Making a greener world go around

2023 Annual Report

INNERGEX

A New Current

We are renewing our approach to renewable energy, driven by the conviction that every action counts.

We are helping the planet and our communities for the benefit of this generation and those to come.

By harnessing energy from the sun, wind and water, coupled with the energy of people willing to drive change, we make a greener world go around.

Together, our collective energy is creating a new current. A positive force for change.

For over 30 years, Innergex has believed in a world where abundant renewable energy promotes healthier communities and creates shared prosperity. In recognition of its leadership position in sustainability, Innergex was proud to be named Canada's Best Corporate Citizen in 2023 by Corporate Knights magazine. As an independent renewable power producer which develops, acquires, owns and operates run-of-river hydroelectric facilities, wind farms, solar farms and energy storage facilities, Innergex is convinced that generating power from renewable sources will lead the way to a better world.

Innergex conducts operations in Canada, the United States, France and Chile and follows a sustainable development philosophy that balances people, our planet and prosperity. Its approach to building shareholder value is to generate sustainable and growing cash flows per share and provide an attractive risk-adjusted return on invested capital.

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.

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Why invest

A Global Presence Focused on Renewable Energy

- We are a 100% renewable energy company involved in the development and operation of hydroelectric, wind, solar, and battery storage projects across Canada, the United States, France and Chile.
- Our strong ESG practices lead the transition to a cleaner economy, with a robust emphasis on incorporating the best environmental behaviours and the highest social and governance standards, as illustrated by our successful history of building long-term partnerships with Indigenous and local communities.
- Our proactive approach not only allows us to seize opportunities, but also to create them, strengthening our position as a leader in the attractive and growing renewable energy sector.

A Well-Diversified Portfolio with a Highly Contracted Profile

- We operate 87 facilities across diverse geographies and technologies, including a large portfolio of high-quality run-of-river hydro assets. Our balanced portfolio is a core part of our risk management strategy, with significant diversification helping mitigate natural resource variability.
- Our installed capacity has almost quadrupled in the past 10 years to over 4,000 MW of renewable energy, and our overall portfolio has a strong, highly contracted profile providing predictable and inflation-protected revenues.
- We remain focused on developing sustainable and accretive renewable projects, underpinned by rising global demand for clean energy.

A Disciplined Approach with Multiple Levers to Deliver Attractive Returns

- We have access to diverse sources of capital to continue executing on our growth strategy while maintaining our Investment Grade credit rating through sound balance sheet management.
- We look to pursue selective capital-raising initiatives to strengthen our balance sheet, reduce risks and fund additional growth.
- Our value investment approach considers all aspects of market and project risks, and we target double-digit levered after-tax returns.

4
countries: Canada, United States, France and Chile

600+
employees

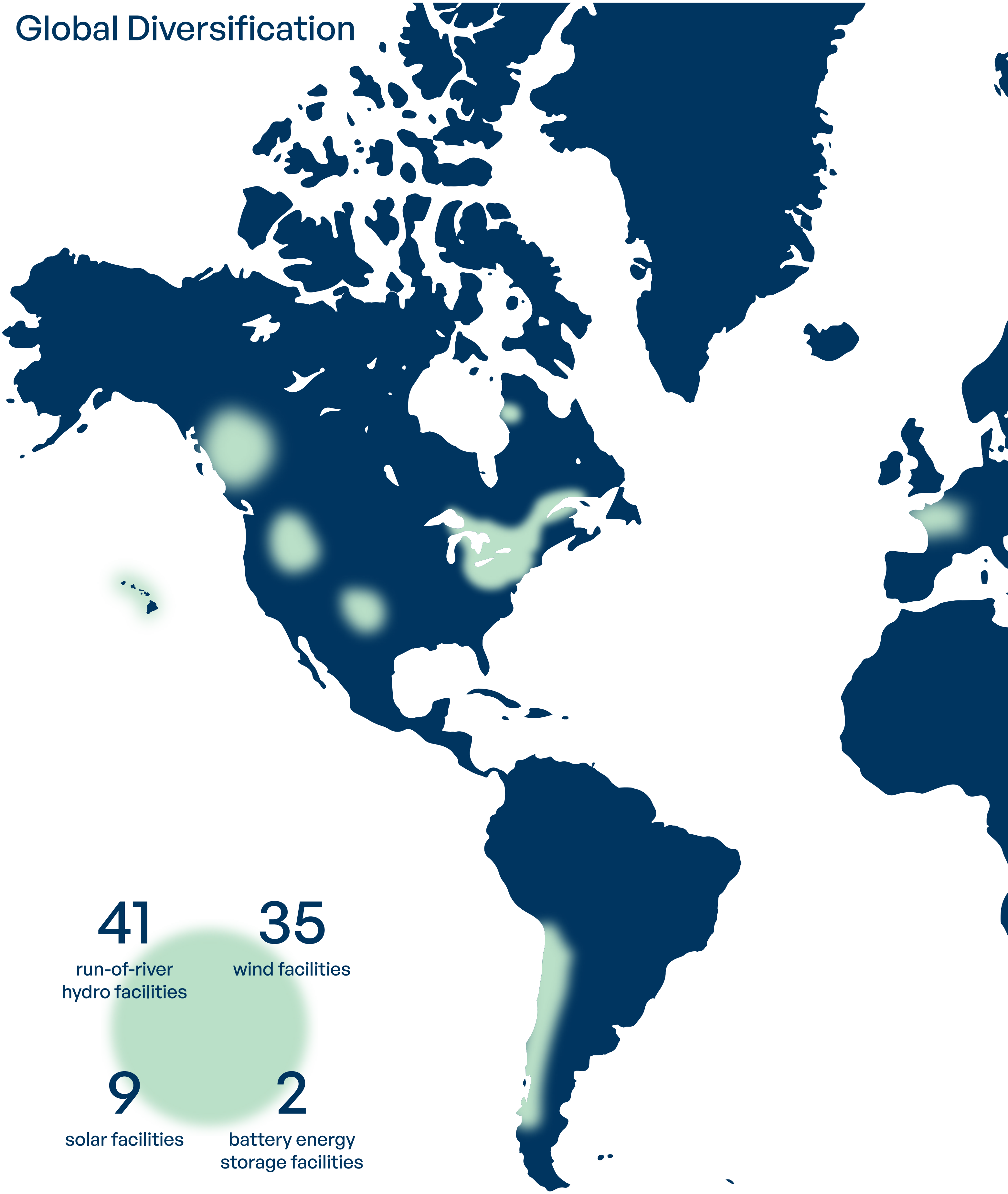
87
clean energy facilities

4,234 MW
of gross installed capacity

$8.9 B
Total Assets

11,161 GWh
of proportionate energy produced

Global Diversification



41
run-of-river hydro facilities

35
wind facilities

9
solar facilities

2
battery energy storage facilities

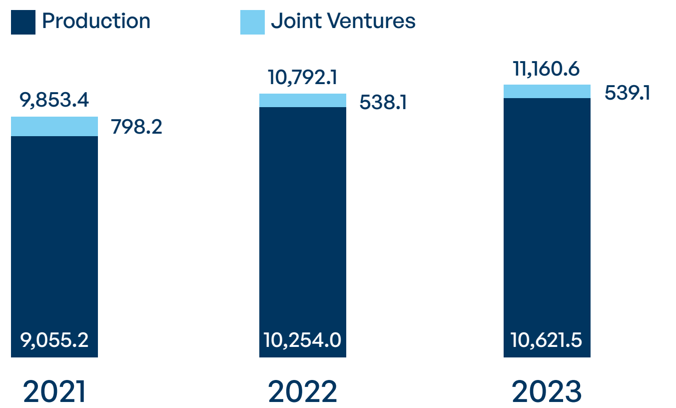
Key Figures

Innergex measures its performance using operating and financial key performance indicators ("KPIs"). Innergex believes that these indicators provide management and the reader with additional information about its production and cash-generating capabilities, as well as its financial strength.

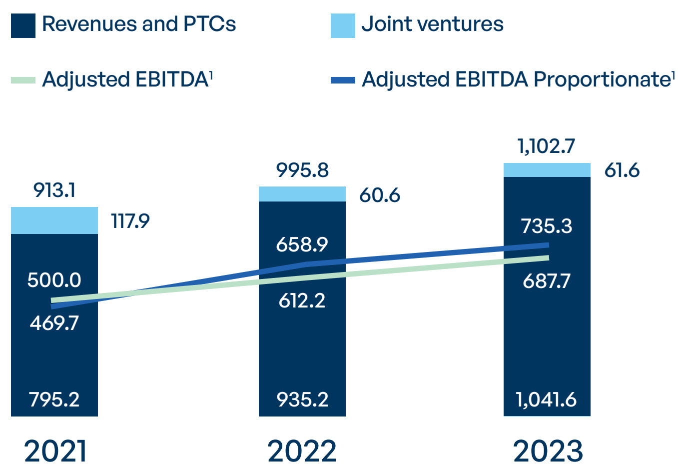
These indicators are not recognized measures under IFRS, have no standardized meaning prescribed by IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section for more information.

Financial Key Performance Indicators

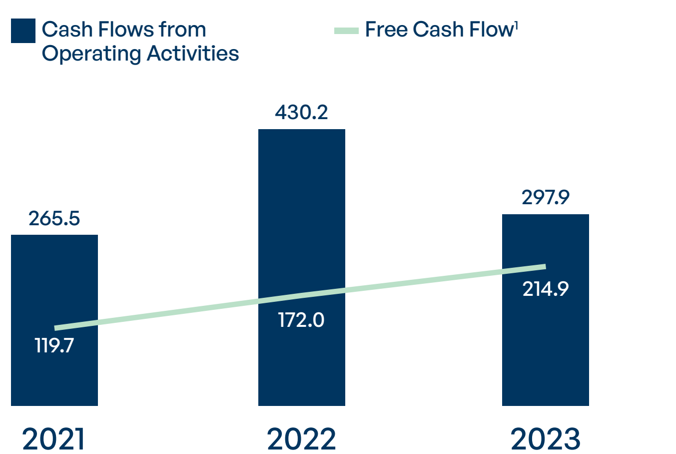
Production and Production Proportionate (GWh)**



Revenues and Revenues Proportionate Adjusted EBITDA and Adjusted EBITDA Proportionate ($M)**



Cash Flows from Operating Activities and Free Cash Flow[1] ($M)**

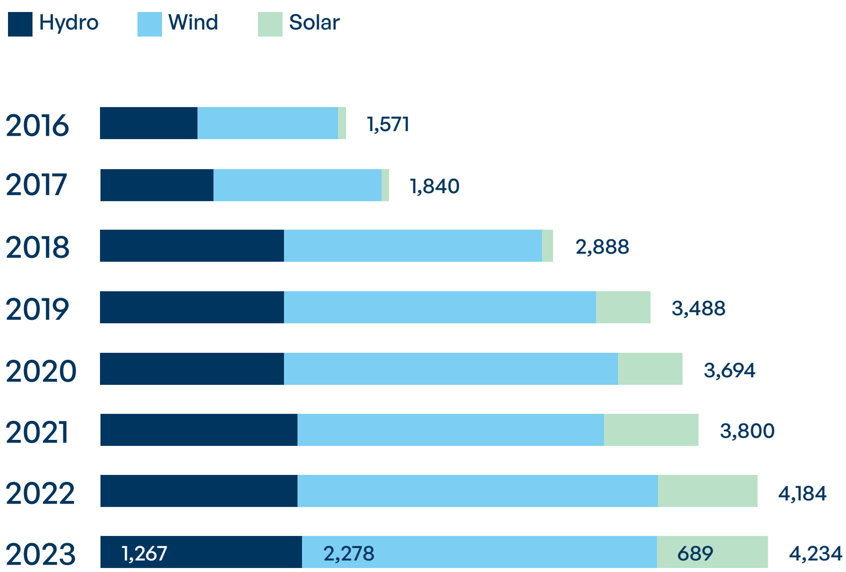


**Some of the 2021 key figures were impacted by the February 2021 Texas Events. Please refer to the "February 2021 Texas Events" section for more information.

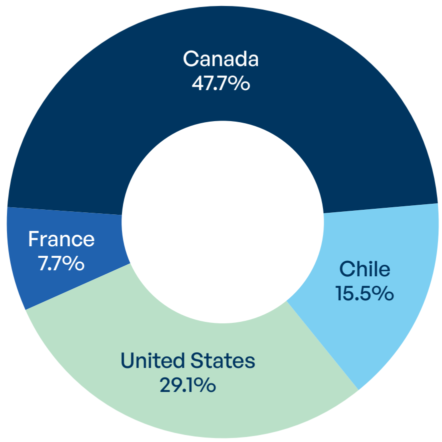
[1] This is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section for more information.

Operational Key Performance Indicators

Gross Installed Capacity by Source of Energy (MW)



Gross Installed Capacity by Country



Environmental, Social and Governance (ESG) KPIs

(as at December 31)

Our mission to build a better world with renewable energy is told through our ESG journey. Since 2016, we have made great progress on advancing the quality of our disclosures, and the quantity and quality of metrics we provide. By sharing our sustainability initiatives and performance efforts, we empower not only ourselves, but our investors, our partners, and other stakeholders, to make informed decisions. The Board fully supports our ESG efforts to help our stakeholders understand that sustainability is in our DNA. As a 100% renewable energy company, we are proud to offer investors the opportunity to invest in projects that help build a more sustainable future.

% Women in Management Positions

2023	2022	2021
28.3	27.5	25.0

Renewable Energy Generation (GWH)[1]

2023	2022	2021
11,161	10,792	9,853

Workdays Lost Due to Occupational Injuries and Disease[2]

2023	2022	2021
0.18	0	8.05

Average Training Hours per Employee

2023	2022	2021
43.8	40.0	40.1

Average Voluntary Turnover Rate

2023	2022	2021
7.1	10.3	12.5

% of Women on the Board of Directors

2023	2022	2021
40	36	30

Contributions to Employee Retirement Plans[3]

2023	2022	2021
$1.8 M	$1.6 M	$1.3 M

1 Equivalent to Innergex's Production Proportionate.
2 The lost day rate is the number of calendar days lost due to a work-related injury or disease (excluding contractors) per 200,000 worked hours.
3 For Canadian and US employees. Employees in France and Chile are covered by different retirement systems.

Positive energy driving positive impact

Message to Shareholders

In 2023, our team diligently and successfully pursued the development of profitable renewable energy projects in all of our markets, while continuing to innovate and deliver optimal returns from our operating assets. Diversification also remains a cornerstone of our growth strategy, allowing us to manage portfolio risk, deliver sustainable growth to our shareholders, and alleviate potential resource-related challenges.

Innergex has significant competitive advantages, including its ability to form strong long-term partnerships with Indigenous and local communities, and its expertise as a full life-cycle project developer and experienced long-term asset owner and operator. Innergex also benefits from a large and high-quality portfolio of diversified hydroelectric assets which underpins its long-term cash flow profile and supports its balance sheet. With over 30 years in the industry and a mission focused on the sustainable development of 100% renewable energy facilities, we are well positioned to pursue growth and generate attractive risk-adjusted returns on invested capital.

Looking ahead, Innergex is excited about the accelerating path of decarbonization in its core markets. In order to capitalize on the rapidly expanding opportunity set and position ourselves to seize numerous growth avenues, it is imperative to ensure that our capital allocation priorities be strategically aligned with our ambitions to generate sustainable value for our shareholders. In this context, the Board of Directors has approved an updated capital allocation strategy starting in 2024. Although our current cash flows can fully cover our dividend, the decision to target a recalibrated dividend payout ratio of 30% to 50% of Free Cash Flow was made in order to increase financial flexibility, support an accelerated pace of growth, and reduce reliance on external funding sources. Innergex will prioritize organic growth opportunities at attractive risk-adjusted returns, focusing on the deployment of wind and solar capacity in North America, while also actively pursuing storage and hydro opportunities. This refreshed funding strategy will increase our ability to generate sustainable growth, and combined with our disciplined approach to capital deployment, allow Innergex to create long-term value for our shareholders. Innergex is focused on expanding our established leadership position in its preferred markets, while continuing to capitalize on strong development opportunities in a disciplined manner.

