.

SUPPORT TO SURROUNDING COMMUNITIES

To support communities surrounding our facilities and projects in all segments, the Corporation launched the "Time for Solidarity" campaign in March 2020.

The Corporation distributed $264,591 in total to local charities such as food banks, women's shelters and relief organizations to alleviate the effects of the COVID-19 crisis. Employees contributed to that total by making personal donations of an amount of $37,225.

PORTFOLIO OF ASSETS

The Corporation owns interests in three groups of projects at various stages: the Operating Facilities, the Development Projects and the Prospective Projects.

As at February 25, 2021, the Corporation owns and operates 75 facilities in commercial operation (the "Operating Facilities"). Commissioned between 1992 and November 2019, the facilities have a weighted average age of approximately 8.1 years.

The Operating Facilities mostly sell the generated power under long-term power purchase agreements, power hedge contracts[1] and short- and long-term industrial contracts (each, a "PPA") to rated public utilities or other creditworthy counterparties or on the open market. The PPAs have a weighted average remaining life of 14.2 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. In Chile, Operating Facilities sell the power generated through PPAs to industrial customers or on the open market.

The Corporation also holds interest in projects under development which are either at an advanced development stage or under construction (the "Development Projects").

1. A power hedge contract is deemed a PPA regardless of whether it is subjected to hedge accounting or accounted for as a financial derivative at fair value through earnings (loss).

The table below outlines Operating Facilities and Development Projects as at February 25, 2021.

	Number of Facilities[1]		Gross[2] Installed Capacity (MW)		Net[3] Installed Capacity (MW)		Storage Capacity (MWh)	
	Operating Facilities	Development Projects	Operating Facilities	Development Projects	Operating Facilities	Development Projects	Operating Facilities	Development Projects
HYDRO								
Canada	33	1	1,019	8	713	4	—	—
United States	1	—	10	—	10	—	—	
Chile	3	1	152	109	74	41	—	—
Subtotal	37	2	1,181	117	797	45	—	—
WIND								
Canada	8	—	908	—	714	—	—	—
France	15	1	317	7	221	5	—	—
United States	9	1	892	226	640	226	—	—
Subtotal	32	2	2,117	233	1,575	231	—	—
SOLAR								
Canada	1	—	27	—	27	—	—	—
United States	3	5	267	280	266	280	—	320[5]
Chile	2	—	102	—	77	—	150[4]	—
Subtotal	6	5	396	280	370	280	150	320
STORAGE								
France	—	1	—	—	—	—	—	9[6]
Total	75	10	3,694	630	2,742	556	150	329

1. The number of Operating Facilities includes all facilities owned and operated by the Corporation, including non-wholly owned subsidiaries and joint ventures and associates.
2. Gross installed capacity is the total capacity of all Operating Facilities of Innergex, including non-wholly owned subsidiaries and joint ventures and associates.
3. Net installed capacity is the proportional share of the total capacity attributable to Innergex based on its ownership interest in each facility.
4. Capacity related to the hot water storage of the Pampa Elvira thermal solar facility.
5. Battery storage capacity related to Hale Kuawehi (120 MWh), Paeahu (60 MWh), Kahana (80 MWh) and Barbers Point (60 MWh) solar projects.
6. Standalone battery storage project.

A detailed list of Operating Facilities can be obtained in the Annual Information Form of the Corporation. More information on the Corporation's Prospective Projects is available in the "Prospective Projects" section of the Management's Discussion and Analysis.

NON-WHOLLY OWNED SUBSIDIARIES

The Corporation shares ownership of some Operating Facilities, Development Projects and Prospective Projects with corporate, financial, local community or Indigenous partners. Some Operating Facilities have material non-controlling interests and are treated as non-wholly owned subsidiaries. These facilities' results are included in the Corporation's consolidated results.

Gross installed capacity attributable to Non-wholly owned subsidiaries represents 22.6% as at February 25, 2021.

	Operating Facilities	Gross Installed Capacity (MW)	Net Installed Capacity (MW)	Sources of Energy	Principal Place of Operation	Proportion of Ownership Interest and Voting Rights Held by the Corporation
Innergex Europe (2015) Limited Partnership and its subsidiaries	15 wind farms located in France	317	221	Wind	France	69.55%
Mesgi'g Ugju's'n (MU) Wind Farm L.P.	Mesgi'g Ugju's'n	150	75	Wind	Quebec	50.00% [1, 2]
Harrison Hydro Limited Partnership and its subsidiaries	Douglas Creek, Fire Creek, Lamont Creek, Stokke Creek, Tipella Creek and Upper Stave River	150	75	Hydro	British Columbia	50.01%
Mountain Air Alternatives LLC	Cold Springs, Desert Meadow, Hammett Hill, Mainline, Ryegrass and Two Ponds	138	86	Wind	Idaho	62.25%
Kwoiek Creek Resources Limited Partnership	Kwoiek Creek	50	25	Hydro	British Columbia	50.00% [1]
Innergex Sainte-Marguerite S.E.C.	Sainte-Marguerite	31	15	Hydro	Quebec	50.01%
		836	497			

1. The Corporation owns more than 50% of the economic interest in the subsidiary.
2. The Corporation owns a 50% voting interest and a participation interest of 72.4% in 2020 (participation interest to decline over the years).

JOINT VENTURES AND ASSOCIATES

Some Operating Facilities are treated as joint ventures and associates and accounted for using the equity method. Innergex's share of Production, Revenues and Adjusted EBITDA of the joint ventures and associates are included in the Corporation's proportionate measures.

Gross installed capacity attributable to Joint Ventures and Associates represents 29.2% as at February 25, 2021.

	Operating Facilities	Gross Installed Capacity (MW)	Net Installed Capacity (MW)	Sources of Energy	Principal Place of Operation	Proportion of Ownership Interest and Voting Rights Held by the Corporation
Toba Montrose General Partnership	East Toba and Montrose Creek	235	94	Hydro	British Columbia	40.00% [1]
Shannon Group Holdings, LLC	Shannon	204	102	Wind	Texas	50.00%
Flat Top Group Holdings, LLC	Flat Top	200	102	Wind	Texas	51.00% [2]
Energía Llaima SpA	Guayacán, Peuchén, Mampil and Pampa Elvira	186	84	Hydro Solar	Chile	50.00%
Dokie General Partnership	Dokie	144	37	Wind	British Columbia	25.50%
Jimmie Creek Limited Partnership	Jimmie Creek	62	32	Hydro	British Columbia	50.99% [2]
Parc éolien communautaire Viger-Denonville, S.E.C.	Viger-Denonville	25	12	Wind	Quebec	50.00%
Umbata Falls L.P.	Umbata Falls	23	11	Hydro	Ontario	49.00%
		1,079	474			

1. The Corporation holds a 51% voting interest and 40% participating economic interest. In 2046, the Corporation's economic interest will increase to 51% for no additional consideration.
2. The Corporation does not consolidate the entity as it does not have complete control over the decision-making process.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

The Corporation is supported by a Board of Directors which is responsible for the stewardship of the Corporation. Its mandate is to oversee the management of the business and affairs of the Corporation while taking into account ESG criteria and shareholders' interests. Members of the Board are elected at each Annual General Meeting of Shareholders where other matters are also up to a vote, including appointing the auditor of the Corporation. Each common share of the Corporation entitles its owner to one vote.

Jean La Couture
Chair of the Board
Independent
Joined: March 2010

Daniel Lafrance
Vice-Chair of the Board
Independent
Joined: March 2010

Ross J. Beaty
Independent
Joined: February 2018

Pierre G. Brodeur
Independent
Joined: May 2020

Nathalie Francisci
Independent
Joined: May 2017

Richard Gagnon
Independent
Joined: May 2017

Michel Letellier
Non-Independent
Joined: October 2002

Dalton McGuinty
Independent
Joined: May 2015

Monique Mercier
Independent
Joined: October 2015

Ouma Sananikone
Independent
Joined: February 2019

Louis Veci
Non-Independent
Joined: February 2020

MANAGEMENT TEAM

Michel Letellier
President and Chief Officer
Joined: 1997

Jean-Francois Neault
Chief Financial Officer
Joined: 2018

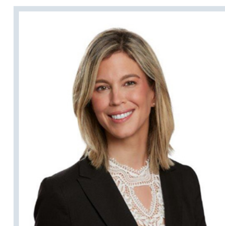
Jean Trudel
Chief Investment and Development Officer
Joined: 2002

Yves Baribeault
Senior Vice President – Legal Affairs and Secretary
Joined: 2009

Renaud De Batz
Senior Vice President – Latin America
Joined: 2002

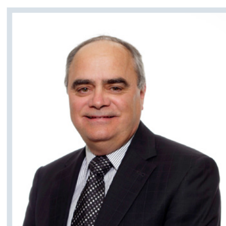
Peter Grover
Senior Vice President – Operations
Joined: 2005

Jay Sutton
Senior Vice President – Construction and Engineering
Joined: 2018



Alexandra Boislard-Pépin
Vice President – Human Resources
Joined: 2020

Colleen Giroux-Schmidt
Vice President – Corporate Relations
Joined: 2011



Robert Guillemette
Vice President – H&S and Technological Innovation
Joined: 2018

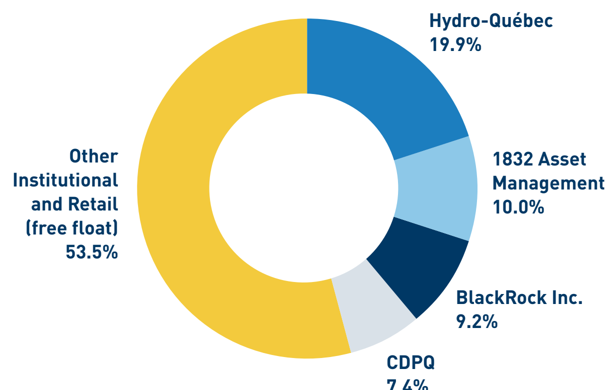
Matt Kennedy
Vice President – Environment
Joined: 2011

SHAREHOLDER INFORMATION

SHARE OWNERSHIP

As at December 31, 2020, Hydro-Québec, a Quebec Crown corporation that provides utility services, generates, transmits, and distributes electricity to customers in Canada is Innergex's main shareholder with 19.9% of shares. 1832 Asset Management LP is one of Canada's largest asset managers and holds 10% of Innergex's shares, the global investment advisor BlackRock Inc. holds 9.2%, and the Caisse de dépôt et placement du Québec (CDPQ), a long-term institutional investor holds 7.4% of Innergex's shares. More than half of Innergex's shareholding is free float and mainly held by institutional and retail investors.

Institutional Investors



Source: Bloomberg as at December 31, 2020.

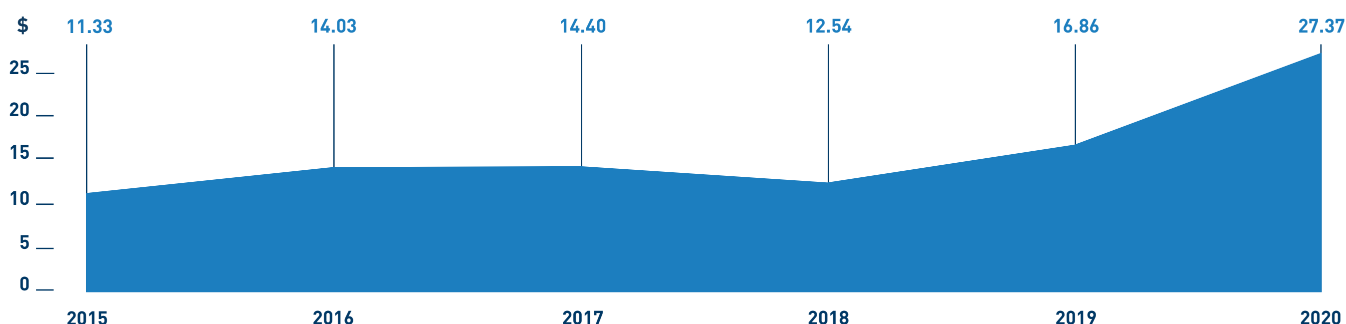
STOCK INFORMATION

Innergex's shares are traded on Toronto Stock Exchange ("TSX") with a Total Outstanding Shares of 174,582,586 as at December 31, 2020.

	2016	2017	2018	2019	2020
Closing price (in $)	14.03	14.40	12.54	16.86	27.37
Market Capitalization (in $M)	1,517.8	1,564.0	1,667.7	2,350.4	4,778.3
Year over Year % Change	29%	3%	7%	41%	103%
Average Volume on TSX	163,361	134,565	217,144	270,191	458,040

Source: Bloomberg as at December 31, 2020.

SHARE PRICE EVOLUTION



Innergex share price closed the year at $27.37. The share price increased by 62.3% compared to the same period last year. The market capitalization value of Innergex was $4.8 billion as at December 31, 2020.

The year's highest trading price of $27.63 was reached on December 29, 2020 and its lowest of $13.97 on March 23, 2020. In 2020, the daily volume average on the TSX was 458,040 shares, an increase of 69.5% compared to last year.

INVESTOR RELATIONS

The Management Team and the Investor Relations Department engage in regular dialogues with investors and analysts. These dialogues may take the form of quarterly conference calls, roadshows, conferences, regular meetings with individuals or groups of investors and analysts. The Corporation is covered by twelve equity analysts.

The dialogues are subject to certain restrictions prior to the publication of financial and operational results. The publicly available information may be found on the Corporation's website at innergex.com under the Investor section. This page also contains links to the sustainability reports, investor presentations and other relevant information.

SELECTED ANNOUNCEMENT IN 2020

FEBRUARY 6, 2020	Innergex and Hydro-Québec announce a Strategic Alliance and a Private Placement
MARCH 27, 2020	Innergex provides an update regarding COVID-19
MAY 7, 2020	Innergex announces the financial close of the Hillcrest solar project in Ohio, USA
MAY 12, 2020	Innergex advances to final award group with solar and battery storage projects in Hawaii
MAY 14, 2020	Innergex is further diversifying its renewable energy portfolio in Chile with the acquisition of a 68 MW solar farm
MAY 22, 2020	Innergex disputes curtailment notices from BC Hydro
JULY 15, 2020	Innergex acquires six operating wind farms in the United States
SEPTEMBER 17, 2020	Innergex signs two long-term power purchase agreements for solar and battery energy storage projects in Hawaii
NOVEMBER 4, 2020	Innergex closes financing of the Innavik hydro project in Inukjuak, Quebec
DECEMBER 16, 2020	Innergex provides an update on ratings
DECEMBER 29, 2020	Innergex achieves financial close of its Griffin Trail wind project in Texas

FINANCIAL CALENDAR 2021

MAY 11, 2021	Annual General Meeting
MAY 11, 2021	2021 First Quarter Results
AUGUST 3, 2021	2021 Second Quarter and Six-Month Period Results
NOVEMBER 9, 2021	2021 Third Quarter and Nine-Month Period Results

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 three- and twelve-month periods ended December 31, 2020, and reflects all material events up to February 25, 2021, 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, 2020.

The audited consolidated financial statements attached to this MD&A and the accompanying notes for the year ended December 31, 2020, along with the 2019 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 tabular 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.

TABLE OF CONTENTS

1- Highlights ... 20
- Financial Year 2020 - Operating Performance ... 22
- Financial Year 2020 - Capital and Resources ... 22
- Financial Year 2020 - Growth and Development Initiatives ... 23
- Subsequent Events ... 23
- Financial Year 2019 ... 24

2- Overview of Operations ... 24
- Business Environment ... 24
- Operating Facilities ... 27
- Corporate Development ... 29
- Construction Activities ... 30
- Development Activities ... 31
- Prospective Projects ... 32

3- Financial Performance and Operating Results ... 33
- Hydroelectric Segment ... 34
- Wind Segment ... 35
- Solar Segment ... 36
- Net Earnings (Loss) from Continuing Operations ... 36
- Adjusted Net Earnings (Loss) from Continuing Operations ... 38
- Non-Controlling Interests ... 39

4- Capital and Liquidity ... 39
- Capital Structure ... 40
- Tax Equity Investment ... 41
- Financial Position ... 43
- Cash Flows ... 47
- Free Cash Flow and Payout Ratio ... 49
- Information on Capital Stock ... 51
- Dividends ... 51
- Normal Course Issuer Bid ... 52

5- Projected Financial Performance ... 53
- Strategic Plan 2020-2025 ... 54

6- Non-IFRS Measures ... 55

7- Additional Consolidated Information ... 61
- Geographic Segments ... 61
- Related Party Transactions ... 62
- Historical Quarterly Financial Information ... 63
- Discontinued Operations Financial Results ... 64

8- Judgments and Estimates, Accounting Policies and Disclosure Controls ... 65
- Critical Judgments and Estimates ... 65
- Significant Accounting Policies ... 66
- Disclosure Controls and Procedures ... 67

9- Risks and Uncertainties ... 68

10- Forward-Looking Information ... 78

1- HIGHLIGHTS

	Year ended December 31[1]		
	2020	2019	2018
OPERATING RESULTS			
Production (MWh)	8,073,914	6,509,622	5,086,497
Revenues	613,207	557,042	481,418
Adjusted EBITDA[2]	422,109	409,175	352,179
Adjusted EBITDA Margin[2]	68.8 %	73.5 %	73.2 %
Net (Loss) Earnings From Continuing Operations	(29,111)	(53,026)	26,215
Net (Loss) Earnings	(29,111)	(31,211)	25,718
Adjusted Net Earnings (Loss) From Continuing Operations[2]	22,311	(26,025)	13,963
PROPORTIONATE			
Production Proportionate (MWh)[2]	9,590,140	8,021,758	6,361,733
Revenues Proportionate[2]	781,466	698,001	583,819
Adjusted EBITDA Proportionate[2]	560,328	516,819	428,684
Adjusted EBITDA Proportionate Margin[2]	71.7 %	74.0 %	73.4 %
COMMON SHARES			
Dividends declared on common shares	125,543	95,046	90,215
Dividends declared on Series A Preferred Shares	3,067	3,067	3,067
Dividends declared on Series C Preferred Shares	2,875	2,875	2,875
Weighted Average Number of Common Shares (in 000s)	170,292	134,658	130,030
CASH FLOW AND PAYOUT RATIO			
Cash Flow From Operating Activities[3]	235,108	240,065	209,390
Free Cash Flow[2,3]	93,260	93,311	105,124
Payout Ratio[2,3]	135 %	102 %	86 %
Adjusted Payout Ratio[2,3]	109 %	88 %	66 %

	As at December 31		
	2020	2019	2018
FINANCIAL POSITION			
Total Assets	7,154,232	6,372,104	6,516,158
Total Liabilities	6,083,300	5,756,778	5,574,121
Non-Controlling Interests	62,078	10,942	312,776
Equity Attributable to Owners	1,008,854	604,384	629,261

1. Results from continuing operations unless otherwise indicated.
2. These measures are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Production and Production Proportionate are key performance indicators for the Corporation that cannot be reconciled with an IFRS measure. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.
3. For more information on the calculation and explanation, please refer to the "Free Cash Flow and Payout Ratio" section.

1- HIGHLIGHTS | Financial Year 2020 – Operating Performance

For the year ended December 31, 2020, **Revenues** were up 10% to $613.2 million. The **hydroelectric** power generation segment recorded an increase in revenues that was mainly due to higher production and higher average selling price at the British Columbia facilities despite curtailment imposed by BC Hydro on five facilities, notwithstanding the expiration of the EcoEnergy subsidy program. The commissioning of the Foard City wind farm in Texas on September 27, 2019, and the Mountain Air Acquisition completed on July 15, 2020, contributed to the increase in revenues in the **wind** power generation segment, partly offset by lower revenues at the Quebec wind facilities. The increase in revenues from the **solar** power generation segment was due to the commissioning of the Phoebe solar facility on November 19, 2019 and the Salvador Acquisition completed on May 14, 2020. **Revenues Proportionate** reached $781.5 million, a 12% increase compared with the same period last year, explained mainly by the items mentioned above and by higher proportional Production Tax Credits ("PTC") generated in the United States following the commissioning of the Foard City facility on September 27, 2019.

The **Adjusted EBITDA** from continuing operations was up 3% at $422.1 million compared with the same period last year, attributable mainly to the contribution of the facilities commissioned in 2019, the Mountain Air Acquisition and the Salvador Acquisition. The increase in Adjusted EBITDA was partly offset by higher general and administrative expenses to support the Corporation's growth. The **Adjusted EBITDA Proportionate** reached $560.3 million, an 8% increase compared with the same period last year.

Innergex recorded a net loss of $29.1 million ($0.23 loss per share - basic and diluted) for the year ended December 31, 2020, compared with a **net loss from continuing operations** of $53.0 million ($0.40 loss per share - basic and diluted) for the same period in 2019. This was mainly due to a $100.0 million decrease in i**ncome tax expense**, in most part related to tax attributes being allocated to tax equity investors in 2019, and a $42.2 million favourable movement in the **unrealized portion** of change in fair value of financial instruments.

These items were partly offset by an $18.5 million increase in the **impairment of non-current assets**, from an $8.2 million impairment of project development costs in 2019, to a $26.7 million impairment of the investment in Energía Llaima in 2020, a $39.1 million decrease in **other income mainly related to tax attributes allocated to the tax equity investors** at the Foard City wind facility in 2019, largely related to the accelerated tax depreciation primarily in the year of commissioning, partly offset by an increase in the PTCs generated, a $44.0 million increase in the **share of loss of joint ventures and associates**, mainly related to an unfavourable mark to market movement on Shannon and Flat Top's power hedges, and a $33.9 million increase in **depreciation and amortization**, mainly related to the recent acquisitions and commissioning activities.

For the year ended December 31, 2020, actual eligible energy revenue that would have been produced at the facilities in the absence of the curtailment imposed by BC Hydro amounts to $13.0 million ($14.8 million on a Revenues Proportionate[1] basis), respectively. Direct costs related to COVID-19 measures implemented by Innergex and potential savings from reduced travel have been immaterial.

1- HIGHLIGHTS | Financial Year 2020 – Capital and Resource

The increase in total assets is largely resulting from the construction of the Hillcrest, Griffin Trail and Yonne II projects, as well as from the Mountain Air and Salvador Acquisitions.

The increase in long-term loans and borrowings, including the current portion thereof, is largely resulting from the construction activities and from the long-term loans and borrowings assumed in the Mountain Air Acquisition. This was partly offset by the corporate revolving credit facility repayment made following the Hydro-Québec Private Placement, net of the amounts used toward the respective purchase price of the Mountain Air and Salvador Acquisitions.

The increase in equity attributable to owners is mainly a result of the Hydro-Québec Private Placement during the first quarter of 2020, partly offset by dividends declared and the total comprehensive loss attributable to owners of the parent.

Free Cash Flow remained relatively stable. The recent acquisition and commissioning activities have contributed to improving cash flows from operating activities before changes in non-cash operating working capital items. The decrease in interest payments on the corporate revolving credit facility concurrent with the Hydro-Québec Private Placement, and the strong performance of the hydroelectric facilities in British Columbia, also favourably impacted cash flows from operating activities. However, these items were offset by an increase in debt principal payments stemming from the acquisitions and commissioning activities, the BC Hydro-imposed curtailment in 2020, citing the COVID-19 pandemic, and by the recovery of maintenance capital expenditures and prospective project expenses following the sale of HS Orka in 2019. The Corporation's payout ratio was 135% for the year ended on December 31, 2020; when normalizing for non-recurring items, the Payout Ratio would have been 109%.

1- HIGHLIGHTS | Financial Year 2020 – Growth and Development Initiatives

On February 6, 2020, the Corporation announced that it formed a Strategic Alliance with Hydro-Québec that will allow both corporations to accelerate their respective growth strategies and mutually benefit from their complementary skills and knowledge. Targeted areas for investment include wind and solar projects with battery storage or transmission, distributed generation, off-grid renewable energy networks, and other sectors as may be agreed by both parties. Hydro-Québec has committed an initial $500 million to the Strategic Alliance, which will be entirely and exclusively dedicated to co-investment projects with Innergex.

Hydro-Québec has also made a $660.9 million investment in Innergex on February 6, 2020, through a private placement of Innergex common shares at a price of $19.08 per share ("Private Placement"), representing a premium of 5.0% to the 30-day volume weighted average price as at February 5, 2020.

On May 14, 2020, the Corporation completed the acquisition of the 68 MW PV Salvador SpA ("Salvador") solar photovoltaic farm in Chile (the "Salvador Acquisition"), as well as 11-year demand-based power purchase agreements (the "PPAs Acquisition") covering a total electricity generation of 54.6 GWh/year. Salvador Acquisition and PPAs Acquisition were acquired for a total net purchase price of US$66.1 million ($93.0 million).

On July 15, 2020, the Corporation completed the acquisition of all Class B shares of a portfolio of six operating wind farms in Elmore County, Idaho in the United States (the "Mountain Air Acquisition") for a purchase price of US$56.8 million ($77.3 million). The six 23 MW wind farms, Cold Springs, Desert Meadow, Hammett Hill, Mainline, Ryegrass and Two Ponds, have a total installed capacity of 138 MW.

The Corporation began or pursued **construction** on four projects in 2020. Construction started in September 2020 for the 225.6 MW Griffin Trail wind project for which the construction financing and tax equity commitment closed in December 2020. The Corporation also advanced the construction of the 200.0 MW Hillcrest solar project in the United States, the 7.5 MW Innavik hydro project in Canada and the 6.9 MW Yonne II wind project in France. These projects are expected to be commissioned between 2021 and 2022.

Projects under development are progressing well. The selection process for the Engineering, Procurement and Construction ("EPC") agreement is underway for both **Peahu and Hale Kuawehi solar and battery storage projects**. Paehu's power purchase agreement ("PPA") was approved by the Public Utilities Commission ("PUC") and the Special Use Permit application was filed in the fourth quarter. In France, the battery provider has been selected and exclusive negotiations are in progress for the **Tonnerre standalone battery storage project**. On September 17, 2020, Innergex signed two 25-year PPAs for the **Barbers Point** and **Kahana solar and battery storage projects** in Hawaii. The Barbers Point solar project is a 15 MW facility with 4-hour (60 MWh) of battery energy storage, while the Kahana solar project is a 20 MW facility with 4-hour (80 MWh) of battery energy storage.

The **Prospective projects** pipeline will allow several opportunities in the years to come, with 12 projects for a total 685 MW installed capacity currently at an advanced stage.

1- HIGHLIGHTS | Subsequent Events

Repayment of Alterra loans

On January 11, 2021, the Corporation reimbursed the $90.8 million balance of the Alterra term loan, which included a USD tranche, for an amount of US$21.4 million ($27.2 million) of principal and accrued interest. Also, on the same day, two related interest rate swaps were unwound for a net cash outflow of $3.2 million.

Dividend Rates on Preferred Shares

The Corporation announced on January 8, 2021, that the applicable dividend rates for its Cumulative Rate Reset Preferred Shares, Series A and Cumulative Floating Rate Preferred Shares, Series B have been modified. For Series A shares, the dividend rate for the five-year period commencing on January 15, 2021, to but excluding January 15, 2026, will be 3.244% per annum, or $0.2027 per share per quarter. For Series B shares, the dividend rate for the Quarterly Floating Rate Period commencing on January 15, 2021, to but excluding April 15, 2021, will be equal to 2.91% per annum, or $0.181875 per share per quarter.

Weather Conditions in Texas, United States

On February 17, 2021, the Corporation reported that the recent unprecedented extreme winter weather conditions in Texas had an impact on its ability to produce electricity at its Flat Top wind facility in Mills County, which resumed to normal operations on February 20, 2021. As for the Shannon wind facility in Clay County, Foard City wind facility in Foard County and the Phoebe solar facility located in Winkler County, while some power generation has continued, the combined effect of supply interruptions, abnormal market pricing conditions and contractual obligations to supply a predetermined daily generation under the power hedges, have had both positive and negative financial impacts depending on varying conditions at different times.

While the higher market price environment has had a net favourable impact on the consolidated revenues and Adjusted EBITDA, the Corporation estimated the adverse financial impact of the weather events on a consolidated basis to be approximately $80.0 million, due to the unfavourable impact from the realized losses on the power hedges, and from the Corporation's share of loss of joint ventures and associates also related to realized losses on the power hedges. Force majeure and other mitigating possibilities are being evaluated.

1- HIGHLIGHTS | Financial Year 2019

For the year ended December 31, 2019, the increase in Production (MWh), Revenues, Adjusted EBITDA and Adjusted EBITDA Proportionate from continuing operations were attributable mostly to the contribution of the 62% interest in the Cartier Wind Farms acquired in October 2018 and to the contribution of the facilities commissioned in 2019.

The Corporation recorded $53.0 million in net loss from continuing operations compared with net earnings of $26.2 million in 2018, mainly due to higher deferred income tax expense related to tax attributes and PTCs allocated to tax equity investors, higher unrealized net loss on financial instruments, finance costs and depreciation and amortization. Those unfavourable elements were partly offset by other revenues generated by tax attributes and PTCs from the commissioning of Foard City and Phoebe, and by higher Adjusted EBITDA mainly related to the contribution of the Cartier Wind Farms and the facilities commissioned in 2019.

The decrease in total assets was due mainly to the sale of HS Orka that was partially offset by the additional fixed assets of the Foard City wind facility and Phoebe solar facility that were both commissioned in 2019, and the application of IFRS 16.

The increase in long-term loans and borrowings resulted mainly from the commissioning of the Phoebe and Foard City facilities.

The equity attributable to owners decreased mainly due to the net loss and to the dividends declared, partly offset by the conversion of $86.7 million of the 4.25% Convertible Debentures.

The decrease in Free Cash Flow was mainly due to greater scheduled debt principal payments, partly offset by a decrease in the Free Cash Flow attributed to non-controlling interests mainly related to the disposal of HS Orka hf. The Corporation's payout ratio was 102% for the year ended December 31, 2019.

2- OVERVIEW OF OPERATIONS | Business Environment

Key Growth Factors

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

- The growing demand for renewable energy, as key to the energy transition to fight climate change, as supported by international agreements such as the Paris Agreement;
- Stable and long-term government policies for climate change mitigation and adaptation, and for the procurement of new renewable energy capacity;
- The availability of long-term renewable energy purchase contracts with highly creditworthy counterparties;
- The implementation of non-discriminatory access to transmission systems, providing independent power producers with access to certain regional electricity markets;
- Its capacity to evaluate and secure the best prospective sites for the development of new projects in cooperation with local communities;
- Its ability to adequately forecast total construction costs, expected revenues and expected expenses for each project, in a market with rapidly improving cost-competitiveness of renewable energy generation facilities;

- Its ability to make accretive acquisitions; and
- Its ability to finance its growth and to provide firm power with the increasing market readiness and cost effectiveness of storage technologies.

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. Among its goals, the plan commits to phasing out coal-fired generation by 2030, and resulted in the implementation of a national price on carbon in 2019. In 2020, the Government released its updated climate plan, A Healthy Environment and a Healthy Economy, to build on the work under the Pan-Canadian Framework and exceed Canada’s 2030 greenhouse gas reduction target. The plan envisions that with significant electrification in all economic sectors, by 2050 Canada will need to produce up to two to three times as much non-emitting power as it does now. Canada currently generates 80% of its electricity from clean, non-emitting sources, and has set a goal to increase this percentage to 90% by 2030 and to achieve a net-zero emissions grid before 2050. Towards this end, the plan commits to a significant increase to the national carbon price from its current $30 per tonne of GHG emissions to $170 per tonne in 2030.

In the **United States**, according to the U.S. Energy Information Administration, electricity generation from renewable energy is expected to rise from 19% in 2019 to 38% by 2050, with approximately 117 GW of new wind and solar photovoltaic capacity expected to be added from 2020-2023, encouraged by declining capital costs and the availability of tax credits. The wind energy production tax credit, which was set to expire at the end of 2020, was extended to the end of 2021. In many markets across the U.S., wind and solar energy are already among the least costly new generation sources, even compared with currently low-cost natural gas. As electricity demand grows modestly, the primary drivers for new capacity are expected to be the retirements of older, less-efficient fossil fuel units, the availability of renewable energy tax credits, and the continued decline in the capital cost of renewable energy sources, especially solar photovoltaic (PV). The U.S. also has a growing portion of new renewable energy projects being built to meet corporate demand. Low natural gas prices and favourable costs for renewable energy sources, combined with legislated commitments towards renewable energy at the state level, are expected to result in natural gas and renewables as the primary sources of new generation capacity in the near term. States have been very active in adopting and increasing renewable portfolio standards (RPS), policies that require electricity suppliers to source a certain amount of their electricity from designated renewable resources or eligible technologies. Thirty states, Washington, D.C., and three territories have now adopted an RPS, and eight states and one territory have set renewable portfolio goals. Twelve jurisdictions including Hawaii require 100% clean electricity by 2050 or earlier. Over 60% of U.S. electricity retail sales are in a jurisdiction with legally binding RPS policies.

France continues to be a very attractive market for renewable power. In 2020, the French government confirmed its target to increase the share of renewable energy in the next 10 years by setting some specific targets by technology. This translates into a projected 35 GW installed capacity in onshore wind by 2028, which continues to be Innergex's main focus in this market. In addition, from 2021, the Corporation also intends to address the large-scale solar sector, which also benefit from the same support with a 40 GW target by 2028. Finally, alongside renewable generation, Innergex intends to pursue opportunities in the storage market. Although France is likely to reduce the availability of its feed-in tariff contracts, it has committed to extend the RFP system for sourcing additional renewable power. In line with its strategic objectives of reaching 35 GW by 2028, RFPs are expected to call for 1.5 to 2 GW of additional projects every year. Awarded-PPAs would still be offered through a government-backed entity for a long period of time (20 years).

Renewable power continues to increase in **Chile**. In 2019, the production of solar and wind energy reached a total of 11,186 Gigawatt hours (“GWh”), a 22% increase from 2018, and representing 14.5% of the total generated power. Meanwhile, hydroelectric facilities continued to play a significant role in 2019, accounting for 27% of the total generation (equivalent to 20,793 GWh), 11% less than 2018. Mining, which consumes about a third of Chile’s overall power production, is also an industry that consumes most of the new renewable energy. Since 2014, 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 consumption expenses. According to the National Electric Coordinator, 62 power facilities began operations during 2020, which represents about 4,000 MW of additional power (up 100% from 2019). Among those, solar farms represent 34 new farms adding 1,504 MW of capacity to the system. For their part, wind farms will represent 14 new farms with a total capacity of 1,107 MW. Finally, 10 new hydroelectric facilities began operation in 2020, contributing 756 MW.

Seasonality of Operations

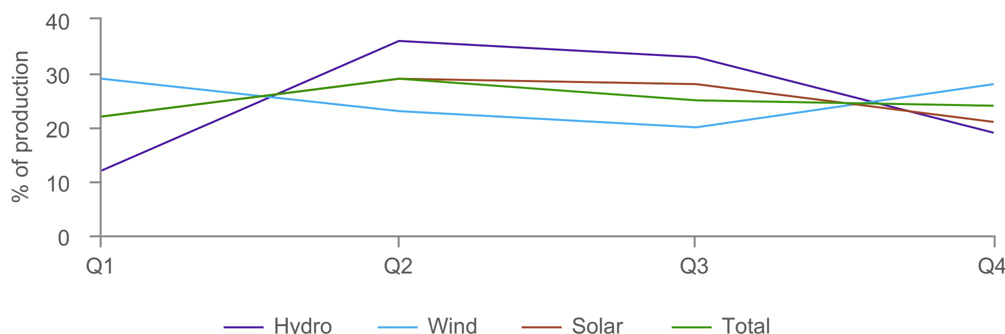
The Corporation aims to maintain a diversified portfolio of assets in terms of geography and sources of energy to alleviate any seasonal and production variations. The amount of electricity generated by the Operating Facilities is generally dependent on the availability of water flows, wind regimes and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

Fortunately, the complementary nature of hydroelectric, wind and solar energy production partially offsets any seasonal variations, as illustrated in the following table:

	Consolidated LTA and Quarterly Seasonality[1]									
In GWh and %	Q1		Q2		Q3		Q4		Total	
HYDRO	370	12 %	1,065	36 %	1,002	33 %	581	19 %	3,018	35 %
WIND	1,364	29 %	1,112	23 %	916	20 %	1,292	28 %	4,684	54 %
SOLAR	213	22 %	276	29 %	270	28 %	200	21 %	959	11 %
Total	1,947	22 %	2,453	29 %	2,188	25 %	2,073	24 %	8,661	100 %

1. The consolidated long-term average production is the annualized LTA for the facilities in operation as of February 25, 2021. 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. Production in comparison to the LTA is a key performance indicator for the Corporation. For more information, please refer to the “Key Figures” section.

Seasonality of Production by Energy Source



Global Climate Change

The Corporation carefully manages physical risks, including preparing for, and responding to, extreme weather events through activities such as proactive route selection, asset hardening, regular maintenance, and insurance. The Corporation follows regulated engineering codes, evaluates ways to create greater system reliability and resiliency and, where appropriate, submits regulatory applications for capital expenditures aimed at creating greater system reliability and resiliency. When planning for capital investment or acquiring assets, site-specific climate and weather factors, such as flood plain mapping and extreme weather history, are considered. Prevention activities include wildfire management plans and vegetation management at electricity transmission and distribution sites. The Corporation maintains in-depth emergency response measures for extreme weather events. Despite all the measures in place to prepare for and respond to extreme weather events, there is no assurance that there would be no consequences on the Corporation's revenues and profitability.