Canada's Renewable Power Shift Accelerates Growth in Home Market

In March 2023, the Federal Government of Canada announced the creation of tax credits[1] to foster a clean economy and support the transition to a cleaner energy mix. These financial initiatives are expected to become key drivers for renewable energy projects in the country.

In addition, several provinces have taken significant steps to plan new energy Requests for Proposals ("RFPs") and increase their overall procurement of renewable energy. Hydro-Québec is leading the way with its ambitious 2035 Action Plan[2], while British Columbia and Ontario have also established impressive targets to further deploy clean energy solutions in their territories. We own and operate assets in all of these markets, and our teams continue to develop future projects to be submitted in upcoming RFPs to secure profitable growth.

Innergex is priviledged to be the partner of choice for Indigenous and local communities, with whom we have and will continue to develop successful and profitable projects in partnership. This is an important part of our corporate culture, and a significant differentiator in the development landscape in Canada. Innergex's ability to work effectively with the Indigenous community led to the achievement of the 7.5 MW Innavik hydro project in Inukjuak (Nunavik). The project, which is the result of a 50-50 partnership with the Pituvik Landholding Corporation, has been supplying the village with electricity since the end of October 2023. The electricity produced, along with the conversion of the residences' heating systems, will replace reliance on diesel fuel for almost all of Inukjuak energy needs.

Other examples of our partnership successes include the signing of a 30-year power purchase agreement ("PPA") for 102 MW to be added to the Mesgi'g Ugju's'n wind facility in the Regional County Municipality ("RCM") of Avignon. This second joint project with the three Mi'gmaq communities in Quebec is a testament to their ongoing confidence in Innergex. The project is expected to reach commercial operation in 2026.

Hydro-Québec's recent selection of Innergex's two proposed wind projects, totaling 400 MW, is a proof of our ability to work with communities to drive sustainable and profitable growth. The 300 MW Manicouagan wind project led by the Innu Council of Pessamit (39%) in partnership with Innergex (38%) and the RCM of Manicouagan (23%), and the 100 MW MRC of Lotbinière wind project, a partnership between Innergex (50%), the RCM of Lotbinière (45%) and two First Nations communities, the Abenaki Council of Odanak (2.5%) and the Abenaki Council of Wôlinak (2.5%), were both selected in the call for tenders. Both projects will be supported by a 30-year PPA to be concluded with Hydro-Québec and indexed to a predefined percentage of the Consumer Price Index ("CPI"). These two projects are expected to begin commercial operations in 2029 and 2028, respectively. We are proud of this 100% success rate and our ability to capture new growth opportunities. These results give us confidence in our development and growth ambitions.

In Canada, we also pursued growth and diversification in 2023 through the acquisition of the Sault Ste. Marie solar portfolio (60 MW) in Ontario. This fully contracted project has an excellent operating track record, attractive PPA terms, and brings solid cash flows to Innergex. It also allowed the Corporation to position itself for the upcoming wave of new clean power projects in Ontario.

1 Source: https://www.budget.canada.ca/2023/report-rapport/chap3-en.html
2 Source: https://www.hydroquebec.com/data/a-propos/pdf/action-plan-2035.pdf

Harnessing the Elements in the U.S.

In the United States, our teams are actively advancing on the construction of the 330 MW Boswell Springs wind project in Wyoming and the 30 MW Hale Kuawehi solar and 30 MW/ 120 MWh (4 hours) battery storage project in Hawaii, while continuing our development efforts to support additional growth.

The Boswell Springs wind project is well underway, with all foundations poured and the main generation-tie line completed. Our teams are focused on completing the project on schedule and on budget with commissioning scheduled for Q4 2024. Furthermore, the project has received all necessary funding, and it is potentially eligible for up to 120% of Production Tax Credits ("PTCs") through the recently passed Inflation Reduction Act ("IRA").

With the passage of the IRA, investments into renewable energy and related infrastructure are growing. At Innergex, our ability to deliver competitive projects in our core markets and to create highly effective tax equity structures positions us well to capitalize on opportunities brought by the IRA.

The construction of the Hale Kuawehi solar and battery storage project is also progressing with commissioning scheduled for late 2024 or early 2025. The amended PPA, including a selling price increase of 56%, was recently approved by the Public Utilities Commission in Hawaii.

Our Palomino solar project's development activities are advancing and the project received confirmation for its qualification for the Fast Track interconnection by PJM in the fourth quarter of 2023.

Strategic Partnership in France Validates Portfolio Value

We were pleased to welcome Crédit Agricole Assurances as a long-term partner with a 30% minority interest in Innergex's portfolio in France.

The long-term co-investment agreement with France's leading insurer will support Innergex's growth in the country by providing additional equity commitments for the development and financing of future projects.

This strategic partnership is a vote of confidence in our devoted team, in the quality of our existing assets, our development activities and our strategy in France. As the new renewable energy bill adopted by the French Parliament promises to accelerate renewable energy development, this partnership allows Innergex to not only unlock value from its existing portfolio, but also increase its financial flexibility to accelerate greenfield development activities.

We are very proud of the progress made in France with many of our projects. With a focus on wind, solar and energy storage technologies, we were able to advance our 9 MW Lazenay wind project to construction and conclude the interconnection agreements for the 29.4 MW Auxy Bois Régnier wind project, for which we were also able to upgrade the PPA on more favourable terms.

Reshaping Chile's Energy Mix With Advanced Energy Storage Solutions

In October, we commissioned Innergex's largest energy storage facility to date. The Salvador battery energy storage facility (50 MW/250 MWh (5 hours)) is located on our Salvador solar site in the Atacama Desert.

The renewable energy produced by the solar facility is stored during the day to be dispatched during the evening or early morning hours, supporting the grid upon peak energy demand and benefitting from higher prices on the merchant market during those times.

The San Andrés battery energy storage project (35 MW/175 MWh (5 hours)), located on the site of the San Andrés solar facility, is another large-scale storage project soon to be commissioned in the region.

We are very proud of our growing energy storage portfolio as we believe it is an essential complement to renewable energy generation. These projects will allow Innergex to benefit from excess production and optimize revenues based on market dynamics and demand in Chile. Overall, our ability to capitalize on variable energy prices and receive capacity payments allow Innergex to deliver a clean energy solution with both a favourable risk profile and strong financial returns.

In 2023, Innergex became the sole owner of our 34 MW Pampa Elvira solar thermal facility, which consists of 150 MWh of thermal energy storage, and we also recently renewed a 10-year PPA with Codelco. We believe that this technology has great potential to support the mining industry in Chile.

The Path Forward for Innergex

With abundant opportunities in our existing target markets, Innergex's main focus in the coming years is on greenfield development. Our development teams are hard at work to enhance our development portfolio with competitive projects and submit additional projects into upcoming RFPs.

Our large and diversified portfolio of prospective projects continues to grow, reaching over 10 GW at the end of 2023, 16% higher than last year. With some of these projects at an advanced stage, we are confident in our ability to deliver sustainable growth.

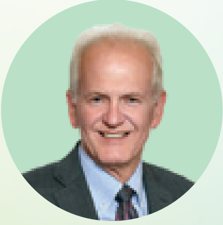
To finance this growth, we have executed several funding initiatives to increase liquidity and reduce financial risk. These include the refinancing of a portfolio of unlevered Canadian hydroelectric facilities to match their long-term PPA duration. By strategically leveraging debt instruments and partnerships, we also unlocked resources that are instrumental to propelling our long-term strategic vision without compromising our financial stability.

Our ability to finance our growth will further be supported by the update to our capital allocation strategy. This action will free up incremental capital that will serve to accelerate Innergex's growth profile on a self-funded basis. We will propose value-added renewable energy projects in upcoming RFPs from traditional utilities or corporate customers. We are confident that recent project selections in Quebec and our progress made in other markets are just the beginning of a strong growth path ahead. We believe that our organic growth strategy will allow us to deliver attractive and sustainable returns to our shareholders over the long-term.

Looking ahead, the Innergex team remains focused steadfastly on driving innovation, exploring new avenues for renewable energy projects, and leveraging strategic partnerships to unlock growth opportunities. We are committed to further enhancing operational efficiency and profitability, embracing technological advancements, and nurturing our culture of partnerships that positions us at the forefront of the renewable energy industry. Your confidence in Innergex empowers us to continue our pursuit of excellence, sustainability and value creation.

Lastly, Innergex was honoured to be named Canada's Best Corporate Citizen by Corporate Knights magazine this year. The Corporation's commitment to sustainability is a driving force in everything that we do. Together, we will continue on the road ahead, steering Innergex toward a future where sustainability and profitability coexist harmoniously.

Thank you for working with us to build a better world.



Daniel Lafrance
Chair of the Board of Directors

Michel Letellier
President and Chief Executive Officer

Our 2023 Corporate Achievements

From groundbreaking advancements to new collaborations, this year's journey radiates positive energy, showcasing our unwavering dedication, resilience, and passion towards the clean energy transition. Take a closer look at the milestones that have defined our year – whether the progress achieved through our construction activities, the execution of significant funding initiatives to accelerate our growth, or the recognition of our relentless pursuit of excellence in sustainability.

Organic Growth

- Innergex and MMBC's joint 102 MW wind project was selected in the request for proposals by Hydro-Québec and a 30-year PPA was signed, demonstrating Innergex's ability to grow in its core markets.
- Commissioned the Salvador battery energy storage project in Chile on time and on budget, adding a complementary technology to Innergex' Chilean asset base.
- Innavik, owned in partnership, started delivering power to the Inukjuak residents, adding a key hydro project to our portfolio.

M&A Activity

- Acquired 60 MW solar portfolio in Ontario, providing added electricity production capacity in the province.
- Disposed of approximately 17 MW of non-core solar facilities, streamlining our portfolio.

Financing Initiatives

- Financial close of the San Andrés battery energy storage project in Chile, positioning Innergex to become a leading battery storage asset owner and operator in the country and providing further portfolio diversification benefits.
- Construction financial and tax equity commitment close for the large-scale Boswell Springs wind project in Wyoming, supporting continued execution on the Corporation's organic growth strategy in the United States.
- Financed three hydro assets, unlocking value from unlevered assets and providing a new internal funding lever.
- Divested a 30% minority interest in our French portfolio, crystalizing value for shareholders and providing solid validation for our growth strategy in the country.

Partnerships & Other

- Executed on a partnership with Crédit Agricole Assurances, welcoming a long-term strategic partner and enabling the acceleration of our growth in France.
- Submitted two wind projects in Hydro-Québec's latest RFP. The Manicouagan project is a partnership led by the Innu Council of Pessamit with Innergex and the RCM of Manicouagan. The MRC de Lotbinière project is a partnership between Innergex, the RCM and the Abenaki Councils of Odanak and Wôlinak.
- Innergex named Canada's Best Corporate Citizen, demonstrating our commitment to pursuing excellence in sustainability.

Corporate Governance

Board of Directors

Innergex thrives under the guidance of a Board of Directors responsible for the stewardship of the Corporation. Its mandate is to oversee the management of the business and affairs of Innergex while championing the highest sustainability standards and shareholders' best interests. Members of the Board are elected at each Annual General Meeting of Shareholders.

Marc-André Aubé
Independent
Joined: December 2023

Pierre G. Brodeur
Independent
Joined: May 2020

Radha D. Curpen
Independent
Joined: December 2022

Daniel Lafrance
Independent Chair of the Board
Joined: March 2010

Nathalie Francisci
Independent
Joined: May 2017

Richard Gagnon
Independent
Joined: May 2017

Michel Letellier
Non-Independent
Joined: October 2002

Monique Mercier
Independent
Joined: October 2015

Ouma Sananikone
Independent
Joined: February 2019

Louis Veci
Non-Independent
Joined: February 2020

Executive Management

Michel Letellier
President and Chief Exe-cutive Officer
Joined: 1997

Jean Trudel
Chief Financial Officer
Joined: 2002

Yves Baribeault
Chief Legal Officer and Secretary
Joined: 2009

Alexandra Boislard-Pépin
Chief Human Resources Officer
Joined: 2020

Pascale Tremblay
Chief Asset Officer
Joined: 2021

Patrick Beaudoin
Vice President - Asset Optimization and Procurement
Joined: 2018

Alex Couture
Senior Vice-President – Development North America
Joined: 2022

Jacques Desrochers
Vice President - Information and Operational Technologies
Joined: 2023

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

Robert Guillemette
Vice President - Technical Services
Joined: 2018

Guillaume Jumel
Vice President and Managing Director - France
Joined: 2011

Chantal Lussier
Vice President – Taxation
Joined: 2004

Niko Nikolaidis
Vice President - Investments and Financing
Joined: 2017

Jaime Pino
Vice President and Managing Director - Chile
Joined: 2021

Julie Turgeon
Vice President - Construction
Joined: 2023

Awards, Recognition and Commitments

Awards

Innergex received four awards in 2023 related to the US$803.1 million portfolio refinancing in Chile, which includes the largest project bond ever issued by a Latin American renewable energy company in the U.S. private placement market (USPP).

1. Americas Power Deal of the Year (PFI Award) by Refinitiv
2. Proximo Latin America Bond Award by Proximo Infra
3. Latin America Portfolio Refinance Deal of the Year Award by IJGlobal
4. Bond of the Year Award by LatinFinance

Recognition

Innergex named #1 Best Corporate Citizen in Canada by Corporate Knights

Top-ranked in Corporate Knights magazine's 2023 Best 50 Corporate Citizens in Canada, an annual ranking of corporate sustainability performance recognizing corporations that conduct a more humane form of capitalism, prioritizing people and planet, and transforming business into a force for good.

BEST 50 2023
CANADA'S BEST CORPORATE CITIZENS

Bronze Parity certification by Women in Governance

The Bronze Parity Certification recognizes Innergex's efforts in advancing women's careers and closing the gender gap in the corporate environment.

Commitments

Signatory to the Equal by 30 Campaign

Since 2019, Innergex has been actively working towards equal pay, equal leadership, and equal opportunities for women in the clean energy sector by 2030 through this joint Clean Energy Ministerial (CEM) and International Energy Agency (IEA) initiative.

Signatory to the Action Declaration on Climate Policy Engagement

Innergex, long a leader in working with policymakers on climate change reduction strategies and goals, committed to align its climate policy activities in accordance with the Paris Agreement, lending its voice and leadership to a strategy to close the say–do gap on countries' emission reductions.

Signatory to the Solar Industry Forced Labor Prevention Pledge

Innergex is committed to helping ensure that the solar supply chain is free of forced labour by supporting the development of an industry-led solar supply chain traceability protocol.

ESG Ratings

ISS ESG TOP A+ | BOTTOM D-	B	ISS ESG
MSCI ESG Ratings TOP AAA | BOTTOM CCC	AA - Leader	MSCI
Sustainalytics ESG Risk Rating TOP 0 | BOTTOM 100	18.2 "Low Risk"	SUSTAINALYTICS
CDP Climate TOP A | BOTTOM F	D	CDP

Changing the World by Taking Care of the World

People

A culture built on relationships

Innergex works hard to create and maintain a culture that lives up to its employees' expectations. Our goal is to ensure our team members feel valued, trusted, and encouraged to develop both professionally and personally. By focusing on transparency, fairness, and accountability, we are proud to offer a workplace where employees feel seen and heard, can be proud of the work we do, and are excited to work together.

As opportunities in the renewable energy sector rapidly expand, the need to attract and retain a skilled team is increasingly important at Innergex. In 2022, we implemented a new career architecture to address this need in a highly competitive talent market. This framework provides an essential foundation to manage jobs, roles, competencies, and careers across our organization. We will continue to provide our employees with the tools they need to succeed, including: a safe, inclusive, and equitable workplace; a flexible work/life balance; fair compensation; generous benefits; career development opportunities; and other perks.

Innergex champions diversity and inclusion at every level. This commitment enables us to be a stronger and healthier entity, and better positioned to fulfill our Mission. A more inclusive and diversified workforce leads to improved synergies, a stronger team, and better decision making, all of which position Innergex for more success.

Promoting health and wellness plays a critical role at Innergex. The physical and mental health of our team members is not only an expectation, but is essential to our continued success. Our comprehensive suite of programs and initiatives ensures a safe and secure working environment for all employees and offers the support they need at work and at home to continue to thrive.