2- OVERVIEW OF OPERATIONS | Operating Facilities

Energy segment	Location	Three months ended December 31, 2020		Three months ended December 31, 2019		Three months Production % change	Year ended December 31, 2020		Year ended December 31, 2019		Twelve months Production % change
		Production (MWh)	Production as a % of LTA	Production (MWh)	Production as a % of LTA		Production (MWh)	Production as a % of LTA	Production (MWh)	Production as a % of LTA	
HYDRO	Quebec	216,240	119 %	162,604	90 %	33 %	717,839	103 %	664,458	95 %	8 %
	Ontario	22,043	104 %	21,937	103 %	— %	67,957	91 %	67,708	91 %	— %
	British Columbia	457,717	123 %	235,450	63 %	94 %	1,961,283	89 %	1,874,094	85 %	5 %
	United States	3,113	60 %	2,212	42 %	41 %	42,499	91 %	37,702	81 %	13 %
	Subtotal	**699,113**	**120 %**	**422,203**	**73 %**	**66 %**	**2,789,578**	**92 %**	**2,643,962**	**88 %**	**6 %**
WIND	Quebec	663,591	100 %	658,213	98 %	1 %	2,357,580	102 %	2,436,638	105 %	(3)%
	France	208,113	97 %	241,589	113 %	(14)%	711,114	96 %	724,267	98 %	(2)%
	United States[2,3]	430,178	104 %	338,353	102 %	27 %	1,424,116	99 %	381,684	102 %	273 %
	Subtotal	**1,301,882**	**101 %**	**1,238,155**	**102 %**	**5 %**	**4,492,810**	**100 %**	**3,542,589**	**103 %**	**27 %**
SOLAR	Ontario	5,341	96 %	5,179	92 %	3 %	38,652	105 %	39,387	106 %	(2)%
	United States[4]	121,587	89 %	128,266	98 %	(5)%	637,010	86 %	283,684	98 %	125 %
	Chile[5]	59,038	102 %	—	— %	— %	115,864	103 %	—	— %	— %
	Subtotal	**185,966**	**93 %**	**133,445**	**97 %**	**39 %**	**791,526**	**89 %**	**323,071**	**99 %**	**145 %**
TOTAL PRODUCTION[1]		**2,186,961**	**106 %**	**1,793,803**	**93 %**	**22 %**	**8,073,914**	**96 %**	**6,509,622**	**96 %**	**24 %**
Innergex's share of production of joint venture and associates		386,397	108 %	351,996	96 %	10 %	1,516,226	99 %	1,512,136	98 %	— %
PRODUCTION PROPORTIONATE		**2,573,358**	**106 %**	**2,145,799**	**93 %**	**20 %**	**9,590,140**	**97 %**	**8,021,758**	**96 %**	**20 %**
GEOTHERMAL	Iceland	—	— %	—	— %		—	— %	545,424	108 %	(100)%

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, their electricity production figures have been excluded from the production table.
2. Foard City was commissioned on September 27, 2019.
3. The Mountain Air Acquisition was completed on July 15, 2020.
4. Phoebe was commissioned on November 19, 2019.
5. The Salvador Acquisition was completed on May 14, 2020.

Production for the three-month period ended December 31, 2020, was 106% of LTA. The variation is mostly explained by above-average water flows in British Columbia and Quebec, and above-average wind regime in the United States. These items were partly offset by a net unfavourable impact of curtailment required by the distribution network in Texas at the Phoebe facility partly compensated by above-average irradiation, and production restrictions at some facilities in France. Innergex's share of Production of joint ventures and associates was 108% of LTA, translating into a **Production Proportionate** at 106% of LTA.

Production for the year ended December 31, 2020, was 96% of LTA, excluding BC Hydro curtailment, production would have reached 99%. The variation is mostly explained by outages and curtailment required by the distribution network in Texas at the Phoebe facility and below-average wind regimes in the United States in the first two quarters of the year. These items were partly offset by above-average wind regimes and above-average water flows in Quebec and by above-average wind regimes in the United States in the last quarter. Innergex's share of Production of joint ventures and associates was 99% of LTA, translating into a **Production Proportionate** at 97% of LTA.

PPA Renewals

On April 16, 2018, the Corporation and Sekw'el'was Cayoose Creek Band announced that they reached an agreement with BC Hydro for the renewal of the Walden North Facility's electricity purchase agreement (the "Walden EPA Renewal"). Cayoose Creek Power Limited Partnership and BC Hydro agreed to terminate the Walden EPA Renewal pursuant to its terms and to continue to transact pursuant to the terms of the original electricity purchase agreement initially entered into between BC Hydro and ESI Power Corp., dated August 16, 1990 and the forbearance agreement initially entered into between BC Hydro and ESI Power-Walden Corporation, dated April 1, 2014. The Corporation expects EPA negotiations to resume with BC Hydro upon filing of a new Integrated Resource Plan with the BCUC.

On April 16, 2018, the Corporation announced that it reached an agreement with BC Hydro for the renewal of the EPA of the Brown Lake Facility for a 40-year term (the "Brown Lake EPA Renewal"). The Corporation and BC Hydro amended the Brown Lake EPA Renewal as suggested by the BCUC so that the Brown Lake EPA Renewal would have a term no longer than three years and ending on October 31, 2022. The amended Brown Lake EPA Renewal was submitted by BC Hydro to the BCUC for acceptance. The BCUC's acceptance of the amended Brown Lake EPA Renewal is still pending.

The PPA for the Ste-Marguerite Facility reached the end of its initial 25-year term in December 2018. The Corporation sent to Hydro-Québec its notice of automatic renewal for an additional 25-year term. Discussions on the renewal terms and conditions are underway, in accordance with the renewal process of the initial PPA.

The PPA for the Montmagny Facility will reach the end of its initial 25-year term in May 2021. The Corporation sent to Hydro-Québec its notice of automatic renewal for an additional 25-year term. Discussions on the renewal terms and conditions will begin during the year.

The PPA for the Portneuf Facilities will reach the end of their initial 25-year term in May 2021. The Corporation sent to Hydro-Québec its notice of automatic renewal for an additional 25-year term. Discussions on the renewal terms and conditions will begin during the year.

2- OVERVIEW OF OPERATIONS | Corporate Development

Acquisition of a solar farm in Chile

- On May 14, 2020, the Corporation completed the Salvador Acquisition, as well as the PPAs Acquisition covering a total electricity generation of 54.6 GWh/year. The Salvador Acquisition and the PPAs Acquisition were purchased at a net price of US$47.4 million ($66.7 million) and US$18.7 million ($26.3 million) respectively.
- Salvador is expected to generate 182.2 GWh annually and reach an Adjusted EBITDA of US$8.0 million ($10.2 million) in 2021. Salvador was commissioned in 2014 and delivers its total output to the Sistema Interconectado Central (SIC) power grid, where it receives a merchant market price.
- The transaction also includes the transfer of 11-year demand-based PPAs with Empresa Eléctrica ERNC 1 S.A., a power trading company, to Innergex. These PPAs, which are volume-regulated on a timeblock basis, could benefit Energía Llaima SpA, a joint venture of which Innergex owns a 50% interest.
- The total net purchase price of US$66.1 million ($93.0 million) was financed entirely from Innergex revolving credit facilities. The project and the PPAs acquired were free of project debt.

Acquisition of six wind farms in Idaho, United States

- On July 15, 2020, the Corporation completed the Mountain Air Acquisition for a purchase price of US$56.8 million ($77.3 million).
- The six 23 MW wind farms, Cold Springs, Desert Meadow, Hammett Hill, Mainline, Ryegrass and Two Ponds, have a total installed capacity of 138 MW and were fully commissioned in December 2012. The wind turbines are currently under a full scope Service Maintenance Agreement, and all wind farms have power purchase agreements with Idaho Power Company, a power utility rated BBB by Standard & Poor's, for 100% of their capacity over a remaining period of approximately 12 years.
- The Mountain Air Acquisition is expected to produce a gross estimated long-term average of 331 GWh per year and a US$21.1 million ($26.9 million) projected adjusted EBITDA for 2021.
- The Class B shares should provide Innergex with additional cash immediately available for distribution representing 62.25% of the project free cash flow. Following cash distributions to the tax equity investor, the distributions receivable by Innergex would be approximately US$6.1 million ($7.8 million). The Class A shares will remain the property of the tax equity investor.
- The existing long-term non-recourse project-level financing amortized over the next 12 years remained in place and was assumed by the Corporation, as part of the acquisition, at a fair value of US$126.5 million ($172.3 million).

2- OVERVIEW OF OPERATIONS | Construction Activities

The table below outlines the projects that are under construction as at the date of this MD&A.

Name (Location)	Type	Ownership %	Gross installed capacity (MW)	Gross estimated LTA[1] (GWh)	PPA term (years)	Total project cost	Expected first 5-year average		Status	Expected COD
						Estimated[1] ($M)	Revenues[1] ($M)	Adjusted EBITDA Proportionate[1,2] ($M)		
Hillcrest (Ohio, U.S.)	Solar	100	200.0	413.3	15	368.0 [3]	21.7 [3]	13.0 [4]	All major work activities are well underway and the project is approximately 90% complete with over 400 total personnel on site. Commissioning work started in December. Full commercial operation is scheduled for Q2 2021.	2021
Innavik (QC, Canada)	Hydro	50	7.5	54.7	40	127.8 [4]	10.8 [4]	8.6 [4]	Residential bi-energy conversion program engineering is completed and the preparation of RFP is well underway. Bridge to give access to south shore was delivered and its installation is almost completed. Construction and long-term credit agreement of $92.8 million was entered into on November 4, 2020.	2022
Yonne II (France)	Wind	69.55	6.9	11.0	20	16.9 [5]	1.6 [5]	1.2 [5]	The three wind turbines have been fully installed and their commissioning is ongoing. Full commercial operation is targeted for March 2021	2021
Griffin Trail (Texas, U.S.)	Wind	100	225.6	819.0	— [6]	362.5 [7]	17.0 [7]	34.0 [7]	Construction progressed well on site in Q4 with significant progress on roads, turbine foundations and the operations and maintenance building. The contractor has over 200 personnel on site performing the work. Turbine deliveries commenced in January and are scheduled to complete in April 2021. Project financing was completed at the end of December. Commercial operation is scheduled for Q3 2021.	2021
Total			440.0	1,298.0		875.2	51.1	56.8		

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. Adjusted EBITDA Proportionate 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.
3. Total Estimated Project Cost at US$289.0 million, Expected Revenues at US$17.0 million and Expected Adjusted EBITDA at US$10.2 million translated at a rate of 1.2732.
4. Corresponding to 100% of this facility.
5. Total Estimated Project Cost at €10.8 million, Expected Revenues at €1.0 million and Expected Adjusted EBITDA at €0.8 million translated at a rate of 1.5608.
6. Power to be sold on the open market.
7. Total Estimated Project Cost at US$284.7 million, Expected Revenues at US$13.3 million, Expected Adjusted EBITDA at US$4.5 million, and Adjusted EBITDA Proportionate of US$26.7 million translated at a rate of 1.2732.

Contingency plans and measures are in place at all construction sites to address COVID-19 pandemic. Unless a decree is issued to halt construction, all construction site should continue as planned.

2- OVERVIEW OF OPERATIONS | Development Activities

Innergex owns a portfolio of Development Projects with a gross installed capacity of approximately 189 MW. The table below outlines their status as at the date of this MD&A.

Name (Location)	Type	Gross installed capacity (MW)	Gross estimated LTA[1] (GWh)	PPA term (years)	Status	Expected COD
Frontera (Chile)	Hydro	109.0	464.0	— [2]	The financing process, the construction contract and permitting are progressing slowly due to the COVID-19 pandemic. Project schedule is under revision.	—
Hale Kuawehi (Hawaii, U.S.)	Solar	30.0 [3]	87.4 [5]	25	Environmental and technical studies are completed. 30% design engineering is completed. EPC selection and permitting applications are underway.	2022
Paeahu (Hawaii, U.S.)	Solar	15.0 [3]	41.2 [5]	25	The PUC approved the PPA. 30% design engineering is completed. EPC request for proposals is underway. The Special Use Permit application was filed in Q4 2020.	2023
Kahana (Hawaii, U.S.)	Solar	20.0 [3]	74.6 [5]	25	Environmental studies are ongoing as are other permitting-related activities	2023
Barbers Point (Hawaii, U.S.)	Solar	15.0 [3]	37.0 [5]	25	Environmental studies are ongoing as are other permitting-related activities	2023
Tonnerre (France)	Storage	— [4]	—	— [6]	The battery provider, EVLO, a Hydro-Quebec subsidiary, has been selected and exclusive negotiations are in progress. The building permit request has been filed in December 2020.	2021
TOTAL		189	704.2			

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. Power to be sold on the open market or through PPAs yet to be signed.
3. Solar project with a battery storage capacity of 120 MWh for Hale Kuawehi, 60 MWh for Paeahu, 80 MWh for Kahana and 60 MWh for Barbers Point.
4. Standalone battery storage capacity of 9 MWh.
5. PPA is a fixed lump sum capacity payment for the availability of dispatchable energy.
6. The project has been awarded a 7-year Contract for Difference offering a fixed-price contract for capacity certificate. The French Energy Code sets forth a market-based premium regime. Under a Contract for Difference, the income of the producer relies on a price obtained on the market and an energy premium that corresponds to the difference between a reference tariff calculated on the basis of the average financing and operation costs for an efficient and representative installation and the average electricity and capacity market-based prices.

2- OVERVIEW OF OPERATIONS | Prospective Projects

Innergex also owns interests in numerous prospective projects at various stages of development. Some projects have secured land rights, filed an investigative permit application or have submitted or could submit a proposal under a Request for Proposal or a Standing Offer Program (collectively the "Prospective Projects"). The list of Prospective Projects is revised annually to add or remove projects, according to their advancement potential. Prospective projects are categorized in different stages based on the items below. There is no certainty that any Prospective Project will be realized.

In order to define the stage of each prospective project, their progression is measured according to the permitting maturity phase leading to obtaining a final notice to proceed combined with a success probability factor that the project will reach the development stage. Prospective projects are segregated into three different stages, i.e. early, mid and advanced.

Early Stage	The prospective projects in this category have a **LOW** permitting maturity combined with a **LOW** success probability factor; or a **MID**-stage permitting maturity combined with a **MEDIUM** success probability factor.
Mid Stage	The prospective projects in this category have a **MID**-stage permitting maturity combined with a **MEDIUM** success probability factor; or a **HIGH-**stage permitting maturity combined with a **MEDIUM** success probability factor.
Advanced Stage	The prospective projects in this category have a **HIGH** permitting maturity combined with a **HIGH** success probability factor; or a **MID-**stage permitting maturity combined with **HIGH** success probability factor.

	Early Stage		Mid Stage		Advanced Stage		Total Capacity (in MW)	Total number of projects
	Capacity (in MW)	Number of projects	Capacity (in MW)	Number of projects	Capacity (in MW)	Number of projects		
CANADA								
Hydro	500	7	—	—	—	—	500	7
Solar	300	8	—	—	—	—	300	8
Wind	3,443	20	500	3	—	—	3,943	23
Subtotal	4,243	35	500	3	—	—	4,743	38
UNITED STATES								
Solar	664	7	370	3	200	1	1,234	11
Wind	—	—	—	—	320	1	320	1
Subtotal	664	7	370	3	520	2	1,554	12
FRANCE								
Wind	69	7	120	7	162	9	351	23
CHILE								
Hydro	183	3	—	—	3	1	186	4
Solar	32	1	—	—	—	—	32	1
Wind	—	—	9	1	—	—	9	1
Subtotal	215	4	9	1	3	1	227	6
Total	5,191	53	999	14	685	12	6,875	79

1. Only Gross Installed Capacity is disclosed for Prospective Projects as the net capacity is not yet defined at this stage.

Strategic Alliance Pipeline

The Corporation formed a Strategic Alliance with Hydro-Québec on February 6, 2020, to leverage the strong Quebec know-how in renewable energy and power grid management into global opportunities. Hydro-Québec has committed an initial $500 million to the Strategic Alliance, which will be entirely and exclusively dedicated to co-investment projects with Innergex. Each party has also committed to presenting investment opportunities in targeted sectors outside of Quebec to each other exclusively for an initial 3-year period. Targeted areas for investment include wind and solar projects with battery storage or transmission, distributed generation, off-grid renewable energy networks, and other sectors as may be agreed by both parties.

In the first year of the Strategic Alliance, both entities worked together to build a team responsible for identifying opportunities to invest. Many opportunities have been assessed while many others are still under review. The current COVID-19 pandemic has slowed down the market but opportunities still exist and the team is evaluating all of those that make sense for the Strategic Alliance. In addition, the entities are targeting standalone energy storage facilities with the battery technology developed by Hydro-Québec.

3- FINANCIAL PERFORMANCE AND OPERATING RESULTS

	Three months ended December 31[1]				Year ended December 31[1]			
	2020	2019	Change		2020	2019	Change	
Revenues	167,927	143,116	24,811	17 %	613,207	557,042	56,165	10 %
Operating expenses	36,510	26,308	10,202	39 %	131,442	98,455	32,987	34 %
General and administrative expenses	9,979	11,235	(1,256)	(11)%	42,948	36,507	6,441	18 %
Prospective project expenses	3,608	2,240	1,368	61 %	16,708	12,905	3,803	29 %
Adjusted EBITDA[2]	117,830	103,333	14,497	14 %	422,109	409,175	12,934	3 %
Adjusted EBITDA margin[2]	70.2 %	72.2 %			68.8 %	73.5 %		
Finance costs	57,443	61,062	(3,619)	(6)%	233,143	231,766	1,377	1 %
Other net income	(7,304)	(102,004)	94,700	(93)%	(65,554)	(104,643)	39,089	(37)%
Depreciation and amortization	58,465	53,021	5,444	10 %	228,526	194,579	33,947	17 %
Impairment of equity accounted investment	26,659	—	26,659	— %	26,659	—	26,659	— %
Impairment of project development costs	—	8,184	(8,184)	— %	—	8,184	(8,184)	— %
Share of (earnings) losses of joint ventures and associates[3]	(13,874)	(27,276)	13,402	(49)%	7,524	(36,469)	43,993	(121)%
Change in fair value of financial instruments	(22,810)	40,708	(63,518)	(156)%	2,025	49,933	(47,908)	(96)%
Income tax expense	7,357	117,687	(110,330)	(94)%	18,897	118,851	(99,954)	(84)%
Net earnings (loss) from continuing operations	11,894	(48,049)	59,943	(125)%	(29,111)	(53,026)	23,915	(45)%
Net earnings from discontinued operations	—	644	(644)	(100)%	—	21,815	(21,815)	(100)%
Net earnings (loss)	11,894	(47,405)	59,299	(125)%	(29,111)	(31,211)	2,100	(7)%
Net earnings (loss) attributable to:								
Owners of the parent	11,920	(46,158)	58,078	(126)%	(32,628)	(28,041)	(4,587)	16 %
Non-controlling interests	(26)	(1,247)	1,221	(98)%	3,517	(3,170)	6,687	(211)%
	11,894	(47,405)	59,299	(125)%	(29,111)	(31,211)	2,100	(7)%
Basic and diluted net earnings (loss) per share from continuing operations attributable to owners ($)	0.06	(0.35)			(0.23)	(0.40)		
Basic and diluted net earnings (loss) per share attributable to owners ($)	0.06	(0.36)			(0.23)	(0.25)		

1. Results from continuing operations unless otherwise indicated.
2. 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.
3. 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.

On a consolidated basis, the **Adjusted EBITDA Margin** was down from 72.2% to 70.2% for the three-month period ended on December 31, 2020, and down from 73.5% to 68.8% for the twelve-month period ended on December 31, 2020.

The decrease for the three-month period is mainly explained by the increased weight of the solar and wind segments for which margins are lower, due to the recent acquisitions and commissioning activities, partly offset by lower general and administrative expenses.

The decrease for the twelve-month period is mainly explained by the increased weight of the solar and wind segments for which margins are lower, due to the recent acquisitions and commissioning activities, and by higher general and administrative expenses to support the Corporation's growth.

On a consolidated basis, **Adjusted EBITDA Proportionate Margin** was down from 75.2% to 72.4% for the three-month period ended on December 31, 2020, and down from 74.0% to 71.7% for the twelve-month period ended on December 31, 2020.

The decrease for the three-month period is mainly explained by a lower Adjusted EBITDA margin and by lower margins at some wind facilities resulting from lower net selling prices.

The decrease for the twelve-month period is mainly explained by a lower Adjusted EBITDA margin, partly offset by a higher margin contribution from the Foard City facility's PTCs that directly improves the margin.

3- FINANCIAL PERFORMANCE AND OPERATING RESULTS | Hydroelectric Segment

	Three months ended December 31			Year ended December 31		
Hydroelectric Segment	2020	2019	Change	2020	2019	Change
Production (MWh)	699,113	422,203	66 %	2,789,578	2,643,962	6 %
LTA (MWh)	580,908	580,908	— %	3,017,166	3,017,166	— %
Revenues (In $M)	59,945	39,949	50 %	229,102	218,918	5 %
Adjusted EBITDA (In $M) [1]	43,500	29,126	49 %	173,869	170,023	2 %
Adjusted EBITDA Margin [1]	72.6 %	72.9 %	—	75.9 %	77.7 %	—
PROPORTIONATE [1]						
Production Proportionate (MWh)	828,189	529,223	56 %	3,372,316	3,243,489	4 %
Revenues Proportionate (In $M)	74,358	50,815	46 %	293,497	283,679	3 %
Adjusted EBITDA Proportionate (In $M)	53,854	36,498	48 %	223,695	218,034	3 %
Adjusted EBITDA Margin Proportionate	72.4 %	71.8 %	—	76.2 %	76.9 %	—

1. These measures are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Production and Production Proportionate are key performance indicators for the Corporation that cannot be reconciled with an IFRS measure. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

For the three-month period ended December 31, 2020, the increase of 49% in **Adjusted EBITDA** in the hydroelectric segment compared with the same quarter last year is mainly due to a higher contribution from the facilities in British Columbia. This higher contribution is mainly attributable to higher revenues derived from a net favourable impact of higher production over lower selling prices, partly offset by higher operational expenses compared with the 2019 numbers that included a favourable settlement of the water rights claim. The increase is also attributable to higher production at the Quebec facilities. The **Adjusted EBITDA Margin** is down from 72.9% to 72.6%, which is mainly explained by higher operational expenses.

The **joint ventures' and associates'** hydroelectric facilities contributed $10.4 million to the **Adjusted EBITDA Proportionate** for the three-month period ended December 31, 2020, compared with a contribution of $7.4 million for the same quarter last year, a 40% increase mainly due to a higher contribution from the Jimmie Creek facility due to higher revenues attributable to higher production and selling price, higher revenues at the Toba Montrose facility due to a favourable impact of higher production over lower average selling prices, and higher contribution from some facilities in Chile due to higher average selling prices over lower production.

For the year ended December 31, 2020, the 2% increase in **Adjusted EBITDA** in the hydroelectric segment compared with the same period last year, is mainly due to higher contribution from the facilities in British Columbia, explained by higher revenues from a combined impact of higher production and higher average selling prices at most facilities, notwithstanding the expiration of the EcoEnergy subsidy program for some facilities. This increase was partly offset by the curtailment imposed by BC Hydro for five facilities and by higher operational expenses in British Columbia facilities compared with the 2019 numbers that included a favourable settlement of the water rights claim. The **Adjusted EBITDA Margin** is down from 77.7% to 75.9%, which is mainly explained by higher operational expenses.

The **joint ventures' and associates'** hydroelectric facilities contributed $49.8 million to the **Adjusted EBITDA Proportionate** for the year ended December 31, 2020, compared with a contribution of $48.0 million for the same period last year, a 4% increase mainly due to a higher contribution from Toba Montrose, explained by higher revenues from a favourable impact of higher production over lower average selling prices. This increase was partly offset by a lower contribution from the Jimmie

Creek facility, explained by lower revenues mostly due to the curtailment imposed by BC Hydro and by a lower contribution from some facilities in Chile due to a net unfavourable impact of lower production over higher average selling prices and lower operational expenses.

3- FINANCIAL PERFORMANCE AND OPERATING RESULTS | Wind Segment

	Three months ended December 31			Year ended December 31		
Wind Segment	2020	2019	Change	2020	2019	Change
Production (MWh)	1,301,882	1,238,155	5 %	4,492,810	3,542,589	27 %
LTA (MWh)	1,292,026	1,217,196	6 %	4,492,522	3,426,464	31 %
Revenues (In $M)	98,470	92,927	6 %	333,795	304,724	10 %
Adjusted EBITDA (In $M) [1]	78,658	78,369	— %	263,945	253,606	4 %
Adjusted EBITDA Margin [1]	79.9 %	84.3 %	—	79.1 %	83.2 %	—
PROPORTIONATE [1]						
Production Proportionate (MWh)	1,555,772	1,479,829	5 %	5,413,583	4,442,098	22 %
Revenues Proportionate (In $M)	127,030	126,280	1 %	435,784	378,804	15 %
Adjusted EBITDA Proportionate (In $M)	103,164	108,659	(5)%	351,262	312,285	12 %
Adjusted EBITDA Margin Proportionate	81.2 %	86.0 %	— %	80.6 %	82.4 %	— %

1. These measures are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Production and Production Proportionate are key performance indicators for the Corporation that cannot be reconciled with an IFRS measure. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

For the three-month period ended December 31, 2020, the **Adjusted EBITDA** in the wind power generation segment was stable mainly due to the Mountain Air Acquisition in Idaho completed on July 15, 2020, and to the higher contribution from the Quebec facilities explained by higher production. These items were offset by lower revenues from the Foard City facility due to an unfavourable net selling price and by higher operational expenses. These items were also partly offset by a lower contribution from the wind facilities in France, explained by lower revenues due mostly to lower wind regime. The **Adjusted EBITDA Margin** was down from 84.3% to 79.9%, which was mainly explained by the weight of the recent acquisition and commissioned facilities in the United States for which margins are lower.

The **joint ventures' and associates'** wind farms contributed $4.9 million to the **Adjusted EBITDA Proportionate** for the three-month period ended December 31, 2020, compared with a contribution of $12.5 million in the same quarter last year mainly due to a lower contribution from the Shannon and Flat Top facilities due mostly to lower revenues explained by unfavourable net selling prices and by an annual favourable adjustment in 2019.

The **proportional PTCs** generated by the wind farms contributed $19.6 million in the three-month period ended December 31, 2020, compared with a $17.8 million contribution in the same quarter last year. The increase is due to higher PTCs earned from higher production at wind farms located in the United States.

For the year ended December 31, 2020, the 4% increase in **Adjusted EBITDA** in the wind power generation segment is mainly due to the Mountain Air Acquisition in Idaho completed on July 15, 2020, the commissioning of the Foard City wind farm in Texas on September 27, 2019, and by a higher contribution from most facilities in France due to higher revenues. These items were partly offset by a lower contribution from the Quebec facilities explained by lower revenues due to lower production over lower operational expenses. The variation is also partly offset by a temporary shutdown and production restrictions at some facilities in France.The **Adjusted EBITDA Margin** is down from 83.2% to 79.1%, which is mainly explained by the weight of the recent acquisition and commissioned facilities in the United States for which margins are lower.

The **joint ventures' and associates'** wind farms contributed $16.8 million to the **Adjusted EBITDA Proportionate** for the year ended December 31, 2020, compared with $21.6 million for the same period last year, a 22% decrease mainly due to a lower contribution from the Shannon and Flat Top facilities explained by lower revenues from unfavourable net selling prices, partly offset by lower operational expenses. This item was partly offset by a higher contribution from the Dokie facility explained by higher production.

The **proportional PTCs** generated by the wind farms contributed $70.5 million for the year ended December 31, 2020, compared with a $37.1 million contribution in the same period last year. The increase is due to PTCs generated by the Foard City wind farm following its commissioning on September 27, 2019.

3- FINANCIAL PERFORMANCE AND OPERATING RESULTS | Solar Segment

	Three months ended December 31			Year ended December 31		
Solar Segment	2020	2019	Change	2020	2019	Change
Production (MWh)	185,966	133,445	39 %	791,526	323,071	145 %
LTA (MWh)	199,786	136,978	46 %	887,369	326,540	172 %
Revenues (In $M)	9,512	10,240	(7)%	50,310	33,400	51 %
Adjusted EBITDA (In $M) [1]	8,135	8,796	(8)%	39,214	31,034	26 %
Adjusted EBITDA Margin [1]	85.5 %	85.9 %	—	77.9 %	92.9 %	—
PROPORTIONATE [1]						
Production Proportionate (MWh)	189,397	136,747	39 %	804,241	336,171	139 %
Revenues Proportionate (In $M)	9,967	10,852	(8)%	52,185	35,518	47 %
Adjusted EBITDA Proportionate (In $M)	8,375	9,085	(8)%	40,290	31,988	26 %
Adjusted EBITDA Margin Proportionate	84.0 %	83.7 %	— %	77.2 %	90.1 %	— %

1. These measures are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Production and Production Proportionate are key performance indicators for the Corporation that cannot be reconciled with an IFRS measure. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

For the three-month period ended December 31, 2020, the decrease of 8% in **Adjusted EBITDA** in the solar power generation segment is mainly due to a lower contribution from the Phoebe solar facility attributable to a net unfavourable impact of lower net selling prices, partly offset by lower operational expenses. The variation was also partly offset by the Salvador Acquisition on May 14, 2020. The **Adjusted EBITDA Margin** was stable.

For the year ended December 31, 2020, the increase of 26% in **Adjusted EBITDA** in the solar power generation segment is mainly due to the commissioning of the Phoebe solar facility on November 19, 2019, and to the Salvador Acquisition on May 14, 2020. The **Adjusted EBITDA Margin** was down from 92.9% to 77.9%, which is mainly explained by the weight of recent acquisition and commissioned facilities in the United States and Chile, for which margins are lower.

3- FINANCIAL PERFORMANCE AND OPERATING RESULTS | Net Earnings (Loss) from Continuing Operations

Net earnings of $11.9 million ($0.06 earnings per share - basic and diluted) for the three-month period ended December 31, 2020, compared with a net loss from continuing operations of $48.0 million ($0.35 loss per share - basic and diluted) in 2019.

In addition to the hydroelectric, wind and solar segments' respective operating performance previously explained, the $59.9 million increase in net earnings mainly stems from:

- a $110.3 million decrease in **income tax expense, mainly related to a decrease in tax attributes being allocated to tax equity investors**, namely the accelerated tax depreciation, PTCs and ITCs, including the impact thereof on the share of earnings in joint ventures and associates;
- a $63.5 million favourable movement in the **change in fair value of financial instruments**, composed of:
  - a $45.8 million favourable movement in the **unrealized portion** of change in fair value of financial instruments mainly related to a mark to market gain on the Phoebe power and basis hedges in 2020, compared with a mark to market loss in 2019, to a large extent, resulting from the basis hedge; and
  - a $17.7 million favourable movement in the **realized portion** of change in fair value of financial instruments mainly related to a $0.1 million realized loss on the Phoebe basis hedge in 2020, from an $11.7 million loss in 2019.

These items were partly offset by:

- a $13.4 million decrease in the **share of earnings of joint ventures and associates**, mainly related to a decrease in the mark to market gain on Shannon and Flat Top's power hedges in 2020, compared with 2019.
- an $18.5 million increase in the **impairment of non-current assets** stemming from a $26.7 million impairment charge on our investment in Energía Llaima due to recent changes in market conditions that affected downwards the expectation of future cash flows from the investment, compared with an $8.2 million impairment of project development costs in 2019; and
- a $94.7 million decrease in **other income mainly related to tax attributes allocated to the tax equity investors** at the Foard City wind and Phoebe solar facilities, largely related to the accelerated tax depreciation recognized primarily in the year of the commissioning.

Net loss of $29.1 million ($0.23 loss per share - basic and diluted) for the year ended December 31, 2020, compared with net loss from continuing operations of $53.0 million ($0.40 loss per share - basic and diluted) in 2019.

In addition to the hydroelectric, wind and solar segments' respective operating performance previously explained, the $23.9 million decrease in net loss can be explained by:

- a $100.0 million decrease in **income tax expense, mainly related to a decrease in tax attributes being allocated to tax equity investors**, namely the accelerated tax depreciation, PTCs and ITCs, including the impact thereof on the share of earnings in joint ventures and associates;
- a $47.9 million favourable movement in the **change in fair value of financial instruments**, composed of:
  - a $42.2 million favourable movement in the **unrealized portion** of change in fair value of financial instruments mainly related to the Phoebe power and basis hedges and the favourable change in the currency translation of intragroup loans, partly offset by an unfavourable change in unrealized loss on the Corporation's portfolio of foreign exchange forward contracts; and
  - a $5.7 million favourable movement in the **realized portion** of change in fair value of financial instruments mainly related to realized gains on the Phoebe and Salvador power hedges.

These items were partly offset by:

- a $6.4 million increase in **general and administrative expenses**, stemming mainly from an increase in salaries and professional fees to support the Corporation's growth;
- an $18.5 million increase in the **impairment of non-current assets** stemming from a $26.7 million impairment of the investment in Energia Llaima in 2020, compared with an $8.2 million impairment of project development costs in 2019;
- a $39.1 million decrease in **other net income mainly related to tax attributes allocated to the tax equity investors** at the Foard City wind facility, largely related to the accelerated tax depreciation primarily in the year of the commissioning, partly offset by an increase in the PTCs generated by the Foard City wind facility;
- a $44.0 million increase in the **share of loss of joint ventures and associates**, mainly related to a mark to market loss on Shannon and Flat Top's power hedges in 2020, compared with a mark to market gain for the same period in 2019; and
- a $33.9 million increase in **depreciation and amortization**, mainly related to the Salvador and Mountain Air Acquisitions realized during the second and third quarter of 2020, respectively, and the commissioning of Foard City wind and Phoebe solar facilities in the fourth quarter of 2019.

3- FINANCIAL PERFORMANCE ON OPERATING RESULTS | Adjusted Net Earnings (Loss) from Continuing Operations

The Adjusted Net Earnings (Loss) from Continuing Operations seeks to provide a measure that eliminates the earnings impacts of certain derivative financial instruments and non-recurring events, which do not represent the Corporation's operating performance. Adjusted Net Earnings (Loss) from Continuing Operations is not a recognized measure under IFRS, has no standardized meaning prescribed by IFRS and therefore may not be comparable with measures presented by other issuers. Please refer to the "Non-IFRS Measures" section for more information.

The table below shows a summary statement of Adjusted Net Earnings (Loss) from Continuing Operations (Please refer to the "Non-IFRS Measures" for a reconciliation to the Consolidated Statements of Earnings):

	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
Revenues	167,927	143,116	613,207	557,042
Operating expenses	36,510	26,308	131,442	98,455
General and administrative expenses	9,979	11,235	42,948	36,507
Prospective project expenses	3,608	2,240	16,708	12,905
Adjusted EBITDA	117,830	103,333	422,109	409,175
Finance costs	57,443	61,062	233,143	231,766
Other net income	(7,154)	(101,763)	(63,824)	(101,981)
Depreciation and amortization	58,465	53,021	228,526	194,579
Share of (earnings) losses of joint ventures and associates	(3,646)	(5,730)	(12,465)	(13,472)
Realized (gains) losses on power hedges	(1,818)	208	(9,232)	208
Income tax expense	1,550	122,117	23,650	124,100
Adjusted Net Earnings (Loss) from Continuing Operations[1]	12,990	(25,582)	22,311	(26,025)

1. Adjusted Net Earnings (Loss) from Continuing Operations 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 for more information.

Adjusted Net Earnings of $13.0 million for the three-month period ended December 31, 2020, compared with an Adjusted Net Loss from Continuing Operations of $25.6 million in 2019.

In addition to the hydroelectric, wind and solar segments' respective operating performance previously explained, the $38.6 million increase in Adjusted Net Earnings from Continuing Operations mainly stems from:

- a $120.6 million decrease in **income tax expense, mainly related to a decrease in tax attributes being allocated to tax equity investors**, namely the accelerated tax depreciation, PTCs and ITCs, including the impact thereof on the share of earnings in joint ventures and associates;

Partly offset by:

- a $94.6 million decrease in **other income mainly related to tax attributes allocated to the tax equity investors** at the Foard City wind and Phoebe solar facilities, largely related to the accelerated tax depreciation recognized primarily in the year of the commissioning.

Adjusted Net Earnings of $22.3 million for the year ended December 31, 2020, compared with an Adjusted Net Loss from Continuing Operations of $26.0 million in 2019

In addition to the hydroelectric, wind and solar segments' respective operating performance previously explained, the $48.3 million increase in Adjusted Net Earnings from Continuing Operations mainly stems from:

- a $100.5 million decrease in **income tax expense**, mainly related to a decrease in tax attributes being allocated to tax equity investors, namely the accelerated tax depreciation, PTCs and ITCs, including the impact thereof on the share of earnings in joint ventures and associates;
- a $9.4 million favourable movement in the **realized portion** of change in fair value of financial instruments, related to realized gains on the Phoebe and Salvador power hedges.

These items were partly offset by:

- a $6.4 million increase in **general and administrative expenses**, stemming mainly from an increase in salaries and professional fees to support the Corporation's growth;

- a $38.2 million decrease in **other income mainly related to tax attributes allocated to the tax equity investors** at the Foard City wind facility, largely related to the accelerated tax depreciation primarily in the year of the commissioning, partly offset by an increase in the PTCs generated by the Foard City wind facility; and
- a $33.9 million increase in **depreciation and amortization**, mainly related to the Salvador and Mountain Air Acquisitions realized during the second and third quarter of 2020, respectively, and the commissioning of Ford City wind and Phoebe solar facilities in the fourth quarter of 2019.

3- FINANCIAL PERFORMANCE ON OPERATING RESULTS | Non-Controlling Interests

Non-controlling interests are related to the non-wholly owned subsidiaries identified in the "Portfolio of assets" section.

Attribution of loss of nil to non-controlling interests for the three-month period ended December 31, 2020, compared with a loss of $1.2 million for the corresponding period in 2019

The $1.2 million increase in loss attributed to non-controlling interests is mainly due to:

- an unfavourable movement in the unrealized portion of the change in fair value of derivative financial instruments in Innergex Europe;

Partly offset by:

- a cumulative adjustment related to a reclassification of the tax equity financing as a financial liability during the fourth quarter of 2019, concurrently affecting the amount of earnings previously allocated to the tax equity investor; and
- the Mountain Air Acquisition, of which 37.75% of net earnings are attributed to non-controlling interests.

Attribution of earnings of $3.5 million to non-controlling interests for the year ended December 31, 2020, compared with a loss of $3.2 million for the corresponding period in 2019

The $6.7 million increase in earnings attributed to non-controlling interests is mainly due to:

- a favourable movement in the unrealized portion of the change in fair value of derivative financial instruments and to an increase in revenues in Innergex Europe; and
- an increase in revenues from the Harrison Hydro facilities stemming mainly from the increase in production during the fourth quarter of 2020 for those facilities.