Our team will continue to generate innovative solutions to address the challenges ahead. Innergex is committed to supporting our employees' career development, driving opportunities, improving our diversity and inclusiveness, and generating the prosperity that will encourage the talent of tomorrow to follow their passion. Sustainable energy is nothing without sustainable relationships.

Innergex's approach to employee satisfaction

- Diversity & Inclusion policy
- Health & Safety policy
- Whistle-Blowing policy
- Workplace Environment Free of Harassment, Violence and Bullying policy
- UNSDG alignment
- Employee Share Purchase Plan
- Retirement plan matching contributions
- Telework policy
- Equal remuneration
- Advancing gender equality
- Career development opportunities
- Paid sick leave
- Parental leave supplemental allowance
- Employee Volunteer program
- Employee electric vehicle incentive program
- Employee recognition program
- Social events
- Summer hours program
- Scholarship program for employee dependants

30% Percentage of women employees in 2023.

$1.8 M[1] Innergex contributions to employee pension plans in 2023.

The total value of the employee retirement plans as at December 31, 2023 was $23.6 million in Canada and US$1.7 million in the United States

1 For Canadian and US employees. Employees in France and Chile are covered by different retirement systems.

Planet

A culture built on sustainable practices

Innergex believes that the transition from fossil fuels to clean, renewable energy is the key to winning the fight against climate change. We have demonstrated for over 30 years that we know how to develop, build and operate renewable energy facilities and that we can play an important role in this transition.

As a pure play renewable energy company, the clean energy we produce ensures we have extremely low GHG emissions compared to non-renewable generation sources. In fact, we help offset carbon emissions by replacing other fossil fuel sources.

Advancing our battery storage expertise and capabilities will allow energy from renewables, like solar and wind, to be stored and released when needed. Battery storage also increases grid flexibility due to its ability to charge quickly, store, and provide electricity when it is most needed. Moreover, battery storage solutions, when positioned strategically on a grid, can materially reduce the investment required by grid operators for network upgrades.

Innergex continues to strengthen its commitment to addressing the environmental challenges that lie ahead. While we have identified and assessed the climate-related risks and opportunities through a comprehensive scenario analysis, we will continue to develop our internal processes and strategies to mitigate those risks and seize those opportunities.

We are proud to align our disclosures with several globally recognized frameworks including the United Nations Sustainable Development Goals (UNSDG), the Task Force on Climate-related Disclosures (TCFD), the Carbon Disclosure Project (CDP), and the Sustainable Accounting Standards Board (SASB).

We will continue to monitor global developments in reporting frameworks and regimes to ensure we remain at the forefront of emerging regulatory changes. Innergex remains committed to producing 100% of its energy from renewable sources including water, wind, and solar, and delivering the solutions to meet our commitment of reaching Net Zero by 2050. We are clean energy produced cleanly.

Innergex's approach to environmental management

- TCFD aligned Climate Assessment Report
- CDP Climate submissions
- SASB alignment
- UNSDG alignment
- Sustainable Development policy
- Climate change risk management
- GHG emission accounting
- Protecting biodiversity
- Stakeholder consultations
- Managing water resources
- Waste and hazardous waste management programs
- Compliance with laws, permits, and regulations
- Vegetation management
- Land management

More than

$1.8 M

Environmental expenditures in 2023.

Total production of clean electricity.

11,161 GWh

Prosperity
A culture built on sharing prosperity

Thriving communities are critical to ensuring both the support and skills needed for a clean energy transition. Making a positive social impact is a central part of our strategy. We strive to be a trusted renewable energy partner to help build the resilient communities of tomorrow.

We believe the success of renewable energy projects should extend beyond the clean electricity they generate by enriching local communities with employment opportunities, social benefits, and a source of tax revenues, all while contributing to the clean energy transition. Our strategy is designed to support the long-term health of communities by working with them to understand their individual needs and finding solutions that meet their expectations.

Innergex was one of the first independent power producers in Canada to develop long-term partnerships with Indigenous communities, which have long played an integral role in our success. Our approach to reconciliation with Indigenous communities has always been centered on respect and understanding. It is important that we work hard to ensure our activities with our Indigenous partners, their land, and the resources they share, follow the principles contained within the United Nations Declaration on the Rights of Indigenous Peoples.

Generating sustainable, long-term value for our shareholders not only ensures the viability of our continued success, but confirms the belief that our strategy of growing a diversified and strong portfolio of renewable energy assets in markets across the globe is the right one.

Our sponsorships and donations program furthers our positive social impact by supporting initiatives and groups that promote:

- **Environment and Sustainability**
- **Community and Culture**
- **Health and Research**
- **Sports and Recreation**
- **Education and Engagement**

Innergex's approach to social well-being

- Safeguard and Promotion of Human Rights policy
- Supplier Code of Conduct
- UNSDG alignment
- Indigenous partnerships
- Community engagement
- Sponsorship and Donation program
- Community social development funding
- Community partnerships
- Generating shareholder value
- Legacy project funding
- Local contracting opportunities
- Contributing to local tax base
- Royalty agreements
- Employee Matching Donation program

More than **$4 M** — Amount shared through sponsorships, donations and voluntary contributions.

29 — Number of agreements signed with Indigenous communities.

Governance

A culture built on exemplary leadership

Innergex's governance ensures that our policies and procedures operate fairly, transparently, and in the best interests of our employees, shareholders, partners, and the communities in which we conduct operations. The leadership of the Board of Directors not only inspires and motivates our daily activities, but guides our path toward common goals and our Mission of building a better world with renewable energy.

Board members are recognized for their skills built through decades of experience, their commitment to improving our environmental, social and governance initiatives and reporting, and their diversity that brings a host of differing viewpoints and solutions to the challenges that lie ahead.

The Board's ESG oversight, managed through the Corporate Governance Committee, includes reviewing and assessing material climate-related physical and transitional risks which may adversely affect Innergex, its activities, financial condition, or reputation. The Committee ensures that Innergex has implemented systems to effectively identify, manage, and monitor those risks and to mitigate or reduce their potential negative impacts. It receives regular updates on ESG matters from management and key ESG leads in order to develop its strategy.

The Corporate Governance Committee is tasked with managing the health, safety, and environmental risk management processes (including the emergency response and crisis management plans), current management systems to provide safe working conditions and minimize the impact of its operations on the environment, and our ESG strategy, performance, and reporting.

The 17 policies that guide our daily activities ensure the sustainable growth of the Corporation. These policies outline our environmental, social and governance priorities and responsibilities; our commitment to the highest standards of ethical operations and transparency; avenues for employees to feel safe, grow their careers, and share their concerns; and address the expectations of shareholders, communities, and the public.

Innergex's approach to corporate governance

- Anti-Corruption and Anti-Bribery policy
- Board Diversity policy
- Code of Conduct and EthicsLine
- Information Disclosure policy
- Insider Trading policy
- Majority Vote policy
- Safeguard and Promotion of Human Rights policy
- Say on Pay policy
- Shareholder Engagement policy
- Whistle-Blowing policy
- UNSDG alignment
- ESG oversight
- Board and committee succession planning
- CEO Succession planning
- Board member recruitment and onboarding process
- Share ownership guidelines for Board members and executives
- Yearly Board training

99% Combined attendance at board and committee meetings.

40% Percentage of women on the board.

Our Corporate Strategy

Responsible growth that balances People, our Planet and Prosperity

Innergex develops, acquires, owns, and operates renewable power-generating facilities including hydroelectric, wind, and solar generation as well as energy storage technologies. Our fundamental goal is to create wealth by efficiently managing our high-quality renewable energy and storage assets and successfully pursuing our sustainble growth strategy.

Innergex is committed to producing energy exclusively from sustainable renewable sources and to providing energy storage solutions, guided by our 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 owns interests in over 4,000 MW of renewable energy capacity, with facilities in Canada, the United States, France and Chile. The expertise and innovation developed by our skilled team in various energies and different locations can be leveraged and shared across the Corporation to optimize returns from our high-quality assets. Our approach to building shareholder value is to generate sustainable and growing cash flow per share and provide an attractive risk-adjusted return on invested capital.

Progressing on our Strategic Plan

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

Grow Responsibly

Focus growth on current markets.

Since 2020, 18 facilities totalling 738 MW of renewable energy and 259 MWh of storage capacity were added to our operating fleet, representing an increase of 21%. In 2023 alone, we acquired three solar assets in Ontario and commissioned our largest storage facility to date located in Northern Chile.

Build Expertise

Become an expert in deploying energy storage technologies.

Innergex has made progress in recent years to develop a strong storage portfolio. An in-house team dedicated to electricity storage was put in place in 2021, and since then two storage facilities were commissioned, while 6 projects with a storage component are at various stages of development totaling 1,545 MWh of storage capacity.

Optimize Operations

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

Through performance analysis, our team was able to optimize the energy production at all facilities and identify solutions to maximize the resources available at all times. Our balanced approach between self-operating our facilities and entrusting O&M to a third party allows us to optimize our practices and challenge our suppliers to operate our facilities efficiently.

Diversify Activities

Increase diversification of the Corporation's activities and assets.

Since 2020, we further diversified our revenue sources across regions, technologies, customers and contracted profiles. We added more wind, hydro, solar and/or storage facilities across all our markets via strategic acquisitions or greenfield development. Meanwhile, several long-term PPAs signed or renewed helped maintain a highly contracted profile at 87% with an average remaining contract duration of 12.2 years[1], ensuring strong long-duration cash flows and continuing inflation-protected revenue streams.

The Corporation relies on its experience to pursue the development of new projects. It adopts and masters new technologies, mainly energy storage, expands its customer base beyond traditional utilities and deploys new business models through which it offers more value for the electrons produced or stored.

At Innergex we have a solid track record, with decades of producing renewable energy from high-quality assets. Our existing renewable energy facilities are operated by our dedicated team of skilled professionals who continuously optimize operations and provide timely maintenance. As interest in the development of renewable energy soars, Innergex will always remain committed to the approach that has long delivered responsible and accretive growth. Our belief in nurturing and maintaining relationships to develop long-term partnerships with Indigenous and local communities and other stakeholders has enabled us to develop unique, value-creating renewable projects.

1 Remaining weighted average life of Power Purchase Agreements, excluding projects under construction and in development, before consideration of renewal options.

Portfolio of Assets

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

As at February 21, 2024, Innergex owns and operates 87 facilities in commercial operation (the "Operating Facilities"). Commissioned between 1986 and October 2023, the facilities have a weighted average age of approximately 10.6 years.

They 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 merchant market. The PPAs have a weighted average remaining life of 12.2 years (weighted average 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, as well as adjustments based on the consumer price index to mitigate inflation risk. For most Operating Facilities in the United States, power generated is sold through PPAs or on the open market mainly supported by financial or physical power hedges. In Chile, Operating Facilities sell the power generated through PPAs to power distribution companies and industrial customers, or on the open market. Please refer to the "Business Environment - Inflation" section of this MD&A for a discussion regarding inflation.

The Corporation also holds interests in projects under development that 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 21, 2024.

	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	34	—	1,027	—	717	—	—	—
United States	3	—	70	—	40	—	—	—
Chile	4	2	170	112	166	85	—	—
Subtotal	41	2	1,267	112	923	85	—	—
WIND								
Canada	8	1	908	102	714	51	—	—
France	16	3	324	52	227	32	—	—
United States	8	1	714	330	714	330	—	—
Chile	3	—	332	—	332	—	—	—
Subtotal	35	5	2,278	484	1,987	413	—	—
SOLAR								
Canada	4	—	87	—	87	—	—	—
United States	2	2	450	230	450	230	—	120[5]
Chile	3	—	153	—	153	—	150[4]	—
Subtotal	9	2	689	230	690	230	150	120
STORAGE								
France	1	—	—	—	—	—	9	—
Chile	1	1	—	—	—	—	250[7]	175[6]
Subtotal	2	1	—	—	—	—	259	175
TOTAL	87	10	4,234	826	3,600	728	409	295

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 energy storage capacity related to Hale Kuawehi (30 MW/120 MWh (4 hours)) solar project.
6 San Andrés battery energy storage capacity of 35 MW/175 MWh (5 hours).
7 Salvador battery energy storage capacity of 50 MW/250 MWh (5 hours).

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.

	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
Mesgi'g Ugju's'n (MU) Wind Farm L.P.	Mesgi'g Ugju's'n	150	75	Wind	Quebec	50.00%[1,2,3]
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%
Kwoiek Creek Resources Limited Partnership	Kwoiek Creek	50	25	Hydro	British Columbia	50.00%[1,3]
Innergex HQI USA LLC, and its subsidiaries	Curtis Mills, Palmer Falls	60	30	Hydro	New York	50.00%[3]
Innergex Sainte-Marguerite S.E.C	SM-1	31	15	Hydro	Quebec	50.01%
Cayoose Creek Power Limited Partnership	Walden North	16	8	Hydro	British Columbia	49.00%
Energía Coyanco S.A.	Guayacán	12	8.3	Hydro	Chile	69.47%
Innergex France S.A.S. and its subsidiaries	17 facilities	324	227	Wind and storage	France	70.00%

1 The Corporation owns more than a 50% economic interest in the entity.
2 The Corporation owns a 50% voting interest and a participation interest of 61.3% in 2023 (participation interest to decline over the years).
3 Based on the terms of agreements under which these entities were established, the Corporation is exposed to, and has right to, variable returns from its involvement with the investee, and has the current ability to direct these entities's activities that most significantly affect the returns.

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.

	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%[1,2]
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%
Innavik Hydro Limited Partnership	Innavik	8	4	Hydro	Quebec	50.00%

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 control over the decision-making process.

Management's Discussion and Analysis

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 months and year ended December 31, 2023, and reflects all material events up to February 21, 2024, 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, 2023.

The audited consolidated financial statements attached to this MD&A and the accompanying notes for the year ended December 31, 2023, along with the 2022 comparative figures, have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB). 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 sedarplus.ca or on the Corporation's website at innergex.com. Information contained in or otherwise accessible through our website does not form part of this MD&A and is not incorporated into the MD&A by reference.

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1- HIGHLIGHTS | Financial Year 2023 – Growth Initiatives

On January 18, 2023, Innergex reached another milestone in the development of its 330 MW Boswell Springs wind project. The conditions precedent to the thirty-year power purchase agreement with PacifiCorp were met.

On March 9, 2023, Innergex announced the closing of the acquisition of a 60 MW solar portfolio, consisting of three operating facilities in Sault Ste. Marie, Ontario, for a purchase price of $51.3 million, along with the assumption of $164.3 million of existing debt.

On March 15, 2023, Innergex and Mi'gmawei Mawiomi Business Corporation ("MMBC") announced that their 102 MW Mesgi'g Ugju's'n 2 ("MU2") wind project had been selected in Hydro-Québec's Request for Proposals. The project is a 50-50 partnership with MMBC, an organization representing the three Mi'gmaq communities in Quebec.

On April 1, 2023, the battery energy storage system supply agreements for the Paeahu, Kahana and Barbers Point Hawaiian solar energy and battery storage projects were terminated, while remaining in effect for the Hale Kuawehi project. As part of the settlement, Innergex received a payment totalling US$13.3 million ($18.2 million) in the second quarter of 2023.

On April 12, 2023, the Corporation increased its existing letter of credit facility guaranteed by Export Development Canada up to an amount of $200.0 million, an increase of $50.0 million from 2022, offering the Corporation greater flexibility to support its development activities.

On April 19, 2023, Innergex disposed of the Kahana solar energy and battery storage project for a nominal amount, thereby recouping its investment and potentially earning contingent payments should the project reach certain milestones in the future.

On April 21, 2023, Innergex entered into a US$49.5 million ($66.7 million) 2-year non-recourse construction bridge loan with SMBC for the San Andrés battery energy storage project in Chile. This construction loan is expected to be repaid with the proceeds from a future long-term non-recourse financing after the facility reaches commercial operation. The remaining US$12.4 million ($16.7 million) that makes up the total construction costs of the facility will be financed from Innergex's revolving credit facilities.

On May 31, 2023, Innergex entered into a 30-year "take-or-pay" power purchase agreement partially indexed to 30% inflation with Hydro-Québec for the electricity to be produced by the MU2 wind project.