4- CAPITAL AND LIQUIDITY | Capital Structure

Our capital structure consists of the following components as shown below:

	As at December 31, 2020	As at December 31, 2019
Equity[1]		
Common shares[2]	4,778,325	2,350,382
Preferred shares[3]	99,364	95,010
Non-controlling interests	62,078	10,942
Long-term loans and borrowings[1]		
Corporate revolving credit facility	182,996	490,996
Other corporate debt	266,627	267,167
Project-level debt	3,839,799	3,380,770
Tax Equity financing	315,958	339,950
Convertible debentures	280,075	278,827
Deferred financing costs	(71,574)	(66,041)
	9,753,648	7,148,003

1.Common and preferred shares are presented at their market value as at December 31, 2020 and 2019, while non-controlling interests and long-term loans and borrowings are presented at their respective book value.
2.Consists of the number of common shares outstanding as at December 31, 2020 and 2019, multiplied by the prevailing share price of $27.37 (2019 - $16.86) at the close of markets.
3.Consists of the number of preferred shares outstanding as at December 31, 2020 and 2019, multiplied by the prevailing share price of $14.46 and $25.10 (2019 - $14.15 and $23.45), for the Series A and Series C preferred shares, respectively at the close of markets.

Innergex'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.

Innergex 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. Generally, equity is the primary source of financing for the development of projects, while long-term loans and borrowings are used to finance the construction projects. The Corporation expects to finance 70% to 85% of its construction costs mostly through non-recourse long-term debt financing or tax equity financing for qualifying projects in the United States.

The increase in the number of common shares outstanding is mainly related to the Hydro-Québec Private Placement. The increase in non-controlling interests stems principally from the Mountain Air Acquisition, net of dividends to non-controlling interests. The increase in long-term loan borrowings is related to the construction of Hillcrest, Griffin Trail and Yonne II, and to the acquisition of Mountain Air, partly offset by a repayment of the corporate revolving credit facility concurrent with the Hydro-Québec Private Placement.

As at December 31, 2020, 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 and 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. As at December 31, 2020 and 2019, the Mesgi'g Ugju's'n facility was in default of its credit agreement. A breach was triggered by the bankruptcy of a supplier considered a major project participant under the credit agreement. A waiver has been obtained and was subsequently extended until March 31, 2021. A plan was put in place to ensure the continuity of the operations of the facility. Ongoing dialogue and reporting are provided to the facility lenders until this situation is resolved. If the waiver is not renewed, the lenders would have the right to request repayment. As a result, the $219.0 million ($232.1 million in 2019) portion of the loan that would otherwise be classified as non-current was reallocated to the current portion of long-term loans and borrowings. As at December 31, 2020, and as at December 31, 2019, the facility was in compliance with financial covenants.

As at December 31, 2020, the Montjean and Theil-Rabier facilities were not meeting their respective targeted debt coverage ratios, which triggered a default under their respective credit agreement. This was due to two blade incidents, which caused business interruptions of both Montjean and Theil-Rabier facilities for an extended period which were subsequently followed by several production restrictions. Assuming the situation is not resolved, the lenders would have the right to request repayment, and as a result, the €12,331 ($19,246) portion of the loan that would otherwise be classified as long-term of each debt was reallocated to the current portion of long-term loans and borrowings.

As at December 31, 2020, the Mountain Air facilities were in breach of their credit agreements due to a non respect of a specific requirement of the insurance clause. A waiver was obtained until March 31, 2021. If the situation is not resolved and the waiver is not renewed, the lenders would have the right to request repayment, and as a result, the US$115,304 ($146,804) portion of the loan that would otherwise be classified as long-term was reallocated to the current portion of long-term loans and borrowings.

The effective all-in interest rate on the Corporation's long-term loans and borrowings was 4.50% as at December 31, 2020 (4.70% as at December 31, 2019).

4- CAPITAL AND LIQUIDITY | Tax Equity Investment

The Corporation owns equity interests in some facilities that are eligible for tax incentives available for renewable energy facilities in the United States. With its current portfolio of renewable energy facilities, Innergex cannot fully monetize such tax incentives. To take full advantage of these incentives, the Corporation partners with Tax Equity Investors (“TEI”) who invest in these facilities in exchange for a share of the tax credits.

Some TEI financing structures include a partial pay as you go ("Pay-go") funding arrangement under which, when the actual annual MWh production exceeds a certain production threshold, the TEI are obligated to make a cash contribution (“Pay-go Contribution”) to the Corporation. The Pay-go arrangement results in a lower initial investment by the TEI and provides them with some protection from potential underperformance of the asset.

Innergex recognizes the TEI contributions as long-term loans and borrowings, at an amount representing the proceeds received from the tax equity investor in exchange for shares of the subsidiary, net of the following elements:

Elements affecting amortized cost of the tax equity financing	Description
Production Tax Credits ("PTC")	Allocation of PTCs to the tax equity investor derived from the power generated during the period and recognized in other net income as earned and as a reduction in tax equity financing
Investment Tax Credits ("ITC")	Allocation of ITCs to the tax equity investor stemming from the construction activities and recognized as a reduction in both the cost of the assets to which they relate and the tax equity financing
Taxable income (loss), including tax attributes such as accelerated tax depreciation	Allocation of taxable income and other tax attributes to the tax equity investor recognized in other net income as earned and as a reduction in tax equity financing
Interest expense	Interest expense using the effective interest rate method recognized in finance costs as incurred and as an increase in tax equity financing
Pay-go contributions	Additional cash contributions made by the tax equity investor when the annual production exceeds the contractually determined threshold and recognized as an increase in tax equity financing
Cash distributions	Cash allocation to the tax equity investor, recognized as a reduction in tax equity financing

Production Tax Credit Program ("PTC")

Current United States tax law allows wind energy projects to receive tax credits that are earned for each MWh of generation during the first 10 years of the projects' operation. The TEIs are allocated a portion of the renewable energy facility's taxable income (losses) and PTCs produced and a portion of the cash generated by the facility until they achieve an agreed-upon after-tax investment return ("Flip Point"). After the Flip Point, TEIs will retain a lesser portion of the cash and the taxable income (losses) generated by the facility.

	Commercial Operation Date	Expected TEI Flip Point	TEI Investment (M$)	Expected Annual PTC Generation[3] (M$)	Expected Annual Pay-go Contribution[4] (M$)	TEI Allocation of Taxable Income (Loss) and PTCs (Pre-Flip Point)	TEI Allocation of Cash Distributions (Pre-Flip Point)
Shannon[1,2]	2015	Under review[5]	274.2	22.7	—	21.32 %	64.10 %
Flat Top[1,2]	2018	Under review[5]	267.2	27.8	—	99.00 %	21.97 %
Foard City[1,2,4]	2019	2029	372.7	41.5	4.5	99.00 %	5.00 %

1. Before the Flip Point, TEI cash distributions are based on a quarterly test measurement of cumulative generation for the project since commercial operations date. Lower production could result in a higher cash allocation to the tax equity investor or a change to the Flip Point. Figures provided are for the year ended December 31, 2020.
2. TEIs in U.S. projects generally require certain sponsor guarantees as a condition for their investment. To support the tax equity investments at Shannon, Flat Top and Foard City, Alterra, a subsidiary of Innergex, executed a guarantee indemnifying the tax equity investors against certain breaches of project-level representations, warranties and covenants. The Corporation believes these indemnifications cover matters that are substantially within its control, and are very unlikely to occur.
3. Based on the gross estimated LTA and the current credit of US$25/MWh generated for the period from COD to Flip Point, translated into Canadian dollars at 1.2732. PTCs generation will vary depending on actual production.
4. Average annual Pay-go Contributions estimate is based on PTCs generated on gross estimated LTA for each year from COD to Flip Point, translated into Canadian dollars at 1.2732. Pay-go Contributions will be earned on actual production in excess of a specified annual threshold, subject to a contractual cumulative maximum.
5. Due to the adverse financial impacts of the February 2021 extreme whether conditions in Texas (refer to the "Subsequent Events" section of this MD&A for more information), the Corporation is currently assessing the impacts on the TEI Flip Point dates of its Texas facilities subject to power hedges.

Investment Tax Credit Program ("ITC")

Current United States tax law allows wind and solar facilities to receive a one-time federal tax credit, calculated on the basis of the facility's capital cost. Projects that began construction through 2019 are eligible for 30% ITC. This credit steps down to 26% for facilities that began construction in 2021 and 2022, 22% in 2023 and 10% thereafter.

	Commercial Operation Date	Expected TEI Flip Point	TEI Investment (M$)	TEI Allocation of Taxable Income (Loss) and ITC (Pre-Flip Point)	TEI Preferred Allocation of Cash (Pre-Flip Point)
Phoebe [1,2,3]	2019	Under review[7]	244.3	67.00 %	10.62% in excess of priority distribution
Hillcrest [1,4,5,6]	2021	2028	29.8	99.00 %	4.23 %

1. TEIs in U.S. projects generally require certain sponsor guarantees as a condition for their investment. To support the tax equity investments at Phoebe, Alterra, a subsidiary of Innergex, executed a guarantee indemnifying the tax equity investors against certain breaches of project-level representations, warranties and covenants. The Corporation believes these indemnifications cover matters that are substantially within its control, and are very unlikely to occur.
2. Phoebe's cash distribution amounts to the TEI are fixed and defined within the TEI partnership agreement. All amounts of distributable cash in excess of this defined threshold are distributed at the rate of 10.62% and 89.38% to the TEI and Innergex respectively.
3. TEI Allocation of taxable income (loss) and ITC are 99% until February 15, 2020, down to 67% from February 15, 2020, to December 31, 2024, and then back to 99.0% until TEI Flip Point.
4. Hillcrest Solar Partners received US$22.4 million ($29.8 million) from the tax equity investor in return for its Class A membership interest, representing 20% of the tax equity investor's total investment. The remaining funding of US$89.7 million ($114.1 million) is to be received upon commissioning of the project.
5. Hillcrest allocation of taxable income (loss) and ITCs is 99% to the tax equity investor. From January 1, 2025 to December 31, 2025, allocation of taxable income (loss) to the tax equity investor will be 67.00%, and 5% thereafter.
6. Hillcrest's cash distribution amounts to the tax equity investor are fixed and defined within the partnership agreement. All amounts of distributable cash above these fixed and defined distributions are distributed at the rate of 4.23% to the tax equity investor, until the Flip Point date.
7. Due to the adverse financial impacts of the February 2021 extreme whether conditions in Texas (refer to the "Subsequent Events" section of this MD&A for more information), the Corporation is currently assessing the impacts on the TEI Flip Point dates of its Texas facilities subject to power hedges.

4- CAPITAL AND LIQUIDITY | Financial Position

As at	December 31, 2020	December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	161,465	156,224
Restricted cash	67,477	39,451
Investment tax credits recoverable	106,353	—
Other current assets	117,157	109,957
Total current assets	452,452	305,632
Non-current assets		
Property, plant and equipment	5,053,125	4,620,025
Intangible assets	919,323	682,227
Investments in joint ventures and associates	446,837	511,899
Goodwill	75,932	60,666
Other non-current assets	206,563	191,655
Total non-current assets	6,701,780	6,066,472
Total assets	7,154,232	6,372,104
LIABILITIES		
Current liabilities	1,036,730	641,353
Non-current liabilities		
Long-term loans and borrowings	4,046,714	4,281,586
Other non-current liabilities	999,856	833,839
Total non-current liabilities	5,046,570	5,115,425
Total liabilities	6,083,300	5,756,778
SHAREHOLDERS' EQUITY		
Equity attributable to owners	1,008,854	604,384
Non-controlling interests	62,078	10,942
Total shareholders’ equity	1,070,932	615,326
	7,154,232	6,372,104

Working Capital Items

As at December 31, 2020, working capital was negative at $584.3 million, from negative $335.7 million in 2019.

Current assets amounted to $452.5 million as at December 31, 2020, an increase of $146.8 million compared with December 31, 2019, mainly due to a $106.4 million increase in investment tax credits recoverable relating to the Hillcrest construction activities, a $28.0 million increase in restricted cash mainly stemming from the proceeds received from the Hillcrest tax equity initial funding, and a $20.2 million increase in current assets from the Salvador and Mountain Air Acquisitions. These items were offset by the repayment of outstanding receivables from the Innavik hydroelectric project in exchange for preferred units of the project, subsequently repaid to the Corporation from the construction financing proceeds.

Current liabilities amounted to $1,036.7 million as at December 31, 2020, an increase of $395.4 million compared with December 31, 2019, mainly due to a $359.3 million increase in the Salvador and Mountain Air Acquisitions.

Derivative financial instruments also contributed unfavourably to the working capital balance (please refer to the "Financial Position – Derivative Financial Instruments and Risk Management" subsection below for more information).

The Corporation considers its current level of working capital to be sufficient to meet its needs. A default in the Mesgi'g Ugju's'n credit agreement, due to the bankruptcy of a supplier considered a major project participant under the agreement, caused the $219.0 million ($232.1 million in 2019) portion of the loan that would otherwise be classified as long-term to be reallocated to the current portion of long-term loans and borrowings. In addition, the Montjean and Theil-Rabier facilities were not meeting their respective targeted debt coverage ratios, due to two blade incidents which caused business interruptions at both facilities, which caused a €12,331 ($19,246) portion of each loan that would otherwise be classified as long-term to be reallocated to the current portion of long-term loans and borrowings. The Mountain Air facilities were also in default under their credit agreements due to a non respect of a specific requirement of the insurance clause, causing the US$115,304 ($146,804) portion of the loan that would otherwise be classified as long-term to be reallocated to the current portion of long-term loans and borrowings. As at December 31, 2020, the Corporation had $700.0 million in revolving term credit facilities and had drawn $183.0 million as cash advances, while $59.2 million had been used to issue letters of credit, leaving $457.8 million available.

Non-current assets

Non-current assets amounted to $6,701.8 million as at December 31, 2020, an increase of $635.3 million compared with December 31, 2019, mainly due to additions to property, plant and equipment related to the Hillcrest, Griffin Trail and Yonne II projects under construction, aggregating to $520.4 million, net of the ITC recoverable recognized against the Hillcrest construction costs. The Salvador and Mountain Air Acquisitions also contributed to increasing non-current assets by $431.0 million. These increases were partly offset by $228.5 million in depreciation and amortization and a $65.1 million decrease in investments in joint ventures and associates, due mostly to $21.5 million in distributions received and a $26.7 million impairment charge on the investment in Energía Llaima due to recent changes in market conditions that affected downwards the expectation of future cash flows from the investment.

Derivative financial instruments also contributed to increasing non-current assets (please refer to the "Financial Position – Derivative Financial Instruments and Risk Management" subsection below for more information).

Non-current liabilities

Non-current liabilities amounted to $5,046.6 million as at December 31, 2020, a decrease of $68.9 million compared with December 31, 2019, mainly due to a $234.9 million decrease in long-term loans and borrowings related in most part to scheduled principal repayments on long-term loans and borrowings, along with the corporate revolving credit facility repayment made following the $660.9 million Hydro-Québec Private Placement, net of the amounts used toward the respective purchase price of Mountain Air and Salvador. The decrease was partly offset by:

- the Salvador and Mountain Air Acquisitions, which contributed to increasing non-current liabilities by $212.8 million;
- the initial recognition of the lease liabilities and asset retirement obligations at Hillcrest, Griffin Trail and Yonne II, aggregating to $80.1 million; and
- the $29.8 million tax equity initial funding received related to the Hillcrest solar project.

Derivative financial instruments also contributed to increasing non-current liabilities (please refer to the "Financial Position – Derivative Financial Instruments and Risk Management" subsection below for more information).

Shareholders' Equity

As at December 31, 2020, Shareholders' equity increase of $455.6 million compared with December 31, 2019, was mainly due to the Hydro-Québec Private Placement of $660.9 million in Innergex common shares, and a $63.2 million increase in non-controlling interests stemming from the Mountain Air Acquisition. These items were partly offset by dividends declared on common and preferred shares totaling $131.5 million, and total comprehensive loss of $129.8 million.

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, to manage its exposure to exchange rate fluctuations on the future repatriation of cash flows from its French operations, and to reduce exposure to the risk of decreasing power prices.

		Current Notional		Fair Value After Credit Adjustment	
As at December 31, 2020	Currency	Currency of origin	CAD	Currency of origin	CAD
Interest rate swaps	CAD	1,111,837	1,111,837	(116,925)	(116,925)
Interest rate swaps	USD	224,890	286,329	(22,987)	(29,266)
Interest rate swaps	EUR	136,811	213,535	(13,975)	(21,811)
Foreign exchange forward contracts	EUR-CAD	299,096	516,033	(37,113)	(37,113)
Power and basis hedges	USD	N/A	N/A	42,477	54,082
				(148,523)	(151,033)

		Current Notional		Fair Value After Credit Adjustment	
As at December 31, 2019	Currency	Currency of origin	CAD	Currency of origin	CAD
Interest rate swaps	CAD	1,172,187	1,172,187	(50,445)	(50,445)
Interest rate swaps	USD	129,204	182,348	(12,376)	(16,074)
Interest rate swaps	EUR	104,592	212,763	(11,669)	(17,017)
Foreign exchange forward contracts	EUR-CAD	307,897	535,535	(24,269)	(24,269)
Power and basis hedges	USD	N/A	N/A	21,371	27,757
				(77,388)	(80,048)

The aggregate fair value of derivative financial instruments amounted to negative $151.0 million as at December 31, 2020, a decrease of $71.0 million compared with December 31, 2019, mainly due to a general downward shift in interest rate curves, which unfavourably impacted the interest rate swaps portfolio, and a general upward shift in the EUR-CAD forward curve, which unfavourably impacted the foreign exchange forward contracts portfolio. These decreases in fair value were partly offset by an increase in the fair value of the power hedges, mainly arising from the Salvador Acquisition.

Contractual obligation

As at December 31, 2020, the expected schedule of commitment payments is as follows:

Year of expected payment	Under 1 year	1 to 5 years	Thereafter	Total
Long-term loans and borrowings	173,076	1,162,675	3,022,208	4,357,959
Interest on long-term loans and borrowings	142,273	502,881	1,653,606	2,298,760
Lease liabilities	14,380	64,159	270,669	349,208
Other liabilities	1,018	843	26,461	28,322
Purchase obligations	81,220	128,078	253,677	462,975
Variable payments on lease contracts	8,828	44,163	10,654	63,645
Total	420,795	1,902,799	5,237,275	7,560,869

Contingencies

BC Hydro curtailment notices

In May 2020, Innergex received notices from BC Hydro in relation to six of the Corporation's hydroelectric facilities in British Columbia stating that BC Hydro would not accept and purchase energy under the applicable Electricity Purchase Agreements ("EPAs") above a specified curtailment level for the period from May 22, 2020, to July 20, 2020. The specified curtailment levels were 0.0 MW/h for the Jimmie Creek (accounted for using the equity method), Upper Lillooet River, Northwest Stave River, and Boulder Creek facilities, 2.0 MW/h for the Tretheway Creek facility and 4.0 MW/h for the Big Silver Creek facility.

BC Hydro cites the current COVID-19 pandemic and related governmental measures taken in response to it as constituting a "force majeure" event under the EPAs, and resulting in a situation in which BC Hydro is unable to accept or purchase energy under the EPAs. The notices to Innergex follow public statements by BC Hydro regarding measures it is taking to address the reduced electricity demand during the COVID-19 pandemic and related challenges to the safe operation of its hydroelectric system.

Innergex disputes that the current pandemic and related governmental measures in any way prevent BC Hydro from fulfilling its obligations to accept and purchase energy under the EPAs or enable it to invoke "force majeure" provisions under the EPAs to suspend these obligations. Innergex acknowledges that BC Hydro retains "turn-down" rights under the EPAs, which enable it to require Innergex to turn down or shut off its facilities in certain circumstances, including in order to avoid a safety or stability risk. Where BC Hydro exercises this right, it is required under the EPAs to compensate Innergex for energy that would have been produced at the facilities in the absence of the curtailment. Innergex has complied with BC Hydro's curtailment request, but has done so under protest and seeks to enforce its rights under the EPAs on the basis described above. For the year ended December 31, 2020, actual eligible energy revenue that would have been produced at the facilities in the absence of the curtailment amounts to $13.0 million ($14.8 million on a Revenues Proportionate[1] basis), respectively.

Harrison Hydro L.P. 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 $3.2 million 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.

On July 26, 2019, the Environmental Appeal Board of British Columbia rendered a decision granting the appeal and ordering the Comptroller of Water Rights to reimburse to each of the Limited Partnerships its proportionate share of the adjusted water rental amounts of $3.2 million overcharged to Harrison Hydro L.P. and its subsidiaries for the years 2011 and 2012. On November 22, 2019, the Environmental Appeal Board of British Columbia rendered another decision confirming that the sum will accrue interest starting June 28, 2017, until the date it is refunded. On January 20, 2020, the Comptroller of Water Rights filed with the Supreme Court of British Columbia a petition for judicial review of the Environmental Appeal Board's order to return the amount in water rental fees to Harrison Hydro L.P. and its subsidiaries, with interest. On January 31, 2020, the Comptroller of Water Rights transferred an amount of $3.3 million, representing the principal of $3.2 million with interest accrued between June 28, 2017, and January 31, 2020, to a trust account established by Harrison Hydro L.P. and its subsidiaries' external legal counsel, bearing interest in favour of the Appellants. The Limited Partnerships have filed their response to petition on April 14, 2020. The hearing took place in Victoria in the last week of September 2020. A decision was rendered on February 9, 2021, by the Supreme Court of British Columbia, which concluded that the Environmental Appeal Board's decision was reasonable, and dismissed the Comptroller of Water Rights' petition accordingly. The Corporation recognized the amount of $3.2 million in the fiscal 2019 consolidated statements of earnings (loss) against Operating expenses.

1. Revenues Proportionate 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.

Off-Balance-Sheet Arrangements

As at December 31, 2020, the Corporation had issued letters of credit totaling $223.5 million, including $59.2 million from its available corporate facilities, to meet its obligations under its various PPAs and other agreements. These letters of credit were issued as payment securities for various projects under construction and as performance or financial guarantees under PPAs and other contractual obligations. As at that date, Innergex had also issued a total of $54.8 million in corporate guaranties used mainly to guarantee certain activities of prospective projects. The corporate guaranties were also used to support the long-term currency hedging instruments of its operations in France, and the performance of the Brown Lake and Miller Creek hydroelectric facilities.

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, Flat Top, Kokomo, Spartan, Foard City, Phoebe, Hillcrest, Griffin Trail and Mountain Air, Alterra Power Corp, a subsidiary of Innergex, has executed guaranties 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 facility, 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.

4- CAPITAL AND LIQUIDITY | Cash Flows

	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
OPERATING ACTIVITIES				
Cash flows from operating activities from continuing operations before changes in non-cash operating working capital items	59,609	41,378	242,873	204,541
Changes in non-cash operating working capital items	18,083	30,358	(7,765)	22,402
Cash flows from operating activities from continuing operations	77,692	71,736	235,108	226,943
Cash flows from operating activities from discontinued operations	—	—	—	13,122
	77,692	71,736	235,108	240,065
FINANCING ACTIVITIES				
Cash flows from financing activities from continuing operations	97,981	76,202	492,478	368,548
Cash flows from financing activities from discontinued operations	—	—	—	20,059
	97,981	76,202	492,478	388,607
INVESTING ACTIVITIES				
Cash flows used in investing activities from continuing operations	(169,803)	(136,331)	(725,608)	(516,997)
Cash flows used in investing activities from discontinued operations	—	—	—	(31,957)
	(169,803)	(136,331)	(725,608)	(548,954)
Effects of exchange rate changes on cash and cash equivalents	(765)	(1,018)	3,263	(3,080)
Net change in cash and cash equivalents	5,105	10,589	5,241	76,638
Cash and cash equivalents, beginning of period	156,360	145,635	156,224	79,586
Cash and cash equivalents, end of period	161,465	156,224	161,465	156,224

Cash Flows from Operating Activities from Continuing Operations

For the three-month period ended December 31, 2020, cash flows from operating activities from continuing operations increased by $6.0 million to $77.7 million, compared with $71.7 million in the same period last year. The increase is mainly related to the Salvador and Mountain Air Acquisitions realized during the second and third quarter of 2020, respectively, and the commissioning of Foard City wind and Phoebe solar projects in the fourth quarter of 2019. The decrease in interest payments on the corporate revolving credit facility concurrent with the Hydro-Québec Private Placement, and by the higher contribution to Adjusted EBITDA and Adjusted EBITDA Proportionate from Innergex's hydroelectric facilities in British Columbia, notwithstanding the expiration of the EcoEnergy subsidy program for these facilities also contributed to the increase.

For the year ended December 31, 2020, cash flows from operating activities from continuing operations increased by $8.2 million to $235.1 million, compared with $226.9 million in the same period last year. The increase is mainly related to the Salvador and Mountain Air Acquisitions realized during the second and third quarter of 2020, respectively, and the commissioning of Foard City wind and Phoebe solar projects in the fourth quarter of 2019. The decrease in interest payments on the corporate revolving credit facility concurrent with the Hydro-Québec Private Placement, and the higher contribution to Adjusted EBITDA and Adjusted EBITDA Proportionate from Innergex's hydroelectric facilities in British Columbia, notwithstanding the expiration of the EcoEnergy subsidy program for these facilities, also contributed to the increase. These items were partially offset by the unfavourable impact to Adjusted EBITDA and Adjusted EBITDA Proportionate stemming from the BC Hydro-imposed curtailment in 2020, citing the COVID-19 pandemic.

Cash Flows from Financing Activities from Continuing Operations

For the three-month period ended December 31, 2020, cash flows from financing activities from continuing operations increased by $21.8 million to $98.0 million, compared with $76.2 million in the same period last year. The increase is mainly due to movements in long-term loans and borrowings related to construction activities.

For the year ended December 31, 2020, cash flows from financing activities increased by $123.9 million to $492.5 million, compared with $368.5 million in the same period last year. The increase stems mainly from the $660.9 million cash inflow from the Hydro-Québec Private Placement, partly offset by:

- the concurrent repayment of the corporate revolving credit facility, net of the Salvador and Mountain Air Acquisitions' respective purchase price; and
- the decrease in proceeds received from construction loan draws and convertible debentures issuance.

Cash Flows Used in Investing Activities from Continuing Operations

For the three-month period ended December 31, 2020, cash flows used in investing activities from continuing operations increased by $33.5 million to $169.8 million, compared with $136.3 million in the same period last year. The increase mainly relates to the restricted proceeds received from the Hillcrest tax equity initial funding during the last quarter of 2020, while the restricted proceeds related to the Phoebe tax equity initial funding were released in the same period last year. This was partly offset by the proceeds received from the Innavik joint venture hydroelectric project to repay their outstanding preferred shares, concurrent with the closing of the construction financing on November 4, 2020.

For the year ended December 31, 2020, cash flows used in investing from continuing operations increased by $208.6 million to $725.6 million, compared with $517.0 million in the same period last year. The increase is mainly related to the Salvador and Mountain Air Acquisitions, net of cash acquired, and to a decrease in proceeds received from a business disposal in 2019, related to the sale of HS Orka. These items were partly offset by a decrease in additions to property, plant and equipment.

4- CAPITAL AND LIQUIDITY | Free Cash Flow and Payout Ratio

Free Cash Flow and Payout Ratio calculation[1]	Year ended December 31		
	2020	2019	2018
Cash flows from operating activities	235,108	240,065	209,390
Add (Subtract) the following items:			
Changes in non-cash operating working capital items	7,765	(25,634)	11,019
Maintenance capital expenditures, net of proceeds from disposals	(2,828)	(8,752)	(9,652)
Scheduled debt principal payments	(151,623)	(128,691)	(86,079)
Free Cash Flow attributed to non-controlling interests[2]	(13,491)	(12,679)	(27,984)
Dividends declared on Preferred shares	(5,942)	(5,942)	(5,942)
Add (subtract) the following non-recurring elements:			
Realized loss on the Phoebe basis hedge[3]	19,586	11,697	—
Realized loss on contingent considerations	3,021	—	—
Transaction costs related to realized acquisitions	1,664	266	8,280
Income tax paid on realized intercompany gain	—	10,594	—
Recovery of maintenance capital expenditures and prospective project expenses on sale of HS Orka, net of attribution to non-controlling interests[4]	—	8,242	—
Realized loss on termination of interest rate swaps	—	4,145	6,092
Free Cash Flow	93,260	93,311	105,124
Dividends declared on common shares	125,543	95,046	90,215
Payout Ratio	135 %	102 %	86 %
Adjust for the following items:			
Prospective projects expenses	16,708	12,905	16,719
Adjusted Free Cash Flow	109,968	106,216	121,843
Dividends declared on common shares - DRIP adjusted	120,069	93,422	80,497
Adjusted Payout Ratio	109 %	88 %	66 %

1. Free Cash Flow, Adjusted Free Cash Flow, Payout Ratio and Adjusted 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 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. Due to their limited occurrence (over the remaining contractual period of 12 months), gains and losses on the Phoebe basis hedge are deemed not to represent the long-term cash-generating capacity of Innergex.
4. The sale of HS Orka has allowed for the recovery of maintenance capital expenditures and prospective project expenses incurred thereon since the acquisition of the project in February 2018, totaling $5.7 million and $9.6 million, respectively. An amount of $7.1 million was deducted from the total recovery as it pertains to non-controlling interests.

Free Cash Flow

For the year ended December 31, 2020, the Corporation generated Free Cash Flow of $93.3 million, compared with $93.3 million for the corresponding period last year.

While Free Cash Flow remained constant compared with 2019, cash flows from operating activities before changes in non-cash operating working capital items increased from $214.4 million to $242.9 million, mainly due to the Salvador and Mountain Air Acquisitions realized during the second and third quarters of 2020, the commissioning activities of late-2019, namely Phoebe and Foard City, and the higher contribution from Innergex's hydroelectric facilities in British Columbia, notwithstanding the expiration of the EcoEnergy subsidy program for these facilities. The decrease in interest payments on the corporate revolving credit facility concurrent with the Hydro-Québec Private Placement also contributed to the increase in cash flows from operating activities before changes in non-cash operating working capital items.

These items were partly offset by the BC Hydro-imposed curtailment in 2020, the sale of Innergex's ownership interests in HS Orka in May 2019, a lower contribution from the Quebec wind facilities and higher general and administrative expenses to support the Corporation's growth.

Free Cash Flow was also negatively impacted by an increase in debt principal payments stemming from the acquisitions and commissioning activities, and by the recovery of maintenance capital expenditures and prospective project expenses following the sale of HS Orka in 2019.

Payout Ratio

For the year ended December 31, 2020, the dividends on common shares declared by the Corporation amounted to 135% of Free Cash Flow, compared with 102% for the corresponding period last year.

The following table summarizes elements to add or subtract to derive a normalized Free Cash Flow and Payout Ratio:

	Year ended December 31, 2020		
(in millions of Canadian dollars)	Free Cash Flow	Dividends	Payout Ratio
Free Cash Flow and Payout Ratio	93	126	135 %
Add (subtract) the following items:			
BC Hydro curtailment	15	—	
Decrease in corporate revolving facilities interest payment	(15)	—	
Hydro-Québec additional dividend	—	(25)	
Free Cash Flow and Payout Ratio - Normalized	93	101	109 %

The Corporation considers the Payout Ratio of 135% not to represent the current cash-generating capacity.

The above table normalizes the Free Cash Flow and Payout Ratio for the following items:

- an unfavourable impact on the Adjusted EBITDA Proportionate stemming from the BC Hydro-imposed curtailment during 2020; and
- an increase in quarterly dividends mainly related to the issuance of 34,636,823 common shares following the Hydro-Québec Private Placement, while a large portion of the funds have yet to be invested in cash-generating projects, or have been used toward recent acquisitions whose contributions to the Corporation's Free Cash Flow have not yet fully materialized.

These items were partly offset by a decrease in the corporate revolving facilities interest expense concurrent with the Hydro-Québec Private Placement.

4- CAPITAL AND LIQUIDITY | Information on Capital Stock

The Corporation's Equity Securities

	As at		
	February 24, 2021	December 31, 2020	December 31, 2019
Number of common shares	174,692,091	174,582,586	139,405,832
Number of 4.75% convertible debentures	148,023,000	148,635,000	150,000,000
Number of 4.65% convertible debentures	142,056,000	143,750,000	143,750,000
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 stock options outstanding	233,539	233,539	737,977

As at the closing of the market on February 24, 2021, and since December 31, 2020, the increase in the number of common shares of the Corporation is attributable mainly to the conversion of $0.6 million of the 4.75% Convertible Debentures into 30,600 common shares, the conversion of $1.7 million of the 4.65% Convertible Debentures into 73,969 common shares, as well as the issuance of 4,936 common shares related to the Corporation's Dividend Reinvestment Plan ("DRIP").

As at December 31, 2020, the increase in the number of common shares since December 31, 2019, was attributable mainly to the issuance of 34,636,823 common shares to Hydro-Québec under a private placement of common shares of Innergex as well as the conversion of a portion of the 4.25% Convertible Debentures into 68,250 common shares. In addition, the increase was attributable to the issuance of 192,033 common shares following the cashless exercise of 553,660 options and to the issuance of 279,648 common shares related to the DRIP.

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:

	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
Dividends declared on common shares[1]	31,425	24,396	125,543	95,046
Dividends declared on common shares ($/share)	0.180	0.175	0.720	0.700
Dividends declared on Series A Preferred Shares	767	767	3,067	3,067
Dividends declared on Series A Preferred Shares ($/share)	0.2255	0.2255	0.9020	0.9020
Dividends declared on Series C Preferred Shares	719	719	2,875	2,875
Dividends declared on Series C Preferred Shares ($/share)	0.3594	0.3594	1.4375	1.4375

1. The increase in dividends declared on common shares was attributable mainly to the issuance of 34,636,823 common shares to Hydro-Québec under a private placement as well as the increase in quarterly dividend, the issuance of common shares following the exercise of options and to the issuance of shares under the DRIP.

The Corporation announced on January 8, 2021, that the applicable dividend rates for its Cumulative Rate Reset Preferred Shares, Series A and Cumulative Floating Rate Preferred Shares, Series B have been modified. For Series A shares, the dividend rate for the five-year period commencing on January 15, 2021, to but excluding January 15, 2026, will be 3.244% per annum, or $0.2027 per share per quarter. For Series B shares, the dividend rate for the Quarterly Floating Rate Period commencing on January 15, 2021, to but excluding April 15, 2021, will be equal to 2.91% per annum, or $0.181875 per share per quarter.

The following dividends will be paid by the Corporation on April 15, 2021:

Date of announcement	Record date	Payment date	Dividend per common share	Dividend per Series A Preferred Share	Dividend per Series B Preferred Share	Dividend per Series C Preferred Share
February 25, 2021	March 31, 2021	April 15, 2021	$0.1800	$0.2027	$0.181875	$0.359375

The Board of Directors has decided to maintain the annual dividend at $0.72 per common share for 2021, in light of the foreseeable growth plan both in terms of acquisitions and greenfield development.

4- CAPITAL AND LIQUIDITY | Normal Course Issuer Bid

On May 21, 2020, the Corporation received approval from the Toronto Stock Exchange ("TSX") to proceed with a normal course issuer bid on its common shares (the "New Bid"). Under the New Bid, the Corporation could purchase for cancellation up to 2,000,000 of its common shares, representing approximately 1.15% of the 174,234,629 issued and outstanding common shares of the Corporation as at May 21, 2020. The Corporation could also purchase for cancellation up to 68,000 of its Series A Preferred Shares, representing approximately 2% of the 3,400,000 issued and outstanding shares of the Corporation as at May 21, 2020. And finally, the Corporation could purchase for cancellation up to 40,000 of its Series C Preferred Shares, representing approximately 2% of the 2,000,000 issued and outstanding shares of the Corporation as at May 21, 2020. The New Bid commenced on May 24, 2020, and will terminate on May 23, 2021. No common or preferred shares have been purchased and cancelled as at December 31, 2020.

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 12, 2020. This resulted in a decrease of the shareholders' capital account of $754.4 million and an equivalent increase of the contributed surplus.

5- PROJECTED FINANCIAL PERFORMANCE

As at February 25, 2021, the Corporation had 75 Operating Facilities with a net installed capacity of 2,742 MW (gross 3,694 MW). For the twelve-month period ended December 31, 2020, the Corporation produced, on a consolidated basis, 8,074 GWh.

The increase in the installed capacity and number of Operating Facilities in 2020 is related to the Salvador Acquisition in Chile and to the Mountain Air Acquisition in Idaho in the United States.

In 2020, Power Generated was projected to increase 25%, Revenues were expected to increase 10%, Adjusted EBITDA was expected to increase 5% and Adjusted EBITDA Proportionate was expected to increase 10%. The actual increases were respectively 24%, 10%, 3% and 8%.

The Corporation makes projections using certain assumptions to provide readers with an indication of its business activities and operating performance. For 2021, projections are based on the commissioning of Yonne II wind farm in the first quarter of 2021, the commissioning of Hillcrest solar project in the second quarter of 2021 and the commissioning of the Griffin Trail wind project in the third quarter of 2021. It does not take into consideration potential acquisitions that could be achieved in 2021 nor the potential impact of the recent weather event in Texas nor the potential impact of future waves of COVID-19.

	2021		2020			2019	
	Projected		Actual[1]		Projected	Actual[1]	
Production (GWh)	approx.	+15 %	8,074	+24 %	+25 %	6,510	+12 %
Revenues	approx.	+12 %	613,207	+10 %	+10 %	557,042	+4 %
Adjusted EBITDA	approx.	+12 %	422,109	+3 %	+5 %	409,175	+10 %
Adjusted EBITDA Proportionate	approx.	+12 %	560,328	+8 %	+10 %	516,819	+15 %
Number of facilities in operation	78		75			68	
Net installed capacity (MW)	3,172		2,742			2,588	

1. Results from continuing operations unless otherwise indicated.

With two acquisitions completed during the year, Innergex pursued its growth in 2020. Ten Development Projects were also advanced, four of which are currently under construction.

Looking ahead, the Corporation anticipates achieving commercial operation at the Hillcrest, Griffin Trail and Yonne II projects in 2021. The Corporation will also identify growth opportunities as part of the Strategic Alliance formed with Hydro-Québec on February 6, 2020. The Innergex team remains committed to seeking out strategic opportunities for acquisitions to consolidate its position in regions where it already operates and to gain a foothold in new markets.

5- PROJECTED FINANCIAL PERFORMANCE | Strategic Plan 2020-2025

The success of this Strategic Plan will be evaluated based on a set of qualitative and quantitative criteria. Success **will not be measured in terms of MW** but on the Corporation's **ability to increase shareholder return** while efficiently managing its high-quality assets and successfully **pursuing its growth**.

Focus growth on current markets and target opportunities in neighbouring ones

Build expertise

Become an expert in deploying energy storage technologies

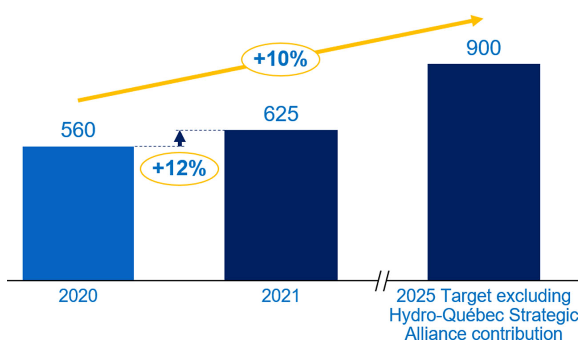
Optimize operations

Leverage expertise and innovation to maximize returns from our high-quality assets

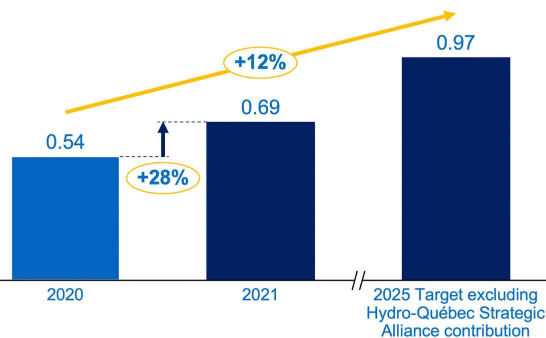
Diversify activities

Increase diversification of the Corporation's activities and assets

Projected Adjusted EBITDA Proportionate



Projected Free Cash Flow per Share



As part of its Strategic Plan, the Corporation aims to achieve a 10% compound annual growth rate of its Adjusted EBITDA Proportionate and a 12% compound annual growth rate of its Free Cash Flow per share by 2025. Innergex's continued growth will come from a balanced strategy of developing greenfield projects with a deferred cash contribution profile and strategic acquisitions in current markets with nearer cash contributions. The projected figures above do not take into consideration potential transactions or projects that could be achieved or developed as part of the Strategic Alliance with Hydro-Québec.

6- 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 these indicators are important, as they provide management and the reader with additional information about Innergex's production and cash generation capabilities, its ability to sustain current dividends and its ability to fund its growth. These indicators also facilitate the comparison of results over different periods. Innergex's share of Revenues of joint ventures and associates, Revenues Proportionate, Adjusted EBITDA, Adjusted EBITDA Margin, Innergex's share of Adjusted EBITDA of joint ventures and associates, Adjusted EBITDA Proportionate, Adjusted EBITDA Margin Proportionate, Adjusted Net Earnings (Loss) from Continuing Operations, Free Cash Flow, Adjusted Free Cash Flow, Payout Ratio and Adjusted Payout Ratio, are not measures recognized by IFRS and have no standardized meaning prescribed by IFRS.

Production, Revenues, Adjusted EBITDA, and corresponding Margin and Proportionate measures

References in this document to "Innergex's share of Production of the joint ventures and associates" are to Innergex's equity interest in the joint ventures and associates' Production.

References in this document to "Innergex's share of Revenues of joint ventures and associates" are to Innergex's equity interest in the joint ventures and associates' Revenues. References in this document to "Revenues Proportionate" are to Revenues, plus Innergex's share of Revenues of the joint ventures and associates, other income related to PTCs, and Innergex's share of the operating joint ventures' and associates' other income related to PTCs.

References in this document to “Adjusted EBITDA” are to net earnings (loss) from continuing operations, to which are added (deducted) provision (recovery) for income tax expense, finance costs, depreciation and amortization, other net income, share of (earnings) loss of joint ventures and associates and unrealized net (gain) loss on financial instruments. References in this document to "Innergex's share of Adjusted EBITDA of joint ventures and associates" are to Innergex's equity interest in the joint ventures and associates' Adjusted EBITDA. 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, other income related to PTCs, and Innergex's share of other income related to PTCs of the joint ventures and associates.

References in this document to "Adjusted EBITDA Margin" are to Adjusted EBITDA divided by revenues. References in this document to "Adjusted EBITDA Margin Proportionate" are to Adjusted EBITDA Proportionate, divided by Revenues Proportionate.

Innergex believes that the presentation of these measures enhances the understanding of the Corporation's operating performance. Readers are cautioned that Innergex's share of Revenues of joint ventures and associates, and Revenues Proportionate, should not be construed as an alternative to Revenues, as determined in accordance with IFRS. Readers are also cautioned that Adjusted EBITDA, Innergex's share of Adjusted EBITDA of joint ventures and associates, Adjusted EBITDA Proportionate, Adjusted EBITDA Margin, and Adjusted EBITDA Margin Proportionate, should not be construed as an alternative to net earnings, as determined in accordance with IFRS. Please refer to the "Financial Performance and Operating Results" section for more information.

	Three months ended December 31						Year ended December 31					
	2020			2019			2020			2019		
	Production (MWh)	Revenues	Adjusted EBITDA	Production (MWh)	Revenues	Adjusted EBITDA	Production (MWh)	Revenues	Adjusted EBITDA	Production (MWh)	Revenues	Adjusted EBITDA
Consolidated	2,186,961	167,927	117,830	1,793,803	143,116	103,333	8,073,914	613,207	422,109	6,509,622	557,042	409,175
Innergex's share of joint ventures and associates:												
Hydro	129,076	14,413	10,354	107,020	10,866	7,372	582,738	64,395	49,826	599,527	64,761	48,011
Wind	253,890	8,915	4,861	241,674	15,517	12,454	920,773	31,512	16,840	899,509	37,020	21,619
Solar	3,431	455	240	3,302	612	289	12,715	1,875	1,076	13,100	2,118	954
	386,397	23,783	15,455	351,996	26,995	20,115	1,516,226	97,782	67,742	1,512,136	103,899	70,584
PTCs and Innergex's share of PTCs generated:												
Foard City		12,569	12,569		11,238	11,238		43,850	43,850		11,238	11,238
Shannon (50%)		3,130	3,130		3,017	3,017		11,616	11,616		11,323	11,323
Flat Top (51%)		3,946	3,946		3,581	3,581		15,011	15,011		14,499	14,499
		19,645	19,645		17,836	17,836		70,477	70,477		37,060	37,060
Proportionate	2,573,358	211,355	152,930	2,145,799	187,947	141,284	9,590,140	781,466	560,328	8,021,758	698,001	516,819
Adjusted EBITDA Margin			70.2 %			72.2 %			68.8 %			73.5 %
Adjusted EBITDA Margin Proportionate			72.4 %			75.2 %			71.7 %			74.0 %

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

Below is a reconciliation of the non-IFRS measures to their closest IFRS measures:

	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
Revenues	167,927	143,116	613,207	557,042
Innergex's share of Revenues of joint ventures and associates	23,783	26,995	97,782	103,899
PTCs and Innergex's share of PTCs generated	19,645	17,836	70,477	37,060
Revenues Proportionate	211,355	187,947	781,466	698,001
Net earnings (loss) from continuing operations	11,894	(48,049)	(29,111)	(53,026)
Income tax expense	7,357	117,687	18,897	118,851
Finance costs	57,443	61,062	233,143	231,766
Depreciation and amortization	58,465	53,021	228,526	194,579
Impairment of equity accounted investment	26,659	—	26,659	—
Impairment of project development costs	—	8,184	—	8,184
EBITDA	161,818	191,905	478,114	500,354
Other net income	(7,304)	(102,004)	(65,554)	(104,643)
Share of (earnings) loss of joint ventures and associates	(13,874)	(27,276)	7,524	(36,469)
Change in fair value of financial instruments	(22,810)	40,708	2,025	49,933
Adjusted EBITDA	117,830	103,333	422,109	409,175
Innergex's share of Adjusted EBITDA of joint ventures and associates	15,455	20,115	67,742	70,584
PTCs and Innergex's share of PTCs generated	19,645	17,836	70,477	37,060
Adjusted EBITDA Proportionate	152,930	141,284	560,328	516,819
Adjusted EBITDA Margin	70.2 %	72.2 %	68.8 %	73.5 %
Adjusted EBITDA Margin Proportionate	72.4 %	75.2 %	71.7 %	74.0 %

Adjusted Net Earnings (Loss) from Continuing Operations

References to "Adjusted Net Earnings (Loss) from Continuing Operations" are to net earnings or losses from continuing operations of the Corporation, to which the following elements are added (subtracted): unrealized portion of the change in fair value of financial instruments; realized portion of the change in fair value of the Phoebe basis hedge, realized loss on the termination of interest rate swaps, realized gain on foreign exchange forward contracts, impairment charges, income tax expense (recovery) related to these items, and the share of change in fair value of financial instruments of joint ventures and associates, net of related tax.

The Adjusted Net Earnings (Loss) from Continuing Operations seeks to provide a measure that eliminates the earnings impacts of certain derivative financial instruments and non-recurring events, which do not represent the Corporation's operating performance. Innergex uses derivative financial instruments to hedge its exposure to various risks. Accounting for derivatives requires that all derivatives are marked-to-market. When hedge accounting is not applied, changes in the fair value of the derivatives is recognized directly in net earnings (loss). Such unrealized changes have no immediate cash effect, may or may not reverse by the time the actual settlements occur and do not reflect the Corporation's business model toward derivatives, which are held for their long-term cash flows, over the whole life of a project. In addition, the Corporation uses foreign exchange forward contracts to hedge its net investment in its French subsidiaries. Management therefore believes realized gains (losses) on such contracts does not reflect the operations of Innergex.

Innergex believes that presentation of this measure enhances the understanding of the Corporation's operating performance. Readers are cautioned that Adjusted Net Earnings (Loss) from Continuing Operations should not be construed as an alternative to net earnings, as determined in accordance with IFRS. Please refer to the "Operating Results" section for reconciliation of the Adjusted Net Earnings (Loss) from Continuing Operations.

Below is a reconciliation of Adjusted Net Earnings (Loss) from Continuing Operations to its closest IFRS measure:

Adjusted Net Earnings (Loss) from Continuing Operations	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
Net earnings (loss) from continuing operations	11,894	(48,049)	(29,111)	(53,026)
Add (Subtract):				
Unrealized portion of the change in fair value of financial instruments	(21,125)	24,658	(8,329)	33,883
Realized portion of the change in fair value of the Phoebe basis hedge	133	11,697	19,586	11,697
Realized loss on termination of interest rate swaps	—	4,145	—	4,145
Realized gain on foreign exchange forward contracts	(150)	(241)	(1,730)	(2,662)
Impairment of project development costs	—	8,184	—	8,184
Impairment of equity accounted investment	26,659	—	26,659	—
Income tax expense (recovery of) related to above items	3,514	(9,427)	(486)	(10,117)
Share of unrealized portion of the change in fair value of financial instruments of joint ventures and associates, net of related income tax	(7,935)	(16,549)	15,722	(18,129)
Adjusted net Earnings (Loss) from continuing operations	12,990	(25,582)	22,311	(26,025)

Below is a reconciliation of Adjusted Net Earnings (Loss) from Continuing Operations adjustments to each line item of the consolidated statements of earnings:

	Three months ended December 31						Year ended December 31					
	2020			2019			2020			2019		
	IFRS	Adj.	Non-IFRS	IFRS	Adj.	Non-IFRS	IFRS	Adj.	Non-IFRS	IFRS	Adj.	Non-IFRS
Revenues	167,927	—	167,927	143,116	—	143,116	613,207	—	613,207	557,042	—	557,042
Operating expenses	36,510	—	36,510	26,308	—	26,308	131,442	—	131,442	98,455	—	98,455
General and administrative expenses	9,979	—	9,979	11,235	—	11,235	42,948	—	42,948	36,507	—	36,507
Prospective project expenses	3,608	—	3,608	2,240	—	2,240	16,708	—	16,708	12,905	—	12,905
Adjusted EBITDA	117,830	—	117,830	103,333	—	103,333	422,109	—	422,109	409,175	—	409,175
Finance costs	57,443	—	57,443	61,062	—	61,062	233,143	—	233,143	231,766	—	231,766
Other net income	(7,304)	150	(7,154)	(102,004)	241	(101,763)	(65,554)	1,730	(63,824)	(104,643)	2,662	(101,981)
Depreciation and amortization	58,465	—	58,465	53,021	—	53,021	228,526	—	228,526	194,579	—	194,579
Impairment of equity accounted investment	26,659	(26,659)	—	—	—	—	26,659	(26,659)	—	—	—	—
Impairment of project development costs	—	—	—	8,184	(8,184)	—	—	—	—	8,184	(8,184)	—
Share of (earnings) losses of joint ventures and associates	(13,874)	10,228	(3,646)	(27,276)	21,546	(5,730)	7,524	(19,989)	(12,465)	(36,469)	22,997	(13,472)
Change in fair value of financial instruments	(22,810)	20,992	(1,818)	40,708	(40,500)	208	2,025	(11,257)	(9,232)	49,933	(49,725)	208
Income tax expense	7,357	(5,807)	1,550	117,687	4,430	122,117	18,897	4,753	23,650	118,851	5,249	124,100
Net earnings (loss) from continuing operations	11,894	1,096	12,990	(48,049)	22,467	(25,582)	(29,111)	51,422	22,311	(53,026)	27,001	(26,025)

Free Cash Flow and Payout Ratio

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, the portion of Free Cash Flow attributed to non-controlling interests, and preferred share dividends declared, plus or minus other elements that are not representative of the Corporation's long-term cash-generating capacity, such as gains and losses on the Phoebe basis hedge due to their limited occurrence over the next 12 months, realized gains and losses on contingent considerations related to past business acquisitions, transaction costs related to realized acquisitions, 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 Payout Ratio is a measure of the Corporation's ability to sustain current dividends as well as its ability to fund its growth. The Payout Ratio level reflects the Corporation's decision to invest yearly in advancing the development of its Prospective Projects, for 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. Innergex believes that presentation of this measure enhances the understanding of the Corporation's cash generation capabilities, its ability to sustain current dividends 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 for the reconciliation of Free Cash Flow.

References to "Adjusted Free Cash Flow" are to Free Cash Flow excluding prospective project expenses.

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 as well as its ability to fund its growth.

References to "Adjusted Payout Ratio" are to dividends declared on common shares divided by Adjusted Free Cash Flow after the impact of the DRIP.

7- ADDITIONAL CONSOLIDATED INFORMATION | Geographic Segments – Non-current Assets

	As at	
	December 31, 2020	December 31, 2019
Non-current assets, excluding derivative financial instruments and deferred tax assets [1]		
Canada	3,504,403	3,629,942
United States	1,990,997	1,293,983
France	922,330	891,764
Chile	166,881	142,268
	6,584,611	5,957,957

1. Includes the investments in joint ventures and associates.

7- ADDITIONAL CONSOLIDATED INFORMATION | Geographic Segments – Revenues

	Year ended December 31	
	2020	2019
Revenues		
Canada	439,224	435,069
France	95,485	94,974
United States	73,802	27,499
Chile	4,696	—
	613,207	557,542

7- ADDITIONAL CONSOLIDATED INFORMATION | Related Party Transactions

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

Transactions with partners

The Corporation's subsidiaries have entered into the following transactions with partners:

- Strategic Alliance and Private Placement with Hydro-Québec (please refer to the "Capital and Liquidity | Financial position - Shareholders' Equity" section of this MD&A for more information)
- Sales made under PPAs with Hydro-Québec
- Battery storage project with EVLO, a subsidiary of Hydro-Québec (below)
- Debenture issued by Sainte Marguerite L.P. to Régime de Rentes du Mouvement Desjardins ("RRMD")
- Convertible debenture issued by Magpie Limited Partnership to the municipality (below)
- Debenture issued by Innergex Europe (2015) Limited Partnership to RRMD (below)
- Loan by the Corporation's partner to Kwoiek Creek Resources L.P (below).

Tonnerre Energie SAS signed a Memorandum of understanding with EVLO, a Hydro-Québec subsidiary, for the 9 MWh standalone energy storage project in France.

A $3.0 million convertible debenture was issued by Magpie Limited Partnership to Minganie Regional County Municipality, and 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.

A $78.0 million debenture was issued by Innergex Europe (2015) Limited Partenership to RRMD. 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 Corporation's partner in the Kwoiek Creek project made a $3.7 million 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.

7- ADDITIONAL CONSOLIDATED INFORMATION | Historical Quarterly Financial Information

(in millions of dollars, unless otherwise stated)	Three months ended Dec 31, 2020	Sept 30, 2020	June 30, 2020	March 31, 2020	Dec 31, 2019	Sept 30, 2019	June 30, 2019	March 31, 2019
Production (MWh)	2,186,961	2,021,559	2,185,793	1,679,598	1,793,803	1,665,362	1,741,953	1,308,505
Revenues	167.9	162.7	150.5	132.1	143.1	142.8	144.7	126.4
Adjusted EBITDA[1]	117.8	108.5	105.3	90.4	103.3	107.4	105.2	93.2
Net earnings (loss)	11.9	7.5	(1.6)	(46.9)	(47.4)	9.7	7.3	(0.9)
Net earnings (loss) from continuing operations attributable to owners of the parent	11.9	11.7	(2.5)	(53.7)	(46.8)	14.3	(7.8)	(7.4)
Net earnings (loss) from continuing operations attributable to owners of the parent ($ per share – basic and diluted)	0.06	0.06	(0.02)	(0.35)	(0.35)	0.10	(0.07)	(0.07)
Net earnings (loss) attributable to owners of the parent	11.9	11.7	(2.5)	(53.7)	(46.2)	14.1	10.8	(6.7)
Net earnings (loss) attributable to owners of the parent ($ per share – basic and diluted)	0.06	0.06	(0.02)	(0.35)	(0.35)	0.09	0.07	(0.06)
Dividends declared on common shares	31.4	31.4	31.4	31.3	24.4	23.9	23.4	23.4
Dividends declared on common shares, $ per share	0.180	0.180	0.180	0.180	0.175	0.175	0.175	0.175

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 for more information.

The Corporation's production, revenues, net earnings and cash flows are variable with each season, depending on the geography and source of energy. Please refer to the "Overview of Operations | Business Environment - Seasonality of Operations" section of this MD&A for more information on seasonality.

7- ADDITIONAL CONSOLIDATED INFORMATION | Discontinued Operations Financial Results

	Three months ended December 31, 2020			Three months ended December 31, 2019		
	Innergex[1]	HS Orka[2]	Total	Innergex[1]	HS Orka[2]	Total
Production	2,186,961	—	2,186,961	1,793,803	—	1,793,803
Revenues	167,927	—	167,927	143,116	—	143,116
Adjusted EBITDA[3]	117,830	—	117,830	103,333	—	103,333
Net earnings (loss)	11,894	—	11,894	(48,049)	644	(47,405)

1. Equivalent to continuing operations.
2. Equivalent to discontinued operations.
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.

	Year ended December 31, 2020			Year ended December 31, 2019		
	Innergex[1]	HS Orka[2]	Total	Innergex[1]	HS Orka[2]	Total
Production	8,073,914	—	8,073,914	6,509,622	545,424	7,055,046
Revenues	613,207	—	613,207	557,042	40,006	597,048
Adjusted EBITDA[3]	422,109	—	422,109	409,175	13,291	422,466
Net (loss) earnings	(29,111)	—	(29,111)	(53,026)	21,815	(31,211)

1. Equivalent to continuing operations.
2. Equivalent to discontinued operations.
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.

8- JUDGMENTS AND ESTIMATES, ACCOUNTING POLICIES AND DISCLOSURE CONTROLS | Critical Judgments and 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 determination of control, joint control or significant influence over an investee, fair value calculation of the assets acquired and liabilities assumed in business acquisitions, useful lives, impairment of assets, asset retirement obligations, fair value of financial assets and liabilities including derivatives, tax equity financing and effectiveness of hedging relationships. 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.

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. In particular, the Corporation exercises judgement in determining whether non-wholly owned subsidiaries are controlled by the Corporation, which involves assessing: (i) how the decisions about the relevant activities of the investee are made; (ii) whether the rights of other co-investors are protective or substantive in nature; and (iii) the Corporation's ability to influence the returns of the investee.

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 based on discounted future cash flows. Future cash flows may be influenced by a number of assumptions 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 respect of the competitive business environment and the willingness expressed by the governmental authorities to procure additional sources of energy.

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 adjusts depreciation on a prospective basis, if necessary.

Impairment of non-financial assets

The Corporation makes a number of estimates when determining 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 assumptions such as electricity production, duration of the projects, selling prices, costs to operate, capital expenditures, growth rate and the discount rate.

Asset retirement obligations

The Corporation makes a number of estimates when calculating fair value of the asset retirement obligations that 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.

Financial instruments measured at fair value

In measuring financial instruments at fair value, the Corporation makes estimates and assumptions, including estimates and assumptions about forward electricity prices, interest rates, credit spreads and exchange rates.

Tax equity financing

When a tax equity partnership is formed, the Corporation exercises judgement in assessing whether it retains control over the entity, and in assessing the appropriate classification of the tax equity investor's contribution, which generally bears the characteristics of a liability as the arrangements are made so that the contribution is repaid over time until the tax equity investor has attained an agreed-upon rate of return. Judgment is also exercised in assessing the nature of the tax equity investor's interest after it has attained the agreed-upon rate of return, which generally bears the characteristics of equity as it retains entitlement to a portion of the partnership's variable returns and shares a residual interest in the net assets of the partnership.

Tax equity investors generally require a specified allocation of the project's cash distributions and tax attributes such as production tax credits, investment tax credits and taxable income or loss, including accelerated tax depreciation. Estimates are made when determining the amount and allocation of cash distributions and tax attributes to the tax equity investors, which may be influenced by a number of assumptions such as electricity production, selling prices, costs to operate and tax amounts.

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.

Specifically, the Corporation may, from time to time, enter into long-term power hedge agreements. 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 statements of earnings (loss).

8- JUDGMENTS AND ESTIMATES, ACCOUNTING POLICIES AND DISCLOSURE CONTROLS | Significant Accounting Policies

New Accounting Standards and Interpretations Adopted During the Year

On January 1, 2020, the Corporation adopted the following new standards and interpretations:

Amendments to materiality definition

On October 31, 2018, the IASB issued Definition of Material (Amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*) to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves.

Amendments to References to the Conceptual Framework

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards.

Amendments to IFRS 3 Business Combinations

On October 22, 2018, the IASB issued Definition of a Business (Amendments to IFRS 3, *Business Combinations*) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.

Performance Share Plan

During the year ended December 31, 2020, the Corporation proceeded to a change in the method of accounting for its PSP under IFRS 2, which was previously recorded as a cash-settled share-based compensation plan. Under the revised methodology, the PSP was reassessed as equity-settled, which resulted in the reclassification of the January 1, 2020, PSP reserve of $6.3 million, from accounts payable and other payables, to contributed surplus. The change was applied during the fourth quarter of 2020 and comparative figures have not been adjusted.

New accounting standards and interpretations issued but not yet adopted

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. On July 15, 2020, the IASB issued an amendment to defer the effective date by one year. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The impact for the Corporation is being assessed by management.

Amendments to IAS 16, Property, Plant and Equipment — Proceeds before Intended Use

On May 14, 2020, the IASB issued Property, *Plant and Equipment — Proceeds before Intended Use* (Amendments to IAS 16). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual reporting periods commencing on or after January 1, 2022. Early adoption is permitted, however the Corporation does not expect to avail itself of that option. The application of this standard is not expected to have a material impact for the Corporation.

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IFRS 7, and IFRS 16)

On August 27, 2020, the IASB finalized its response to the ongoing reform of inter-bank offered rates and other interest rate benchmarks by issuing a package of amendments to IFRS Standards. The amendments complement those issued in 2019 as part of Phase 1 amendments and mainly relate to:

- changes to contractual cash flows: a company will not have to derecognize the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting: a company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- disclosures: a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The amendments are effective for annual periods beginning on or after January 1, 2021. Early adoption is permitted. The impact for the Corporation is being assessed by management.

8- JUDGMENTS AND ESTIMATES, ACCOUNTING POLICIES AND DISCLOSURE CONTROLS | Disclosure Controls and Procedures

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 certified that they have designed, or caused it 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, 2020, and have concluded that they were effective at the financial year-end. During the period from October 1, 2020, to December 31, 2020, there was no change to the ICFR that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR.

9- RISKS AND UNCERTAINTIES

Risk Management

The Corporation is committed to proactive strong risk governance and oversight practices supported by the Board of Directors and members of the management. The Board of Directors is responsible to review and assess material risks associated with the Corporation’s business, which may adversely affect it, its activities, its financial condition or reputation. More specifically, the Board of Directors ensures that the Corporation has implemented systems to effectively identify, manage and monitor the principal risks associated with its business and to mitigate or reduce their potential negative impacts. The oversight of certain risks may be delegated to certain Board Committees that report to the Board of Directors. Responsibility for risk management is shared across the organization from each segment of activities. Risk oversight also occurs at the level of operating subsidiaries of the Corporation, to ensure that risks are efficiently managed at every level of its corporate structure. New risks or important risks are identified and reported together with mitigation plans and the risk tolerance related to such risks is communicated and discussed across all levels of the Corporation’s corporate structure. The risks that have been identified, which may affect certain aspects of the activities of the Corporation or which are encountered in decision-making process, are presented to the Board of Directors at each meeting, either by its committees or the officers of the Corporation. Such risks are presented to the Board of Directors in relation to conjuncture, strategy and risk tolerance and in relation to any proposed transactions presented to the Board of Directors. The Board of Directors takes an active role discussing risk management with its committees to ensure that risks are properly identified, assessed and effectively managed at all levels of the Corporation’s activities. Internal audit is an additional tool to validate the effectiveness and efficiency of risk management across all aspects of the Corporation’s business. The Corporation maintains policies and a Code of conduct, applicable to all directors, officers and employees of the Corporation and those of its subsidiaries. Such policies and Code of conduct are reviewed at least annually by the Board of Directors. These policies and the Code of conduct aim to promote sound risk management throughout the Corporation, to delegate authority appropriately among its officers and to set limits for authorizations required to approve and execute certain business transactions. As part of such policies, the officers of the Corporation are responsible for maintaining effective communication with the Board of Directors and the employees of the Corporation, to implement and promote a culture of efficient risk management throughout the Corporation’s activities. Through strategic planning approved by the Board of Directors, the officers are also responsible to assess the risk management activities and align them with the Corporation’s risk tolerance parameters, adopted by the Board of Directors. The Board of Directors’ risk management oversight aims to ensure that risks are identified, reduced and mitigated, where possible. However, these risks cannot always be identified or be completely eliminated from the Corporation’s activities.

The Corporation is exposed to various risks and uncertainties and has outlined below those that it considers material. There may also exist additional risks and uncertainties that are not currently known to the Corporation or that are now believed to be immaterial that may adversely affect the Corporation's business.

Risks Related to Operations

Variability in Hydrology, 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 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. 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 irradiation, which is naturally variable. Lower solar irradiation levels at the 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, 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 overruns 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 that could cause such delays or cost overruns 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.

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. Consequently, no assurances can be given that additional environmental and workers' health and safety issues relating to currently 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.

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.

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, the IESO, Électricité de France, Idaho Power Company 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.

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.

Equipment Supply

The Corporation's development and operation of power generating facilities is dependent on the supply of equipment from third parties. Equipment pricing may rapidly increase depending, among other things, on equipment availability, raw material prices and on the market for such products. 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.

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.

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 Quebec, BC, Ontario, Idaho in the U.S. 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.

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.

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

The strength and consistency of the water, 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 or solar data accurately reflects long-term water flows, wind speeds and solar irradiation; (ii) the extent to which historical data accurately reflects the strength and consistency of the water, wind and solar resources in the future; (iii) the strength of the correlation between the site-specific water, wind and solar data and the longer-term regional data; (iv) the potential impact of climatic factors and climate change; (v) the accuracy of assumptions on a variety of factors, including but not limited to weather, ice build-up on wind turbines and snow accumulation and soiling on solar panels, site access, wake and transmission losses 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.

Global Climate Change

Global climate change, including the impacts of global warming, represents a risk that could adversely affect the Corporation's business, results of operations and cash flows. Variability in hydrology, wind regimes and solar irradiation and their predictability may be affected by unforeseen climate changes such as hurricanes, wind storms, hailstorms, rainstorms, ice storms, floods, severe winter weather and forest fires. To the extent weather conditions are affected by climate change, customers' energy use and the Corporation's power generation could increase or decrease depending on the duration and magnitude of the changes.

Natural Disasters and Force Majeure

The Corporation's facilities, operations and projects 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 events. The occurrence of a significant event that disrupts or delays the ability of the Corporation's power generation assets to produce or sell power for an extended period, including events that 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, power hedges 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 in remote areas, making access for repair of damage difficult.

Hazards such as unusual or unexpected geologic formations, pressures, downhole conditions, rockslides, other events associated with steep terrain, mechanical failures, blowouts, cratering, localized ground subsidence, localized ground inflation, pollution and other physical and environmental risks can affect the Corporation's development and production activities. These hazards could result in substantial losses including injury and loss of life, severe damage to and destruction of property and equipment, pollution and other environmental damage and suspension of operations.

Pandemics, Epidemics or Other Public Health Emergencies

The Corporation's business, results of operations, financial condition, cash flows and stock price can be adversely affected by pandemics, epidemics or other public health emergencies, such as the COVID-19 pandemic. In March 2020, the World Health Organization characterized COVID-19 as a pandemic. The COVID-19 pandemic has resulted in governments around the world implementing increasingly stringent measures to help control the spread of the virus, including quarantines, "shelter in place" and "stay at home" orders, travel restrictions, business curtailments, school closures, and other measures. In addition, governments and central banks in several parts of the world have enacted fiscal and monetary stimulus measures to counteract the impacts of COVID-19. Although certain governments have begun the process of easing their respective restrictions on individuals and businesses, there is material variation in the requirements to lift and reimpose restrictions and the pace at which those restrictions are being lifted and reimposed between jurisdictions. In some jurisdictions, increases in new cases of COVID-19 have led to reinstatement of restrictions on individuals and businesses. Current business disruptions could impact our suppliers, which in turn could impact the operating results of the Corporation. Should the outbreak become more widespread, procurement of equipment and spare parts may be impacted and construction, operation and maintenance of the Corporation's assets may be halted or delayed and negatively impact the business, financial condition and results of operations of the Corporation.

All of the Corporation's facilities continue to operate as expected and preventative measures remain in place in accordance with the Corporation's emergency response plan and applicable local government directives. Management continues to actively monitor the situation, which remains uncertain, and may take further actions as required or recommended by authorities.

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. Such 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.

Reliance on Shared Transmission and Interconnection Infrastructure

The six Harrison Operating Facilities, the Northwest Stave River Facility, the Tretheway Creek Facility and the Big Silver Creek Facility (the "Sharing Facilities") all share or will share joint transmission and interconnection infrastructure to transmit their electrical energy generation to a joint substation, which then interconnects to the common point of interconnection for the Sharing Facilities at the adjacent BC Hydro Upper Harrison terminal substation. Therefore, damage to or a failure of the shared transmission and interconnection infrastructure may result in the Sharing Facilities being unable to deliver their electrical energy generation to the point of interconnection with BC Hydro's transmission system in accordance with the requirements for sale of energy under the PPAs with BC Hydro in respect of the six Harrison Operating Facilities, the Northwest Stave River Facility, the Tretheway Creek Facility and the Big Silver Creek Facility. All six Harrison Operating Facilities also share one common interconnection agreement with BC Hydro and act as agent for the Northwest Stave Facility, the Tretheway Creek Facility and the Big Silver Creek Facility. Therefore, a default by any one of the Sharing Facilities of its obligations under the interconnection agreement may result in BC Hydro disconnecting all the Sharing Facilities from the BC Hydro transmission system.

Risks Related to Growth Strategy

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 realize 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 that supports the Corporation's strategy in a timely fashion.

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 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.

Ability to Secure New PPAs or Renew Any PPA

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 operating assets or contracts 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, the Flat Top Wind Farm, the Foard City Wind Farm, the Phoebe Solar Farm and the Salvador Solar Farm are 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 enough 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 during such time the Corporation is forced to sell electrical power generated at market price, or increase significantly, when the Corporation is forced to purchase third party power at merchant prices, the economic prospects of the operating facilities that rely, in whole or in part, on merchant prices, such as the Shannon Wind Farm, the Flat Top Wind Farm, the Foard City Wind Farm, the Phoebe Solar Farm, the Salvador Solar Farm, the Miller Creek Facility or development projects in which the Corporation has an interest, could be significantly reduced or rendered uneconomic. A material reduction or increase in such prices, as applicable, 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, the Flat Top Wind Farm and the Phoebe Solar Farm.

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.

Failure to Realize the Anticipated Benefits of Completed and Future Acquisitions

The Corporation believes that completed and future acquisitions 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 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 could 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.

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 that 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.

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.

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.

Risks Related to Financing

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 occurrence of any of the foregoing could have a material adverse effect on the Corporation's business, financial condition and results of operations. 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.

The nature of the Corporation's energy and risk management activities creates exposure to financial risks, which include, but are not limited to: (i) unfavourable movements in commodity prices, interest rates or foreign exchange which could result in a financial or opportunity loss to the Corporation; (ii) a lack of counterparties, due to market conditions or other circumstances, could leave the Corporation unable to liquidate or offset a position, or unable to do so at or near the previous market price; (iii) the Corporation may not receive funds or instruments from counterparties at the expected time or at all; (iv) the counterparty could fail to perform an obligation owed to the Corporation; (v) loss as a result of human error or deficiency in the Corporation's systems or controls; and (vi) loss as a result of contracts being unenforceable or transactions being inadequately documented.

Interest Rate Fluctuations and Refinancing

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.

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 a 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.

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. 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.

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 and solar 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 enough amounts of tax equity investment on terms and at rates beneficial to the Corporation and its projects.

Other Risks

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 Corporation does not face any restrictions that would prevent it from paying out dividends or distributions.The declaration of dividends is at the discretion of the Board of Directors even if the Corporation has enough funds, net of its liabilities, to pay such dividends.

The Corporation may not declare or pay a dividend if the Corporation's 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. No assurance can be given as to whether the Corporation will in the future pay dividends, or the frequency or amounts of any such dividends.

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. 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.

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 are extremely complex and often require 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.

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.

Sufficiency of Insurance Coverage

While the Corporation maintains insurance coverage it believes would be maintained by a prudent owner/operator of similar facilities or projects, there is no certainty that such insurance will continue to be offered on an economically feasible basis, nor that all events that could give rise to a loss or liability are insurable or insured, nor that the amounts of insurance will be sufficient to cover each and every loss or claim that may occur involving our activities or assets. Insurance coverage of project assets and facilities may be prescribed by project financing agreements and/or PPAs. In addition, the Corporation may undertake construction or pursue acquisitions where obtaining insurance may be difficult, not economically feasible or otherwise insufficient to cover each and every loss or claim that may occur involving the new assets or activities.

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 Cumulative Rate Reset Preferred Shares, Series A and Cumulative Redeemable Fixed Rate Preferred Shares, Series C (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 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, which 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.

Host Country Economic, Social and Political Conditions

Several of the Corporation's principal assets are located in foreign domiciles. Although the operating environments in these jurisdictions are considered favourable compared to those 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 unfavourable 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.

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.

Reliance on Intellectual Property and Confidential Agreements to Protect the Corporation's Rights and Confidential Information

The Corporation's success and competitive position are dependent in part upon our proprietary methods and intellectual property. Although the Corporation seeks to protect its proprietary rights through a variety of means, it cannot guarantee that the protective steps it has taken are adequate to protect these rights.

The Corporation also relies on confidentiality agreements with certain employees, consultants and other third parties to protect, in part, trade secrets and other proprietary information. These agreements could be breached, and the Corporation may not have adequate remedies for such a breach. In addition, others could independently develop substantially equivalent proprietary information or gain access to the Corporation's trade secrets or proprietary information.

Reputational Risks Arising from Misconduct of Representatives of the Corporation

The Corporation's success can be impacted by events affecting its reputation. In some cases, the Corporation may be affected or be held accountable for the actions of directors, officers or employees of the Corporation and those of third parties who act for or on behalf of the Corporation. Although the Corporation seeks to protect its reputation through the Corporation's internal policies, procedures and controls, there is a risk that events or actions of certain representatives of the Corporation could affect its reputation. Adverse effects on the Corporation's reputation could affect its relationships with various stakeholders, partners, governments, employees, shareholders and the general public. This could, among other things, result in loss of business opportunities, loss of revenue, litigation and a reduction in the Corporation's ability to raise additional capital. Reputational harm could also reduce our ability to attract new talent or retain officers and key employees, decrease social acceptance of renewable energy projects and affect government support to increase electricity to be generated by independent power producers.

10- 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”), including the Corporation’s projected financial performance, power production, prospective projects, successful development, construction and financing (including tax equity funding) of the projects under construction and the advanced-stage prospective projects, sources and impact of funding, project acquisitions, execution of non-recourse project-level financing (including the timing and amount thereof), and strategic, operational and financial benefits and accretion expected to result from such acquisitions, business strategy, future development and growth prospects (including expected growth opportunities under the Strategic Alliance with Hydro-Québec), business integration, governance, business outlook, objectives, plans and strategic priorities, and other statements that are not historical facts. 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 terms 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, the estimated project costs, projected revenues, projected Adjusted EBITDA and projected Adjusted EBITDA Proportionate, Projected Free Cash Flow, Projected Free Cash Flow per Share and intention to pay dividend quarterly, the estimated project size, costs and schedule, including obtainment of permits, start of construction, work conducted and start of commercial operation for Development Projects and Prospective Projects, the Corporation's intent to submit projects under Requests for Proposals, the qualification of U.S. projects for PTCs and ITCs 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 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 and receipt of regulatory approvals.