On July 14, 2023, the Corporation closed the construction financing of the Boswell Springs wind project totalling US$533.6 million ($703.8 million) bearing interest at 1-month SOFR + 1% maturing in 2025, to be repaid by a a US$203.3 million ($268.1 million) 10-year non-recourse loan bearing interest at SOFR 180 days + 1.375% and by the proceeds from the tax equity financing.

On July 17, 2023, the Corporation concluded three forward-starting interest rate swaps to hedge a US$152.5 million ($201.9 million) portion of the construction financing of the Boswell Springs wind project that is subject to variable interest rates.

On July 17, 2023, the Corporation disposed of the 6 MW Kokomo and 10.5 MW Spartan solar facilities for a nominal amount. No significant income or expense were recognized pursuant to these transactions.

On August 7, 2023, the Corporation entered into an agreement to form a long-term partnership with Crédit Agricole Assurances, in collaboration with Crédit Agricole Centre-Est, for a 30% non-controlling interest in Innergex's portfolio in France. The transaction was completed on October 26, 2023, for total proceeds of €129.5 million ($187.7 million) investment, which were used to reduce Innergex's revolving credit facilities and to fund the Corporation's development activities over the coming years.

On October 19, 2023, the Corporation has closed a US$322.7 million ($441.6 million) tax equity commitment for the Boswell Springs wind project. The proceeds will be received at substantial completion of the construction of the project and used to repay the tax equity bridge loan previously concluded.

On October 30, 2023, the Corporation announced that its 50 MW/250 MWh (5 hours) Salvador battery energy storage facility located on the site of its existing Salvador solar facility in Chile began operations and is injecting energy to the grid. The facility should start receiving capacity payments shortly. The facility is expected to generate annual revenues of approximately US$8.2 million (CAN$11.4 million) in its first full year of operation, including the capacity payment, while operating, general and administrative expenses are expected to reach US$0.9 million (CAN$1.2 million) during the same period.

On October 30, 2023, Innergex began supplying the residents of the village of Inukjuak with hydroelectricity. Construction of the Innavik run-of-river Hydroelectric facility in the Nunavik community of Inukjuak is now completed and conversion of the residences is currently being finalized. The facility will replace reliance on diesel fuel for almost all of the energy needs of Inukjuak, in Quebec's Far North. The project stems from the community’s willingness to reduce greenhouse gas emissions and is expected to have significant social and economic impacts for the 1,800 inhabitants of Inukjuak, Nunavik’s second most populous community.

On November 14, 2023, the Corporation has closed a $185.5 million non-recourse project financing, including $179.9 million in term loans at an effective interest rate of 6.14%, and a $5.5 million reserve facility, both with The Canada Life Assurance Company, to finance a portfolio of unlevered Canadian hydroelectric facilities in operations comprising the Gilles-Lefrançois, Miller Creek and Rutherford Creek facilities. The term loan facility is set to mature in two tranches, in 2038 and 2043, respectively, corresponding to the remaining duration of the facilities’ power purchase agreements. The proceeds were used mainly to repay the corporate revolving credit facility, thereby reducing the corporate leverage.

1- HIGHLIGHTS | Financial Year 2023 – Selected Information

	Year ended December 31				
	2023	2022	2021	February 2021 Texas Events[3] (9 days)	2021 Normalized
OPERATING RESULTS					
Production (MWh)	10,621,478	10,254,005	9,055,215	—	9,055,215
Revenues and Production Tax Credits	1,041,574	935,223	795,192	(54,967)	740,225
Operating Income	219,575	263,366	280,995	(54,967)	226,028
Adjusted EBITDA[1]	687,743	612,165	499,963	15,789	515,752
Net Loss	(105,814)	(91,115)	(185,394)	64,219	(121,175)
Adjusted Net Loss[1]	(2,052)	(32,503)	(6,951)	—	(6,951)
PROPORTIONATE					
Production Proportionate (MWh)[1]	11,160,580	10,792,064	9,853,366	—	9,853,366
Revenues and Production Tax Credits Proportionate[1]	1,102,655	995,758	913,147	(95,273)	817,874
Adjusted EBITDA Proportionate[1]	735,261	658,883	469,655	79,986	549,641
COMMON SHARES					
Dividends declared on Common Shares	147,058	146,957	132,229	—	132,229
Dividends declared on Series A Preferred Shares	2,757	2,757	2,757	—	2,757
Dividends declared on Series C Preferred Shares	2,875	2,875	2,875	—	2,875
Weighted Average Number of Common Shares (in 000s)	203,565	201,836	180,857	—	180,857

	Year ended December 31				
	2023	2022	2021	February 2021 Texas Events (9 days)[3]	2021 Normalized
CASH FLOW AND PAYOUT RATIO					
Cash Flow From Operating Activities[2]	297,853	430,243	265,498	17,093	282,591
Free Cash Flow[1,2]	214,930	171,988	119,682	15,789	135,471
Payout Ratio[1,2]	68 %	85 %	110 %	— %	98 %

	As at		
FINANCIAL POSITION	December 31, 2023	December 31, 2022	December 31, 2021
Total Assets	8,939,826	8,602,427	7,396,068
Total Liabilities	7,734,498	7,116,000	6,035,388
Equity Attributable to Owners	1,086,883	1,316,195	1,093,112
Non-Controlling Interests	118,445	170,232	267,568

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 Section 6- NON-IFRS MEASURES of this MD&A for more information.
2. For more information on the calculation and explanation, please refer to Section 4- CAPITAL AND LIQUIDITY | Free Cash Flow and Payout Ratio of this MD&A.
3. For the Year ended December 31, 2021, the operating results, the Cash Flow From Operating Activities, Free Cash Flow and Payout Ratio are normalized to exclude the impacts of the February 2021 Texas Events. Normalized measures are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "February 2021 Texas Events" section for more information.

1- HIGHLIGHTS | Financial Year 2023 – Operating Performance

In 2023, the Corporation closed the acquisition of the Sault Ste. Marie solar portfolio in Ontario. It also achieved the commissioning of its Salvador battery energy storage facility. The Innavik hydro facility has also been supplying power to the residents of the Inukjuak village in Nunavik since Q4 2023. Innergex's projects under construction are advancing well. The San Andrés battery energy storage project represents a second investment in energy storage technology in Chile, further supporting the Corporation's portfolio strategy in the country. Following financial close on Boswell Springs, the project construction continues and remains on budget and on schedule. The amendment to the power purchase agreement ("PPA") to increase the selling prices by 56% for the Hale Kuawehi solar and battery storage project was approved by the Public Utilities Commission in Hawaii and construction activities are ongoing. The Lazenay wind project in France has also initiated the construction work. The Corporation also made significant advancements with its projects under development, including signing a 30-year PPA for the Mesg'ig Ugju's'n 2 ("MU2") wind project in Quebec, Canada, owned in a 50-50 partnership, and successfully replaced its PPA for the Auxy Bois Régnier wind project in France at more favourable pricing conditions in July 2023.

For the year ended December 31, 2023, Revenues and Production Tax Credits were up 11% to $1,041.6 million compared with the same period last year. The increase is mainly explained by the Aela and Sault Ste. Marie acquisitions, the higher production at the Curtis Palmer hydro facilities in the United States and increased wind regime and revenues from new PPAs in place at facilities in France. The increase is partly offset by lower wind regimes at the Quebec facilities, lower spot prices at the Chilean hydro facilities and unfavourable pricing and lower production at the Griffin Trail wind facility. Revenues and Production Tax Credits Proportionate[1] were up 11% at $1,102.7 million compared with the same period last year.

For the year ended December 31, 2023, Operating, general, administrative and prospective projects expenses were up 15% to $329.2 million compared with the same period last year. The higher expenses are mainly explained by the Aela and Sault Ste. Marie acquisitions, the impact of the 2022 Supplementary Budget Act in France on French facilities, extraordinary maintenance expenses at several wind facilities in Quebec, and higher operating costs in the United States.

The decrease in realized loss on the power hedges is mainly related to the decrease in merchant power prices for the power hedge at the Phoebe solar facility in Texas.

As a result of the factors explained above, Adjusted EBITDA[1] was 12% higher at $687.7 million for the year ended December 31, 2023, and Adjusted EBITDA Proportionate[1] was 12% higher at $735.3 million, compared with the same period last year.

Innergex recorded a net loss of $105.8 million ($0.51 net loss per share, on a basic and diluted basis) for the year ended December 31, 2023, compared with a net loss of $91.1 million ($0.43 net loss per share - basic and diluted) for the corresponding period in 2022. The increase in net loss is largely explained by the impairment charges recognized on the Hale Kuawehi and Hillcrest facilities, an unfavourable change in fair value of the contingent consideration provision included in the Curtis Palmer purchase price, an increase in finance costs mainly related to the refinancing of the non-recourse debt in Chile in Q3 2022 following the Aela Acquisition, and an increase in depreciation and amortization mainly attributable to the Aela and Sault Ste. Marie acquisitions. These items were partly offset by a favourable shift in the merchant power curves for the Phoebe power hedge and an increase in income tax recovery.

[1] These measures are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the Section 6- NON-IFRS MEASURES of this MD&A for more information.

1- HIGHLIGHTS | Financial Year 2023 – Capital and Resources

The increase in total assets compared with December 31, 2022, results largely from the Sault Ste. Marie Acquisition, the construction activities on Hale Kuawehi, Boswell Springs, and Salvador and San Andrés battery energy storage projects, from an increase in accounts receivable mainly due to the higher revenues from higher production from the hydroelectric facilities. These items were partly offset by depreciation and amortization, by the safe harbor solar modules classified as held for sale in 2022 and sold during Q1 2023, and by the disposition of the Kokomo and Spartan solar facilities.

The increase in total liabilities compared with December 31, 2022, results largely from the increase in long-term loans and borrowings stemming from the net draws made toward the construction of the Boswell Springs, Salvador and San Andrés battery energy storage projects and the Hale Kuawehi solar project, and the Sault Ste. Marie Acquisition. The increase in total liabilities is also explained by the increase in fair value of the contingent consideration provision included in the Curtis Palmer purchase price. These items were partly offset by the scheduled principal repayments of long-term loans and borrowings.

The decrease in shareholders' equity compared with December 31, 2022, results largely from the dividends declared on common and preferred shares, by the total comprehensive loss, and by the distributions to non-controlling interests, partly offset by the proceeds from the disposition of a non-controlling interest in Innergex's portfolio in France.

The decrease in cash flows from operating activities before changes in non-cash operating working capital items for the year ended December 31, 2023, is mainly due the realized gain on the settlement, in 2022, of the interest rate swaps as part of Innergex's Chilean refinancing, and the foreign exchange forward contracts concurrent with the French Acquisition, as well as by the increase in finance costs paid, stemming mainly from the Chile Green Bonds and the Sault Ste. Marie Acquisition. The decrease was partly offset by the respective operating performance of the hydroelectric, wind and solar segments previously discussed, including the respective contribution of the Aela and Sault Ste. Marie acquisitions. In addition, for the year ended December 31, 2023, Free Cash Flow[1] was favourably impacted by a gain realized upon disposition of a 30% non-controlling interest in Innergex's portfolio in France, by the Aela and Sault Ste. Marie acquisitions, and the higher production at the Curtis Palmer hydro facilities in the United States and increased wind regime and revenues from new PPAs in place at facilities in France. The increase was partly offset by the lower wind regimes at the Quebec facilities, the lower spot prices at the Chilean hydro facilities, an unfavourable pricing and lower production at the Griffin Trail wind facility, and by an increase in principal and interest payments stemming from the acquisitions and construction activities.

1- HIGHLIGHTS | Subsequent Events

On January 26, 2024, Innergex announced that it was selected by Hydro-Québec for two projects: a 100 MW community wind project in partnership with the regional county municipality of Lotbinière and the Abenaki Councils of Odanak and Wôlinak, and a 300 MW community wind project led by the Innu Council of Pessamit, with the participation of the regional county municipality of Manicouagan. Commercial operation is scheduled for 2028 and 2029, respectively. The power purchase agreements, to be signed in 2024 with Hydro-Québec, are expected to be structured as 30-year take-or-pay contracts, indexed to a predefined percentage of the Consumer Price Index ("CPI").

On February 21, 2024, the Board of Directors approved an update to its capital allocation strategy and revised its annual dividend for 2024 to $0.36 per common share to support its growth plans.

[1] These measures are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the Section 6- NON-IFRS MEASURES of this MD&A for more information.

1- HIGHLIGHTS | Financial Year 2022

For the year ended December 31, 2022, Revenues and Production Tax Credits were up 26% compared with the same period in the previous year, which were normalized to exclude the February 2021 Texas Events. Operating, general, administrative and prospective projects expenses were up 29% compared with the same period in the previous year. As a result, Adjusted EBITDA[1] was 19% higher at $612.2 million for the year ended December 31, 2022, and the Adjusted EBITDA Proportionate[1] was 20% higher at $658.9 million, compared with the same period in the previous year, which were normalized to exclude the February 2021 Texas Events. The increase was mainly attributable to the Aela and San Andrés acquisitions, the full-year impact of the commissioning of the Griffin Trail wind facility in 2021, and the full-year impact of the Energía Llaima, Licán and Curtis Palmer acquisitions made in 2021. The increase is also explained by the BC Hydro Curtailment Payment. These items were partly offset by exceptionally low production at the facilities in British Columbia due to drier weather, and by the impact of the 2022 Supplementary Budget Act in France.

The decrease in net loss compared to 2021 is mostly due to the impacts of the February 2021 Texas Events in the previous year, and by the impairment charges in the Flat Top and Shannon joint ventures recognized during the same year. These items were partly offset by an increase in depreciation, amortization and finance costs mainly related to the Energía Llaima, Aela, San Andrés and Curtis Palmer acquisitions, and the Griffin Trail and Hillcrest commissionings in 2021. They were further offset by an increase in the impairment charges recognized in 2022 compared with the previous year.

The increase in total assets results largely from the assets acquired following the San Andrés and Aela acquisitions and the start of the Hale Kuawehi, Boswell Springs and Salvador and San Andrés battery energy storage construction activities. These items were partly offset by depreciation and amortization and by an upward shift in interest rate curves, which contributed to the decrease of the asset retirement obligation included in property, plant and equipment.

The increase in long-term loans and borrowings stems principally from the Aela Acquisition and from net draws on the revolving term credit facility, used toward construction and development activities.

The increase in Shareholders' equity results largely from the shares issued related to the public offering in February 2022 and the concurrent Hydro-Québec private placement, and the total comprehensive income, partly offset by the dividends declared on common and preferred shares and the distributions to non-controlling interests.

The increase in cash flows from operating activities before changes in non-cash operating working capital items is primarily due to the realized gain on financial instruments following the settlement of the foreign exchange forward contracts concurrent with the French Acquisition, partly offset by an increase in finance costs paid mainly related to the Aela and San Andrés acquisitions. Free Cash Flow[1] was impacted by the above, partly offset by a decrease in cash flows from operating activities before changes in non-cash operating working capital items from the Phoebe facility, due mostly to an unfavourable difference between sales at the Phoebe node and purchases at the ERCOT South hub.

[1] These measures are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the Section 6- NON-IFRS MEASURES of this MD&A for more information.

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 regional electricity markets;
- ability to sell power on a merchant basis in its core markets;
- its capacity to evaluate and secure attractive prospective sites for the development of new projects;
- its ability to secure strong partnerships and work together with Indigenous and local communities;
- its ability to adequately forecast total construction costs, expected revenues and expected expenses for each project;
- its ability to adapt to rapidly evolving market dynamics;
- its ability to finance its growth, including access to diverse funding sources; and
- its ability to provide power with the increasing market readiness and cost effectiveness of renewable energy and storage technologies.

Key Geographic Markets

In **Canada**, growth opportunities for new renewable power generation have resulted from commitments to reducing greenhouse gas (GHG) emissions; the national price on carbon pollution; public concern over fossil fuel power generation, air quality and GHGs; and improvements in renewable energy technology and affordability. Renewable electricity generation in Canada is also supported by provincial procurements that result in long-term fixed-price contracts with crown corporations, incentives such as accelerated depreciation, investment tax credits and legislated commitments to renewable energy generation. The Government of Canada has committed to reduce GHG emissions by 40-45% from 2005 levels by 2030 and achieve net-zero emissions economy-wide by 2050. Specific commitments in the electricity sector include phasing out coal-fired electricity generation by 2030 and achieving a net-zero electricity grid by 2035. Canada's electricity grid is currently 84% emissions-free. Nationally, the largest source of power is hydroelectricity, representing around 60% of annual power generation. Wind and solar power met approximately 6.9% of Canada's electricity demand in 2021 and continue to account for the largest share of new power generation additions annually. It is anticipated that the phase-out of fossil fuel-fired electricity generation and increasing electrification across the economy will lead to a significant increase in demand for renewable electricity, with multiple reports estimating that Canada will require two to three times its current non-emitting generating capacity by 2050.