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 the Annual Report and include, without limitation: the variability in hydrology, wind regimes and solar irradiation; the delays and cost overruns in the design and construction of projects; health, safety and environmental risks, equipment failure or unexpected operations and maintenance activity; the variability of installation performance and the related penalties; the performance of major counterparties; equipment supply; the regulatory and political risks; the increase in water rental cost or the changes to regulations applicable to water use; the availability and the reliability of the transmission systems; the assessment of water, wind and solar and the associated electricity production; global climate change; natural disasters and force majeure; pandemics, epidemics or other public health emergencies; cybersecurity; the reliance on shared transmission and interconnection infrastructure; the ability of the Corporation to execute its strategy for building shareholder value; the ability to raise additional capital and the state of the capital market; the ability to secure new PPAs or renew any PPA; the fluctuations affecting prospective power prices; uncertainties surrounding development of new facilities; the obtainment of permits; the failure to realize the anticipated benefits of completed and future acquisitions; the integration of the completed and future acquisitions; the changes in governmental support to increase electricity to be generated from renewable sources by independent power producers; social acceptance of renewable energy projects; the relationships with stakeholders; the ability to secure appropriate land; foreign market growth and development risks; the liquidity risks related to derivative financial instruments; the interest rate fluctuations and refinancing risk; the financial leverage and restrictive covenants governing current and future indebtedness; the changes in general economic conditions; the foreign exchange fluctuations; the risks related to U.S. production and investment tax credits, changes in U.S. corporate tax Rates and availability of tax equity financing; the possibility that the Corporation may not declare or pay a dividend; the ability to attract new talent or to retain officers or key employees; litigation; the exposure to many different forms of taxation in various jurisdictions; the reliance on various forms of PPAs; the sufficiency of insurance coverage; the credit rating not reflecting the actual performance of the Corporation or a lowering (downgrade) of the credit rating; the variation of the revenues from certain facilities based on the market (or spot) price of electricity; the host country economic, social and political conditions; the adverse claims to property title; unknown liabilities; the reliance on intellectual property and confidential agreements to protect the Corporation’s rights and confidential information; the 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

provided 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; and for solar energy, the historical solar irradiation conditions, panel technology and expected solar panel degradation. Other factors considered 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 Operating Facilities that it consolidates. This consolidation excludes, however, the facilities that are accounted for using the equity method.	Improper assessment of water, wind and solar resources and associated electricity production Variability in hydrology, wind regimes and solar irradiation resources 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. 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 that receive revenues based on the market (or spot) price for electricity, including the Foard City, Shannon and Flat Top wind farms, the Phoebe and Salvador solar farms and the Miller Creek hydroelectric facility, which receives a price based on a formula using the Platts Mid-C pricing indices; and 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. In most cases, PPAs 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 the Operating Facilities that it consolidates. The consolidation excludes, however, the facilities that are accounted for using the equity method.	See principal assumptions, risks and uncertainties identified under "Expected Production" Reliance on 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 PPAs or renew any PPA
Projected Adjusted EBITDA For each facility, the Corporation estimates annual operating earnings by adding (deducting) to net earnings (loss) income tax expense (recovery), finance costs, depreciation and amortization, other net income, share of (earnings) loss of joint ventures and associates and change in fair value of financial instruments.	See principal assumptions, risks and uncertainties identified under "Expected Production" and "Projected Revenues" Unexpected maintenance expenditures
Projected Adjusted EBITDA Proportionate On a consolidated basis, the Corporation estimates annual Adjusted EBITDA Proportionate by adding to the projected Adjusted EBITDA Innergex's share of Adjusted EBITDA of the operating joint ventures and associates, other income related to PTCs, and Innergex's share of the other net income of the operating joint ventures and associates related to PTCs.	See principal assumptions, risks and uncertainties identified under "Expected Production", "Projected Revenues" and "Projected Adjusted EBITDA"

Principal Assumptions	Principal Risks and Uncertainties
Projected Free Cash Flow, Projected Free Cash Flow per Share 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's 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", "Projected Revenues" and "Projected Adjusted EBITDA". 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 storage 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 to 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 Ability to secure new PPAs or renew any PPA Higher-than-expected inflation 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 Regulatory and political risks Natural disaster and force majeure Relationships with stakeholders Foreign market growth and development risks Social acceptance of renewable energy projects Ability of the Corporation to execute its strategy of 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 COVID-19 restrictive measures
Intention to respond to requests for proposals The Corporation provides indications of its intention to submit proposals in response to 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.	Regulatory and political risks Ability of the Corporation to execute its strategy for building shareholder value Ability to secure new PPAs Changes in governmental support to increase electricity to be generated from renewable sources by independent power producers Social acceptance of renewable energy projects Relationships with stakeholders

Principal Assumptions	Principal Risks and Uncertainties
Qualification for PTCs and ITC and expected tax equity investment Flip Point 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. The expected Tax Equity Flip Point for tax equity investment is determined according to the LTAs and revenues of each such project and is subject in addition to the related risks mentioned above.	Risks related to U.S. PTCs and ITC, changes in U.S. corporate tax rates and availability of tax equity financing Regulatory and political risks Delays and cost overruns in the design and construction of projects Obtainment of permits

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 findings 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 25, 2021

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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 statements of financial position as at December 31, 2020 and December 31, 2019;
- the consolidated statements of earnings (loss) for the years then ended;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years 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, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years 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 ethical 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of the acquisition date fair values of intangible assets and property, plant and equipment related to business acquisitions

Description of the matter

We draw attention to Notes 2, 3 and 4 to the financial statements. On May 14, 2020, the Entity acquired PV Salvador SpA ("Salvador"), a solar photovoltaic farm in Chile, for a total cash consideration of $92,953. On July 15, 2020, the Entity acquired Mountain Air Alternatives LLC ("Mountain Air") which owns a portfolio of six operating wind farms in Elmore County, Idaho, in the United States, for a total cash consideration of $77,272. In connection with these transactions, the Entity recorded intangible assets of $4,676 and $282,125, respectively, and property, plant and equipment of $61,022 and $22,614, respectively.

The fair value of the intangible assets of Mountain Air, which consist in a power purchase agreement, was calculated by the Entity using, under an income approach, the lost profits (or "with and without") method. The fair value of the intangible assets of Salvador, which consist in operating licenses and permits, and of property, plant and equipment, was established by the Entity using a discounted cash flow approach.

The Entity makes a number of assumptions when determining the acquisition date fair values of intangible assets and property, plant and equipment including:

• Future cash flows which may be influenced by a number of assumptions such as electricity production and selling prices

• Discount rates

Why the matter is a key audit matter

We identified the evaluation of the acquisition date fair values of the intangible assets and the property, plant and equipment related to business acquisitions as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of intangible assets and property, plant and equipment. Further, there was a high degree of estimation uncertainty in determining the fair value of the intangible assets and the property, plant and equipment since the discounted cash flow model included significant forward-looking assumptions that could be affected by future economic and market conditions. In addition, significant auditor judgment and specialized skills and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the Entity's determination of the fair value of intangible assets and property, plant and equipment to minor changes to certain significant assumptions.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the appropriateness of the future cash flows significant assumptions used by the Entity in its valuation methodologies by:

- Comparing the estimated future electricity production assumption to historical electricity production. We took into account changes in conditions and events affecting the intangible assets and property, plant and equipment to assess the adjustments, or lack of adjustments, made by the Entity in arriving at future electricity production.

- Comparing the future selling price assumption to long-term power purchase agreements and forecasts specific to the regions.

We involved our valuation professionals with specialized skills and knowledge who assisted in:

- Evaluating the appropriateness of discount rates by comparing inputs into the discount rate to publicly available market data for comparable entities
- Evaluating the appropriateness of the valuation models used by the Entity to calculate the fair value of intangible assets and property, plant and equipment based on the knowledge of the valuation professional

Evaluation of the fair values of level 3 power and basis hedges derivative financial instruments

Description of the matter

We draw attention to Notes 2, 3, 10 and 28 to the financial statements. The fair value of level 3 power and basis hedges derivative financial instruments is $54,082. The fair values of the level 3 power and basis hedges are calculated by the Entity using a discounted cash flow model. Such fair value calculation gives rise to measurement uncertainty as the power price curves are constructed by the Entity using various methodologies and assumptions, which consider certain observable and unobservable inputs including:

- Observable forward power prices
- For forward power prices that are not observable for the entirety of the contracted period: extrapolated prices based on the observable NYMEX natural gas futures prices growth rate
- For unobservable forward power prices:
  - Observable forward prices at another location adjusted for historical spreads
  - Future power price forecasts based on historical market prices adjusted for certain unobservable market factors such as supply, demand and congestion volumes, as well as econometric models

In addition, in determining the fair value of certain level 3 power and basis hedges derivative financial instruments for which notional volume is not contractually fixed, the Entity's estimated volume is determined using various assumptions such as the expected demand and volume of power to be successfully settled through the market bidding process.

Why the matter is a key audit matter

We identified the evaluation of the fair value of level 3 power and basis hedges derivative financial instruments as a key audit matter. This matter represented an area of significant risk of material misstatement given the high degree of estimation uncertainty in determining the fair value of level 3 power and basis hedges derivative financial instruments because the valuation methodologies included significant assumptions for which there was limited observable market information. In addition, significant auditor judgment was required in evaluating the results of our audit procedures due to the sensitivity of the calculated fair value to minor changes to these significant assumptions. Further, professionals with specialized skills and knowledge were needed to assess the appropriateness of the Entity's valuation methodologies.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

- We evaluated the observable and unobservable underlying inputs used by the Entity in its valuation methodologies to determine the fair value of level 3 power and basis hedges derivative financial instruments by comparing to market or third party data, such as published forward power prices for similar commodities and third party future power price forecasts.

- We evaluated the methodologies and assumptions made by the Entity to adjust certain observable inputs by comparing to historical spreads.

- For the level 3 power and basis hedges derivative financial instruments for which notional volume is not contractually fixed, we evaluated the appropriateness of the significant assumptions used by the Entity in its valuation methodologies by comparing the estimated future electricity volume expected to be settled to historical settlement data.

- We took into account changes in conditions and events to assess the adjustments, or lack of adjustments, made by the Entity in arriving at future electricity volume expected to be settled.

- We involved valuation professionals with specialized skills and knowledge who developed an independent valuation discounted cash flow model based on their knowledge by using the Entity's significant assumptions and underlying data inputs. We compared the resultant output of the independent fair value calculation prepared by the valuation professionals to the amounts recorded by the Entity for level 3 power and basis hedges derivative financial instruments, to assess the appropriateness of the Entity's discounted cash flow model.

Assessment of the recognition and measurement of tax equity financing

Description of the matter

We draw attention to Notes 2, 3, 7, 8, 9 and 21 to the financial statements. The Entity has recognized an amount of $315,958 of tax equity financing presented as long-term loans and borrowings relating to certain projects in the U.S. under tax equity structures to finance the construction of solar and wind projects.

When a tax equity partnership is formed, the Entity exercises judgement in assessing whether it retains control over the entity, and in assessing the appropriate classification of the tax equity investor's contribution, which generally bears the characteristics of a liability as the arrangements are made so that the contribution is repaid over time until the tax equity investor has attained an agreed-upon rate of return. Judgement is also exercised by the Entity in assessing the nature of the tax equity investor's interest after it has attained the agreed-upon rate of return, which generally bears the characteristics of equity as it retains entitlement to a portion of the partnership's variable returns and shares a residual interest in the net assets of the partnership.

Tax equity investors generally require a specified allocation of the project's cash distributions and tax attributes such as production tax credits, investment tax credits and taxable income or loss, including accelerated tax depreciation. Estimates are made by the Entity when determining the amount and allocation of cash distributions and tax attributes to the tax equity investors, which may be influenced by a number of assumptions such as electricity production, selling prices and tax amounts.

Why the matter is a key audit matter

We identified the assessment of the recognition and measurement of tax equity financing as a key audit matter. This matter represented an area of significant risk of material misstatement given the high degree of estimation uncertainty in determining the measurement of the tax equity financing liabilities. In addition, significant auditor judgment and specialized skills and knowledge were required to evaluate the results of our audit procedures regarding the Entity's significant judgments and assumptions.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

- We read the agreements related to the investments made in the current year in U.S. renewable energy projects with tax equity investors
- We assessed the appropriateness of the Entity's identification and evaluation of the contractual terms and conditions in their assessment of the recognition of the investors' contributions.
- We analyzed the models used by the Entity for the measurement of the tax equity financing liabilities to evaluate that the methodology used was consistent with the contractual allocation provisions of the agreements.
- We evaluated the appropriateness of the future flows significant assumptions in the Entity's models by:
    - Comparing the estimated future electricity production assumption to historical electricity production. We took into account changes in conditions and events affecting the projects subject to tax equity financing to assess the adjustments, or lack of adjustments, made by the Entity in arriving at future electricity production.
    - Comparing the future selling prices assumption to long term power purchase agreements and forecasts specific to the regions.

- We involved our tax professionals with specialized skills and knowledge who assisted in evaluating the appropriateness of the Entity's expected amounts and timing of tax credits and other tax attributes in the models by assessing the Entity's estimated outcome of applicable tax laws.

Evaluation of the impairment analysis for non-financial assets of facilities subject to market price risk exposure

Description of the matter

We draw attention to Notes 2 and 3 to the financial statements. The Entity has property, plant and equipment of $5,053,125, intangible assets of $919,323 and investments in joint ventures and associates of $446,837. A portion of these non-financial assets are related to facilities that are subject to market price risk exposure.

At the end of each reporting period, the Entity 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. If the recoverable amount of an asset or cash-generating unit ("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).

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 by the Entity 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. Future cash flows may be influenced by a number of assumptions such as selling prices.

Why the matter is a key audit matter

We identified the evaluation of impairment analysis for non-financial assets of facilities subject to market price risk exposure as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of the non-financial assets of facilities subject to market price risk exposure and the high degree of estimation uncertainty in determining the recoverable amount of such non-financial assets. In addition, significant auditor judgement and specialized skills and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the Entity's determination of recoverable amount to minor changes to significant assumptions.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the appropriateness of the Entity's future selling price assumptions by comparing to forecasts specific to the regions.

We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the appropriateness of the Entity's discount rates assumptions by comparing the inputs into the discount rate to publicly available market data for comparable entities.

Other Information

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

- the information included in the 2020 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 "2020 Annual Report" document.

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 the 2020 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 "2020 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.

- 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

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP*

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

Montréal, Canada
February 25, 2021

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

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

	Notes	Year ended December 31 2020	2019
Revenues		613,207	557,042
Expenses			
Operating	6	131,442	98,455
General and administrative	6	42,948	36,507
Prospective projects	6	16,708	12,905
Earnings before the following:		422,109	409,175
Depreciation	15	178,440	153,617
Amortization	16	50,086	40,962
Impairment of equity accounted investment	9	26,659	—
Impairment of project development costs	17	—	8,184
Earnings before the following:		166,924	206,412
Finance costs	7	233,143	231,766
Other net income	8	(65,554)	(104,643)
Share of loss (earnings) of joint ventures and associates	9	7,524	(36,469)
Change in fair value of financial instruments	10	2,025	49,933
(Loss) earnings before income tax		(10,214)	65,825
Income tax expense			
Current	11	7,326	16,845
Deferred	11	11,571	102,006
		18,897	118,851
Net loss from continuing operations		(29,111)	(53,026)
Net earnings from discontinued operations	5	—	21,815
Net loss		(29,111)	(31,211)
Net loss attributable to:			
Owners of the parent		(32,628)	(28,041)
Non-controlling interests	26	3,517	(3,170)
		(29,111)	(31,211)
Loss per share from continuing operations attributable to owners:			
Basic net loss per share ($)	12	(0.23)	(0.40)
Diluted net loss per share ($)	12	(0.23)	(0.40)
Loss per share attributable to owners:			
Basic net loss per share ($)	12	(0.23)	(0.25)
Diluted net loss per share ($)	12	(0.23)	(0.25)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Notes	Year ended December 31 2020	2019
Net loss		(29,111)	(31,211)
Items of comprehensive income (loss) that will be subsequently reclassified to earnings:			
Foreign currency translation differences for foreign operations	24	(27,032)	(31,713)
Change in fair value of financial instruments designated as net investment hedges	10	(2,128)	4,021
Change in fair value of financial instruments designated as cash flow hedges	10	(89,549)	23,688
Change in fair value of financial instruments of joint ventures and associates designated as cash flow hedges	9	(5,148)	(1,872)
Related deferred income tax	24	23,142	(2,197)
Other comprehensive loss from continuing operations		(100,715)	(8,073)
Other comprehensive income from discontinued operations	5	—	3,928
Other comprehensive loss		(100,715)	(4,145)
Total comprehensive loss		(129,826)	(35,356)
Total comprehensive loss attributable to:			
Owners of the parent		(129,093)	(9,158)
Non-controlling interests		(733)	(26,198)
		(129,826)	(35,356)

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	Notes	December 31, 2020	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents		161,465	156,224
Restricted cash	13	67,477	39,451
Accounts receivable	14	92,746	92,265
Derivative financial instruments	10	9,039	5,419
Investment tax credits recoverable	15	106,353	—
Prepaid and other		15,372	12,273
Total current assets		452,452	305,632
Non-current assets			
Property, plant and equipment	15	5,053,125	4,620,025
Intangible assets	16	919,323	682,227
Project development costs	17	14,092	11,135
Investments in joint ventures and associates	9	446,837	511,899
Derivative financial instruments	10	92,040	78,251
Deferred tax assets	11	25,129	30,264
Goodwill	18	75,932	60,666
Other long-term assets	19	75,302	72,005
Total non-current assets		6,701,780	6,066,472
Total assets		7,154,232	6,372,104
LIABILITIES			
Current liabilities			
Accounts payable and other payables	20	190,333	176,157
Derivative financial instruments	10	72,958	51,093
Current portion of long-term loans and borrowings and other liabilities	21, 22	773,439	414,103
Total current liabilities		1,036,730	641,353
Non-current liabilities			
Derivative financial instruments	10	179,154	112,625
Long-term loans and borrowings	21	4,046,714	4,281,586
Other liabilities	22	397,513	292,421
Deferred tax liabilities	11	423,189	428,793
Total non-current liabilities		5,046,570	5,115,425
Total liabilities		6,083,300	5,756,778
SHAREHOLDERS' EQUITY			
Equity attributable to owners	23	1,008,854	604,384
Non-controlling interests	26	62,078	10,942
Total shareholders’ equity		1,070,932	615,326
Total liabilities and shareholders’ equity		7,154,232	6,372,104

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2020	Equity attributable to owners								
	Common share capital account	Contributed surplus	Preferred shares	Convertible debentures	Deficit	Accumulated other comprehensive loss	Total	Non-controlling interests	Total shareholders' equity
Balance January 1, 2020	97,215	1,268,311	131,069	2,869	(879,849)	(15,231)	604,384	10,942	615,326
Reclassification of Performance Share Plan (Note 2)	—	6,340	—	—	—	—	6,340	—	6,340
Adjusted balance January 1, 2020	97,215	1,274,651	131,069	2,869	(879,849)	(15,231)	610,724	10,942	621,666
Net (loss) earnings	—	—	—	—	(32,628)	—	(32,628)	3,517	(29,111)
Other comprehensive loss	—	—	—	—	—	(96,465)	(96,465)	(4,250)	(100,715)
Total comprehensive loss	—	—	—	—	(32,628)	(96,465)	(129,093)	(733)	(129,826)
Common shares issued on February 6, 2020: private placement (Note 23)	660,870	—	—	—	—	—	660,870	—	660,870
Issuance fees (net of $672 of deferred income tax)	(1,842)	—	—	—	—	—	(1,842)	—	(1,842)
Business acquisition (Note 4)	—	—	—	—	—	—	—	63,169	63,169
Common shares issued through dividend reinvestment plan	5,474	—	—	—	—	—	5,474	—	5,474
Reduction of capital on common shares (Note 23)	(754,355)	754,355	—	—	—	—	—	—	—
Share-based payments and Performance Share Plan	—	1,900	—	—	—	—	1,900	—	1,900
Stock options exercised	394	(2,343)	—	—	—	—	(1,949)	—	(1,949)
Convertible debentures converted into common shares and redemption	1,391	—	—	(26)	—	—	1,365	—	1,365
Shares vested - Performance Share Plan	1,046	(2,148)	—	—	—	—	(1,102)	—	(1,102)
Shares purchased - Performance Share Plan	(6,008)	—	—	—	—	—	(6,008)	—	(6,008)
Dividends declared on common shares (Note 23)	—	—	—	—	(125,543)	—	(125,543)	—	(125,543)
Dividends declared on preferred shares (Note 23)	—	—	—	—	(5,942)	—	(5,942)	—	(5,942)
Distributions to non-controlling interests (Note 26)	—	—	—	—	—	—	—	(11,300)	(11,300)
Balance December 31, 2020	4,185	2,026,415	131,069	2,843	(1,043,962)	(111,696)	1,008,854	62,078	1,070,932

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2019	Equity attributable to owners								
	Common shares capital account	Contributed surplus	Preferred shares	Convertible debentures	Deficit	Accumulated other comprehensive (loss) income	Total	Non-controlling interests	Total shareholders' equity
Balance January 1, 2019	6,546	1,272,604	131,069	3,976	(750,442)	(34,492)	629,261	312,776	942,037
Net loss	—	—	—	—	(28,041)	—	(28,041)	(3,170)	(31,211)
Other comprehensive income (loss)	—	—	—	—	—	18,883	18,883	(23,028)	(4,145)
Total comprehensive (loss) income	—	—	—	—	(28,041)	18,883	(9,158)	(26,198)	(35,356)
Common shares issued through dividend reinvestment plan	2,402	—	—	—	—	—	2,402	—	2,402
Share-based payments	—	64	—	—	—	—	64	—	64
Stock options exercised	1,323	(4,357)	—	—	—	—	(3,034)	—	(3,034)
Common shares issued through the conversion of convertible debentures (Note 21)	88,272	—	—	(1,877)	—	—	86,395	—	86,395
Convertible debentures issued (Net of $279 of deferred income taxes) (Note 21)	—	—	—	770	—	—	770	—	770
Shares vested - Performance Share Plan	1,057	—	—	—	—	—	1,057	—	1,057
Shares purchased - Performance Share Plan	(2,385)	—	—	—	—	—	(2,385)		(2,385)
Buyback of non-controlling interests	—	—	—	—	—	—	—	(218)	(218)
Disposition of non-controlling interests	—	—	—	—	—	—	—	(260,846)	(260,846)
Dividends declared on common shares (Note 23)	—	—	—	—	(95,046)	—	(95,046)	—	(95,046)
Dividends declared on preferred shares (Note 23)	—	—	—	—	(5,942)	—	(5,942)	—	(5,942)
Distributions to non-controlling interests	—	—	—	—	—	—	—	(14,572)	(14,572)
Reclassification of defined benefit plan actuarial losses	—	—	—	—	(378)	378	—	—	—
Balance December 31, 2019	97,215	1,268,311	131,069	2,869	(879,849)	(15,231)	604,384	10,942	615,326

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31 2020	2019
OPERATING ACTIVITIES			
Net loss		(29,111)	(31,211)
Net earnings from discontinued operations	5	—	(21,815)
Net loss from continuing operations		(29,111)	(53,026)
Items not affecting cash:			
Depreciation and amortization	15,16	228,526	194,579
Impairment of equity accounted investment	9	26,659	—
Impairment of project development costs	17	—	8,184
Share of loss (earnings) of joint ventures and associates	9	7,524	(36,469)
Unrealized portion of change in fair value of financial instruments	10	(8,329)	33,883
Production tax credits and tax attributes allocated to tax equity investors	8	(64,900)	(99,640)
Other		717	(4,153)
Finance costs	7	233,143	231,766
Finance costs paid	25 b)	(185,720)	(195,915)
Distributions received from joint ventures and associates	9	21,504	19,498
Income tax expense	11	18,897	118,851
Income tax paid		(9,277)	(17,007)
Effect of exchange rate fluctuations		3,240	3,990
		242,873	204,541
Changes in non-cash operating working capital items	25 a)	(7,765)	22,402
Cash flows from operating activities from continuing operations		235,108	226,943
Cash flows from operating activities from discontinued operations		—	13,122
		235,108	240,065
FINANCING ACTIVITIES			
Dividends paid on common and preferred shares		(118,982)	(96,798)
Distributions to non-controlling interests		(11,300)	(11,490)
Increase of long-term debt, net of deferred financing costs	25 c)	983,168	1,686,972
Repayment of long-term debt	25 c)	(1,005,864)	(1,323,827)
Payment of lease liabilities	22	(3,841)	(4,756)
Payment for redemption of convertible debentures	25 c)	—	(13,348)
Net proceeds from issuance of convertible debentures	25 c)	—	137,214
Net proceeds from issuance of common shares		658,356	—
Purchase of common shares under the Performance Share Plan		(6,008)	(2,385)
Payment of payroll withholding on exercise of stock options and PSP		(3,051)	(3,034)
Cash flows from financing activities from continuing operations		492,478	368,548
Cash flows from financing activities from discontinued operations		—	20,059
		492,478	388,607
INVESTING ACTIVITIES			
Business acquisitions, net of cash acquired	4	(161,792)	—
Proceeds from sale of business, net of transaction costs ($6,634) and cash disposed ($13,877)	5	—	381,013
Change in restricted cash		(22,756)	(14,908)
Additions to property, plant and equipment, net		(518,602)	(847,714)
Additions to project development costs		(32,127)	(8,712)
Investments in joint ventures and associates		(277)	(13,756)
Change in other long-term assets		9,946	(12,920)
Cash flows used in investing activities from continuing operations		(725,608)	(516,997)
Cash flows used in investing activities from discontinued operations		—	(31,957)
		(725,608)	(548,954)
Effects of exchange rate changes on cash and cash equivalents		3,263	(3,080)
Net change in cash and cash equivalents		5,241	76,638
Cash and cash equivalents, beginning of year		156,224	79,586
Cash and cash equivalents, end of year		161,465	156,224

Additional information is presented in Note 25.
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 and energy storage facilities, essentially focused on the hydroelectric, wind 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 25, 2021.

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 2. 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 that are measured at fair value.

Functional Currency and Presentation Currency

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

2. 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%
Kwoiek Creek Resources L.P. [1]	Own and operate a hydroelectric facility	Canada	50.00%
Upper Lillooet 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%
Innergex Europe (2015) Limited Partnership, and its subsidiaries	Own and operate wind facilities	Canada/Europe	69.55%
Innergex Cartier Energy LP	Own and operate wind facilities	Canada	100.00%
Mountain Air Alternatives LLC, and its subsidiaries	Own and operate wind farms	United States	62.25%
Mesgi'g Ugju's'n (MU) Wind Farm L.P. [2]	Own and operate a wind facility	Canada	50.00%
Foard City Holdings, LLC	Own and operate a wind farm	United States	100.00%
Phoebe Energy Project, LLC	Own and operate a solar facility	United States	100.00%
Hillcrest Solar I, LLC	Construction of a solar facility	United States	100.00%
Griffin Trail Wind, LLC	Construction of a wind facility	United States	100.00%

1. The Corporation owns more than 50% of the economic interest in Kwoiek Creek Resources L.P.
2. The Corporation owns more than 50% of the economic interest in Mesgi'g Ugju's'n (MU) Wind Farm L.P.

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 (loss) 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 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 recognized, 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.

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 statements 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.

Property, plant and equipment

Property, plant and equipment are comprised mainly of hydroelectric, wind farm and solar 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 on a straight-line basis 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 30 years
Solar facilities	15 to 35 years
Other equipments	3 to 10 years

Leases

Nature of leasing activities

The Corporation typically leases land and offices. Lease agreements are generally made for fixed long-term periods based on each project's estimated length at inception. Land leases for a given project are usually negotiated jointly, with governments, for government-owned land, or directly with groups of private landowners for privately-owned land. Office and other leases are negotiated on an individual basis and contain a wide range of different terms and conditions. Being negotiated for long-term periods, most land leases provide for additional payments based on changes in inflation. In addition, leases generally include an option to renew the lease for an additional period after the non-cancellable contract period. The Corporation assesses at lease commencement whether it is reasonably certain to exercise the extension options. Generally, the Corporation aligns lease extension option renewals with estimated life of projects.

Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Corporation. Each lease payment is allocated between the lease liability and finance costs. The finance costs are charged to earnings or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(i) Lease liabilities

Lease liabilities are recognized in other liabilities in the consolidated statement of financial position at the present value of the future lease payments, discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. When determining the amount of the future lease payments, the Corporation takes the following information into account:
◦ fixed payments, including in-substance fixed payments, less any lease incentives receivable; and
◦ variable lease payments that are based on an index or a rate;

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in earnings or loss. Short-term leases correspond to lease agreements with a term of 12 months or less.

Lease liabilities are subsequently measured at amortized cost using the effective interest method. A remeasurement of the lease liabilities occur when there is a change in future lease payments arising from a variation in the relevant index or rate.

(ii) Right-of-use assets

Right-of-use assets are recognized in property, plant and equipment in the consolidated statement of financial position at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date and any initial direct costs.

Right-of-use assets are subsequently depreciated on a straight-line basis over the lesser of (i) the estimated useful lives of the assets or (ii) the lease term, including, when it is reasonably certain that they will be exercised, options to extend the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.

Intangible assets

Intangible assets consist of various permits, licenses and agreements. Intangible 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 estimates being accounted for on a prospective basis.

The useful lives used to calculate amortization are 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
Solar facilities	20 years

Project development costs

Project development costs are recorded at cost less any impairment losses, as applicable, and represent costs incurred for the acquisition of prospective projects and for the design and development of hydroelectric, wind farm and solar sites. Borrowing costs directly attributable to the acquisition or development are capitalized as project development costs.

The Corporation defers project development costs when it becomes probable that the project will be completed and that it will generate future economic benefits that will flow to the Corporation. The Corporation makes this determination by taking into consideration various factors, either individually or combined, such as (amongst others):

- whether a prospective project has been granted, or whether it is probable that it will be granted, the required permits;
- rights of access to the required land have been secured or it is probable that they will be secured;
- the announcement, or the probability thereto, that a prospective project is awarded a power-purchase agreement; and
- access to an open market if the project is not in a market where it is expected to be awarded a power-purchase agreement.

These costs are transferred to property, plant and equipment or intangible assets at the commencement of construction. When it is no longer probable that a project will be carried out, the project's development costs deferred to that date are expensed. Current costs for prospective projects are expensed as incurred.

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, reserves and long-term receivables as well as long-term investments.

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 or wind conditions as well as 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 the 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.

Discontinued operations

A discontinued operation is a component of the Corporation's business that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations and is part of a single co-ordinated plan to dispose of such a line of business or area of operations. The results of discontinued operations are presented separately in the consolidated statements of earnings (loss). Comparative figures are adjusted on the consolidated statements of earnings (loss) and on the consolidated statement of comprehensive income (loss) as if the operations had been discontinued from the beginning of the comparative period.

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 at 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 or changes in the discount rate. 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, accounts receivable, investment tax credits recoverable and reserve accounts recognized in other long-term assets 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 accounts payable and other payables, long-term loans and borrowings, the lease obligations recognized in other long-term liabilities and its tax equity liabilities as liabilities measured at amortized cost.

Tax equity liabilities

The Corporation owns and operates certain projects in the U.S. under tax equity structures to finance the construction of solar and wind projects. Such structures are designed to allocate renewable tax incentives, such as investment tax credits ("ITCs"), production tax credits ("PTCs") and accelerated tax depreciation, to tax equity investors. Generally, tax equity structures grant the tax equity investors the majority of the project's U.S. taxable earnings and renewable tax incentives, along with a smaller portion of the projects' cash flows, until they achieve an agreed-upon after-tax investment return (the "Flip Point"). The Flip Point dates are generally dependent on the projects' respective performance. However, from time to time, the Flip Point dates may be contractually determined. Subsequent to the Flip Point, the Corporation receives the majority of the project's taxable earnings and renewable tax incentives.

When a tax equity partnership is formed, the Corporation assesses whether the project company should be consolidated based on the Corporation's right to variable returns and its ability to influence financial and operational decisions impacting those returns. Due to the operational and financial nature of the projects, and the protective nature of the rights normally given to tax equity investors, the Corporation typically has the influence to consolidate the entity.

The terms of the tax equity partner's contribution are evaluated to determine the accounting treatment. The contribution generally has the characteristics of a liability as the initial contribution is repaid, including an agreed upon return, and the partner does not share in the risks of the project in the same way as a shareholder. As such, the contribution is accounted for as loans and borrowings on the consolidated statements of financial position and measured at amortized cost until the Flip date of the project. The amortized cost of the tax equity financing is generally comprised of the following elements:

Elements affecting amortized cost of the tax equity financing	Description
Production tax credits ("PTC")	Allocation of PTCs to the tax equity investor derived from the power generated during the period and recognized in other net income as earned and as a reduction in tax equity financing
Investment tax credits ("ITC")	Allocation of ITCs to the tax equity investor stemming from the construction activities and recognized as a reduction in both the cost of the assets to which they relate and the tax equity financing
Taxable income (loss), including tax attributes such as accelerated tax depreciation	Allocation of taxable income and other tax attributes to the tax equity investor recognized in other net income as earned and as a reduction in tax equity financing
Interest expense	Interest expense using the effective interest rate method recognized in finance costs as incurred and as an increase in tax equity financing
Pay-go contributions	Additional cash contributions made by the tax equity investor when the annual production exceeds the contractually determined threshold, as an increase in tax equity financing
Cash distributions	Cash allocation to the tax equity investor, recognized as a reduction in tax equity financing

Subsequent to the Flip Point, the tax equity partner will share in the risks and rewards in the project as a shareholder and will be accounted for as a non-controlling interest.

(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

The Corporation 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 under the simplified method. The Corporation recognizes 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 statements of earnings (loss) 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 (loss) 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 of the consideration received or receivable, 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. Penalties for non-production of electricity are recorded at the time when it is highly probable that the amount will be payable as a reduction of revenues over the remaining term of the energy sales contract.

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 (ended in November 2019), Douglas Creek (ended in October 2019), Fire Creek (ended in October 2019), Stokke Creek (ended in October 2019), Tipella Creek (ended in October 2019), Lamont Creek (ended in April 2020), Upper Stave River (ended in April 2020) and Toba Montrose hydro facilities (ended in September 2020) as well as the Dokie wind farm are entitled to the subsidies. Gross EcoEnergy subsidies of $427 ($6,417 in 2019) are included in revenues.

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.

Current United States tax law allows wind energy projects to receive production tax credits that are earned for each MWh of generation during the first 10 years of the projects' operation, which are recognized in other net income.

Employee benefits

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.

Termination benefits are expensed at the earlier of when the Corporation can no longer withdraw the offer of those benefits and when the Corporation recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

Equity-settled share-based payment

Stock option plan

The Corporation measures equity-settled stock 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 stock 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")

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, based on the Corporation's estimate of the number of performance share rights that will eventually vest. It is the Corporation's practice to have the fiduciary purchase that same number of shares on the secondary market at the grant date. The corresponding fair value is debited to common shares capital. The share-based payment expense is subsequently recognized over the vesting period with a corresponding amount to contributed surplus. For shares that are forfeited before vesting, the expense that had previously been recognized is reversed. 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.

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's 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 of Directors 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 (loss). 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 foreign exchange forwards to hedge its investment in its Euro functional currency foreign operations. Translation gains or losses on the portion of the 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 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 Euro functional currency foreign operations.

The exchange rates for the currencies used in the preparation of the consolidated financial statements were as follows:

	Exchange rates as at		Average exchange rates for year	
	December 31, 2020	December 31, 2019	2020	2019
Euro	1.5608	1.4583	1.5537	1.4856
US dollar	1.2732	1.2988	1.3030	1.3269

The exchange rates related to the Corporation's Icelandic subsidiary, HS Orka, disposed of on May 23, 2019, were as follows :

	Exchange rate as at	Average exchange rate for the period ended
	May 23, 2019	May 23, 2019
ISK	0.0109	0.0111

Income taxes

Current and deferred income taxes are recognized in earnings except to the extent that they relate 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 stock options, if dilutive. The number of additional shares is calculated by assuming that convertible debentures were converted and that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire shares at the average market price during the year.

Changes in accounting policies

On January 1, 2020, the Corporation adopted the following new standards and interpretations which did not have a significant impact on these audited consolidated financial statements:

Amendments to materiality definition

On October 31, 2018, the IASB issued Definition of Material (Amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*) to clarify the definition of ‘material’ and to align the definition used in the Conceptual Framework and the standards themselves.

Amendments to References to the Conceptual Framework

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards.

Amendments to IFRS 3, Business Combinations

On October 22, 2018, the IASB issued Definition of a Business (Amendments to IFRS 3, *Business Combinations*) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.

Performance Share Plan

During the year ended December 31, 2020, the Corporation proceeded to a change in the method of accounting for its PSP under IFRS 2, which was previously recorded as a cash-settled share-based compensation plan. Under the revised methodology, the PSP was reassessed as equity-settled, which resulted in the reclassification of the January 1, 2020 PSP reserve of $6,340, from accounts payable and other payables, to contributed surplus. The change was applied during the fourth quarter of 2020 and comparative figures have not been adjusted.

New accounting standards and interpretations issued but not yet adopted

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*, to clarify the classification of liabilities as current or non-current. On July 15, 2020, the IASB issued an amendment to defer the effective date by one year. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The impact for the Corporation is being assessed by management.

Amendments to IAS 16, Property, Plant and Equipment - Proceeds before Intended Use

On May 14, 2020, the IASB issued *Property, Plant and Equipment — Proceeds before Intended Use* (Amendments to IAS 16). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual reporting periods commencing on or after January 1, 2022. Early adoption is permitted, however the Corporation does not expect to avail itself of that option. The application of this standard is not expected to have a material impact for the Corporation.

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IFRS 7, and IFRS 16)

On August 27, 2020, the IASB finalized its response to the ongoing reform of inter-bank offered rates and other interest rate benchmarks by issuing a package of amendments to IFRS Standards. The amendments complement those issued in 2019 as part of Phase 1 amendments and mainly relate to:

- changes to contractual cash flows: a company will not have to derecognize the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting: a company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- disclosures: a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The amendments are effective for annual periods beginning on or after January 1, 2021. Early adoption is permitted. The impact for the Corporation is being assessed by management.

3. USE OF JUDGMENTS AND ESTIMATES

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 determination of control, joint control or significant influence over an investee, fair value calculation of the assets acquired and liabilities assumed in business acquisitions, useful lives, impairment of assets, asset retirement obligations, fair value of financial assets and liabilities including derivatives, tax equity financing and effectiveness of hedging relationships. 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

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. In particular, the Corporation exercises judgement in determining whether non-wholly owned subsidiaries are controlled by the Corporation, which involves assessing: (i) how the decisions about the relevant activities of the investee are made; (ii) whether the rights of other co-investors are protective or substantive in nature; and (iii) the Corporation's ability to influence the returns of the investee.

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 based on discounted future cash flows. Future cash flows may be influenced by a number of assumptions 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 respect of the competitive business environment and the willingness expressed by the governmental authorities to procure additional sources of energy.

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 adjusts depreciation on a prospective basis, if necessary.

Impairment of non-financial assets

The Corporation makes a number of estimates when determining 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 assumptions such as electricity production, duration of the projects, selling prices, costs to operate, capital expenditures, growth rate and the discount rate.

Asset retirement obligations

The Corporation makes a number of estimates when calculating fair value of the asset retirement obligations that 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.

Financial instruments measured at fair value

In measuring financial instruments at fair value, the Corporation makes estimates and assumptions, including estimates and assumptions about forward electricity prices, interest rates, credit spreads and exchange rates. See Note 28 – Financial Risk Management and Fair Value Disclosures for further details.

Tax equity financing

When a tax equity partnership is formed, the Corporation exercises judgement in assessing whether it retains control over the entity, and in assessing the appropriate classification of the tax equity investor's contribution, which generally bears the characteristics of a liability as the arrangements are made so that the contribution is repaid over time until the tax equity investor has attained an agreed-upon rate of return. Judgment is also exercised in assessing the nature of the tax equity investor's interest after it has attained the agreed-upon rate of return, which generally bears the characteristics of equity as it retains entitlement to a portion of the partnership's variable returns and shares a residual interest in the net assets of the partnership.

Tax equity investors generally require a specified allocation of the project's cash distributions and tax attributes such as production tax credits, investment tax credits and taxable income or loss, including accelerated tax depreciation. Estimates are made when determining the amount and allocation of cash distributions and tax attributes to the tax equity investors, which may be influenced by a number of assumptions such as electricity production, selling prices, costs to operate and tax amounts.

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.

Specifically, the Corporation may, from time to time, enter into long-term power hedge agreements. 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 statements of earnings (loss).

4. BUSINESS ACQUISITIONS

a. Acquisition of Mountain Air Alternatives LLC

On July 15, 2020, the Corporation acquired all the outstanding class B shares of Mountain Air Alternatives LLC ('Mountain Air") which owns a portfolio of six operating wind farms in Elmore County, Idaho, in the United States. Mountain Air class B shares were acquired for a total cash consideration of US$56,751 ($77,272), financed entirely from the Corporation's revolving credit facilities. The Mountain Air acquisition added an additional gross installed capacity of 138 MW to the Corporation's portfolio.

The acquisition gave rise to transaction costs of $861 which were expensed as incurred in other net income in the consolidated statements of earnings (loss).

The investment was accounted for as a business combination and the results have been included in the consolidated statements of earnings (loss) since the date of the acquisition. The revenues and net earnings included in the consolidated statements of earnings (loss) are $16,995 and $2,815, respectively for the 169-day period ended December 31, 2020. Had the acquisition taken place on January 1, 2020, revenues and net earnings for the period from January 1, 2020 to December 31, 2020 would have been $19,656 and $2,942 higher, respectively.

The following table reflects the recognized amounts of assets acquired and liabilities assumed, on a fair value basis, at the acquisition date:

	Acquisition accounting	
	US$	CA$
Cash and cash equivalents	3,864	5,261
Restricted cash	4,544	6,187
Accounts receivable	1,482	2,018
Prepaid and other	188	256
Property, plant and equipment	16,608	22,614
Intangible assets	207,201	282,125
Goodwill	10,378	14,131
Accounts payable and other payables	(816)	(1,111)
Derivative financial instruments	(1,520)	(2,070)
Long-term loans and borrowings	(126,507)	(172,252)
Other liabilities	(1,900)	(2,587)
Deferred tax liabilities	(10,378)	(14,131)
Non-controlling interests	(46,393)	(63,169)
Net assets acquired	56,751	77,272

The fair value of the intangible assets, which consist in a power purchase agreement, was calculated using, under an income approach, the lost profits (or "with and without") method. The fair value of property, plant and equipment was established using a discounted cash flow approach. The long-term loans and borrowings were valued using a discounted cash flow approach.

The goodwill arises from the recognition of deferred tax liabilities. No amount of goodwill is expected to be deductible for tax purposes.

The non-controlling interests are held by the original tax equity partner, which is entitled, as the project was acquired after the flip date, to 37.75% of the cash distributions. The fair value of the non-controlling interest in Mountain Air Alternatives LLC, an unlisted company, was estimated by applying an income approach.

b. Acquisition of PV Salvador SPA

On May 14, 2020, the Corporation acquired all the outstanding shares of PV Salvador SpA ("Salvador"), a solar photovoltaic farm in Chile, including 11-year demand-based power hedge agreements covering a total electricity generation of 54.6 GWh/year. Salvador was acquired for a total cash consideration of US$66,051 ($92,953), financed entirely from the Corporation's revolving credit facilities. The Salvador acquisition added an additional gross installed capacity of 68 MW to the Corporation's portfolio.

The acquisition gave rise to transaction costs of $803 which were expensed as incurred in other net income in the consolidated statements of earnings (loss).

The investment was accounted for as a business combination and the results have been included in the consolidated statements of earnings (loss) since the date of the acquisition. The revenues and net earnings included in the consolidated statements of earnings (loss) are $4,649 and $3,599, respectively for the 231-day period ended December 31, 2020. Had the acquisition taken place on January 1, 2020, revenues and net earnings for the period from January 1, 2020 to December 31, 2020 would have been $5,422 and $253 higher, respectively.

The following table reflects the recognized amounts of assets acquired and liabilities assumed, on a fair value basis, at the acquisition date:

	Acquisition accounting	
	US$	CA$
Cash and cash equivalents	2,254	3,172
Accounts receivable	2,527	3,555
Prepaid and other	1,253	1,764
Property, plant and equipment	43,361	61,022
Intangible assets	3,323	4,676
Derivative financial instruments	18,694	26,308
Deferred tax assets	5,048	7,104
Accounts payable and other payables	(2,279)	(3,207)
Other liabilities	(3,082)	(4,337)
Deferred tax liabilities	(5,048)	(7,104)
Net assets acquired	66,051	92,953

The fair value of the intangible assets, which consist in operating licenses and permits, was calculated using a discounted cash flow approach. The fair value of property, plant and equipment was established using a discounted cash flow approach.

5. DISCONTINUED OPERATIONS

On May 23, 2019, the Corporation sold its wholly-owned subsidiary, Magma Energy Sweden A.B., which owned an equity interest of approximately 53.9% in HS Orka hf ("HS Orka"), to Jarðvarmi slhf. The closing adjustments to the sale were finalized in July 2019.

The following table summarizes the net earnings from discontinued operations:

	Year ended December 31 2019
Revenues	40,006
Expenses	39,677
Share of earnings of joint ventures and associates	(3,718)
Earnings before income tax	4,047
Recovery of income tax	(40)
Net earnings from discontinued operations before the following	4,087
Gain on sale of the subsidiary	(17,728)
Net earnings from discontinued operations	21,815
Other comprehensive income from discontinued operations	3,928
Total comprehensive income from discontinued operations	25,743
Net earnings from discontinued operations attributable to:	
Owners of the parent	19,682
Non-controlling interests	2,133
	21,815
Total comprehensive income from discontinued operations attributable to:	
Owners of the parent	42,832
Non-controlling interests	(17,089)
	25,743
Net earnings per share from discontinued operations:	
Basic net earnings per share ($)	0.15
Diluted net earnings per share ($)	0.15

6. EXPENSES BY NATURE

Operating, general and administrative and prospective projects expenses, as reported in the consolidated statements of earnings, have been grouped by nature of expenses as follows:

	Year ended December 31	
	2020	2019
Operation and maintenance	72,733	55,276
Property taxes and royalties	41,764	28,104
Salaries and benefits	39,615	38,109
Insurance	10,503	6,046
Professional fees	8,889	6,248
Prospective expenses	8,844	5,344
Other expenses	6,711	6,635
Administrative expenses	2,039	2,105
Total of Operating, General and Administrative and Prospective Projects	191,098	147,867

7. FINANCE COSTS

	Year ended December 31	
	2020	2019
Interest expense on long-term corporate and project loans	171,877	181,586
Interest expense on tax equity financing	25,169	9,319
Interest expense on convertible debentures	13,800	12,014
Amortization of financing fees	9,453	10,760
Accretion expenses on other liabilities	5,112	4,495
Interest on lease liabilities	4,040	2,925
Inflation compensation interest	1,797	5,171
Accretion of long-term loans and borrowings	1,493	1,007
Interest income on preferred shares of equity-accounted investees	(4,975)	—
Other	5,377	4,489
	233,143	231,766

8. OTHER INCOME

	Year ended December 31	
	2020	2019
Production tax credits	(43,850)	(11,238)
Tax attributes allocated to tax equity investors	(21,050)	(88,402)
Liquidated damages	(5,762)	(2,950)
Realized loss on contingent considerations	3,021	—
Transaction costs related to business acquisitions	1,664	266
Restructuring costs	1,157	1,823
Gain on debt modifications	—	(2,883)
Others, net	(734)	(1,259)
	(65,554)	(104,643)

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

9.1 Details of material joint ventures and associates

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, 2020	December 31, 2019
Energia Llaima	Own and operate three hydroelectric facilities and a solar facility	Chile	50 %	50 %
Toba Montrose	Own and operate two hydroelectric facilities	British Columbia	40 %	40 %
Shannon	Own and operate a wind farm	Texas	50 %	50 %
Flat Top [1]	Own and operate a wind farm	Texas	51 %	51 %
Dokie	Own and operate a wind farm	British Columbia	25.5 %	25.5 %
Jimmie Creek [1]	Own and operate a hydroelectric facility	British Columbia	50.99 %	50.99 %
Umbata Falls	Own and operate a hydroelectric facility	Ontario	49 %	49 %
Viger-Denonville	Own and operate a wind farm	Quebec	50 %	50 %
Innavik	Develop and construct a hydroelectric facility	Quebec	50 %	50 %

1. The Corporation does not consolidate these entities as it does not 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 (Loss) and Comprehensive Income (Loss)

	Year ended December 31, 2020								
	Energía Llaima [1]	Toba Montrose	Shannon	Flat Top	Dokie	Jimmie Creek	Umbata Falls	Viger-Denonville	Innavik
Revenues	46,524	77,602	12,808	16,620	42,569	20,133	7,834	11,554	—
Operating, general and administrative expenses	15,956	17,371	11,419	11,302	9,258	3,401	1,677	1,675	730
	30,568	60,231	1,389	5,318	33,311	16,732	6,157	9,879	(730)
Finance costs	10,037	23,268	14,562	16,599	6,831	9,342	1,949	3,107	—
Production tax credits	—	—	(23,231)	(29,433)	—	—	—	—	—
Tax attributes allocated to tax equity investors	—	—	392	462	—	—	—	—	—
Other net expenses (income)	8,482	(158)	1,315	(4)	(295)	(25)	444	(38)	(25)
Depreciation and amortization	14,874	20,799	13,250	15,971	14,270	4,176	3,991	2,730	—
Net (gain) loss on financial instruments	—	44	5,118	24,680	—	—	2,931	(422)	1,685
Provision for income taxes	8,646	—	—	—	—	—	—	—	—
Net (loss) earnings	(11,471)	16,278	(10,017)	(22,957)	12,505	3,239	(3,158)	4,502	(2,390)
Other comprehensive loss	—	(9,537)	—	—	—	—	—	(2,666)	—
Total comprehensive (loss) income	(11,471)	6,741	(10,017)	(22,957)	12,505	3,239	(3,158)	1,836	(2,390)
Net (loss) earnings attributable to Innergex	(4,673)	6,511	(5,009)	(11,708)	3,189	1,652	(1,547)	2,251	1,810
Total comprehensive (loss) income attributable to Innergex	(4,673)	2,696	(5,009)	(11,708)	3,189	1,652	(1,547)	918	1,810

1.For the year ended December 31, 2020, net loss attributable to the owners of Energia Llaima was $9,345 ($6,794 in 2019) and net loss attributable to non-controlling interests was $2,126 ($1,942 in 2019).

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

	Year ended December 31, 2019								
	Energía Llaima	Toba Montrose	Shannon	Flat Top	Dokie	Jimmie Creek	Umbata Falls	Viger-Denonville	Innavik
Revenues	52,301	70,643	19,257	24,405	36,460	21,429	8,223	11,293	—
Operating, general and administrative expenses	24,360	16,360	10,799	13,023	8,932	4,447	1,624	2,163	3,620
	27,941	54,283	8,458	11,382	27,528	16,982	6,599	9,130	(3,620)
Finance costs	11,948	27,579	14,659	17,842	9,925	9,380	2,121	3,309	—
Production tax credits	—	—	(22,646)	(28,430)	—	—	—	—	—
Tax attributes allocated to tax equity investors	—	—	1,119	(10,890)	—	—	—	—	—
Other net expenses (income)	6,413	(666)	359	(69)	(703)	769	(113)	(93)	—
Depreciation and amortization	14,389	17,716	13,997	14,687	10,496	4,742	4,010	2,712	—
Change in fair value of financial instruments	—	(1,001)	(3,886)	(40,785)	—	—	595	(459)	—
Provision for income taxes	3,927	—	—	—	—	—	—	—	—
Net (loss) earnings	(8,736)	10,655	4,856	59,027	7,810	2,091	(14)	3,661	(3,620)
Other comprehensive loss	—	(3,503)	—	—	—	—	—	(941)	—
Total comprehensive (loss) income	(8,736)	7,152	4,856	59,027	7,810	2,091	(14)	2,720	(3,620)
Net (loss) earnings attributable to Innergex	(3,397)	4,262	2,428	30,104	1,992	1,066	(7)	1,831	(1,810)
Total comprehensive (loss) income attributable to Innergex	(3,397)	2,861	2,428	30,104	1,992	1,066	(7)	1,360	(1,810)

Summary Statements of Financial Position

	As at December 31, 2020								
	Energía Llaima	Toba Montrose	Shannon	Flat Top	Dokie	Jimmie Creek	Umbata Falls	Viger-Denonville	Innavik
Current assets	57,011	31,216	32,500	9,308	18,089	8,520	2,012	3,841	44,808
Non-current assets	500,573	710,886	342,995	453,659	213,872	223,301	49,178	50,743	53,961
	557,584	742,102	375,495	462,967	231,961	231,821	51,190	54,584	98,769
Current liabilities	14,479	18,397	45,360	37,012	9,140	3,955	5,614	43,647	9,062
Non-current liabilities	210,225	542,369	161,432	193,307	129,095	163,988	35,475	10,175	95,717
Partner's equity interest (deficit)	271,273	181,336	168,703	232,648	93,726	63,878	10,101	762	(6,010)
Non-controlling interests	61,607	—	—	—	—	—	—	—	—
	557,584	742,102	375,495	462,967	231,961	231,821	51,190	54,584	98,769

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, 2020										
	Energía Llaima	Toba Montrose	Shannon	Flat Top	Dokie	Jimmie Creek	Umbata Falls	Viger-Denonville	Innavik [1]	Others	Total
Balance January 1, 2020	142,266	78,237	91,388	135,205	24,600	33,266	7,794	863	(1,810)	90	511,899
Increase in investment	—	—	—	—	—	—	—	—	—	277	277
Share of (loss) earnings	(4,673)	6,511	(5,009)	(11,708)	3,189	1,652	(1,547)	2,251	1,810	—	(7,524)
Share of other comprehensive loss	—	(3,815)	—	—	—	—	—	(1,333)	—	—	(5,148)
Impairment of equity accounted investment	(26,659)	—	—	—	—	—	—	—	—	—	(26,659)
Foreign currency translation differences	(1,957)	—	(1,171)	(1,392)	—	—	—	—	—	16	(4,504)
Distributions received	—	(8,400)	(718)	(3,454)	(3,889)	(2,346)	(1,297)	(1,400)	—	—	(21,504)
Balance December 31, 2020	108,977	72,533	84,490	118,651	23,900	32,572	4,950	381	—	383	446,837

1.Unrecognized share of loss of $3,005 in Innavik for the year ended December 31, 2020.

	As at December 31, 2019								
	Energía Llaima	Toba Montrose	Shannon	Flat Top	Dokie	Jimmie Creek	Umbata Falls	Viger-Denonville	Innavik
Current assets	67,728	27,427	11,435	7,090	19,116	8,699	2,199	2,407	1,795
Non-current assets	535,024	735,872	374,717	507,887	234,607	226,801	53,101	53,101	15,571
	602,752	763,299	386,152	514,977	253,723	235,500	55,300	55,508	17,366
Current liabilities	17,787	17,921	25,447	32,884	10,897	5,141	2,782	45,859	17,386
Non-current liabilities	236,700	549,785	177,929	216,986	146,355	165,119	36,612	7,923	3,600
Partner's equity (deficit) interest	284,532	195,593	182,776	265,107	96,471	65,240	15,906	1,726	(3,620)
Non-controlling interests	63,733	—	—	—	—	—	—	—	—
	602,752	763,299	386,152	514,977	253,723	235,500	55,300	55,508	17,366

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, 2019											
	Energía Llaima	Toba Montrose	Shannon	Flat Top	Dokie	Jimmie Creek	Umbata Falls	Viger-Denonville	Blue Lagoon (Note 5)	Innavik	Others	Total
Balance January 1, 2019	154,299	80,976	95,052	113,355	24,521	36,535	9,406	1,453	136,228	—	87	651,912
Business disposal	—	—	—	—	—	—	—	—	(136,228)	—	—	(136,228)
Increase in investment	—	—	—	—	—	—	—	—	—	—	3	3
Share of (loss) earnings	(3,397)	4,262	2,428	30,104	1,992	1,066	(7)	1,831	—	(1,810)	—	36,469
Share of other comprehensive loss	—	(1,401)	—	—	—	—	—	(471)	—	—	—	(1,872)
Foreign currency translation differences	(8,636)	—	(4,379)	(5,872)	—	—	—	—	—	—	—	(18,887)
Distributions received	—	(5,600)	(1,713)	(2,382)	(1,913)	(4,335)	(1,605)	(1,950)	—	—	—	(19,498)
Balance December 31, 2019	142,266	78,237	91,388	135,205	24,600	33,266	7,794	863	—	(1,810)	90	511,899

Shannon and Flat Top

Tax equity investors in U.S. wind projects generally require sponsor guarantees as a condition to their investment. To support the tax equity investment in Shannon and Flat Top, Alterra Power Corp., a subsidiary of Innergex, executed a guarantee, respectively, 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.

Due to the adverse financial impacts of the February 2021 extreme whether conditions in Texas (refer to Note 35. Subsequent Events for more information), the Corporation is currently assessing the impacts on the TEI Flip Point dates of its Texas facilities subject to power hedges.

Umbata Falls

On December 4, 2020, Innergex amended the Umbata Falls project long-term loan to extend the maturity period by eight years from 2020 to 2028. The loan bears interest at the BA rate plus an applicable credit margin. The principal repayments are variable and are set at a total of $3,280 for 2021.

The refinancing was accounted for as a debt modification under IFRS 9. The loan was remeasured at the original effective interest rate, resulting in a loss represented by the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. The loss of $488 was recognized in the consolidated statement of earnings under Other net income. The lenders also agreed to make available a letter of credit facility in an amount not to exceed $470.

Innavik

On November 4, 2020, Innavik Hydro Limited Partnership entered into a $92,840 construction and long-term credit agreement for the Innavik hydroelectric project. On the same day, the bond forward, with a notional amount of $58,000 previously entered into to mitigate the risk of interest rate fluctuations during the negotiation process, has been unwound, resulting in a realized net loss of $1,685. The construction term loan bears interest at 3.95%. Following completion of construction, the remaining balance of the aforementioned loan will be converted into a long-term loan bearing the same fixed interest rate and maturing in 2062.

Energía Llaima

On December 31, 2020, the Corporation recognized an impairment charge of US$20,400 ($26,659) on its investment in Energía Llaima due to recent changes in market conditions that affected downwards the expectation of future cash flows from the investment.

9.2 Commitments of joint ventures and associates

As at December 31, 2020, the Corporation's share of the expected schedule of commitment payments for joint ventures and associates are as follows:

Year of expected payment	Under 1 year	1 to 5 years	Thereafter	Total
Purchase obligations	8,568	43,786	99,123	151,477

10. DERIVATIVE FINANCIAL INSTRUMENTS

a. Financial position

The following table shows a reconciliation from the opening balances to the closing balances for the derivative financial instruments (refer to Note 28 – Financial risk management and fair value disclosures for details about key inputs, judgements, assumptions and estimates involved in calculating fair values):

Financial assets (liabilities)	Foreign exchange forwards (Level 2)	Interests hedging derivatives (Level 2)	Power and basis hedges (Level 3)	Currency translation of intragroup loans[1]	Total
As at January 1, 2020	(24,269)	(83,536)	27,757	—	(80,048)
Derivatives acquired on business acquisition (Note 4)	—	(2,070)	26,308	—	24,238
Unrealized portion of change in fair value recognized in earnings (loss) [2]	(10,716)	2,839	2,664	13,542	8,329
Change in fair value recognized in other comprehensive income (loss)	(2,128)	(86,085)	(3,464)	—	(91,677)
Amortization of accumulated other comprehensive income recognized in revenue	—	—	3,464	—	3,464
Net foreign exchange differences	—	850	(2,647)	(13,542)	(15,339)
As at December 31, 2020	(37,113)	(168,002)	54,082	—	(151,033)

1. A gain of $13,542 results from the revaluation, into Canadian dollars, of foreign currency-denominated intragroup loans. On consolidation, although the intragroup loans are eliminated from the consolidated statement of financial position, the foreign subsidiaries' financial positions, including their loan balances towards the Corporation, are converted into Canadian dollars, with currency translation differences being recorded within other comprehensive (loss) income, therefore not eliminating the gain recognized in earnings (loss).
2. Refer to Note 10b for a reconciliation to the change in fair value recognized in earnings (loss).

Financial assets (liabilities)	Foreign exchange forwards (Level 2)	Interests hedging derivatives (Level 2)	Power and basis hedges (Level 3)	Currency translation of intragroup loans[1]	Inflation provisions (Level 3)	Embedded derivatives (Level 2)	Total
As at January 1, 2019	(32,129)	(53,409)	(4,849)	—	982	(46,409)	(135,814)
Unrealized portion of change in fair value recognized in earnings (loss) [2]	5,917	7,764	(30,240)	(16,342)	(982)	—	(33,883)
Change in fair value recognized in other comprehensive income (loss)	1,943	(39,318)	63,006	—	—	—	25,631
Net foreign exchange differences	—	1,427	(160)	16,342	—	—	17,609
Business disposal (Note 5)	—	—	—	—	—	46,409	46,409
As at December 31, 2019	(24,269)	(83,536)	27,757	—	—	—	(80,048)

1. A loss of $16,342 results from the revaluation, into Canadian dollars, of foreign currency-denominated intragroup loans. On consolidation, although the intragroup loans are eliminated from the consolidated statement of financial position, the foreign subsidiaries' financial positions, including their loan balances towards the Corporation, are converted into Canadian dollars, with currency translation differences being recorded within other comprehensive (loss) income, therefore not eliminating the loss recognized in earnings (loss).
2. Refer to Note 10b for a reconciliation to the change in fair value recognized in earnings (loss).

Reported in the consolidated statements of financial position:

As at	December 31, 2020	December 31, 2019
Current assets	9,039	5,419
Non-current assets	92,040	78,251
Current liabilities	(72,958)	(51,093)
Non-current liabilities	(179,154)	(112,625)
	(151,033)	(80,048)

b. Change in fair value of financial instruments recognized in the consolidated statements of earnings (loss)

Recognized in the consolidated statements of earnings (loss):

(Gain) loss	Year ended December 31	
	2020	2019
Unrealized portion of change in fair value of financial instruments	(8,329)	33,883
Realized portion of change in fair value of financial instruments:		
Realized loss on the interest rate swaps	—	4,145
Realized (gain) loss on the power hedges	(9,232)	208
Realized loss on Phoebe basis hedge	19,586	11,697
Change in fair value of financial instruments recognized in earnings (loss)	2,025	49,933

11. PROVISION FOR INCOME TAXES

a. Income taxes recognized in the consolidated statements of earnings (loss)

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 the consolidated statements of earnings (loss)

	December 31, 2020	December 31, 2019
(Loss) earnings before income taxes	(10,214)	65,825
Canadian statutory income tax rate	26.6 %	26.6 %
Income tax expense calculated at the statutory rate	(2,717)	17,509
Items affecting the statutory rate		
Non-taxable income	(329)	(9,064)
Deferred tax asset not recognized on impairment of investment	7,091	—
Effect of previously unrecognized tax losses balances used in the year	(344)	(2,599)
Amounts attributable to Tax Equity Investors	20,141	131,026
Change in deferred tax assets not recognized	(192)	(12,307)
Income taxable at a different rate than the Canadian statutory rate	(1,317)	(3,576)
Decrease in deferred income tax rates	(314)	(1,357)
(Decrease) increase in taxable temporary differences in relation to investments in subsidiaries and in joint ventures	(568)	541
Tax on dividends on preferred shares	35	166
Adjustments recognized in the current year in relation to the current tax of prior years	(306)	15
Adjustments recognized in the current year in relation to the deferred tax of prior years	(938)	(465)
Income tax on earnings allocated to minority interests on non-taxable entities	(2,149)	(839)
Others	804	(199)
Provision for income taxes recognized in the current year	18,897	118,851
Current income taxes	7,326	16,845
Deferred income taxes	11,571	102,006

The tax rate used for 2020 and 2019 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. 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, 2020	December 31, 2019
Assets	25,129	30,264
Liabilities	(423,189)	(428,793)
	(398,060)	(398,529)

	As at January 1, 2020	Recognized in statement of earnings	Recognized in other comprehensive loss	Acquired in business acquisition	Recognized directly in equity	Net exchange differences	As at December 31, 2020
Deferred income tax assets (liabilities) in relation to:							
Property, plant and equipment	(324,083)	(39,983)	—	10,018	—	4,335	(349,713)
Intangible assets	(158,277)	10,241	—	(10,987)	—	(6,704)	(165,727)
Project development costs	23,029	4,432	—	—	—	(23)	27,438
Investments into subsidiaries and in joint ventures and associates	(121,612)	1,655	974	—	—	1,156	(117,827)
Non-repatriated income from foreign subsidiaries	(2,279)	967	—	—	—	1,312	—
Derivative financial instruments	53,593	(3,597)	22,168	(7,104)	—	767	65,827
Long-term loans and borrowings	1,178	(382)	—	(6,756)	—	558	(5,402)
Capitalized investment tax credits	13,872	(1,354)	—	—	—	(245)	12,273
Convertible debentures	(1,362)	699	—	—	—	2	(661)
Other liabilities	2,357	1,731	—	698	—	(152)	4,634
Financing fees	(7,023)	981	—	—	672	(62)	(5,432)
Share-based payment	1,961	601	—	—	—	1	2,563
Disallowed interest carried forward	1,131	—	—	—	—	(19)	1,112
Others	108	—	—	—	—	(105)	3
	(517,407)	(24,009)	23,142	(14,131)	672	821	(530,912)
Tax losses carried forward	118,878	12,438	—	—	—	1,536	132,852
	(398,529)	(11,571)	23,142	(14,131)	672	2,357	(398,060)

As at December 31, 2020, the Corporation, its subsidiaries and joint ventures and associates have non-capital losses totaling approximately $508,000 that may be applied against future taxable income. The non-capital losses in Canada and the United-States expire gradually between 2021 and 2040. 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, 2019	Recognized in statement of earnings	Recognized in other comprehensive loss	Discontinued operations	Recognized directly in equity	Net exchange differences	As at December 31, 2019
Deferred income tax assets (liabilities) in relation to:							
Property, plant and equipment	(206,562)	(148,033)	—	27,913	—	2,599	(324,083)
Intangible assets	(183,994)	13,228	—	18,094	—	(5,605)	(158,277)
Project development costs	1,927	3,097	—	18,085	—	(80)	23,029
Investments into subsidiaries and in joint ventures and associates	(135,864)	(2,986)	(10,131)	24,520	—	2,849	(121,612)
Non-repatriated income from foreign subsidiaries	(1,027)	60	—	—	—	(1,312)	(2,279)
Derivative financial instruments	69,083	(16,711)	8,480	(7,987)	—	728	53,593
Long-term loans and borrowings	2,246	3,212	(546)	(3,576)	—	(158)	1,178
Capitalized investment tax credits	1,372	13,026	—	—	—	(526)	13,872
Convertible debentures	(928)	(239)	—	—	(195)	—	(1,362)
Other liabilities	3,701	1,632	—	(2,965)	—	(11)	2,357
Financing fees	(5,855)	(1,184)	—	—	—	16	(7,023)
Share-based payment	1,431	530	—	—	—	—	1,961
Disallowed interest carried forward	1,732	(408)	—	—	—	(193)	1,131
Others	628	1,223	—	(1,712)	—	(31)	108
	(452,110)	(133,553)	(2,197)	72,372	(195)	(1,724)	(517,407)
Tax losses carried forward	89,562	31,547	—	—	—	(2,231)	118,878
	(362,548)	(102,006)	(2,197)	72,372	(195)	(3,955)	(398,529)

c. Unrecognized deductible temporary differences, unused tax losses and unused tax credits

	December 31, 2020	December 31, 2019
Non-capital tax losses	138,429	133,899
Capital tax losses	927	3,508
Transaction costs	477	477
	139,833	137,884

The unrecognized tax losses will expire gradually between 2021 and 2040.

12. EARNINGS (LOSS) PER SHARE

Basic	Year ended December 31 2020	2019 Continuing operations [1]
Net loss attributable to owners of the parent	(32,628)	(47,723)
Dividends declared on preferred shares	(5,942)	(5,942)
Net loss attributable to common shareholders	(38,570)	(53,665)
Weighted average number of common shares	170,292,471	134,658,336
Basic net loss per share ($)	(0.23)	(0.40)

Diluted	Year ended December 31 2020	2019 Continuing operations [1]
Net loss attributable to common shareholders	(38,570)	(53,665)
Diluted weighted average number of common shares	170,292,471	134,658,336
Diluted net loss per share ($)	(0.23)	(0.40)

[1] Net earnings from discontinued operations attributable to owners of the parent for the year ended December 31, 2019 was $19,682, and $0.15 per share. Total net loss attributable to common shareholders for the year ended December 31, 2019 was $(33,983), and total diluted net loss per share was $(0.25).

Instruments that are excluded from the dilutive elements:	Year ended December 31 2020	2019
Stock options	233,539	737,977
Shares held in trust related to the Performance Share Plan	557,091	300,724
Convertible debentures	13,709,043	13,777,293
	14,499,673	14,815,994

13. RESTRICTED CASH

As at	December 31, 2020	December 31, 2019
Restricted cash accounts	9,802	3,569
Restricted proceeds account	20,049	28,654
Debt service payment accounts	37,626	7,228
	67,477	39,451

As required under several projects' credit agreements, the Corporation maintains restricted cash accounts and restricted proceeds accounts. The unused portion of the loans proceeds are held in restricted proceeds accounts 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. The Corporation also maintains debt service payment accounts.

14. ACCOUNTS RECEIVABLE

As at	December 31, 2020	December 31, 2019
Trade	63,746	61,539
Advances to related parties	9,463	20,756
Commodity taxes	3,445	1,417
Income taxes receivable	703	757
Interest receivable on preferred shares	4,975	—
Other	10,414	7,796
	92,746	92,265

15. PROPERTY, PLANT AND EQUIPMENT

	Lands	Hydroelectric facilities	Wind farm facilities	Solar facilities	Facilities under construction	Other	Total
Cost							
As at January 1, 2020	120,809	2,091,034	2,514,434	466,078	102,952	32,462	5,327,769
Additions [1]	71,538	637	1,347	1,620	535,053	599	610,794
Investment tax credits [2]	—	—	—	—	(114,341)	—	(114,341)
Business acquisitions (Note 4)	660	—	22,614	60,362	—	—	83,636
Transfer from project development costs	—	—	—	—	28,110	—	28,110
Dispositions	—	(128)	(871)		—	—	(999)
Other changes	(14,224)	(7)	20,274	1,509	—	916	8,468
Net foreign exchange differences	(1,952)	(191)	38,835	(12,580)	(22,290)	(7)	1,815
As at December 31, 2020	176,831	2,091,345	2,596,633	516,989	529,484	33,970	5,945,252
Accumulated depreciation							
As at January 1, 2020	(4,672)	(310,000)	(328,004)	(50,593)	—	(14,475)	(707,744)
Depreciation [3]	(5,884)	(38,004)	(112,824)	(19,363)	—	(3,739)	(179,814)
Dispositions	—	62	381	—	—	—	443
Net foreign exchange differences	74	(167)	(5,449)	574	—	(44)	(5,012)
As at December 31, 2020	(10,482)	(348,109)	(445,896)	(69,382)	—	(18,258)	(892,127)
Carrying amounts as at December 31, 2020	166,349	1,743,236	2,150,737	447,607	529,484	15,712	5,053,125

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

1. 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 $9,426 ($20,139 in 2019) of capitalized financing costs incurred prior to commissioning.
2. The Corporation accrued for US$83,532 ($114,341) in investment tax credits recoverable in relation to the construction of the Hillcrest solar project, which were recognized as a reduction in the cost of the Hillcrest property, plant and equipment. As at December 31, 2020, the balance of investments tax credits recoverable amounts to US$83,532 ($106,353).
3. An amount of $1,374 ($1,390 in 2019) of the depreciation expense for the land leases is capitalized as a construction cost in facilities under construction.

	Lands	Hydroelectric facilities	Wind farm facilities	Solar facilities	Geothermal facilities	Facilities under construction	Other	Total
Cost								
As at January 1, 2019	3,095	2,089,405	2,025,711	155,130	418,317	336,345	17,518	5,045,521
Adoption of IFRS 16	115,319	97	—	—	—	—	8,472	123,888
Adjusted balance as at January 1, 2019	118,414	2,089,502	2,025,711	155,130	418,317	336,345	25,990	5,169,409
Additions [1]	75	1,996	12,227	954	—	869,184	4,420	888,856
Investment tax credits [2]	—	—	—	—	—	(179,071)	—	(179,071)
Transfer of assets upon commissioning	—	—	524,160	318,429	—	(845,087)	2,498	—
Business disposal (Note 5)	—	—	—	—	(418,317)	(62,739)	—	(481,056)
Dispositions	—	—	(1,503)	—	—	—	(169)	(1,672)
Other changes	7,024	19	15,566	38	—	(20)	(163)	22,464
Net foreign exchange differences	(4,704)	(483)	(61,727)	(8,473)	—	(15,660)	(114)	(91,161)
As at December 31, 2019	120,809	2,091,034	2,514,434	466,078	—	102,952	32,462	5,327,769
Accumulated depreciation								
As at January 1, 2019	—	(270,622)	(236,218)	(40,659)	(16,290)	—	(11,069)	(574,858)
Depreciation [3]	(4,732)	(39,542)	(97,087)	(10,157)	—	—	(3,489)	(155,007)
Business disposal (Note 5)	—	—	—	—	16,290	—	—	16,290
Dispositions	—	—	821	—	—	—	169	990
Net foreign exchange differences	60	164	4,480	223	—	—	(86)	4,841
As at December 31, 2019	(4,672)	(310,000)	(328,004)	(50,593)	—	—	(14,475)	(707,744)
Carrying amounts as at December 31, 2019	116,137	1,781,034	2,186,430	415,485	—	102,952	17,987	4,620,025

Included in property, plant and equipment are right-of-use assets pursuant to lease agreements. Below is a reconciliation of the carrying amounts:

	Land	Hydroelectric facilities	Other	Total
Cost				
As at January 1, 2020	117,660	116	8,252	126,028
Additions	71,542	—	—	71,542
Business acquisition	660	—	—	660
Other changes	(14,224)	(7)	916	(13,315)
Net foreign exchange differences	(1,968)	—	(2)	(1,970)
As at December 31, 2020	173,670	109	9,166	182,945
Accumulated depreciation				
As at January 1, 2020	(4,672)	(2)	(1,183)	(5,857)
Depreciation	(5,884)	(2)	(1,275)	(7,161)
Net foreign exchange differences	74	—	(349)	(275)
As at December 31, 2020	(10,482)	(4)	(2,807)	(13,293)
Carrying amounts as at December 31, 2020	163,188	105	6,359	169,652

	Land	Hydroelectric facilities	Other	Total
Cost				
Adoption of IFRS 16 as at January 1, 2019	115,319	97	8,472	123,888
Other changes	7,024	19	(161)	6,882
Net foreign exchange differences	(4,683)	—	(59)	(4,742)
As at December 31, 2019	117,660	116	8,252	126,028
Accumulated depreciation				
Depreciation	(4,732)	(2)	(976)	(5,710)
Net foreign exchange differences	60	—	(207)	(147)
As at December 31, 2019	(4,672)	(2)	(1,183)	(5,857)
Carrying amounts as at December 31, 2019	112,988	114	7,069	120,171

16. INTANGIBLE ASSETS

	Hydroelectric facilities	Wind farm facilities	Solar facilities	Total
Cost				
As at January 1, 2020	568,193	388,760	10,803	967,756
Business acquisitions (Note 4)	—	282,125	4,676	286,801
Other changes	7,394	—	—	7,394
Net foreign exchange	(51)	(3,053)	(470)	(3,574)
As at December 31, 2020	575,536	667,832	15,009	1,258,377
Accumulated amortization				
As at January 1, 2020	(185,678)	(96,107)	(3,744)	(285,529)
Amortization	(15,576)	(33,503)	(1,007)	(50,086)
Net foreign exchange	(41)	(3,432)	34	(3,439)
As at December 31, 2020	(201,295)	(133,042)	(4,717)	(339,054)
Carrying amounts as at December 31, 2020	374,241	534,790	10,292	919,323

	Hydroelectric facilities	Wind farm facilities	Solar facility	Geothermal facilities	Facilities under construction	Total
Cost						
As at January 1, 2019	559,853	377,716	10,776	200,802	26,389	1,175,536
Transfer of assets upon commissioning	—	26,389	—	—	(26,389)	—
Business disposal (Note 5)	—	—	—	(200,802)	—	(200,802)
Dispositions	—	(7)	—	—	—	(7)
Other changes	8,468	—	—	—	—	8,468
Net foreign exchange	(128)	(15,338)	27	—	—	(15,439)
As at December 31, 2019	568,193	388,760	10,803	—	—	967,756
Accumulated amortization						
As at January 1, 2019	(170,470)	(73,606)	(3,213)	(3,238)	—	(250,527)
Amortization	(15,281)	(25,148)	(533)	—	—	(40,962)
Business disposal (Note 5)	—	—	—	3,238	—	3,238
Other changes	—	7	—	—	—	7
Net foreign exchange	73	2,640	2	—	—	2,715
As at December 31, 2019	(185,678)	(96,107)	(3,744)	—	—	(285,529)
Carrying amounts as at December 31, 2019	382,515	292,653	7,059	—	—	682,227

17. PROJECT DEVELOPMENT COSTS

As at	December 31, 2020	December 31, 2019
Cost		
Beginning of year	11,135	30,119
Business disposal (Note 5)	—	(17,822)
Additions	32,273	7,792
Transfer to property, plant and equipment	(28,110)	—
Impairment of project development costs	—	(8,184)
Net foreign exchange	(1,206)	(770)
End of year	14,092	11,135

18. GOODWILL

Allocation of goodwill to each significant CGU or group of CGUs is as follows:

	Hydroelectric facilities	Wind farm facilities	Total
As at January 1, 2020	20,291	40,375	60,666
Business acquisition (Note 4)	—	14,131	14,131
Net foreign exchange	—	1,135	1,135
As at December 31, 2020	20,291	55,641	75,932

	Hydroelectric facilities	Wind farm facilities	HS Orka hf	Total
As at January 1, 2019	20,291	42,438	47,266	109,995
Business disposal (Note 5)	—	—	(47,266)	(47,266)
Net foreign exchange	—	(2,063)	—	(2,063)
As at December 31, 2019	20,291	40,375	—	60,666

On December 31, 2020, 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 4.22% to 8.75% (3.89% to 5.96% in 2019).