In the **United States**, the Federal Energy Regulatory Commission regulates the transmission of electricity, and the wholesale sale of electricity, in interstate commerce. Electricity is sold under various types of contracts, including long-term PPAs, power hedges, and commercial and retail contracts. Favourable costs for renewable electricity generation, combined with legislated commitments towards GHG emissions reductions and renewable electricity generation at the federal and state level, are expected to continue driving demand for new renewable generation capacity. The 2022 enactment of the Inflation Reduction Act ("IRA") directed nearly $400 billion in federal funding to clean energy in the form of tax credits designed to catalyze private investment in clean energy. The IRA combined with strong state renewable energy requirements is creating unprecedented demand for new renewables of up to 750 GW by 2030 (compared to 240 GW cumulatively deployed through 2022). The U.S. Government aims to achieve a 50-52% reduction in economy-wide GHG emissions from 2005 levels by 2030 and reach net-zero by 2050. It has established a goal to reach 100% carbon pollution-free electricity generation by 2035. States continue to be active in adopting and increasing renewable portfolio standards (RPS) policies that require electricity suppliers to source a certain amount of their electricity from eligible technologies. To date, over 30 U.S. states have some form of renewable energy standard or goal in place, with 23 states plus the District of Columbia aiming for 100% clean electricity by 2050 or earlier. The share of renewables in electricity generation is expected to more than double to 44% by 2050, surpassing methane as the leading source of power.

In **France**, the electricity system is largely deregulated for production, ancillary services and electricity supply. It is, however, still a monopoly for distribution and transmission. The transmission system operator (RTE) and the distribution operator (ENEDIS), both subsidiaries of Électricité de France (EDF), are responsible for managing distribution and transport infrastructure and have a duty to provide interconnection to renewable energy projects at standardized conditions. As such, the energy environment remains very favourable to renewable developers. Government seems committed to maintaining the current RFP program to foster additional power generation through a Contract for Difference (CfD) mechanism. However, it is still possible for renewable developers to sell electricity to consumers through direct contract (Corporate PPA). Despite the strong political will, social acceptability continues to be the main constraint to renewable development in France as particularly evidenced by the number of claims filed against wind projects. Development time remains very long for onshore wind (7-8 years on average) and solar (4-5 years on average). The Corporation expects that the new decree specifying the conditions to use agricultural lands for solar projects will help on this matter at least for PV projects. On the tax side, France has watered down its special taxes on record profit to 50% of all revenues generated when the price of energy sold is above 105€/MWh for 2024 (vs. 90% above 100€/MWh in 2023).

Renewable power continues to increase in **Chile**. As of December 2023, there were 71 renewable energy facilities under construction, representing 5,631 MW of capacity. In 2023, non-conventional renewable energies reached 37% of the total generation, surpassing a 2013 law which mandated that 20% of the electricity produced in Chile come from renewable energy by 2025. Mining, which consumes about a third of Chile's overall power production, is an industry that consumes most of the new renewable energy. Since 2014, the price of building solar energy projects has dropped by more than 60%, prompting the mining sector and other sectors to invest in renewable energy to reduce their energy consumption expenses. Chile has set legislated commitments to renewable energy, which target increases in renewable energy generation to 80% by 2030 and 100% by 2050. Its target under the Paris Agreement is to peak annual GHG emissions by 2025 and reduce them to 95 Megatonnes by 2030. One of the most concrete actions to date has been the Retirement Plan and/or Reconversion of Units to Coal, which aims to remove remaining coal-fired power plants (which still provide 19% of Chile's electricity) by 2040. The National Electric Coordinator acts as the independent system operator for the National Electric System in Chile. It is charged with coordinating electricity generation throughout the system to achieve operational and cost efficiency, while transmission and distribution costs are regulated by law. It also preserves the security of electrical service and must guarantee open access to the transmission system according to law.

Global Climate Change

Climate change, which increases the likelihood, frequency and severity of adverse weather conditions such as severe storms, droughts and water stress, heat waves, forest fires, rising temperatures and changing precipitation patterns, presents both risks and opportunities to the Corporation. Climate change has proven to disrupt weather patterns in ways that are difficult to anticipate, which could result in more frequent and severe disruptions to the Corporation's generation facilities and the power markets in which the Corporation operates. In addition, energy demands generally vary with weather conditions.

The Corporation's facilities and projects are exposed to various hazards that are expected to increase in the future under various climate scenarios. 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 investments or asset acquisitions, the Corporation considers site-specific climate and weather factors, such as flood plain mapping and extreme weather history. 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.

In 2022, the Corporation released its first Task Force on Climate-related Financial Disclosures ("TCFD") aligned climate assessment report, an important step in its sustainability journey and essential in identifying and addressing the climate risks and opportunities for Innergex.

Through consultations with various levels of the Corporation, including the Board of Directors, the executives as well as experts in each of the jurisdictions in which the Corporation operates, the team gained an understanding of the resilience of the business in different potential climate futures by performing assessments, on a facility-by-facility basis, of their potential physical and transition impacts. The bulk of this work included a deep dive of the business through climate-related scenario analysis to inform business strategy and financial planning processes and assess the resilience of its strategies against various climate-related scenarios. The report is available on sustainability.innergex.com.

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 quarter 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	538	14 %	1,256	33 %	1,219	32 %	824	21 %	3,837
WIND	1,779	28 %	1,553	24 %	1,334	21 %	1,756	27 %	6,422
SOLAR	336	21 %	461	29 %	465	29 %	319	20 %	1,581
Total	2,653	22 %	3,270	28 %	3,018	25 %	2,899	24 %	11,840

1. The consolidated long-term average production is the annualized LTA for the facilities in operation as at February 21, 2024. 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 of this MD&A.

Inflation

The Corporation's operating facilities have shown resiliency toward inflation as most of its long-term PPAs contain partial or full indexation clauses that annually adjust for the effects of inflation. As such, inflation pressures on the Corporation's operating, general and administrative expenses are generally absorbed by higher revenues.

Interest rate

Interest rate fluctuations are of particular concern to a capital-intensive industry such as the electric power business. The Corporation generally uses a high proportion of long-term loans and borrowings to finance the capital requirements of its facilities. The Corporation is exposed to interest rate risk principally through floating-rate long-term loans and borrowings. It mitigates this risk by entering into fixed-rate financing agreements or interest rate swap agreements concurrently with entering into floating-rate loan facilities, typically with matching notional and amortization periods. As at December 31, 2023, excluding the construction financing of the Boswell Springs wind project which is subject to a forward-starting interest rate swap, approximately 3.3% of the Corporation's total long-term loans and borrowings was exposed to interest rate fluctuations. The Corporation's long-term loans and borrowings have a weighted-average maturity of 12.8 years, therefore near-term fluctuations in interest rates have a limited effect on the Corporation's future cash flows.

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

2- OVERVIEW OF OPERATIONS | Operating Facilities

Energy segment	Location	Three months ended December 31, 2023 Production (MWh)	Three months ended December 31, 2023 Production as a % of LTA	Three months ended December 31, 2022 Production (MWh)	Three months ended December 31, 2022 Production as a % of LTA	Three months Production % change	Year ended December 31, 2023 Production (MWh)	Year ended December 31, 2023 Production as a % of LTA	Year ended December 31, 2022 Production (MWh)	Year ended December 31, 2022 Production as a % of LTA	Twelve months Production % change
HYDRO	Quebec	174,378	96 %	181,379	100 %	(4)%	732,107	105 %	716,024	102 %	2 %
	Ontario	16,825	79 %	17,159	81 %	(2)%	68,660	92 %	68,799	92 %	— %
	British Columbia	405,409	109 %	167,871	45 %	142 %	1,838,825	84 %	1,767,031	80 %	4 %
	United States	100,928	110 %	68,514	75 %	47 %	431,205	114 %	332,113	88 %	30 %
	Chile	156,023	99 %	144,528	92 %	8 %	489,057	100 %	447,085	91 %	9 %
	Subtotal	**853,563**	**104 %**	**579,451**	**70 %**	**47 %**	**3,559,854**	**93 %**	**3,331,052**	**87 %**	**7 %**
WIND	Quebec	613,819	93 %	623,375	94 %	(2)%	2,000,953	87 %	2,284,974	99 %	(12)%
	France	268,059	127 %	207,039	95 %	29 %	772,334	112 %	659,974	88 %	17 %
	United States	545,508	86 %	557,028	89 %	(2)%	2,239,051	91 %	2,270,446	93 %	(1)%
	Chile[3]	180,140	75 %	142,758	56 %	26 %	770,101	81 %	419,996	72 %	83 %
	Subtotal	**1,607,526**	**92 %**	**1,530,200**	**87 %**	**5 %**	**5,782,439**	**90 %**	**5,635,390**	**92 %**	**3 %**
SOLAR	Ontario[4]	20,455	139 %	6,757	123 %	203 %	111,804	103 %	39,080	108 %	186 %
	United States	158,843	80 %	164,757	83 %	(4)%	931,339	82 %	980,356	86 %	(5)%
	Chile[2]	62,898	59 %	75,874	70 %	(17)%	236,042	68 %	268,127	79 %	(12)%
	Subtotal	**242,196**	**76 %**	**247,388**	**79 %**	**(2)%**	**1,279,185**	**81 %**	**1,287,563**	**85 %**	**(1)%**
TOTAL PRODUCTION[1]		**2,703,285**	**94 %**	**2,357,039**	**81 %**	**15 %**	**10,621,478**	**90 %**	**10,254,005**	**90 %**	**4 %**
Innergex's share of production of joint ventures and associates		105,592	116 %	91,590	105 %	15 %	539,102	98 %	538,059	100 %	— %
PRODUCTION PROPORTIONATE[1]		**2,808,877**	**94 %**	**2,448,629**	**82 %**	**15 %**	**11,160,580**	**90 %**	**10,792,064**	**90 %**	**3 %**

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 production and included in production proportionate.
2. The San Andrés Acquisition was completed on January 28, 2022.
3. The Aela Acquisition was completed on June 9, 2022.
4. The Acquisition of Sault Ste. Marie was completed on March 9, 2023.

Production for the three months ended December 31, 2023, was 94% of LTA. The result is mostly explained by below-average wind regimes across facilities in Quebec, the United States and Chile as well as lower irradiation and economic curtailment at the Phoebe facility in Texas and at the Salvador and San Andrés facilities in Chile. These items were partly offset by higher production at the wind facilities in France as well as higher water flows at the United States and British Columbia hydro facilities. Innergex's share of production of joint ventures and associates was 116% of LTA, translating into a Production Proportionate at 94% of LTA.

Production for the year ended December 31, 2023, was 90% of LTA. The result is mostly explained by low water flows in British Columbia combined with below-average wind regimes in Quebec and in the United States, lower wind regimes and economic curtailment at the facilities in Chile, lower irradiation and economic curtailment at the Phoebe facility in Texas and at the Salvador and San Andrés facilities in Chile. These items were partly offset by higher production from the Quebec hydro facilities, the Curtis Palmer hydro facilities in the United States and the wind facilities in France. Innergex's share of production of joint ventures and associates was 98% of LTA, translating into a Production Proportionate at 90% of LTA.

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

2- OVERVIEW OF OPERATIONS | Commissioning Activities

On October 30, 2023, Innergex began supplying the residents of the village of Inukjuak with hydroelectricity. Construction of the Innavik run-of-river Hydroelectric facility in the Nunavik community of Inukjuak is now completed and conversion of the residences is currently being finalized. The facility will replace reliance on diesel fuel for almost all of the energy needs of Inukjuak, in Quebec's Far North. The project stems from the community's willingness to reduce greenhouse gas emissions and is expected to have significant social and economic impacts for the 1,800 inhabitants of Inukjuak, Nunavik's second most populous community.

On October 30, 2023, Innergex executed the commissioning of its 50 MW/250 MWh (5 hours) Salvador battery storage project. The facility is located on the site of Innergex's existing Salvador solar facility in Northern Chile has begun operations and is injecting energy to the grid. The Salvador battery facility is Innergex's first utility-scale battery storage site and among the first installed in Chile.

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)	Expected COD
San Andrés Battery Energy Storage (Chile)	Storage	100	Note 4	—	—	2024
Lazenay (France)	Wind	25	9.0	27.8	—	2024
Hale Kuawehi (Hawaii, U.S.)	Solar and storage	100	30.0 2	87.4 3	25	2024
Boswell Springs (Wyoming, U.S.)	Wind	100	329.8	1,262.0	30	2024

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. Solar project with a battery storage capacity of 30 MW/120 MWh (4 hours).
3. PPA is a fixed lump sum capacity payment for the availability of dispatchable energy.
4. Battery storage capacity of 35 MW/175 MWh (5 hours).

Updated status for the following projects:

San Andrés Battery Energy Storage
- Interconnection completed.
- Permitting in progress with the National Electric Coordinator.
- Project COD expected in Q1 2024.

Lazenay
- Construction going well despite adverse weather conditions in Q4 2023.
- All three turbine foundations poured and backfillings are completed.
- Underground cabling works will end in Q1 2024.
- Wind turbine delivery is expected in Q2 2024
- Project COD expected in Q4 2024.

Hale Kuawehi
- Deliveries of major components in progress.
- Project COD expected in Q4 2024.

Boswell Springs
- Construction activities on schedule, site closed for the winter season.
- Request sent for limited operation to allow commissioning to begin earlier than initially scheduled.
- Major components delivery schedule slightly accelerated with suppliers.
- Project COD expected in Q4 2024.

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

2- OVERVIEW OF OPERATIONS | Development Activities

Innergex owns a portfolio of projects in the development stage with a gross installed capacity of approximately 457.1 MW. The table below outlines their status as at the date of this MD&A.

Name (Location)	Type	Gross installed capacity (MW)	PPA term (years)	Expected COD
Mesgi'g Ugju's'n 2 (Canada)	Wind	102.2	30	2026
Palomino (Ohio, U.S.)	Solar	200.0	—	2025
Auxy Bois Régnier (France)	Wind	29.4	20	2025
Montjean 2 (France)	Wind	13.5	20	2028
Frontera (Chile)	Hydro	109.0	— [1]	2028
Rucacura (Chile)	Hydro	3.0	— [1]	2025

1. Power to be sold on the open market or through PPAs yet to be signed.

Updated status from the previous quarter for the following projects:

Mesgi'g Ugju's'n 2 (MU2)
- Interconnection agreement signed in Q1 2024.
- Notice of admissibility received for environmental impact and public information session held in Q4 2023.
- Decision expected in Q1 2024 concerning the memorandum of understanding and the pre-project agreement with Hydro-Québec Transport.
- The early contractor involvement agreement is ongoing.
- Expecting the project to benefit from ITC federal government program that is not finalized yet.

Palomino
- Commercial discussions ongoing with multiple interested offtakers.
- Palomino received confirmation for interconnection Fast Track qualification by PJM in Q4 2023.
- Road Use Agreement received from the Highland County Engineer.

Auxy Bois Régnier
- Favourable court decision obtained in Q1 2024 and interconnection expected for Q1 2025.
- Geotechnical studies completed, awaiting receipt of study reports.

Montjean 2
- PPA is in place since Q2 2021.
- The project is ready to build, however various options for grid interconnection are under investigation to advance the project to an earlier COD.

Frontera
- Transmission line point of connection in permitting. In negotiation with Electricity Substation owner.
- Preparation of the documentation to obtain building permits from the local administration.

Rucacura
- Interconnection permit approved.
- Electromechanical equipment under negotiation with various suppliers.

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

2- OVERVIEW OF OPERATIONS | Prospective Projects

Innergex 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 Proposals (collectively the “Prospective Projects”). The list of Prospective Projects is revised quarterly 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 their development maturity leading to obtaining a final notice to proceed to the construction phase combined with a success probability factor that the project will reach COD. 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** development maturity combined with a **LOW** success probability factor; or a **MID**-stage development maturity combined with a **LOW** success probability factor.
Mid Stage	The prospective projects in this category have a **MID**-stage development maturity combined with a **MEDIUM** success probability factor; or a **HIGH**-stage development maturity combined with a **MEDIUM** success probability factor.
Advanced Stage	The prospective projects in this category have a **HIGH** development maturity combined with a **HIGH** success probability factor; or a **MID**-stage development maturity combined with **HIGH** success probability factor.

	Early Stage		Mid Stage		Advanced Stage		Total Capacity[1] (in MW)	Total number of projects
	Capacity[1] (in MW)	Number of projects	Capacity[1] (in MW)	Number of projects	Capacity[1] (in MW)	Number of projects		
CANADA								
Hydro	497	15	—	—	—	—	497	15
Solar	480	6	—	—	—	—	480	6
Wind	3,071	13	2,750	8	400	2	6,221	23
Storage	100	1	—	—	—	—	100	1
Subtotal	4,148	35	2,750	8	400	2	7,298	45
UNITED STATES								
Solar	364	4	300	1	685	4	1,349	9
Wind	—	—	400	1	—	—	400	1
Green hydrogen[2]	5	1	—	—	—	—	5	1
Subtotal	369	5	700	2	685	4	1,754	11
FRANCE								
Solar	57	3	42	3	86	1	185	7
Wind	66	3	114	5	163	9	343	17
Storage	19	1	—	—	—	—	19	1
Subtotal	142	7	156	8	249	10	547	25
CHILE								
Hydro	—	—	—	—	154	1	154	1
Solar	32	1	—	—	—	—	32	1
Wind	236	1	—	—	—	—	236	1
Storage	—	—	—	—	50	1	50	1
Subtotal	268	2	—	—	204	2	472	4
Total	4,927	49	3,606	18	1,538	18	10,071	85
Change from Q3 2023	+74	+3	-371	-1	+429	+2	+132	+4
Changes from Q4 2022	+527	(1)	+398	+4	+445	+3	+1,370	+6

1. Only Gross Installed Capacity is disclosed for Prospective Projects as the net capacity is not yet defined at this stage.
2. In this table, the electrolyser was attributed to the United States until additional progress is achieved. The production is estimated at 800,000 kg per year, which corresponds to approximately 5 MW based on current assumptions.

Compared to Q3 2023, two projects in Canada progressed to the advanced stage. In the United States, one 15 MW project was added. In France, five new projects were added for a net increase of 105 MW. In Chile, a net 12 MW was added. In total, 132 MW of net new prospective projects were added in the quarter.

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

3- FINANCIAL PERFORMANCE AND OPERATING RESULTS

	Three months ended December 31				Year ended December 31			
	2023	2022	Change		2023	2022	Change	
Revenues	243,523	203,636	39,887	20 %	969,890	870,494	99,396	11 %
Production Tax Credits	18,003	16,576	1,427	9 %	71,684	64,729	6,955	11 %
Revenues and Production Tax Credits	261,526	220,212	41,314	19 %	1,041,574	935,223	106,351	11 %
Operating expenses	63,653	62,591	1,062	2 %	232,795	207,768	25,027	12 %
General and administrative expenses	14,941	13,568	1,373	10 %	69,242	53,071	16,171	30 %
Prospective projects expenses	9,084	7,118	1,966	28 %	27,162	24,740	2,422	10 %
ERP implementation	3,558	1,815	1,743	96 %	12,651	2,357	10,294	437 %
Depreciation and amortization	87,927	93,756	(5,829)	(6)%	361,292	336,053	25,239	8 %
Impairment of long-term assets	118,857	47,868	70,989	148 %	118,857	47,868	70,989	148 %
Operating Income	(36,494)	(6,504)	(29,990)	(461)%	219,575	263,366	(43,791)	(17)%
Finance costs	88,420	83,864	4,556	5 %	348,386	317,842	30,544	10 %
Other net expenses (income)	26,170	(8,475)	34,645	409 %	27,031	(6,547)	33,578	513 %
Share of (earnings) loss of joint ventures and associates[1]	(4,004)	286	(4,290)	(1,500)%	(16,791)	(14,382)	(2,409)	(17)%
Change in fair value of financial instruments	6,973	(16,622)	23,595	142 %	13,676	64,145	(50,469)	(79)%
Recovery of income tax	(32,089)	(12,982)	(19,107)	(147)%	(46,913)	(6,577)	(40,336)	(613)%
Net loss	(121,964)	(52,575)	(69,389)	(132)%	(105,814)	(91,115)	(14,699)	(16)%
Net Loss attributable to:								
Owners of the parent	(113,939)	(45,301)	(68,638)	(152)%	(98,451)	(81,619)	(16,832)	(21)%
Non-controlling interests	(8,025)	(7,274)	(751)	(10)%	(7,363)	(9,496)	2,133	22 %
	(121,964)	(52,575)	(69,389)	(132)%	(105,814)	(91,115)	(14,699)	(16)%
Basic net loss per share attributable to owners ($)	(0.57)	(0.23)			(0.51)	(0.43)		
Diluted net loss per share attributable to owners ($)	(0.57)	(0.23)			(0.51)	(0.43)		

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.

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

3- FINANCIAL PERFORMANCE AND OPERATING RESULTS | Hydroelectric Segment

	Three months ended December 31			Year ended December 31		
Hydroelectric Segment	2023	2022	Change	2023	2022	Change
Production (MWh)	853,563	579,451	47 %	3,559,854	3,331,052	7 %
LTA (MWh)	824,442	824,540	— %	3,837,919	3,838,290	— %
LTA (%)	104 %	70 %	47 %	93 %	87 %	7 %
Revenues	88,679	61,082	45 %	358,210	336,645	6 %
Operating, general and administrative expenses	21,567	19,513	11 %	82,097	86,135	(5)%
Adjusted EBITDA[1]	67,112	41,569	61 %	276,113	250,510	10 %
PROPORTIONATE[1]						
Production Proportionate (MWh)	918,172	631,091	45 %	3,982,006	3,743,198	6 %
LTA Proportionate (%)	104 %	72 %	45 %	93 %	88 %	6 %
Revenues Proportionate	97,805	67,262	45 %	403,517	380,973	6 %
Adjusted EBITDA Proportionate	73,735	45,613	62 %	311,715	285,064	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 Section 6- NON-IFRS MEASURES of this MD&A for more information.

For the three months ended December 31, 2023, the increase of 45% in Revenues in the hydroelectric segment compared with the same period last year is mainly explained by higher production at the facilities in British Columbia and at Curtis Palmer. The increase is partly offset by lower spot prices at the Chilean facilities. The increase of 11% in Operating, general and administrative expenses is mainly explained by higher maintenance costs at some facilities in Quebec. As a result, Adjusted EBITDA[1] increased by 61% to $67.1 million.

For the three months ended December 31, 2023, the increase of 45% in Revenues Proportionate[1] in the hydroelectric segment mainly stems from the increase in consolidated revenues and revenues from the joint ventures and associates due to the Innavik facility now delivering power to the Inukjuak village and to higher production at the facilities in British Columbia. There were no significant impacts from joint ventures and associates on Operating, general and administrative expenses compared with the same period last year. As a result, Adjusted EBITDA Proportionate[1] increased by 62% to $73.7 million.

For the year ended December 31, 2023, the increase of 6% in Revenues in the hydroelectric segment compared with the same period last year is mainly explained by the higher production at the Curtis Palmer facilities and at the Duqueco facilities. The increase is partly offset by lower spot prices at the Chilean facilities. The decrease of 5% in Operating, general and administrative expenses is explained by lower maintenance costs at some facilities in British Columbia and Chile. As a result, Adjusted EBITDA[1] increased by 10% to $276.1 million.

For the year ended December 31, 2023, the increase of 6% in Revenues Proportionate[1] in the hydroelectric segment mainly stems from the increase in consolidated revenues and revenues from the joint ventures and associates due to the Innavik facility now delivering power to the Inukjuak village and higher production at the facilities in British Columbia. There were no significant impacts from joint ventures and associates on Operating, general and administrative expenses compared with the same period last year. As a result, Adjusted EBITDA Proportionate[1] increased by 9% to $311.7 million.

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

3- FINANCIAL PERFORMANCE AND OPERATING RESULTS | Wind Segment

	Three months ended December 31			Year ended December 31		
Wind Segment	2023	2022	Change	2023	2022	Change
Production (MWh)	1,607,526	1,530,200	5 %	5,782,439	5,635,390	3 %
LTA (MWh)	1,745,617	1,761,962	(1)%	6,422,505	6,094,820	5 %
LTA (%)	92 %	87 %	5 %	90 %	92 %	(2)%
Revenues and production tax credits	153,456	143,600	7 %	536,238	485,258	11 %
Operating, general and administrative expenses	35,542	39,113	(9)%	131,520	103,042	28 %
Adjusted EBITDA[1]	117,914	104,487	13 %	404,718	382,216	6 %
PROPORTIONATE[1]						
Production Proportionate (MWh)	1,648,509	1,570,150	5 %	5,899,389	5,761,303	2 %
Revenues and Production Tax Credits Proportionate	159,029	148,784	7 %	552,012	501,465	10 %
LTA Proportionate (%)	93 %	87 %	6 %	90 %	93 %	(3)%
Adjusted EBITDA Proportionate	122,317	108,466	13 %	416,634	394,380	6 %

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 Section 6- NON-IFRS MEASURES of this MD&A for more information.

For the three months ended December 31, 2023, Revenues and production tax credits increased by 7% in the wind power generation segment compared with the same period last year, mainly due to higher production at facilities in France, favourable pricing at the Foard City facility and at the Chilean facilities. The increase was partly offset by lower production from the facilities in the United States and Quebec, as well as lower merchant prices at the Griffin Trail facility. The decrease of 9% in Operating, general and administrative expenses is mainly explained by lower major repairs in Quebec. As a result, Adjusted EBITDA[1] increased by 13% to $117.9 million, compared with the same period last year.

For the three months ended December 31, 2023, the increase of 7% in Revenues and Production Tax Credits Proportionate[1] mainly stems from the increase in consolidated revenues but slightly helped by the joint ventures' and associates' revenues, which increased compared to the same period last year due to higher production. There were no significant impacts from joint ventures and associates on Operating, general and administrative expenses compared with the same period last year. As a result, Adjusted EBITDA Proportionate[1] increased by 13% to $122.3 million.

For the year ended December 31, 2023, Revenues and production tax credits increased by 11% in the wind power generation segment compared with the same period last year, mainly due to the Aela Acquisition on June 9, 2022, increased wind regimes and revenues from new PPAs in place at facilities in France, and favourable pricing at the Foard City facility. The increase was partly offset by lower production from the facilities in Quebec and by lower production and merchant prices at the Griffin Trail facility. The increase of 28% in Operating, general and administrative expenses is mainly explained by higher expenses following the impact of the 2022 Supplementary Budget Act in France, higher maintenance expenses in Quebec facilities, the Aela Acquisition, and higher operating costs in the United States. As a result, Adjusted EBITDA[1] increased by 6% to $404.7 million, compared with the same period last year.

For the year ended December 31, 2023, the increase of 10% in Revenues and Production Tax Credits Proportionate[1] mainly stems from the increase in consolidated revenues slightly offset by the joint ventures' and associates' revenues, which decreased compared to the same period last year due to lower production. There were no significant impacts from joint ventures and associates on Operating, general and administrative expenses compared with the same period last year. As a result, Adjusted EBITDA Proportionate[1] increased by 6% to $416.6 million.

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

3- FINANCIAL PERFORMANCE AND OPERATING RESULTS | Solar Segment

	Three months ended December 31			Year ended December 31		
Solar Segment	2023	2022	Change	2023	2022	Change
Production (MWh)	242,196	247,388	(2)%	1,279,185	1,287,563	(1)%
LTA (MWh)	319,871	313,117	2 %	1,587,757	1,518,991	5 %
LTA (%)	76 %	79 %	(3)%	81 %	85 %	(4)%
Revenues	19,391	15,530	25 %	147,126	113,320	30 %
Operating, general and administrative expenses	9,111	6,747	35 %	27,496	24,299	13 %
Realized (gain) loss on power hedges	(1,573)	1,559	(201)%	24,632	37,479	(34)%
Adjusted EBITDA[1]	11,853	7,224	64 %	94,998	51,542	84 %

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 Section 6- NON-IFRS MEASURES of this MD&A for more information.

For the three months ended December 31, 2023, Revenues increased by 25% in the solar power generation segment compared with the same period last year, mainly due to the Sault Ste. Marie Acquisition on March 9, 2023, and higher selling prices in Chile from the Salvador battery energy storage facility offsetting the lower production. The increase of 35% in Operating, general and administrative expenses is explained mainly by increased expenses from the Sault Ste. Marie Acquisition and by higher toll expenses in Chile. The increase in realized gain on the power hedges is mainly related to the decrease in merchant prices for the Phoebe power hedge. As a result, Adjusted EBITDA[1] increased by 64% to $11.9 million, compared with the same period last year.

For the year ended December 31, 2023, Revenues increased by 30% in the solar power generation segment compared with the same period last year, mainly due to the Sault Ste. Marie Acquisition on March 9, 2023, and by higher selling prices at the Phoebe and Hillcrest facilities. The increase of 13% in Operating, general and administrative expenses is explained mainly by the Sault Ste. Marie Acquisition on March 9, 2023 and by higher maintenance costs at the Phoebe facility. The decrease in realized loss on the power hedges is mainly related to the decrease in merchant prices for the Phoebe power hedge. As a result, Adjusted EBITDA[1] increased by 84% to $95.0 million, compared with the same period last year.

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

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

Net loss of $122.0 million ($0.57 net loss per share, on a basic and diluted basis) for the three months ended December 31, 2023, compared with net loss of $52.6 million ($0.23 net loss per share - basic and diluted) for the corresponding period in 2022.

The $69.4 million increase in net loss mainly stems from :

- a $71.0 million increase in impairment of long-term assets attributable to the impairment charges recognized on the Hale Kuawehi and Hillcrest facilities, compared with the impairment charges recognized on the Hawaiian facilities in the comparative period
- a $34.6 million increase in other net expenses, mainly due to an unfavourable change in fair value of the contingent consideration provision included in the Curtis Palmer purchase price; and
- an unfavourable $23.6 million change in the fair value of financial instruments, mainly related to an unfavourable shift in the merchant power curves for the Phoebe power hedge.

In addition to the hydroelectric, wind and solar segments' respective operating performance previously discussed, these items were partly offset by:

- a $19.1 million increase in income tax recovery, mainly due to an increase in net loss and a favourable change in unrecognized deferred tax assets in Chile, partly offset by an unfavourable change in unrecognized deferred tax assets in the United States and an adjustment recognized in the current year in relation to the deferred tax of prior years in the United States; and
- a $5.8 million decrease in depreciation and amortization**,** mainly attributable to a revision of the useful lives estimates for the wind and solar facilities.

Net loss of $105.8 million ($0.51 net loss per share - basic and diluted) for the year ended December 31, 2023, compared with net loss of $91.1 million ($0.43 net loss per share - basic and diluted) for the corresponding period in 2022.

The $14.7 million increase in net loss mainly stems from:

- a $71.0 million increase in impairment of long-term assets attributable to the impairment charges recognized on the Hale Kuawehi and Hillcrest facilities, compared with the impairment charges recognized on the Hawaiian facilities in the previous year;
- a $33.6 million increase in other net expenses, mainly due to an unfavourable change in fair value of the contingent consideration provision included in the Curtis Palmer purchase price;
- a $30.5 million increase in finance costs mainly related to the refinancing of the non-recourse debt in Chile in Q3 2022 following the Aela Acquisition, partly offset by a decrease in inflation compensation interests on the Harrison Hydro real return bonds;
- a $25.2 million increase in depreciation and amortization**,** mainly attributable to the Aela and Sault Ste. Marie acquisitions, partly offset by a revision of the useful lives estimates for the wind and solar facilities; and
- an increase in general and administrative expenses stemming mainly from the Aela Acquisition and increased salaries from additional employees to support the Corporation's development and growth.