Key assumptions used to determine the recoverable amount of assets are the following:

- The discount rate considers the weighted average between the consolidated cost of debt and the consolidated cost of equity, adjusted with alpha factors specific to each operating segment and country in which the facility operates.
- 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 are expected to approximate actual results.

19. OTHER LONG-TERM ASSETS

As at	December 31, 2020	December 31, 2019
Hydrology/ wind power reserve	53,757	51,078
Major maintenance reserve	8,125	6,339
Security deposits	5,929	6,207
Other	7,491	8,381
	75,302	72,005

The availability of $61,047 ($56,482 in 2019) in the reserve accounts is restricted by credit agreements.

20. ACCOUNTS PAYABLE AND OTHER PAYABLES

As at	December 31, 2020	December 31, 2019
Trade and other payables	84,796	85,701
Construction holdbacks	35,317	31,311
Dividends payable to shareholders	32,910	25,881
Interest payable	24,326	20,200
Income taxes payable	2,400	4,005
Commodity taxes	3,995	3,394
Salaries and benefits	6,589	5,665
	190,333	176,157

21. LONG-TERM LOANS AND BORROWINGS

	Currency	Interest rates	Maturity	December 31, 2020	December 31, 2019
Corporate indebtedness					
Revolving term credit facility	CAD	1.82 % - 3.05 %	2023	182,996	490,996
Subordinated unsecured term loan	CAD	5.13 %	2023	150,000	150,000
Alterra (including US$21,109 (US$21,109 in 2019))	CAD	5.97 %-6.24 %	2023	116,627	117,167
				449,623	758,163
Convertible debentures					
4.65% Convertible Debentures[3]	CAD	4.65 %	2026	137,592	136,435
4.75% Convertible Debentures[4]	CAD	4.75 %	2025	142,483	142,392
				280,075	278,827
Tax equity financing[1,2]					
Wind segment					
Foard City	USD	7.50 %	2029	259,498	285,433
Solar Segment					
Hillcrest	USD	5.15 %	2028	28,751	—
Phoebe	USD	7.14 %	2026[5]	26,575	53,185
Others	USD	8.00 %	2022-2023	1,134	1,332
				315,958	339,950
Project loans					
Hydroelectric segment					
Boulder Creek and Upper Lillooet	CAD	4.22 %-4.46 %	2043-2056	491,643	491,643
Harrison Operating Facilities	CAD	3.64 %-5.56 %	2049	440,054	447,509
Big Silver Creek	CAD	4.57 %-4.76 %	2041-2056	195,056	196,420
Kwoiek Creek	CAD	5.08 %-10.07 %	2052-2054	165,514	167,257
Tretheway Creek	CAD	4.99 %	2055	92,327	92,916
Ashlu Creek	CAD	1.89 %	2025	80,451	83,631
Northwest Stave River	CAD	5.30 %	2053	71,569	71,972
Sainte-Marguerite	CAD	7.40 %-8.00 %	2025-2064	58,222	61,192
Magpie	CAD	6.36 %-15.5 %	2025-2031	43,274	46,321
Rutherford Creek	CAD	6.88 %	2024	19,022	23,670
Fitzsimmons Creek	CAD	2.40 %	2026	18,829	19,312
Wind segment					
Innergex Cartier Energie	CAD	1.98 %	2032	489,991	531,889
Mesgi'g Ugju's'n	CAD	3.57 %-5.98 %	2026-2036	232,088	244,331
Innergex Europe	CAD	8.00 %	2046	77,957	77,957
Yonne	EURO	1.30 %	2028-2031	93,944	94,762
Rougemont 2	EURO	0.88 %	2035	80,401	80,096
Vaite	EURO	0.88 %	2035	72,928	72,849
Rougemont 1	EURO	0.88 %	2035	70,469	70,179
Plan Fleury	EURO	1.65 %	2032-2034	48,037	48,740
Les Renardières	EURO	1.70 %	2032-2034	42,377	43,050
Beaumont	EURO	2.42 %-3.78 %	2027-2031	28,273	28,922
Montjean	EURO	1.15 %-2.73 %	2026-2031	21,299	21,804
Theil Rabier	EURO	1.15 %-2.73 %	2026-2031	21,299	21,804
Yonne II	EURO	0.38 %	2029	9,282	—
Griffin Trail	USD	0.90 %	2021	204,436	—
Foard City	USD	2.01 %	2026	24,922	29,072
Mountain Air	USD	3.51 %-6.00 %	2029-2032	159,708	—
Others	EURO	1.48 %-4.75 %	2025-2030	67,449	71,247

(continued)	Currency	Interest rates	Maturity	December 31, 2020	December 31, 2019
Solar segment					
Hillcrest	USD	1.90 %	2021	187,212	—
Phoebe	USD	2.25 %	2026	137,688	144,931
Stardale	CAD	1.86 %	2032	77,430	79,454
Others	USD	3.72 %	2024-2026	16,648	17,840
				3,839,799	3,380,770
Total long-term loans and borrowings				4,885,455	4,757,710
Deferred financing costs				(71,574)	(66,041)
				4,813,881	4,691,669
Current portion of long-term loans and borrowings				(767,167)	(410,083)
Long-term loans and borrowings				4,046,714	4,281,586

1. The interest rates reflect the internal rate of return required by the respective tax equity investors.
2. The maturity date of these obligations are subject to change and are driven by the dates on which the tax equity investor reaches the agreed upon target rate of return.
3. The 4.65% Convertible Debentures are convertible at the holder's option into common shares of the Corporation at a conversion price of $22.90 per share.
4. The 4.75% Convertible Debentures are convertible at the holder's option into common shares of the Corporation at a conversion price of $20.00 per share.
5. Due to the adverse financial impacts of the February 2021 extreme whether conditions in Texas (refer to Note 35. Subsequent Events for more information), the Corporation is currently assessing the impacts on the TEI Flip Point dates of its Texas facilities subject to power hedges.

The carrying amount of assets pledged to secure the loans totalled $4,814,218 ($4,692,241 in 2019).

Letters of credit under revolving term credit facility and project loans amount to $223,474 ($161,850 in 2019).

Tax equity investors in U.S. wind projects generally require sponsor guarantees as a condition to their investment. To support the tax equity investments, the Corporation executed guarantees 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.

As at December 31, 2020, the Corporation and its subsidiaries have met all material financial and non-financial conditions related to their credit agreements, except for the following:

- the Mesgi'g Ugju's'n project was in breach of its credit agreement as at December 31, 2020 and as at December 31, 2019. A breach was triggered by the bankruptcy of a supplier considered a major project participant under the credit agreement. A waiver has been obtained and was subsequently extended until March 31, 2021. A plan was put in place to ensure the continuity of the operations of the project. Ongoing dialogue and reporting are provided to the project lenders until this situation is resolved. If the waiver is not renewed, the lenders would have the right to request repayment. As a result, the $219,007 ($232,088 in 2019) portion of the loan that would otherwise be classified as long-term was reallocated to the current portion of long-term loans and borrowings. As at December 31, 2020 and as at December 31, 2019, the project was in compliance with financial covenants;
- As at December 31, 2020, the Montjean and Theil-Rabier facilities were not meeting their respective targeted debt coverage ratios, which triggered a breach under their respective credit agreement. This was due to two blade incidents, which caused business interruptions of both Montjean and Theil-Rabier facilities for an extended period which were subsequently followed by several production restrictions. Assuming the situation is not resolved, the lenders would have the right to request repayment, and as a result, the €12,331 ($19,246) portion of the loan that would otherwise be classified as long-term of each debt was reallocated to the current portion of long-term loans and borrowings.
- As at December 31, 2020, the Mountain Air facilities were in breach under their credit agreements due to a non respect of a specific requirement of the insurance clause. A waiver was obtained until March 31, 2021. If the situation is not resolved and the waiver is not renewed, the lenders would have the right to request repayment, and as a result, the US$115,304 ($146,804) portion of the loan that would otherwise be classified as long-term was reallocated to the current portion of long-term loans and borrowings.

a. Corporate Indebtedness

Revolving Term Credit Facility

The Corporation has access to a revolving term credit facility maturing in 2023. The available facility amount is $700,000 with an option, subject to the lender's consent, to increase to a total amount of up to $900,000. The facility has covenants requiring a minimum interest coverage and a maximum debt coverage ratios. The applicable interest rate on this revolving credit facility is variable, based on the bank's prime rate, bankers' acceptance rates, US Base Rate, LIBOR or EURIBOR plus a spread which depends on leverage ratio. As of December 31, 2020, an amount of $59,198 has been used to issue letters of credit.

Moreover, the Corporation has access to a letter of credit facility of an amount of up to $90,000 guaranteed by Export Development Canada. As of December 31, 2020, letters of credit have been issued for an amount of $60,695.

Subordinated Unsecured Term Loan

The Corporation has a subordinated unsecured term loan maturing in 2023 and repayable in full at maturity.

b. Financing of the Hillcrest Solar Project

On May 7, 2020, the Corporation entered into a construction and long-term credit agreement for the Hillcrest solar project.

Project loan

The credit agreement comprises two facilities:

- a US$82,033 ($104,444) construction loan bearing interest at LIBOR +1.75% maturing in 2021. As at December 31, 2020, an amount of US$82,033 ($104,444) has been drawn. Following the commencement of commercial operations, the construction facility will be converted into a 7-year term loan bearing interest at LIBOR +2.25% for the first four years and at LIBOR +0.125% thereafter until maturity in 2027. All of the variable interest rate exposure has been fixed through an interest rate swap which became effective on December 31, 2020, resulting in a fixed interest rate of 0.945%; and
- a US$109,784 ($139,777) tax equity bridge loan bearing interest at LIBOR +1.75% maturing in 2021. As at December 31, 2020, an amount of US$65,008 ($82,768) has been drawn. Following the commencement of commercial operations, the tax equity bridge loan will be repaid with the proceeds from the tax equity investor's contribution.

The aggregate outstanding balance as at December 31, 2020 is US$ 147,041 ($187,212).

Tax equity financing

The tax equity investor's total commitment is US$112,025 ($143,953). On October 29, 2020, Hillcrest Solar Partners received US$22,374 ($29,809) from the tax equity investor in return for its Class A membership interest, representing 20% of the tax equity investor's total investment. The remaining funding is to be received upon commissioning of the project. The interest in the Class A shares is accounted for as a debt instrument by the Corporation. The outstanding balance as at December 31, 2020 is US$22,582 ($28,751). The Corporation anticipates the Flip Point date of the Hillcrest tax equity financing to occur in 2028.

The tax equity investors' taxable income (losses), ITCs and cash distributions allocations are detailed in the table below. After the Flip Point, the Hillcrest tax equity investors will retain a 3% financial interest in the project which will be accounted for as non-controlling interests.

	Tax Equity Investor
Taxable income (losses) and ITCs	99.0 % [1]
Cash distributions	Various [2]

1. Allocation of taxable income (loss) and ITCs is 99.0% to the tax equity investor. From January 1, 2025 to December 31, 2025, allocation of taxable income (loss) to the tax equity investor will be 67.0%, and 5.0% thereafter.
2. Hillcrest's cash distribution amounts to the tax equity investor are fixed and defined within the partnership agreement. All amounts of distributable cash above these fixed and defined distributions are distributed at the rate of 4.23% to the tax equity investor, until the Flip Point date.

c. Financing of the Yonne II Wind Project

On May 26, 2020, the Corporation's subsidiary, Éoles-Yonne S.A.S., entered into an amendment to its credit agreement for the financing of the Yonne II wind farm project, an extension of the Yonne wind farm. The Yonne II project loan, for a total loan commitment of €12,767 ($19,927), comprises :

- a €5,425 loan bearing a fixed interest rate of 1.45%, repayable in quarterly installments beginning in December 2021 and maturing in March 2039;
- a €5,425 loan bearing a fixed interest rate of 1.65%, repayable in quarterly installments beginning in December 2021 and maturing in March 2039;
- a €1,600 short term revolving credit facility to finance the value added taxes during the construction phase; and
- additional credit and guarantees on the original credit agreement of €317.

The outstanding balance as at December 31, 2020 is €5,947 ($9,282).

d. Financing of the Griffin Trail Wind Project

On December 29, 2020, the Corporation entered into a construction financing and tax equity commitment for the Griffin Trail wind project.

Project loan

The credit agreement comprises two facilities:

- a US$90,029 ($114,625) construction loan bearing interest at LIBOR +0.88% maturing in 2021. As at December 31, 2020, an amount of nil has been drawn. Following the commencement of commercial operations, the construction facility will be repaid in full;
- a US$166,171 ($211,569) tax equity bridge loan bearing interest at LIBOR +0.75% maturing in 2021. As at December 31, 2020, an amount of US$160,569 ($204,436) has been drawn. Following the commencement of commercial operations, the tax equity bridge loan will be repaid with the proceeds from the tax equity investor's contribution.

The aggregate outstanding balance as at December 31, 2020 is US$160,569 ($204,436).

Moreover, the Corporation has access to a letter of credit facility of an amount of US$20,000 ($25,464). As of December 31, 2020, letters of credit have been issued for the full amount.

Tax equity financing

The tax equity investor's total commitment is US$171,311 ($218,113). The funding from the tax equity partner is to be received upon commissioning of the project. The interest in the Class A shares is accounted for as a debt instrument by the Corporation.The Corporation anticipates the Flip Point date of the Griffin Trail tax equity financing to occur in 2031.

The tax equity investors' taxable income (losses), PTCs and cash distributions allocations are detailed in the table below. After the Flip Point, the Griffin Trail tax equity investors will retain a 5% financial interest in the project which will be accounted for as non-controlling interests.

	Tax Equity Investor
Taxable income (losses) and PTCs	Various [1]
Cash distributions	5.0 %

1. Allocation of taxable income (loss) and PTCs is 93.75% to the tax equity investor during 2021. From January 1, 2022 to Flip Point, allocation of taxable income (loss) to the tax equity investor will be 99.0%, and 5.0% thereafter.

e. Acquisition of Mountain Air

As part of the acquisition of Mountain Air, the Corporation assumed the related loan facilities for a total fair value of US$126,507 ($172,252), which are comprised of:

- US$94,011 ($128,005) senior secured notes (the "Notes") bearing interest at an annual rate of 6.00% and maturing on June 30, 2032. The Notes are collateralized by the Mountain Air wind farm facilities. The Notes were accounted for at their fair market value of US$109,407 ($148,969) for an effective interest rate of 3.80%; and
- a US$17,100 ($23,283) term loan bearing interest at LIBOR + 3.00% and maturing on November 30, 2029. The loan was accounted for at its book value which was considered representative of the fair value of the remaining debt.

The outstanding balance as at December 31, 2020 is US$125,438 ($159,708).

22. OTHER LIABILITIES

	Contingent considerations	Asset retirement obligations	Interest payable on SM S.E.C. debenture	Future ownership rights	Lease liabilities	Total
As at January 1, 2020	1,816	121,371	22,066	31,400	119,788	296,441
Liabilities assumed as part of the business acquisitions (Note 4)	—	6,259	—	—	665	6,924
New obligations	—	8,598	—	—	71,542	80,140
Interest expense included in finance costs	—	—	4,395	—	—	4,395
Accretion expense included in finance costs	45	3,830	—	1,237	—	5,112
Remeasurement	—	21,783	—	7,394	(13,315)	15,862
Payment of lease liabilities	—	—	—	—	(3,841)	(3,841)
Impact of foreign exchange fluctuations	—	784	—	—	(2,032)	(1,248)
As at December 31, 2020	1,861	162,625	26,461	40,031	172,807	403,785
Current portion of other liabilities	(1,018)	—	—	—	(5,254)	(6,272)
Long-term portion of other liabilities	843	162,625	26,461	40,031	167,553	397,513

	Contingent considerations	Asset retirement obligations	Interest payable on SM S.E.C. debenture	Future ownership rights	Pension fund obligations	Below market contracts	Lease liabilities	Total
As at January 1, 2019	1,762	88,659	18,002	21,883	26,926	16,618	—	173,850
Adoption of IFRS 16	—	—	—	—	—	—	122,270	122,270
Business disposal (Note 5)	—	—	—	—	(26,926)	(16,618)	—	(43,544)
New obligations	—	16,528	—	—	—	—	—	16,528
Interest expense included in finance costs	—	—	4,064	—	—	—	—	4,064
Accretion expense included in finance costs	54	3,392	—	1,049	—	—	—	4,495
Remeasurement	—	15,582	—	8,468	—	—	6,882	30,932
Payment of lease liabilities	—	—	—	—	—	—	(4,756)	(4,756)
Impact of foreign exchange fluctuations	—	(2,790)	—	—	—	—	(4,608)	(7,398)
As at December 31, 2019	1,816	121,371	22,066	31,400	—	—	119,788	296,441
Current portion of other liabilities	(761)	—	—	—	—	—	(3,259)	(4,020)
Long-term portion of other liabilities	1,055	121,371	22,066	31,400	—	—	116,529	292,421

a. 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, after exercising its term renewal options, at least 25 years after the signing date.

The cash flows were discounted at rates between 0.57% and 4.88% as at December 31, 2020 (1.24% to 4.35% in 2019) to determine the obligations.

b. Interest payable on SM S.E.C. debenture

This debenture carries an interest rate of 8.00%; it has no predetermined repayment schedule and matures in 2064. The partner, Régime de Rentes du Mouvement Desjardins ("RRMD"), is considered a related party. Unpaid interests are compounded and are recorded in other long-term liabilities.

c. Future ownership rights

Other liabilities include 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. Lease liabilities

The Corporation enters into various leases for the conduct of its operations. The main portion of the leases relate to the right of use of land, mainly for the Corporation's installed wind turbines and solar panels. The land leases run for various number of years, with subsequent options to renew, which the Corporation expects to exercise up to its projects' respective expected useful lives. The majority of leases provide for additional rent payments that are based on changes in local price indices.

23. 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").

Issued and outstanding shares

As at	December 31, 2020	December 31, 2019
Number of common shares	174,582,586	139,405,832
Number of Series A Preferred Shares	3,400,000	3,400,000
Number of Series C Preferred Shares	2,000,000	2,000,000

a) Common shares

The change in the number of common shares was as follows:

As at	December 31, 2020	December 31, 2019
Issued and fully paid		
Beginning of the year	139,405,832	132,986,850
Issued following the Strategic Alliance with Hydro-Québec	34,636,823	—
Issued through dividend reinvestment plan	279,648	169,450
Exercise of stock options	192,033	472,737
Conversion of debentures	68,250	5,776,795
End of year	174,582,586	139,405,832
Held in trust under the Performance Share Plan		
Beginning of the year	(300,724)	(203,416)
Purchased	(317,777)	(170,000)
Distributed	61,410	72,692
End of year	(557,091)	(300,724)
Common shares outstanding at end of the year	174,025,495	139,105,108

Buyback of common shares and preferred shares

On May 21, 2020, the Corporation received the approval from the Toronto Stock Exchange ("TSX") to proceed with a normal course issuer bid on its common shares (the "New Bid"). Under the New Bid, the Corporation could purchase for cancellation up to 2,000,000 of its common shares, representing approximately 1.15% of the 174,234,629 issued and outstanding common shares of the Corporation as at May 21, 2020. The Corporation could also purchase for cancellation up to 68,000 of its Series A Preferred Shares, representing approximately 2% of the 3,400,000 issued and outstanding shares of the Corporation as at May 21, 2020. And finally, the Corporation could purchase for cancellation up to 40,000 of its Series C Preferred Shares, representing approximately 2% of the 2,000,000 issued and outstanding shares of the Corporation as at May 21, 2020.The New Bid commenced on May 24, 2020 and will terminate on May 23, 2021. No common or preferred shares have been purchased and cancelled as at December 31, 2020.

Strategic Alliance and private placement with Hydro-Québec

On February 6, 2020, Hydro-Québec invested $660,870 through a private placement in common shares of the Corporation at a price of $19.08 per share, representing a total of 34,636,823 shares (19.9% of the then-issued and outstanding common shares on a non-diluted basis).

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 12, 2020. This resulted in a decrease of the shareholders' capital account of $754,355 and an equivalent increase of the contributed surplus.

b) Preferred shares

Series A Preferred Shares

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 each year. The annual dividend rate for the five-year period starting January 15, 2021, equals $0.8110 per share.

At its option, each holder of Series A Preferred Shares has the right 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, 2021, and every five years thereafter. In addition, the Corporation has the right to redeem all or any number of the outstanding Series A Preferred Shares on January 15, 2021, and every five years thereafter.

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

The holders of Series C 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 each year at an annual rate equal to $1.4375 per share. The Corporation has the right to redeem all or any number of the outstanding Series C Preferred Shares.

Equity-based compensation

a) Stock option plan

The Corporation has a stock 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 stock 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 stock 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 stock option plan vest in equal amounts on a yearly basis over a period of four to five years following the grant date.

	December 31, 2020		December 31, 2019	
	Number of options	Weighted average exercise price ($)	Number of options	Weighted average exercise price ($)
Outstanding - beginning of year	737,977	11.52	2,782,599	10.14
Granted during the year	51,895	20.52	78,142	14.41
Exercised during the year	(553,660)	10.53	(2,122,764)	9.85
Cancelled during the year	(2,673)	20.52	—	—
Outstanding - end of year	233,539	15.78	737,977	11.52
Options exercisable - end of year	129,286	14.56	589,815	10.78

The following options were outstanding as at December 31, 2020:

Year of granting	Number of options outstanding	Exercise price ($)	Number of options exercisable	Year of maturity
2016	56,531	14.65	56,531	2023
2017	54,411	14.52	54,411	2024
2019	73,375	14.41	18,344	2026
2020	49,222	20.52	—	2027
	233,539		129,286	

The weighted average contractual life of the outstanding stock options is five years.

A compensation expense of $76 was recorded during the year ended December 31, 2020 with respect to the stock option plan ($64 in 2019).

Exercised
During the year ended December 31, 2020, 553,660 options were exercised, resulting in 192,033 shares issued. The difference between the options exercised and the shares issued is the result of a cashless exercise by the holders, and the payroll withholding assumed by the Corporation, as authorized by the stock option plan and the Board of Directors.

Granted
During the year ended December 31, 2020, 51,895 options were granted. The options granted vest in four equal tranches until March 2, 2024 and must be exercised before March 2, 2027 at an exercise price of $20.52.

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 following assumptions were used to estimate the fair value of the options issued to grantees during the year:

	December 31, 2020
Risk-free interest rate	1.14 %
Expected annual dividend per common share	$ 0.72
Expected life of options	6
Expected volatility	19.84 %

Expected volatility is estimated by considering historic average share price volatility.

b) Performance Share Plan (the "PSP") and Deferred Share Unit Plan (the “DSU”)

Performance Share Plan

The goal of the PSP is to motivate the key employees and officers to create long-term economic value for the Corporation and its shareholders. This portion of the Equity-Based Incentive Plan focuses key employees and officers on delivering business performance over the next three years against the total shareholder value and relative to a peer 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 years thereafter. The fair value of the performance share rights is determined on the grant date, based on the Corporation's estimate of the number of performance share rights that will eventually vest. 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.

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. These shares are held in Trust for the benefit of the beneficiaries until the Performance share rights become vested or cancelled. The cost of these purchases has been deducted from share capital.

Deferred Share Unit Plan

Under the Corporation’s DSU, directors receive a portion of their compensation in DSUs in lieu of cash compensation. Officers may elect to receive all or a portion of their bonus in DSU 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 and the officer's DSU account is credited with additional DSUs equivalent to the dividend paid.

DSUs cannot be redeemed for cash or shares until the director or the officer leaves the Corporation. 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.

Summary

	December 31, 2020		December 31, 2019	
	PSP	DSU	PSP	DSU
Balance beginning of year	462,559	81,498	264,337	56,876
Granted during the year	152,994	35,513	330,940	21,533
Paid out during the year	(121,028)	(2,601)	(145,322)	—
Expired during the year	(7,393)	—	(4,842)	—
Dividend reinvestment during the year	16,872	4,080	17,446	3,089
Balance end of year	504,004	118,490	462,559	81,498

A compensation expense of $3,268 was recorded during the year ended December 31, 2020 with respect to the PSP and DSU plan ($4,613 in 2019).

Dividends

a) 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, 2020, 279,648 shares (169,450 shares in 2019) were issued from treasury under the DRIP.

b) Dividend Declared

The following dividends were declared by the Corporation:

	Year ended December 31			
	2020		2019	
	($/share)	Total	($/share)	Total
Dividends declared on common shares	0.7200	125,543	0.7000	95,046
Dividends declared on Series A preferred shares	0.9020	3,067	0.9020	3,067
Dividends declared on Series C preferred shares	1.4375	2,875	1.4375	2,875

Dividend Declared not recognized at the end of the reporting period

The following dividends will be paid by the Corporation on April 15, 2021:

Date of announcement	Record date	Payment date	Dividend per common share	Dividend per Series A Preferred Share	Dividend per Series B Preferred Share	Dividend per Series C Preferred Share
February 25, 2021	March 31, 2021	April 15, 2021	$ 0.1800	$ 0.2027	$ 0.181875	$ 0.359375

24. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Foreign currency translation differences for foreign operations	Changes in fair value of financial instruments designated as net investment hedges	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, 2020	(7,256)	(3,329)	(1,579)	(3,067)	(15,231)
Exchange differences on translation of foreign operations	(27,032)	—	—	—	(27,032)
Hedging loss	—	(2,128)	(89,549)	(5,148)	(96,825)
Share of non-controlling interest	1,994	648	1,608	—	4,250
Related deferred tax	—	—	22,168	974	23,142
Balance as at December 31, 2020	(32,294)	(4,809)	(67,352)	(7,241)	(111,696)

	Foreign currency translation differences for foreign operations	Changes in fair value of financial instruments designated as net investment hedges	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, 2019	6,947	(6,341)	(25,887)	(8,795)	(416)	(34,492)
Discontinued operations	17,061	—	(61)	6,112	416	23,528
Exchange differences on translation of foreign operations	(31,713)	—	—	—	—	(31,713)
Hedging gain (loss)	—	4,021	23,688	(1,872)	—	25,837
Share of non-controlling interest	449	(469)	3,826	—	—	3,806
Related deferred tax	—	(540)	(3,145)	1,488	—	(2,197)
Balance as at December 31, 2019	(7,256)	(3,329)	(1,579)	(3,067)	—	(15,231)

25. ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

a. Changes in non-cash operating working capital items

	Year ended December 31	
	2020	2019
Accounts receivable	(6,977)	(5,315)
Prepaid and other	(1,313)	(1,509)
Accounts payable and other payables	525	29,226
	(7,765)	22,402

b. Additional information

	Year ended December 31	
	2020	2019
Finance costs paid relative to operating activities before interest on leases	(182,960)	(194,726)
Interest on leases paid relative to operating activities	(2,760)	(1,189)
Capitalized interest relative to investing activities	(7,836)	(16,438)
Capitalized interest on leases relative to investing activities	(1,632)	(1,949)
Total finance costs paid	(195,188)	(214,302)
Non-cash transactions:		
Change in unpaid property, plant and equipment	10,756	21,456
Investment tax credits	114,341	179,071
Change in long-term assets	12,892	(2,000)
Change in unpaid project development costs	146	(919)
Change in investments in joint ventures and associates	—	(13,753)
Remeasurement of other liabilities	15,862	30,932
Initial measurement of other liabilities	80,140	16,528
Common shares issued through the conversion of convertible debentures	1,365	86,652
Common shares issued through equity based compensation	1,440	2,380
Common shares issued through dividend reinvestment plan	5,474	2,402

c. Changes in liabilities arising from financing activities

	Year ended December 31	
	2020	2019
Changes in long-term debt		
Long-term debt at beginning of year	4,412,842	4,469,749
Reclassified as held for sale	—	(96,515)
Increase of long-term debt	998,639	1,707,358
Repayment of long-term debt	(1,005,864)	(1,323,827)
Payment of deferred financing costs	(15,471)	(20,386)
Business acquisitions (Note 4)	172,252	—
Investment tax credits	—	(179,071)
Tax attributes	(21,050)	(88,402)
Production tax credits	(43,850)	(11,238)
Other non-cash finance costs	35,642	21,860
Net foreign exchange differences	666	(66,686)
Long-term debt at end of year	4,533,806	4,412,842
Changes in convertible debentures		
Convertible debentures at beginning of year	278,827	238,648
Issuance of convertible debentures	—	143,750
Transaction costs	—	(6,536)
Redemption of convertible debentures	—	(13,348)
Convertible debentures converted into common shares	(1,365)	(86,652)
Amount classified as equity	—	(709)
Accretion of convertible debentures	2,613	3,674
Convertible debentures at end of year	280,075	278,827

26. NON-WHOLLY-OWNED SUBSIDIARIES

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, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Harrison Hydro L.P. and its subsidiaries	Canada	49.99 %	49.99 %	(1,270)	(6,041)	43,965	45,235
Kwoiek Creek Resources, L.P. (1)	Canada	50.00 %	50.00 %	(443)	(755)	(13,413)	(12,970)
Mesgi'g Ugju's'n (MU) Wind Farm L.P. (1)	Canada	50.00 %	50.00 %	9,006	8,886	(8,671)	(6,663)
Innergex Sainte-Marguerite, S.E.C.	Canada	49.99 %	49.99 %	(2,673)	(2,497)	(13,941)	(11,268)
Innergex Europe (2015) Limited Partnership, and its subsidiaries	Canada/ Europe	30.45 %	30.45 %	(2,001)	(4,409)	(5,035)	(3,080)
Mountain Air Alternatives LLC, and its subsidiaries	United States	37.75 %	— %	1,063	—	59,804	—
HS Orka hf [2]	Iceland	— %	— %	—	2,133	—	—
Others	Canada	Various	Various	(165)	(487)	(631)	(312)
				3,517	(3,170)	62,078	10,942

1. The Corporation owns more than 50% of the economic interest in the subsidiary.
2. In 2019, the Corporation sold its wholly-owned subsidiary, Magma Energy Sweden A.B. ("Magma Sweden"), which owned an equity interest of approximately 53.9% in HS Orka hf.

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.

	Year ended December 31, 2020					
	Harrison	Kwoiek	Mesgi'g Ugju's'n	Sainte-Marguerite	Innergex Europe	Mountain Air
Summary Statements of Earnings (Loss) and Comprehensive Income (Loss)						
Revenues	47,985	18,990	61,401	10,066	95,485	16,995
Expenses	50,526	19,875	28,806	15,413	102,057	14,180
Net (loss) earnings	(2,541)	(885)	32,595	(5,347)	(6,572)	2,815
Other comprehensive (loss) income	—	—	(3,117)	—	154	(8,695)
Total comprehensive (loss) income	(2,541)	(885)	29,478	(5,347)	(6,418)	(5,880)
Net (loss) earnings attributable to:						
Owners of the parent	(1,271)	(442)	23,589	(2,674)	(4,569)	1,752
Non-controlling interests	(1,270)	(443)	9,006	(2,673)	(2,001)	1,063
	(2,541)	(885)	32,595	(5,347)	(6,570)	2,815
Total comprehensive (loss) income attributable to:						
Owners of the parent	(1,271)	(442)	21,333	(2,674)	(4,456)	(3,662)
Non-controlling interests	(1,270)	(443)	8,145	(2,673)	(1,955)	(2,218)
	(2,541)	(885)	29,478	(5,347)	(6,411)	(5,880)
Summary Statements of Cash Flows						
Cash flows from (used in) operating activities	17,577	(2,746)	49,351	2,547	41,268	8,157
Cash flows used in financing activities	(11,564)	(1,742)	(45,254)	(2,384)	(35,406)	(8,971)
Cash flows used in investing activities	(832)	(127)	(4,805)	(167)	(3,810)	—
Effects on exchange rate changes on cash and cash equivalents	—	—	—	—	2,981	(441)
Net change in cash and cash equivalents	5,181	(4,615)	(708)	(4)	5,033	(1,255)
Distributions paid to non-controlling interests	—	—	10,153	—	—	1,147

	Year ended December 31, 2019				
	Harrison	Kwoiek	Mesgi'g Ugju's'n	Sainte-Marguerite	Innergex Europe
Summary Statements of Earnings (Loss) and Comprehensive Income (Loss)					
Revenues	40,175	18,014	62,880	9,283	94,474
Expenses	52,259	19,524	30,717	14,277	108,954
Net (loss) earnings	(12,084)	(1,510)	32,163	(4,994)	(14,480)
Other comprehensive loss	—	—	—	—	(11,199)
Total comprehensive (loss) income	(12,084)	(1,510)	32,163	(4,994)	(25,679)
Net (loss) earnings attributable to:					
Owners of the parent	(6,043)	(755)	23,277	(2,497)	(10,071)
Non-controlling interests	(6,041)	(755)	8,886	(2,497)	(4,409)
	(12,084)	(1,510)	32,163	(4,994)	(14,480)
Total comprehensive (loss) income attributable to:					
Owners of the parent	(6,043)	(755)	23,277	(2,497)	(17,737)
Non-controlling interests	(6,041)	(755)	8,886	(2,497)	(7,942)
	(12,084)	(1,510)	32,163	(4,994)	(25,679)
Summary Statements of Cash Flows					
Cash flows from operating activities	15,807	5,000	46,912	1,132	36,509
Cash flows used in financing activities	(10,986)	(1,650)	(35,253)	(527)	(17,690)
Cash flows (used in) from investing activities	(626)	(191)	(14,035)	(215)	3,521
Net change in cash and cash equivalents	4,195	3,159	(2,376)	390	22,340
Distributions paid to non-controlling interests	—	—	11,466	—	—

Summary Statements of Financial Position

	As at December 31, 2020					
	Harrison	Kwoiek	Mesgi'g Ugju's'n	Sainte-Marguerite	Innergex Europe	Mountain Air
Current assets	20,670	7,348	22,571	1,173	60,268	14,314
Non-current assets	562,075	167,201	265,911	121,361	917,529	292,767
	582,745	174,549	288,482	122,534	977,797	307,081
Current liabilities	20,288	9,145	242,088	8,673	158,016	158,851
Non-current liabilities	437,471	200,457	23,311	125,262	882,068	18,331
Equity (deficit) attributable to owners	81,021	(21,640)	31,754	2,540	(57,252)	70,095
Non-controlling interests (deficit)	43,965	(13,413)	(8,671)	(13,941)	(5,035)	59,804
	582,745	174,549	288,482	122,534	977,797	307,081

	As at December 31, 2019				
	Harrison	Kwoiek	Mesgi'g Ugju's'n	Sainte-Marguerite	Innergex Europe
Current assets	17,201	5,962	21,356	1,522	54,565
Non-current assets	575,070	167,091	277,945	124,121	888,895
	592,271	173,053	299,301	125,643	943,460
Current liabilities	16,700	7,355	248,264	7,688	100,966
Non-current liabilities	448,022	202,354	20,641	124,010	898,280
Equity (deficit) attributable to owners	82,314	(23,686)	37,059	5,213	(52,706)
Non-controlling interests (deficit)	45,235	(12,970)	(6,663)	(11,268)	(3,080)
	592,271	173,053	299,301	125,643	943,460

27. RELATED PARTY TRANSACTIONS

a) 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	
	2020	2019
Salaries and short-term benefits	6,258	6,685
Attendance fees for members of the Board of Directors	1,026	853
Performance share plan	1,294	1,764
Share-based payments	76	64
	8,654	9,366

b) Transactions with partners

Related party transactions conducted in the normal course of operations are measured at an 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:

- Strategic alliance and private placement with Hydro-Québec (see Note 23 - Shareholders' Capital)
- Sales made under PPAs with Hydro-Québec (see Note 33 - Major Customers)
- EVLO, a subsidiary of Hydro-Québec, to provide battery at energy storage project (below)
- Sainte Marguerite L.P.'s debenture to RRMD (see Note 22b)
- Magpie Limited Partnership's convertible debenture to the municipality (below)
- Innergex Europe (2015) Limited Partnership's debenture to RRMD (below)
- The Corporation's partner made a loan to Kwoiek Creek Resources L.P (below).