In addition to the hydroelectric, wind and solar segments' respective operating performance previously discussed, these items were partly offset by:

- a favourable $50.5 million change in the fair value of financial instruments, mainly related to a favourable shift in the merchant power curves for the Phoebe power hedge, partly offset by an unfavourable shift in the foreign exchange forward curves; and
- a $40.3 million increase in income tax recovery, mainly due to an increase in net loss and a favourable change in unrecognized deferred tax assets, partly offset by adjustments recognized in the current year in relation to the deferred tax of prior years in the United States.

3- FINANCIAL PERFORMANCE ON OPERATING RESULTS | Adjusted Net Loss

The Adjusted Net Loss[1] 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 Loss[1] 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.

References to "Adjusted Net Loss[1]" are to net earnings or losses of the Corporation, to which the following elements are added (subtracted): unrealized portion of the change in fair value of financial instruments, realized loss on the termination of interest rate swaps, realized gain on foreign exchange forward contracts, impairment charges, Enterprise Resource Planning ("ERP") implementation, items that are outside of the normal course of the Corporation's cash generating operations, the net income tax expense (recovery) related to these items, and the share of losses of joint ventures and associates related to the above items, net of related tax.

The table below shows a summary statement of Adjusted Net Loss[1] (Please refer to the Section 6- NON-IFRS MEASURES for a reconciliation to the consolidated statements of earnings :

	Three months ended December 31		Year ended December 31	
	2023	2022	2023	2022
Revenues and production tax credits	261,526	220,212	1,041,574	935,223
Expenses:				
Operating	63,653	62,591	232,795	207,768
General and administrative	14,941	13,568	69,242	53,071
Prospective projects	9,084	7,118	27,162	24,740
Depreciation and amortization	87,927	93,756	361,292	336,053
Earnings before the following:	85,921	43,179	351,083	313,591
Finance costs	88,420	83,864	348,386	317,842
Other net expenses (income)	26,241	(8,475)	27,480	(3,333)
Share of (earnings) losses of joint ventures and associates	(3,260)	500	(15,581)	(12,501)
Realized (gain) loss on power hedges	(1,573)	1,559	24,632	37,479
Income tax (recovery) expense	(16,741)	(6,800)	(31,782)	6,607
Adjusted Net Loss[1]	(7,166)	(27,469)	(2,052)	(32,503)

1. Adjusted Net Loss is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the Section 6- NON-IFRS MEASURES for more information.

Adjusted Net Loss[1] of $7.2 million for the three months ended December 31, 2023, compared with an Adjusted Net Loss[1] of $27.5 million for the corresponding period in 2022.

In addition to the hydroelectric, wind and solar segments' respective operating performance previously discussed, the $20.3 million decrease in Adjusted Net Loss[1] mainly stems from:
- a $9.9 million increase in the income tax recovery, mainly due to a favourable change in unrecognized deferred tax assets in Chile, partly offset by an unfavourable change in unrecognized deferred tax assets in the United States and an adjustment recognized in the current year in relation to the deferred tax of prior years in the United States; and
- a $5.8 million decrease in depreciation and amortization mainly attributable to a revision of the useful lives estimates for the wind and solar facilities.

These items were partly offset by:
- a $34.7 million increase in other net expenses, mainly due to an unfavourable change in fair value of the contingent consideration provision included in the Curtis Palmer purchase price.

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

Adjusted Net Loss[1] of $2.1 million for the year ended December 31, 2023, compared with an Adjusted Net Loss[1] of $32.5 million for the corresponding period in 2022.

In addition to the hydroelectric, wind and solar segments' respective operating performance previously discussed, the $30.4 million decrease in Adjusted Net Loss[1] mainly stems from:
- a $38.4 million increase in income tax recovery, mainly due to a net favourable change in unrecognized deferred tax assets, partly offset by adjustments recognized in the current year in relation to the deferred tax of prior years; and
- a $12.8 million decrease in the realized loss on power hedges attributable to a favourable shift in the merchant power curve for the Phoebe power hedge in 2023.

These items were partly offset by:
- a $30.8 million increase in other net expenses, mainly due to an unfavourable change in fair value of the contingent consideration provision included in the Curtis Palmer purchase price;
- a $30.5 million increase in finance costs mainly related to the refinancing of the non-recourse debt in Chile in Q3 2022 following the Aela Acquisition, partly offset by a decrease in inflation compensation interests on the Harrison Hydro real return bonds;
- a $25.2 million increase in depreciation and amortization, mainly attributable to the Aela and Sault Ste. Marie acquisitions, partly offset by a revision of the useful lives estimates for the wind and solar facilities; and
- an increase in general and administrative expenses stemming mainly from the Aela Acquisition and increased salaries from additional employees to support the Corporation's development and growth.

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

Attribution of loss of $8.0 million to non-controlling interests for the three months ended December 31, 2023, compared with an attribution of loss of $7.3 million for the corresponding period in 2022.

The $0.8 million increase in loss attributed to non-controlling interests is mainly due to:

- a higher allocation of loss to the non-controlling interests at the Curtis Palmer facilities, mainly due to an unfavourable change in fair value of the contingent consideration provision included in the Curtis Palmer purchase price during Q4 2023; and
- the acquisition of the non-controlling interests in Innergex Europe and Mountain Air in Q4 2022.

These items were partly offset by:
- a lower allocation of losses to the non-controlling interests of Harrison Hydro and Kwoiek Creek, mainly attributable to the higher production at those facilities; and
- the allocation of earnings to the non-controlling interest in Innergex France following the closing of the 30% non-controlling interest in Q4 2023.

Attribution of loss of $7.4 million to non-controlling interests for the year ended December 31, 2023, compared with an attribution of loss of $9.5 million for the corresponding period in 2022.

The $2.1 million decrease in loss attributed to non-controlling interests is mainly due to:

- a lower allocation of loss to the non-controlling interests of Harrison Hydro, largely due to a decrease in the inflation compensation interest on the real return bonds; and
- the allocation of earnings to the non-controlling interest in Innergex France following the closing of the 30% non-controlling interest in Q4 2023.

These items were partly offset by:
- a decrease in revenues mainly attributable to the lower production at the Mesgi'g Ugju's'n wind facility;
- a higher allocation of loss to the non-controlling interests at the Curtis Palmer facilities, mainly due to an unfavourable change in fair value of the contingent consideration provision included in the Curtis Palmer purchase price during the fourth quarter, partly offset by the higher production at those facilities; and
- the acquisition of the non-controlling interests in Innergex Europe and Mountain Air in Q4 2022.

4- CAPITAL AND LIQUIDITY | Capital Structure

The Corporation's capital structure consists of the following components, as shown below:

As at	December 31, 2023	December 31, 2022
Equity[1]		
Common shares[2]	1,877,713	3,306,952
Preferred shares[3]	81,480	87,640
Non-controlling interests	118,445	170,232
	2,077,638	3,564,824
Long-term loans and borrowings[1]		
Corporate revolving credit facility	473,725	718,232
Other corporate debts	325,000	305,000
Project-level debts	4,889,469	4,088,456
Tax Equity financing	383,100	443,147
Convertible debentures	285,105	282,678
Deferred financing costs	(75,252)	(78,303)
	6,281,147	5,759,210
	8,358,785	9,324,034

1. Common and preferred shares are presented at their fair value as at December 31, 2023, and December 31, 2022, 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, 2023, and December 31, 2022, multiplied by the prevailing share price of $9.19 (2022 - $16.20) at the close of markets.
3. Consists of the number of preferred shares outstanding as at December 31, 2023, and December 31, 2022, multiplied by the prevailing share price of $12.20 and $20.00 (2022 - $13.40 and $21.04), 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 and storage facilities that generate sustainable and stable cash flows, with the objective of achieving a high return on invested capital, and (ii) to pay a 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 dividend while maintaining an acceptable level of indebtedness. Generally, 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 fair value of common shares was impacted mainly by a lower share price. The preferred shares structure remained consistent compared to December 31, 2022, and the fair value was impacted by a lower preferred shares price. The decrease in non-controlling interests stems mainly from the distributions allocated to the non-controlling interests during the year, partly offset by the issuance of a 30% non-controlling interest in Innergex's portfolio in France.

The increase in long-term loans and borrowings is mainly due to the net draws made toward the construction of the Boswell Springs wind project, Salvador and San Andrés battery energy storage projects and the Hale Kuawehi solar project, and the Sault Ste. Marie Acquisition, partly offset by the scheduled principal repayments of long-term loans and borrowings.

The effective all-in interest rate on the Corporation's long-term loans and borrowings was 5.26% as at December 31, 2023, (5.06% as at December 31, 2022). The increase is mainly due to new indebtedness at higher interest rates.

Credit Agreements – Material Financial and Non-Financial Conditions

As at December 31, 2023, the Corporation and its subsidiaries have met all material financial and non-financial conditions related to their credit agreements, trust indentures and PPAs. When they are 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.

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

4- CAPITAL AND LIQUIDITY | Tax Equity Financing

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. The TEIs are allocated a portion of the renewable energy facilities' taxable income (losses), PTCs/ITCs 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.

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 TEIs 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 TEI 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 TEI derived from the power generated during the period and recognized in revenues and production tax credits as earned and as a reduction in tax equity financing
Investment Tax Credits ("ITC")	Allocation of ITCs to the TEI 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 TEI 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 TEI when the annual production exceeds the contractually determined threshold and recognized as an increase in tax equity financing
Cash distributions	Cash allocation to the TEI, recognized as a reduction in tax equity financing

Inflation Reduction Act of 2022 ("IRA")

The Inflation Reduction Act ("IRA") was signed into law in August 2022 by the United States Government. Among other things, the IRA provides an extension of the ITC and PTC programs for facilities that begin construction prior to January 1, 2025. In addition, solar projects starting construction before January 1, 2025, may qualify to receive PTCs in lieu of ITCs. For projects commencing construction after January 1, 2025, the IRA initiates the transition toward a technology-neutral tax credit system, which is essentially the same in function and amount as the ITC/PTC programs. This new technology-neutral structure extends until power sector emissions are reduced by 75% from the 2022 level or begin stepping down after 2032, whichever is later.

As at December 31, 2023, facilities benefiting from the PTC program earn US$28/MWh generated, subject to annual CPI inflation adjustment. In addition, the current ITC rates represent 30% of allowable capital costs.

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

4- CAPITAL AND LIQUIDITY | Financial Position

As at	December 31, 2023	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	159,244	162,971
Restricted cash	40,099	54,670
Other current assets	318,763	250,301
Assets held for sale	—	59,217
Total current assets	518,106	527,159
Non-current assets		
Property, plant and equipment	6,560,814	6,212,371
Intangible assets	1,273,059	1,268,960
Investments in joint ventures and associates	130,009	135,786
Goodwill	176,608	139,676
Other non-current assets	281,230	318,475
Total non-current assets	8,421,720	8,075,268
Total assets	8,939,826	8,602,427
LIABILITIES		
Current liabilities	566,447	650,824
Non-current liabilities		
Long-term loans and borrowings	6,032,269	5,384,813
Other non-current liabilities	1,135,782	1,080,363
Total non-current liabilities	7,168,051	6,465,176
Total liabilities	7,734,498	7,116,000
SHAREHOLDERS' EQUITY		
Equity attributable to owners	1,086,883	1,316,195
Non-controlling interests	118,445	170,232
Total shareholders' equity	1,205,328	1,486,427
	8,939,826	8,602,427

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

Working Capital Items

As at December 31, 2023, working capital[1] was negative at $48.3 million, from negative $123.7 million on December 31, 2022, mainly explained by:

- Current assets amounted to $518.1 million as at December 31, 2023, a decrease of $9.1 million compared with December 31, 2022, mainly explained by the safe harbor solar modules, classified as held for sale in 2022 and sold during the first quarter of 2023, and by a $14.6 million decrease in restricted cash mainly related to the release of cash restrictions. The decrease in current assets was partly offset by the assets acquired as part of the Sault Ste. Marie Acquisition, by a $53.4 million increase in accounts receivable, mainly due to the higher revenues from higher production from the hydroelectric facilities in British Colombia, compared with the same period last year, and by a $10.9 million increase in prepaid and others, mainly due to a battery procurement prepayment in Chile.

- Current liabilities amounted to $566.4 million as at December 31, 2023, a decrease of $84.4 million compared with December 31, 2022, mainly due to a $124.9 million decrease in the current portion of long-term loans and borrowings, which primarily relates to the reclassification of the $150.0 million subordinated unsecured term loan as non-current following its refinancing, partly offset by the current portion of the debt assumed in the Sault Ste. Marie Acquisition. The decrease in current liabilities was partly offset by a $31.7 million increase in accounts payable, mainly due to holdbacks payable related to construction activities and to timing of payments in trade payables.

- 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).

As at December 31, 2023, the Corporation had $950.0 million in revolving term credit facility and had drawn $473.7 million as cash advances, while $6.1 million had been used to issue letters of credit, leaving $470.2 million available. The Corporation considers its current level of working capital[1] and revolving term credit facility availability to be sufficient to meet its needs.

Non-Current Assets

Non-current assets amounted to $8,421.7 million as at December 31, 2023, an increase of $346.5 million compared with December 31, 2022. The increase is mainly due to the construction and development activities, contributing to an increase in property, plant and equipment and project development costs by an aggregate amount of $679.5 million, including the inital measurement of the right-of-use assets related to the Boswell Springs land leases. Moreover, the Sault Ste. Marie Acquisition contributed to an aggregate addition of $197.7 million to property, plant and equipment and intangibles, along with an increase of $30.0 million in goodwill.

These items were partially offset by depreciation and amortization expenses of $361.3 million, by the recognition of an impairment charge at the Hale Kuawehi solar and battery energy storage project located in Hawaii, by the disposition of the Kokomo and Spartan solar facilities, and by the $20.6 million decrease in other long-term assets mainly due to a decrease in reserves.

Derivative financial instruments also unfavourably impacted 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 $7,168.1 million as at December 31, 2023, an increase of $702.9 million compared with December 31, 2022. The increase is mainly due to a $647.5 million increase in the non-current portion of long-term loans and borrowings. This increase stems from the reclassification of the $150.0 million subordinated unsecured term loan as non-current following its refinancing, the net draws made toward the construction of the Boswell Springs wind project, Salvador and San Andrés battery energy storage projects and the Hale Kuawehi solar project, and the Sault Ste. Marie Acquisition. The increase in non-current liabilities is also expained by a $76.7 million increase in other liabilities mainly due to an unfavourable change in fair value of the contingent consideration provision included in the Curtis Palmer purchase price, by an increase in the asset retirement obligation due to a decrease in interest rates since December 2022, and by the initial measurement of the lease obligation related to Boswell Springs. These items were partly offset by the scheduled principal repayments of long-term loans and borrowings, and by the disposition of the Kokomo and Spartan solar facilities.

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

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[1] Working capital represents the excess or deficiency of current assets over current liabilities.

Shareholders' Equity

As at December 31, 2023, Shareholders' equity decreased by $281.1 million compared with December 31, 2022. The decrease is mainly due to the dividends declared on common and preferred shares totalling $152.7 million, the total comprehensive loss of $173.4 million, and the distributions to non-controlling interests totalling $42.4 million, partly offset by the proceeds from the disposition of a non-controlling interest in the Innergex portfolio in France.

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.

The aggregate fair value of derivative financial instruments amounted to a net asset of $4.3 million as at December 31, 2023, from a net asset of $25.3 million as at December 31, 2022. The unfavourable change relates mainly to the interest hedging derivatives, unfavourably impacted by a downward shift in the interest rate curves.

Off-Balance-Sheet Arrangements

As at December 31, 2023, the Corporation had issued letters of credit totalling $439.0 million, including $6.1 million from its 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 $87.6 million in corporate guarantees used mainly to guarantee certain activities of prospective projects. The corporate guarantees were also used for payment security related to its development activities in Hawaii and to meet obligations under PPAs for the Antoigné, Porcien and Vallottes wind facilities in France.