Tonnerre Energie SAS signed a Memorandum of understanding with EVLO, a Hydro-Québec subsidiary, for the 9 MWh stand-alone energy storage project in France.

A $3,000 convertible debenture was issued by Magpie Limited Partnership to Minganie Regional County Municipality, and 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.

A $77,957 debenture was issued by Innergex Europe (2015) Limited Partnership to RRMD. 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 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.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES

Fair value disclosures

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. The Corporation determined that the carrying values of its current financial assets and liabilities, as well as their government-backed securities included in reserve accounts, was within reasonable proximity of their respective fair values due to their shorter-term maturities and high liquidity.

		As at December 31, 2020		As at December 31, 2019	
	Fair value level	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial assets measured at amortized cost					
Other investments included in other long-term assets	*Level 2*	—	—	2,000	2,000
Non-current financial liabilities measured at amortized cost					
Long-term loans and borrowings	*Level 2*	4,813,881	5,289,788	4,691,669	4,808,403
Derivative financial instruments measured at fair value					
Interest rate swaps	*Level 2*	(168,002)	(168,002)	(83,536)	(83,536)
Foreign exchange forwards	*Level 2*	(37,113)	(37,113)	(24,269)	(24,269)
Power and basis hedges	Level 3	54,082	54,082	27,757	27,757

Other investments
The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate.

Long-term loans and borrowings
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 payments 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.

Interest rate swaps
The fair value is calculated as the present value of the estimated future cash flows. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Corporation and of the counterparty.

Foreign exchange forwards
The fair value is calculated as the present value of the estimated future cash flows, representing the differential between the value of the contract at maturity and the value determined using the exchange rate the financial institution would use if the same contract was renegotiated at the statement of financial position date. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Corporation and of the counterparty, considering the offsetting agreements, as applicable.

Power hedges

The fair values of the power and basis hedges are calculated using a discounted cash flow model. The fair value calculation of power and basis hedges gives rise to measurement uncertainty as the power price curves are constructed using various methodologies and assumptions, which consider certain unobservable inputs. As at December 31, 2020, the forward power prices used in the calculation of fair value were as follows:

With respect to the Phoebe power hedge, ERCOT South Hub forward power prices are expected to be in a range of US$15.16 to US$96.65 per MWh between January 1, 2021 and June 30, 2031.

With respect to the Salvador power hedges, Polpaico node future power prices are expected to be in a range of US $4.99 to US$67.03 per MWh between January 1, 2021 and December 31, 2030.

With respect to the Phoebe basis hedge, ERCOT South Hub forward power prices are expected to be in a range of $18.00 to US$96.65 per MWh between January 1, 2021 and December 31, 2021, while Phoebe node forward power prices are derived using a historical spread against the ERCOT South Hub of US$30.37 per MWh.

Further information is provided below with regard to the methodology for constructing the forward power price curves.

Phoebe power hedge: The fair value of the power hedge is derived from forward power prices that are not based on observable market data for the entirety of the contracted period. The power ERCOT South Hub forward price curves are constructed using various assumptions depending on the following observable market data available as of the valuation date: (1) a combination of observable exchange prices and over-the-counter broker quotes obtained through November 2030; (2) for the seven remaining months until June 2031, extrapolated prices based on the growth rate implicit in traded NYMEX Natural Gas Futures prices.

Salvador power hedges: The fair value of the power hedges is derived from future power price forecasts that are not based on observable market data. Such forecasts are constructed using various assumptions depending on historical market prices, supply, demand and congestion volumes observed on the Chilean grid, as well as econometric models. In addition, as the notional volume of the power hedges is not contractually fixed, the estimated volume is determined using various assumptions such as the expected demand and volume of power to be successfully settled through the market bidding process.

Phoebe basis hedge: The fair value of the basis hedge is derived from observable forward power prices at the ERCOT South Hub for the duration of the contract period and a Phoebe node forward price curve constructed using various assumptions depending on the following observable market data available as of the valuation date: (1) forward power prices at the ERCOT South Hub for the duration of the contract period; (2) historical spread between the ERCOT South Hub and the Phoebe node prices from July 2019 onwards ("Observable Period"); and (3) historical spread prior to July 2019 between the ERCOT South Hub and a proxy to the Phoebe node, adjusted for the average price differential between the Phoebe node and its proxy during the Observable Period.

The fair value estimates are subject to a credit risk adjustment that reflects the credit risk of the Corporation or of the counterparty.

The changes in the fair value of the derivative instrument are recognized in the consolidated statements of earnings (loss), as change in fair value of financial instruments.

Financial risk management

The Corporation is exposed to a variety of financial risks: market risk (e.g. interest rate, foreign exchange, and power price and others), credit risk and liquidity risk. The Corporation's objective with respect to financial risk management is to secure the long-term internal rate of return of its energy projects by mitigating uncertainty related to the fluctuation of certain key variables.

Management is responsible for establishing controls and procedures to ensure that financial risks are managed within acceptable levels. The Corporation does not use derivative financial instruments for speculative purposes.

a. 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 interest rate, foreign exchange, and power price risks.

(i) Interest rate risk

Interest rate risk is the risk that the future cash flows or fair value of a financial instrument will fluctuate due to changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Corporation to interest rate risk with respect to its cash flows. The risk that the Corporation will realize a loss as a result of a decline in the fair value of any short-term securities included in cash and cash equivalents and short-term investments is limited because these investments, although readily convertible into cash, are generally held-to-maturity.

The Corporation's cash flow exposure to interest rate risk relates principally to floating rate long-term loans and borrowings. Management mitigates this risk by entering into fixed rate financing agreements or interest rate swap agreements related to its floating rate financing agreements. From time to time, the Corporation may enter into bond forward contracts to pre-hedge the interest rate risk related to future debt issuances by locking-in an interest rate during the period leading to the execution of the financing agreement.

The Corporation has designated the following derivative financial instruments as cash flow hedges[1]:

						Notional Amounts	
Project	Notional Currency [2]	Variable rate	Swap Rate	Maturity	Early termination option	December 31, 2020	December 31, 2019
Corporate							
Innergex	CAD	CDOR	2.18%	2027	2023	20,000	20,000
Innergex	CAD	CDOR	2.33%	2028	2023	30,000	30,000
Innergex	CAD	CDOR	2.33%	2028	2023	52,600	52,600
Innergex	CAD	CDOR	2.33%	2024	None	20,000	20,000
Innergex	CAD	CDOR	2.30%	2024	None	20,000	20,000
Innergex	CAD	CDOR	4.25%	2031	2022	31,105	33,205
Innergex	CAD	CDOR	1.89%	2029	2023	20,000	20,000
Innergex	CAD	CDOR	1.92%	2029	2023	20,000	20,000
Innergex	CAD	CDOR	2.08%	2034	2029	20,000	20,000
Innergex	CAD	CDOR	2.12%	2034	2023	20,000	20,000
Innergex	CAD	CDOR	2.24%	2049	2029	20,000	20,000
Innergex	CAD	CDOR	2.19%	2049	2029	25,000	25,000
Alterra	CAD	CDOR	2.16%	2023	None	29,000	29,000
Alterra	CAD	CDOR	2.32%	2023	None	49,000	49,000
Hydroelectric segment							
Ashlu Creek	CAD	CDOR	4.61%	2035	2025	41,406	44,110
Ashlu Creek	CAD	CDOR	4.60%	2035	2025	41,406	44,110
Fitzsimmons Creek	CAD	CDOR	2.85%	2041	2021	17,244	17,642
Wind segment							
Rougemont 1	EUR	EURIBOR	1.30%	2032	None	62,240	61,822
Rougemont 2	EUR	EURIBOR	1.30%	2032	None	37,970	37,732
Rougemont 2	EUR	EURIBOR	1.48%	2032	None	34,469	34,253
Vaites	EUR	EURIBOR	1.28%	2032	None	66,423	66,178
Cartier	CAD	CDOR	2.83%	2032	None	489,216	530,982
Mesgi'g Ugju's'n	CAD	CDOR	1.91%	2026	None	76,735	84,872
Cholletz	EUR	EURIBOR	2.64%	2030	None	12,433	12,778
Foard City	USD	LIBOR	2.07%	2029	2026	13,275	14,956
Foard City	USD	LIBOR	2.43%	2029	2026	11,647	14,117
Mountain Air	USD	LIBOR	2.03%	2029	None	20,821	—
Solar Segment							
Stardale	CAD	CDOR	3.60%	2032	None	69,125	71,666
Phoebe	USD	LIBOR	3.07%	2037	2026	129,939	135,435
Kokomo	USD	LIBOR	1.85%	2026	None	5,190	5,603
Spartan	USD	LIBOR	2.31%	2024	None	11,458	12,237
Hillcrest	USD	LIBOR	0.95%	2040	2028	93,999	—
						1,611,701	1,567,298

1. The Corporation applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, maturities and the notional amounts. The Corporation assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.
2. USD swaps are converted at a fixed rate of CAD 1.2732 and EURO swaps are converted at a fixed rate of CAD 1.5608.

Interest rate hedging instruments entered into during the year ended December 31, 2020

Hillcrest: On May 12, 2020, the Corporation entered into three US$ denominated interest rate swap agreements to mitigate the interest rate risk related to the Hillcrest term loan. The notional amounts as at December 31, 2020 total US$73,829 ($93,999) in the aggregate. The contracts will mature in 2040. The fair value is based on Level 2 valuation techniques. The Corporation designated the interest rate swaps as cash flow hedges for accounting purposes.

Mountain Air: On July 15, 2020, the Corporation acquired, as part of Mountain Air, an interest rate swap agreement aimed at mitigating the interest rate risk on a term loan assumed by Mountain Air. The notional amount as at December 31, 2020 amounts to US$16,353 ($20,821). The contract matures in 2029.

Sensitivities
A reasonably possible change of 10 basis points in interest rates at the reporting date would have increased (decreased) earnings (loss) and other comprehensive income (loss) by the amounts shown below. This analysis assumes that all other variables remain constant.

	Earnings (loss)		Other comprehensive income (loss)	
	10 bps increase	10 bps decrease	10 bps increase	10 bps decrease
December 31, 2020				
Interest rate swaps	51	(46)	10,795	(11,462)
December 31, 2019				
Interest rate swaps	600	(719)	9,555	(9,445)

(ii) Foreign exchange risk

Foreign exchange risk is the risk that future cash flows or fair value of a financial instrument will fluctuate because of changes in foreign exchange rates, namely the U.S. dollar and Euro against the Canadian dollar.

The Corporation is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of the Corporation and its subsidiaries. Other than during the construction of renewable energy projects, such transactional risks are limited, given the majority of transactions are made in the respective functional currencies of the Corporation or its subsidiaries.

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 Euros. 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 has designated the following derivative financial instruments as net investment hedges[1]:

Contracts	Maturity	Early termination option	Notional Amounts December 31, 2020	December 31, 2019
Contracts used to hedge the foreign exchange risk				
Foreign exchange forwards amortizing until 2041, allowing conversion at a fixed rate of CAD 1.7220/Euro	2022	none	150,505	154,653
Foreign exchange forwards amortizing until 2042, allowing conversion at a fixed rate of CAD 1.7196/Euro	2022	none	44,353	46,377
Foreign exchange forwards amortizing until 2041, allowing conversion at a fixed rate of CAD 1.6650/Euro	2023	none	99,822	103,630
Foreign exchange forwards amortizing until 2043, allowing conversion at a fixed rate of CAD 1.7516/Euro	2023	none	149,247	155,873
Foreign exchange forwards amortizing until 2043, allowing conversion at a fixed rate of CAD 1.7698/Euro	2023	none	72,106	75,002
			516,033	535,535

1. The Corporation applies a hedge ratio of 1:1. The Corporation determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency and notional amounts. The Corporation assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

Sensitivities

A reasonably possible 1% strengthening (weakening) of the Euro against the Canadian Dollar at the reporting date would have increased (decreased) earnings (loss) and other comprehensive income (loss) by the amounts shown below. This analysis assumes that all other variables remain constant.

	Earnings (loss)		Other comprehensive income (loss)	
	1% increase	1% decrease	1% increase	1% decrease
December 31, 2020				
Foreign exchange forwards	(3,948)	3,997	(742)	695
December 31, 2019				
Foreign exchange forwards	(4,852)	4,855	535	(537)

(iii) Power price risk

Power price risk is the risk that future cash flows or fair value of a financial instrument will fluctuate because of changes in market prices of electricity.

Most sales of electricity are made pursuant to long-term agreements where the offtakers are committed to take and pay for the total production at pre-determined prices, up to certain annual limits and generally subject to annual inflation. For some of the Corporation's facilities, power generated is sold on the open market and supported by power hedges to address market price risk exposure.

Phoebe power hedge
The Corporation is subject, under the Phoebe solar project, to a 12-year power hedge, effective from July 1, 2019 to June 30, 2031. The power hedge was designated for hedge accounting purposes until September 30, 2019. In light of new information, Management revised, effective October 1, 2019, its methodology to derive forward node prices in order to more accurately reflect the basis differential risk, which resulted in the Phoebe power hedge no longer meeting the hedge effectiveness criteria. The Phoebe power hedge is accounted for at fair value, with changes recognized as changes in fair value of financial instruments. The unrealized net loss recognized as change in fair value of financial instruments amounts to a $11,210 for the year ended December 31, 2020.

Sensitivities

A reasonably possible change of 10% in the forward ERCOT South Hub prices at the reporting date would have increased (decreased) earnings (loss) and other comprehensive income (loss) by the amounts shown below. This analysis assumes that all other variables remain constant.

	Earnings (loss)	
	10 % increase	10% decrease
December 31, 2020		
Power hedge	(18,541)	18,541
December 31, 2019		
Power hedge	(18,249)	18,195

Salvador power hedges
On May 14, 2020, the Corporation acquired, when it acquired Salvador, a portfolio of synthetic power purchase agreements ("PPA"), which act as power hedges. Salvador power hedges are accounted for at fair value, with subsequent changes being recognized as change in fair value of derivative financial instruments. The unrealized net gain recognized as change in fair value of financial instruments amounts to $815 for the year ended December 31, 2020.

Sensitivities
A reasonably possible change of 10% in the Polpaico node projected prices at the reporting date would have increased (decreased) earnings (loss) and other comprehensive income (loss) by the amounts shown below. This analysis assumes that all other variables remain constant.

	Earnings (loss)	
	10 % increase	10% decrease
December 31, 2020		
Power hedge	(1,065)	1,065

Phoebe basis hedge
On August 2, 2019, the Corporation entered into a 2-year basis hedge, effective November 1, 2019 to December 31, 2021, in order to mitigate the basis differential risk. The basis hedge is accounted for at fair value, with subsequent changes being recognized in the consolidated statement of earnings as change in fair value of financial instruments. The unrealized net gain recognized as change in fair value of financial instruments amounts to $13,059 for the year ended December 31, 2020.

Sensitivities
A reasonably possible change of 100 basis points in the spread between the forward ERCOT South Hub and the Phoebe node prices at the reporting date would have increased (decreased) earnings (loss) and other comprehensive income (loss) by the amounts shown below. This analysis assumes that all other variables remain constant.

	Earnings (loss)	
	100 bps increase	100 bps increase
December 31, 2020		
Basis hedge	(742)	742
December 31, 2019		
Basis hedge	(1,487)	1,487

(iv) Hedge accounting

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. There is uncertainty as to the timing and the methods of transition for replacing existing benchmark interbank offered rates (IBORs) with alternative rates. As a result of these uncertainties, significant accounting judgment is involved in determining whether certain hedge accounting relationships that hedge the variability of foreign exchange and interest rate risk due to expected changes in IBORs continue to qualify for hedge accounting as at December 31, 2020. IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. Therefore, the Corporation believes the current market structure supports the continuation of hedge accounting as at December 31, 2020.

All the hedging instruments are accounted for in the current or non-current portion of derivative financial instruments in the consolidated statements of financial position. As at December 31, 2020 the following items were designated as hedging instruments to mitigate the interest rate risk and the foreign exchange risk:

		Carrying amount of the hedging instrument	
	Notional amount of the hedging instrument	Assets	Liabilities
Cash-flow hedges:			
Interest rate risk			
Interest rate swaps	1,599,268	1,774	(169,577)
Net investment hedges:			
Foreign exchange risk			
Foreign exchange forwards	87,741	1,411	(5,905)

The following table summarizes the impact of hedge ineffectiveness and hedging gains (losses) as at December 31, 2020:

	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
Cash-flow hedge:			
Interest rate risk			
Interest rate swaps	(86,108)	(1,417)	(23)
Power price risk			
Power hedge [1]	—	—	3,464
Hedge of net investment in a foreign operation:			
Foreign exchange risk			
Foreign exchange forwards	2,128	672	(203)

1. The balance of cash flow hedge reserve relating to power price risk for which hedge accounting is no longer applied is $33,069.

Ineffectiveness is accounted for in the change in fair value of financial instruments in the consolidated statements of earnings.

For the hedge relationships covering the interest rate risk and the foreign exchange risk, 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.

b. Credit risk

Credit risk is the risk of financial loss to the Corporation that may arise from a party’s failure to meet its contractual obligations. The maximum exposure to credit risk at the reporting date is the carrying value of the Corporation’s financial assets.

(i) Cash and cash equivalents, restricted cash and reserves

As at December 31, 2020, the Corporation was holding cash and cash equivalents, restricted cash (Note 13) and reserves included in other long-term assets (Note 15). The Corporation limits its counterparty credit risk on these assets by dealing with highly rated, large Canadian financial institutions and, to a lesser degree, at major U.S. and European financial institutions. The Corporation recorded no impairment on these financial assets.

(ii) Accounts receivable

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. These utility companies are highly rated by the various rating agencies.

Accounts receivable also include commodity taxes and investment tax credits which are receivable from governments, mainly in relation with the development and construction of projects.

As at December 31, 2020, $9,547 ($3,616 in 2019) of trade and other receivables were more than 90 days overdue and a total write-off of impaired receivables of $176 ($438 in 2019) was recorded during the year. Given that expected credit losses are minimal, the expected credit losses by trade accounts receivable aging have not been presented.

(iii) Derivatives

A counterparty is deemed qualified to transact with the Corporation in interest rate or currency hedging transactions if and so long as the counterparty is a bank, insurance company, investment dealer, investment bank or other financial institution, or any affiliate of any of them whose long-term debt is rated ‘A-‘(stable) (or its equivalent) or better from any of (i) Standard & Poor’s Corporation (ii) Moody’s Investor Services Inc. (iii) DBRS Limited or (iv) Fitch Ratings.

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 $584,278 as at December 31, 2020 (negative working capital of $335,721 in 2019). If necessary, the Corporation can use its revolving credit facilities of which $457,806 was available as at December 31, 2020 ($161,922 in 2019). 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 19) and is covered by insurance plans. The Corporation considers its current level of working capital to be sufficient to meet its needs.

The following table presents the contractual cash flows of the financial liabilities:

	Less than 1 year	Between 1 year and 5 years	Over 5 years	Total
Non-derivative financial liabilities				
Accounts payable and other payables	190,335	—	—	190,335
Long-term loans and borrowings[1]	315,349	1,665,556	4,675,814	6,656,719
Other liabilities	1,018	843	26,461	28,322
Lease liabilities	14,380	64,159	270,669	349,208
Derivative financial liabilities				
Interests rate swaps	46,333	126,320	65,951	238,604
Foreign exchange forwards	18,180	40,255	—	58,435
Power Hedge	7,355	18,543	35,679	61,577
Basis Hedge	22,582	—	—	22,582
Total	615,532	1,915,676	5,074,574	7,605,782

1. As disclosed in note 21, certain long-term loans and borrowings are subject to financial and non-financial conditions which could result in certain contractual cash flows to be payable significantly earlier than indicated in the table above.

29. COMMITMENTS

a. Power Purchase Agreements

Quebec facilities
Under PPAs with terms varying from 20 to 25 years and expiring between 2021 and 2039, 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.

The PPA for the Ste-Marguerite facility reached the end of its initial 25-year term in December 2018. The Corporation sent to Hydro-Québec its notice of automatic renewal for an additional 25-year term. Discussions on the renewal terms and conditions are underway, in accordance with the renewal process of the initial PPA.

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.

By Order G-278-19, dated November 8, 2019 (“BCUC Order”), in the absence of an updated and approved Integrated Resource Plan from BC Hydro (“IRP”), the BCUC declined to make any determination with regard to whether the Walden PPA and the Brown Lake PPA are, as of the date of the BCUC Order, in the public interest. However, the BCUC is prepared to consider accepting PPA renewals for periods shorter than 40 years to allow for the conclusion of BC Hydro’s next IRP proceeding. The Corporation and BC Hydro amended the Brown Lake PPA Renewal as suggested by the BCUC so that the Brown Lake PPA Renewal would have a term no longer than three years and ending on October 31, 2022. Cayoose Creek Power Limited Partnership and BC Hydro agreed to terminate the Walden PPA Renewal pursuant to its terms and to continue to transact pursuant to the terms of the original electricity purchase agreement initially entered into between BC Hydro and ESI Power Corp., dated August 16, 1990 and the forbearance agreement initially entered into between BC Hydro and ESI Power-Walden Corporation, dated April 1, 2014. As of December 31, 2020, the BCUC's acceptance of the amended Brown Lake PPA Renewal is still pending.

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.

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 the Kokomo and Spartan solar facilities.

Under a PPA with a 15-year term and expiring in 2034, a client agreed to purchase all of the electricity produced by the Hillcrest solar facility.

Under a PPA with a 20-year term and expiring in 2033, Idaho Power Company agreed to purchase all of the electricity produced by the Mountain Air wind farm facilities.

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.

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.

Griffin Trail Wind, LLC has entered into a balance of plant agreement to construct the wind power facility project.

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. and Phoebe Energy Project LLC have entered into contracts for the operations and maintenance of the respective solar farms.

Hillcrest Solar I, LLC has entered into a transformer engineering, procurement, and supply agreement to construct the solar project.

c. Summary of commitments

As at December 31, 2020, the expected schedule of commitment payments is as follows:

Year of expected payment	Under 1 year	1 to 5 years	Thereafter	Total
Purchase obligations	81,220	128,078	253,677	462,975
Variable payments on lease contracts	8,828	44,163	10,654	63,645
Total	90,048	172,241	264,331	526,620

30. 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.

BC Hydro curtailment notices

In May 2020, Innergex received notices from BC Hydro in relation to six of the Corporation's hydroelectric facilities in British Columbia stating that BC Hydro would not accept and purchase energy under the applicable electricity purchase agreements ("EPAs") above a specified curtailment level for the period from May 22, 2020 to July 20, 2020. The specified curtailment levels were 0.0 MW/h for the Jimmie Creek (accounted for using the equity method), Upper Lillooet River, Northwest Stave River, and Boulder Creek facilities, 2.0 MW/h for the Tretheway Creek facility and 4.0 MW/h for the Big Silver Creek facility.

BC Hydro cites the current COVID-19 pandemic and related governmental measures taken in response to it as constituting a "force majeure" event under the EPAs, and resulting in a situation in which BC Hydro is unable to accept or purchase energy under the EPAs. The notices to Innergex follow public statements by BC Hydro regarding measures it is taking to address the reduced electricity demand during the COVID-19 pandemic and related challenges to the safe operation of its hydroelectric system.

Innergex disputes that the current pandemic and related governmental measures in any way prevent BC Hydro from fulfilling its obligations to accept and purchase energy under the EPAs or enable it to invoke "force majeure" provisions under the EPAs to suspend these obligations. Innergex acknowledges that BC Hydro retains "turn-down" rights under the EPAs, which enable it to require Innergex to turn down or shut off its facilities in certain circumstances, including in order to avoid a safety or stability risk. Where BC Hydro exercises this right, it is required under the EPAs to compensate Innergex for energy that would have been produced at the facilities in the absence of the curtailment. Innergex has complied with BC Hydro's curtailment request, but has done so under protest and seeks to enforce its rights under the EPAs on the basis described above. For the year ended December 31, 2020, actual eligible energy revenue that would have been produced at the facilities in the absence of the curtailment amounts to $13,031 ($14,758 on a Revenues Proportionate[1] basis), respectively.

1. Revenues Proportionate is not a recognized measure under IFRS and therefore, may not be comparable to those presented by other issuers. Please refer to Note 17, Segment Information, for more information.

Harrison Hydro L.P. 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 $3,181 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.

On July 26, 2019, the Environmental Appeal Board of British Columbia rendered a decision granting the appeal and ordering the Comptroller of Water Rights to reimburse to each of the Limited Partnerships its proportionate share of the adjusted water rental amounts of $3,181 overcharged to Harrison Hydro L.P. and its subsidiaries for the years 2011 and

2012. On November 22, 2019, the Environmental Appeal Board of British Columbia rendered another decision confirming that the sum will accrue interest starting June 28, 2017 until the date it is refunded. On January 20, 2020, the Comptroller of Water Rights filed with the Supreme Court of British Columbia a petition for judicial review of the Environmental Appeal Board's order to return the amount in water rental fees to Harrison Hydro L.P. and its subsidiaries, with interest. On January 31, 2020, the Comptroller of Water Rights transferred an amount of $3,318, representing the principal of $3,181 with interest accrued between June 28, 2017 and January 31, 2020, to a trust account established by Harrison Hydro L.P. and its subsidiaries' external legal counsel, bearing interest in favor of the Appellants. The Limited Partnerships have filed their response to petition on April 14, 2020. The hearing took place in Victoria in the last week of September 2020. A decision was rendered on February 9, 2021 by the Supreme Court of British Columbia, which concluded that the Environmental Appeal Board's decision was reasonable, and dismissed the Comptroller of Water Rights' petition accordingly. The Corporation recognized the amount of $3,181 in the consolidated statements of earnings (loss) during the year ended December 31, 2019.

31. COVID-19

To combat the spread of the COVID-19, authorities in all regions where the Corporation operates have put in place restrictive measures for businesses. However, with the exception of the curtailment notices received from BC Hydro, as described in Note 30, Contingencies, these measures have not impacted the Corporation in a material way to date, as electricity production has been deemed an essential service in every region where the Corporation operates. The renewable power production is sold mainly through power purchase agreements with public utilities and corporate entities with high credit ratings.

It is not excluded that current or future restrictive measures might have an adverse effect on the financial stability of the Corporation's suppliers and other partners, or on the Corporation's operating results, financial position, liquidity or capital expenditures. The issuance of permits and authorizations, negotiations and finalizations of agreements with regard to development and acquisition projects, construction activities and procurement of equipment could be adversely impacted by the COVID-19 restrictive measures. The full potential impact of COVID-19 on the Corporation's business is unknown as it may continue for an extended period and will depend on future developments that are uncertain and cannot be predicted including, and without limitations, the duration and severity of the pandemic, the duration of government mitigation measures, the effectiveness of the actions taken to contain and treat the disease, and the length of time it takes for normal economic and operating conditions to resume.

Construction activities at the Innavik hydro site, which, after a slight delay, started, on July 7, 2020, have since been moving forward uninterrupted, and are expected to resume next spring according to schedule. Construction activities at the Griffin Trail wind site, which started in the third quarter of 2020, and at the Hillcrest solar site, have continued without interruption through the fourth quarter, and are expected to continue uninterrupted through 2021. Construction of Yonne II wind project, which started in the third quarter of 2020, has hardly been impacted by the COVID-19 restrictive measures taken by the French Government, and the construction has been completed in December 2020, subject to commissioning and testing.

32. CAPITAL MANAGEMENT

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 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 loans and borrowings and shareholders' equity. Total capital amounts to $5,884,813 as at December 31, 2020.

The Corporation uses equity primarily to finance the development of projects. The Corporation uses long-term loans and borrowings 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 or, for qualifying projects in the United States, through tax equity 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, 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, 2020, 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. As at December 31, 2020, Mesgi'g Ugju's'n, Mountain Air, Theil-Rabier and Montjean facilities were in breach of their credit agreements (See Note 21 – Long-term loans and other borrowings for details).

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.

33. SEGMENT INFORMATION

Operating segments

The Corporation produces and sells electricity generated by its hydroelectric, wind and solar facilities to publicly-owned utilities or other creditworthy counterparties. The Corporation's Management analyzes the results and manages operations based on the type of technology, resulting in different cost structures and skill set requirements for the operating teams. The Corporation consequently has three operating segments: (a) hydroelectric power generation (b) wind power generation and (c) solar power generation.

"Revenues Proportionate" are Revenues plus Innergex's share of Revenues of the operating joint ventures and associates, other incomes related to PTCs, and Innergex's share of the operating joint ventures and associates' other incomes related to PTCs. "Adjusted EBITDA" represents net earnings (loss) before income tax expense, finance costs, depreciation and amortization, adjusted to exclude other net income, share of earnings (loss) of joint ventures and associates, and change in fair value of financial instruments. "Adjusted EBITDA Proportionate" represents Adjusted EBITDA plus the Corporation's share of Adjusted EBITDA of the operating joint ventures and associates, other incomes related to PTCs, and Innergex's share of the operating joint ventures and associates' other incomes related to PTCs. Revenues Proportionate, Adjusted EBITDA and Adjusted EBITDA Proportionate are not recognized measures under IFRS and have no standardized meaning prescribed by IFRS. They may therefore not be comparable to similar measures presented by other issuers. Readers are cautioned that Revenues Proportionate, Adjusted EBITDA and Adjusted EBITDA Proportionate should not be construed as an alternative to net earnings (loss), as determined in accordance with IFRS.

Except for Revenues Proportionate, Adjusted EBITDA and Adjusted EBITDA Proportionate described above, the accounting policies for these segments are the same as those described in the significant accounting policies. The Corporation accounts for inter-segment and management sales at the carrying amount.

Year ended December 31, 2020				
Operating segments	Hydroelectric	Wind	Solar	Segment results
Revenues	229,102	333,795	50,310	613,207
Innergex's share of revenues of joint ventures and associates	64,395	31,512	1,875	97,782
PTCs and Innergex's share of PTCs generated	—	70,477	—	70,477
Revenues Proportionate	293,497	435,784	52,185	781,466
Segment Adjusted EBITDA	173,869	263,945	39,214	477,028
Innergex's share of Adjusted EBITDA of joint ventures and associates	49,826	16,840	1,076	67,742
PTCs and Innergex's share of PTCs generated	—	70,477	—	70,477
Segment Adjusted EBITDA Proportionate	223,695	351,262	40,290	615,247
Segment Adjusted EBITDA Margin	75.9 %	79.1 %	77.9 %	77.8 %

As at December 31, 2020	Hydroelectric	Wind	Solar	Segment totals [1]
Investments in joint ventures and associates	150,009	227,422	12,732	390,163
Property, plant and equipment acquired through business acquisitions (Note 4)	—	22,614	61,022	83,636
Acquisition of property, plant and equipment during the year	637	1,347	1,620	3,604

1. Segment totals include only operating projects.

Year ended December 31, 2019 Operating segments	Hydroelectric	Wind	Solar	Segment results
Revenues	218,918	304,724	33,400	557,042
Innergex's share of revenues of joint ventures and associates	64,761	37,020	2,118	103,899
PTCs and Innergex's share of PTCs generated	—	37,060	—	37,060
Revenues Proportionate	283,679	378,804	35,518	698,001
Segment Adjusted EBITDA	170,023	253,606	31,034	454,663
Innergex's share of Adjusted EBITDA of joint ventures and associates	48,011	21,619	954	70,584
PTCs and Innergex's share of PTCs generated	—	37,060	—	37,060
Segment Adjusted EBITDA Proportionate	218,034	312,285	31,988	562,307
Segment Adjusted EBITDA Margin	77.7 %	83.2 %	92.9 %	81.6 %

As at December 31, 2019	Hydroelectric	Wind	Solar	Segment totals [1]
Investments in joint ventures and associates	188,559	252,055	15,582	456,196
Acquisition of property, plant and equipment during the year	2,102	12,753	954	15,809
Transfer of assets upon commissioning	—	526,658	318,429	845,087

1. Segment totals include only operating projects.

The following table presents a reconciliation of the non-IFRS measures to their closest IFRS measures:

	Year ended December 31	
	2020	2019
Revenues	613,207	557,042
Innergex's share of Revenues of joint ventures and associates	97,782	103,899
PTCs and Innergex's share of PTCs generated	70,477	37,060
Revenues Proportionate	781,466	698,001
Net loss from continuing operations	(29,111)	(53,026)
Income tax expense	18,897	118,851
Finance costs	233,143	231,766
Depreciation and amortization	228,526	194,579
Impairment of equity accounted investment	26,659	—
Impairment of project development costs	—	8,184
EBITDA	478,114	500,354
Other net income	(65,554)	(104,643)
Share of (earnings) loss of joint ventures and associates	7,524	(36,469)
Change in fair value of financial instruments	2,025	49,933
Adjusted EBITDA	422,109	409,175
Unallocated expenses:		
General and administrative	38,211	32,583
Prospective projects	16,708	12,905
Segment Adjusted EBITDA	477,028	454,663
Innergex's share of Adjusted EBITDA of joint ventures and associates	67,742	70,584
PTCs and Innergex's share of PTCs generated	70,477	37,060
Segment Adjusted EBITDA Proportionate	615,247	562,307
Segment Adjusted EBITDA Margin	77.8 %	81.6 %

Geographic segments

As at December 31, 2020, 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, and one hydroelectric facility, seven wind farms and three solar farms in the United States, and one solar farm in Chile. The Corporation operates in four principal geographical areas, which are detailed below:

	Year ended December 31	
	2020	2019
Revenues		
Canada	439,224	435,069
France	95,485	94,974
United States	73,802	27,499
Chile	4,696	—
	613,207	557,542

As at	December 31, 2020	December 31, 2019
Non-current assets, excluding derivative financial instruments and deferred tax assets [1]		
Canada	3,504,403	3,629,942
United States	1,990,997	1,293,983
France	922,330	891,764
Chile	166,881	142,268
	6,584,611	5,957,957

1. Includes the investments in joint ventures and associates

Major Customers

A major customer is defined as an external customer whose transactions 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	
		2020	2019
Hydro-Québec	Hydroelectric and wind	244,505	249,004
British Columbia Hydro and Power authority	Hydroelectric generation	172,722	158,197
Électricité de France	Wind	92,261	91,701
		509,488	498,902

34. COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's consolidated financial statements to enhance comparability with the current year's consolidated financial statements.

As a result, certain line items have been amended in the consolidated statement of cash flows and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

35. SUBSEQUENT EVENTS

Repayment of Alterra loans

On January 11, 2021, the Corporation reimbursed the $90,839 balance of the Alterra term loan, which included a USD tranche, for an amount of US$21,359 ($27,194) of principal and accrued interests. Also, on the same day, two related interest rate swaps were unwound for a net cash outflow of $3,154.

Dividend Rates on Preferred Shares

The Corporation announced on January 8, 2021, that the applicable dividend rates for its Cumulative Rate Reset Preferred Shares, Series A and Cumulative Floating Rate Preferred Shares, Series B have been modified. For Series A shares, the dividend rate for the five-year period commencing on January 15, 2021, to but excluding January 15, 2026, will be 3.244% per annum, or $0.2027 per share per quarter. For Series B shares, the dividend rate for the Quarterly Floating Rate Period commencing on January 15, 2021, to but excluding April 15, 2021, will be equal to 2.91% per annum, or $0.181875 per share per quarter.

Weather Conditions in Texas, United States

On February 17, 2021, the Corporation reported that the recent unprecedented extreme winter weather conditions in Texas had an impact on its ability to produce electricity at its Flat Top wind facility in Mills County, which resumed to normal operations on February 20, 2021. As for the Shannon wind facility in Clay County, Foard City wind facility in Foard County and the Phoebe solar facility located in Winkler County, while some power generation has continued, the combined effect of supply interruptions, abnormal market pricing conditions and contractual obligations to supply a predetermined daily generation under the power hedges, have had both positive and negative financial impacts depending on varying conditions at different times.

While the higher market price environment has had a net favourable impact on the consolidated revenues, the Corporation estimated the adverse financial impact of the weather events on a consolidated basis to be approximately $80,000, due to the unfavourable impact from the realized losses on the power hedges, and from the Corporation’s share of loss of joint ventures and associates also related to realized losses on the power hedges. Force majeure and other mitigating possibilities are being evaluated.

SHAREHOLDER INFORMATION

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Transfer Agent and Registrar

For information concerning share certificates, dividend payments, a change of address, or electronic delivery of shareholder documents, please contact:	***Computershare Investor Services Inc.*** 1500 Robert-Bourassa Blvd, Suite 700 Montreal QC H3A 3S8 Tel. 1 800 564.6253 514 982.7555 service@computershare.com

Common Shares - TSX: INE

Innergex Renewable Energy Inc. had 174,582,586 common shares outstanding as at December 31, 2020, with a closing price of $27.37 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 $0.8108 per share, payable quarterly on the 15th day of January, April, July and October. Series A preferred shares are redeemable by the Corporation since 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.

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 dollars of principal amount of debentures. The debentures will mature on June 30, 2025 and will not be redeemable before June 30, 2021.

Convertible Debentures - TSX: INE.DB.C

Innergex Renewable Energy Inc. currently has convertible debentures outstanding for an aggregate principal amount of $143.75 million, bearing interest at a rate of 4.65% per annum, payable semi-annually on October 31 and April 1 of each year, commencing on April 30, 2020. The debentures are convertible at the holder's option into Innergex common shares at a conversion price of $22.90 per share, representing a conversion rate of 43.6681 common shares per each thousand dollars of principal amount of debentures. The debentures will mature on October 31, 2024 and will not be redeemable before October 31, 2022.

Credit Rating by Standard & Poor's

Innergex Renewable Energy Inc.	BB+
Series A Preferred Shares	B+/P-4 (High)
Series C Preferred Shares	B+/P-4 (High)

Credit Rating by Fitch Rating

Innergex Renewable Energy Inc.	BBB-
Series A Preferred Shares	BB
Series C Preferred Shares	BB

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 Company 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.

Independent Auditor

KPMG LLP

Ce document est disponible en français.
Pour la version numérique, visitez innergex.com
Pour la version papier, écrivez-nous à info@innergex.com

INNERGEX

Renewable Energy.
Sustainable Development.

We are building a better world
with renewable energy.

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