Tax equity investors in U.S. projects generally require sponsor guarantees as a condition to their investment. To support the tax equity investments at Foard City, Phoebe, Hillcrest, Griffin Trail and Boswell, Innergex, either directly or through Alterra Power Corp, a subsidiary, has executed guarantees effective on funding of the tax equity investments indemnifying the tax equity investors against certain breaches of project-level representations, warranties and covenants and other events. The Corporation believes these indemnifications cover matters that are substantially under its control and are very unlikely to occur. With respect to the Phoebe facility, Alterra has also provided a guarantee in favour of the project, which will become effective only in the unlikely event that the Phoebe tax equity investors call upon their guarantee.

4- CAPITAL AND LIQUIDITY | Contingencies

Innavik EPC Agreement

During 2023, legal hypothecs were registered by the contractor against the Innavik hydroelectric project ("Innavik" or "the project"), a joint venture company, in the aggregate amount of $61.3 million, representing the contractor's claim for payment of additional costs under the engineering, procurement and construction ("EPC") agreement with Innavik, and interests thereon. The Corporation disputes that claim in good faith and has taken legal action to cause the legal hypothecs to be removed from title. As at December 31, 2023, the project recognized a provision for the legal fees to be incurred regarding the claim.

Senvion GmbH claims under insolvency proceedings

During 2019, Senvion GmbH ("Senvion"), an insolvent German company and service provider under the turbine supply agreement at Innergex's Mesgi'g' Ugju's'n wind facility, filed for bankruptcy. Certain of the performance obligations under the turbine supply agreement were covered, subject to terms and conditions precedent, by a $19.6 million letter of credit. The Corporation availed itself of the full amount on April 27, 2021. Such proceeds are to be used to remediate Senvion's unfulfilled performance obligations under the turbine supply agreement.

On May 17, 2023, Senvion issued a claim through the Ontario Superior Court of Justice (the "Court") against Mesgi'g Ugju's'n (MU) Wind Farm L.P. and Mesgi'g Ugju's'n (MU) Wind Farm Inc. (together, "MU"), alleging that MU drew down on a $19.6 million letter of credit held in its favour in violation of a stay of proceedings imposed by the Court under the Companies Creditors' Arrangement Act. The Corporation considers that this procedure has no basis and is disputing the claim. No provision in respect of this litigation has been recorded as at December 31, 2023.

4- CAPITAL AND LIQUIDITY | Cash Flows

	Three months ended December 31		Year ended December 31	
	2023	2022	2023	2022
OPERATING ACTIVITIES				
Cash flows from operating activities	80,370	93,631	297,853	430,243
FINANCING ACTIVITIES				
Cash flows from (used in) financing activities	256,955	(88,391)	333,279	133,154
INVESTING ACTIVITIES				
Cash flows used in investing activities	(328,898)	(63,386)	(633,709)	(571,384)
Effects of exchange rate changes on cash and cash equivalents	721	4,266	(1,150)	4,692
Net change in cash and cash equivalents	9,148	(53,880)	(3,727)	(3,295)
Cash and cash equivalents, beginning of year	150,096	216,851	162,971	166,266
Cash and cash equivalents, end of year	159,244	162,971	159,244	162,971

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

Cash Flows from Operating Activities

For the three months ended December 31, 2023, cash flows from operating activities totalled $80.4 million, compared with $93.6 million in the same period last year. The decrease is mainly due to the realized gain on financial instruments following the monetization of the foreign exchange forward contracts concurrent with the closing of the French Acquisition in 2022, and by the increase in finance costs paid, stemming mainly from the Chile Green Bonds and to the timing of interest payments for certain project debts. These items were partly offset by the respective operating performance of the hydroelectric, wind and solar segments previously discussed, including the contribution of the Aela and Sault Ste. Marie acquisitions.

For the year ended December 31, 2023, cash flows from operating activities totalled $297.9 million, compared with $430.2 million in the same period last year. The decrease relates primarily to the realized gain on financial instruments following the settlement of both the interest rate swaps, as part of Innergex's refinancing of the non-recourse debt of its Chilean facilities in 2022, and the foreign exchange forward contracts concurrent with the closing of the French Acquisition in 2022. Moreover, the increase in finance costs paid, stemming mainly from the Chile Green Bonds and the Sault Ste. Marie Acquisition, as well as the timing of interest payments for certain project and corporate loans, also contributed to the decrease. These items were partly offset by the respective operating performance of the hydroelectric, wind and solar segments previously discussed, including the respective contribution of the Aela and Sault Ste. Marie acquisitions.

Cash Flows from (used in) Financing Activities

For the three months ended December 31, 2023, cash flows from financing activities totalled $257.0 million, compared with cash flows used in financing activities of $88.4 million in the same period last year. The increase stems mainly from the net $212.5 million increase in long-term loans and borrowings in 2023, mainly due to the net draws made toward the construction of the Boswell Springs project, and from the disposition of a non-controlling interest in the Innergex portfolio in France, compared with the consideration paid towards Mountain Air Acquisition in 2022. The increase is partly offset by the scheduled principal repayments of long-term loans and borrowings.

For the year ended December 31, 2023, cash flows from financing activities totalled $333.3 million, compared with $133.2 million in the same period last year. The increase is mainly due to a net increase of $443.8 million in long-term loans and borrowings in 2023, mainly explained by the net draws made toward the construction of the Boswell Springs wind project, Salvador and San Andrés battery energy storage projects, the Sault Ste. Marie Acquisition, toward the Hale Kuawehi solar project, and by the disposition of a non-controlling interest in the Innergex portfolio in France, compared with the consideration paid towards the Mountain Air Acquisition in 2022, partly offset by the scheduled principal repayments of long-term loans and borrowings, and by the issuance of common shares as part of the public offering and the concurrent private placement to Hydro-Québec in February 2022 for a total amount of $202.2 million.

Cash Flows used in Investing Activities

For the three months ended December 31, 2023, cash flows used in investing activities totalled $328.9 million, compared with $63.4 million in the same period last year. This increase is mainly due to the additions to property, plant and equipment made toward the Boswell Springs wind project and Hale Kuawehi solar project in 2023.

For the year ended December 31, 2023, cash flows used in investing activities totalled $633.7 million, compared with $571.4 million in the same period last year. This increase is mainly due to the additions to property, plant and equipment made toward the Boswell Springs wind project, the Salvador and San Andrés battery energy storage projects in 2023, and toward the Hale Kuawehi solar project. The increase was partially offset by the consideration paid for the Sault Ste. Marie Acquisition in 2023, compared with the consideration paid for the Aela and San Andrés acquisitions in 2022, and by the proceeds obtained on the sale of safe harbor solar modules during the first quarter of 2023.

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

	Year ended December 31				
Free Cash Flow and Payout Ratio[1]	2023	2022	2021	February 2021 Texas Events (9 days)[8]	2021 Normalized[8]
Cash flows from operating activities[2]	297,853	430,243	265,498	17,093	282,591
Add (Subtract) the following items:					
Changes in non-cash operating working capital items	33,401	14,518	21,455	—	21,455
Prospective projects expenses	27,162	24,740	27,367	—	27,367
Maintenance capital expenditures, net of proceeds from dispositions	(25,316)	(11,051)	(8,029)	—	(8,029)
Scheduled debt principal payments	(186,458)	(156,862)	(160,973)	—	(160,973)
Free Cash Flow attributed to non-controlling interests[3]	(38,377)	(29,271)	(25,076)	—	(25,076)
Dividends declared on Preferred shares	(5,632)	(5,632)	(5,632)	—	(5,632)
Chile portfolio refinancing - hedging impact[5]	4,578	2,578	—	—	—
Add (subtract) the following specific items[4]:					
Realized loss on contingent considerations	—	—	547	—	547
Realized (gain) loss on termination of interest rate swaps[5]	2,405	(71,735)	2,508	—	2,508
Realized gain on termination of foreign exchange forwards[6]	—	(43,458)	—	—	—
Principal and interest paid related to pre-acquisition period	1,312	—	—	—	—
Acquisition, integration and ERP implementation expenses	15,948	17,918	4,563	—	4,563
Realized gain on the Phoebe basis hedge	—	—	(2,546)	(1,304)	(3,850)
Gain on disposition of non-controlling interests[7]	88,054	—	—	—	—
Free Cash Flow[1,8]	214,930	171,988	119,682	15,789	135,471
Dividends declared on common shares	147,058	146,957	132,229	—	132,229
Payout Ratio[1,8]	68 %	85 %	110 %	— %	98 %
Normalized Payout Ratio[1]	69% - 75%				

1. Free Cash Flow, Payout Ratio and Normalized Payout Ratio are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to Section 6- NON-IFRS MEASURES for more information.
2. Cash flows from operating activities for the year ended December 31, 2022 include the one-time BC Hydro Curtailment Payment received during Q1 2022.
3. 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.
4. Certain items are excluded from the Free Cash Flow and Payout Ratio calculations as they are deemed not representative of the Corporation's long-term cash-generating capacity, and include items such as gains and losses on the Phoebe basis hedge due to their limited occurrence (maturity attained on December 31, 2021), realized gains and losses on contingent considerations related to past business acquisitions, transaction costs related to realized acquisitions, ERP implementation expenses, realized losses or gains on refinancing of certain borrowings or derivative financial instruments used to hedge the interest rate on certain borrowings or the exchange rate on equipment purchases, and tax payments related to fiscal strategies for the purpose of improving the long-term cash generating capacity of Innergex. Gains realized on strategic transactions, which allow the Corporation to finance its growth without having to increase leverage or dilute shareholders, are also added to the Free Cash Flow and Payout Ratio.
5. The Free Cash Flow for the year ended December 31, 2022 excludes the $71.7 million realized gain on settlement of the interest rate hedges entered into to manage the Corporation's exposure to the risk of increasing interest rates during the negotiations surrounding the refinancing of the non-recourse debt assumed in the Aela Acquisition and at Innergex's existing Chilean projects. Instead, the gain is amortized in the Free Cash Flow using the effective interest rate method over the period covered by the unwound hedging instruments.
6. The Free Cash Flow for the year ended December 31, 2022, excludes the $43.5 million realized gain on settlement of the foreign exchange forward contracts concurrent with the closing of the French Acquisition.
7. The Free Cash Flow for the year ended December 31, 2023, includes a gain realized following the disposition of a 30% non-controlling participation in Innergex's French operating and development portfolio. This amount represents a gain over funds invested in operations and development, including the historical prospective project expenses, net of the current income tax payable following the transaction. As such, this amount is not comparable to the gain recognized in equity attributable to owners of the Corporation.
8. For the Year ended December 31, 2021, the Free Cash Flow and Payout Ratio are normalized to exclude the impacts of the February 2021 Texas Events. Normalized measures are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "February 2021 Texas Events" section for more information.

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

Changes in the measure

On January 1, 2023, the Corporation revised the calculation of its Free Cash Flow and Payout Ratio measures to exclude the prospective project expenses. The comparative figures have been adjusted to conform with the revised measures.

On October 26, 2023, Innergex disposed of a non-controlling 30% participation in its French portfolio. Until recently, Innergex relied on leverage and equity issuance to fund its capital requirements. The Corporation amended the presentation of its Free Cash Flow and Payout Ratio to include the gains realized on strategic transactions, which allow the Corporation to finance its growth without having to increase leverage or dilute shareholders. The change was applied retrospectively with no impact on comparative information.

The amendments are aimed at increasing relevance of the measure, allowing investors to understand how the operations contribute to funding the Corporation's growth and its dividend. The revised measure also enhances comparability with current industry practices.

Free Cash Flow

For the year ended December 31, 2023, the Corporation generated Free Cash Flow[1] of $214.9 million, compared with $172.0 million for the corresponding period last year.

Free Cash Flow[1] increased by $42.9 million compared with Free Cash Flow[1] in the comparative period, mainly due to:

- a gain realized upon disposition of a 30% non-controlling interest in Innergex's portfolio in France, which crystallizes value to Innergex's shareholders, mainly derived from the development portfolio, and from certain operational improvements, showcasing the ability of the development and operational teams to create tangible value;
- the contribution to cash flows from operating activities before changes in non-cash operating working capital items from the Aela and Sault Ste. Marie acquisitions; and
- the higher production at the Curtis Palmer hydro facilities in the United States and increased wind regime and revenues from new PPAs in place at facilities in France.

These items were partly offset by:

- a decrease in cash flows from operating activities before changes in non-cash operating working capital items attributable to lower wind regimes at the Quebec facilities, lower spot prices at the Chilean hydro facilities and unfavourable pricing and lower production at the Griffin Trail wind facility;
- an increase in scheduled debt principal payments mainly stemming from the Sault Ste. Marie, Mountain Air and French acquisitions;
- an increase in maintenance capital expenditures mainly stemming from the recent acquisitions, from the recent weather-related damages at the Foard City facility, and from major component replacements at the wind facilities in Quebec;
- the timing of principal and interest payments for certain project debts; and
- an increase in Free Cash Flow[1] attributed to non-controlling interests mainly attributable to the performance of the Curtis Palmer hydro facilities.

Payout Ratio

For the year ended December 31, 2023, the dividends on common shares declared by the Corporation amounted to 68% of Free Cash Flow[1], compared with 85% for the corresponding period last year.

Normalized Payout Ratio

Had production levels been equal to their long-term average during the year ended December 31, 2023, excluding Chile and the gain realized in the French portfolio, Free Cash Flow and Payout Ratio would have been in a range of $197 million to $212 million and 69% to 75%, respectively.

[1] Free Cash Flow is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the Section 6- NON-IFRS MEASURES for more information.

Scheduled debt principal payments

Innergex's facilities have useful lives exceeding the current amortization period for existing debt. The below table presents a comparison of the project-level debt maturities compared to their power purchase agreements' ("PPA") maturities and useful lives:

	As at December 31, 2023			
	Long-term loans and borrowings, before deferred financing costs	Remaining years to debt Maturity[1]	Remaining years to PPA Maturity[1]	Remaining useful life[1]
Corporate debt and convertible debentures	1,083,830	3.3	5.9	37.4
Project-level debt:				
Chile Green Bonds	939,046	12.5	12.0	34.8
Hydro	1,808,771	25.1	27.7	63.2
Wind	1,682,149	9.8	9.0	20.9
Solar	459,503	3.7	9.0	27.0
Tax equity financing	383,100	6.0	8.1	26.9
	6,356,399	12.8	12.2	40.4

1. Figures provided in years on a weighted average basis.

Assuming debt amortization schedules were aligned with the useful lives of the assets, and and including the gain realized in the French portfolio, the Free Cash Flow and Payout Ratio for the year ended December 31, 2023, would have been $248.2 million and 59%, respectively ($201.4 million and 73%, respectively for the same period last year).

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

4- CAPITAL AND LIQUIDITY | Information on Capital Stock

The Corporation's Equity Securities

	As at		
	February 20, 2024	December 31, 2023	December 31, 2022
Number of common shares	204,401,736	204,321,381	204,132,833
Number of 4.75% convertible debentures[1]	148,023	148,023	148,023
Number of 4.65% convertible debentures[1]	142,056	142,056	142,056
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	282,417	289,111	284,769

1. The 4.75% and the 4.65% debentures mature on June 30, 2025, and October 31, 2026, respectively.

As at the closing of the market on February 20, 2024, and since December 31, 2023, the increase in the number of common shares of the Corporation is attributable to the issuance of 80,355 common shares related to the Corporation's Dividend Reinvestment Plan ("DRIP").

As at December 31, 2023, the increase in the number of common shares since December 31, 2022, was due to the issuance of 188,548 common shares related to the DRIP.

4- CAPITAL AND LIQUIDITY | 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			
	2023		2022		2023		2022	
	($/share)	Total	($/share)	Total	($/share)	Total	($/share)	Total
Dividends declared on common shares[1]	0.1800	36,778	0.1800	36,741	0.7200	147,058	0.7200	146,957
Dividends declared on Series A Preferred Shares	0.2028	689	0.2028	689	0.8110	2,757	0.8110	2,757
Dividends declared on Series C Preferred Shares	0.3594	719	0.3594	719	1.4375	2,875	1.4375	2,875

1. The increase in dividends declared on common shares was attributable to the issuance of common shares under the DRIP.

The following dividends will be paid by the Corporation on April 15, 2024:

Date of announcement	Record date	Payment date	Dividend per common share	Dividend per Series A Preferred Share	Dividend per Series C Preferred Share
February 21, 2024	March 28, 2024	April 15, 2024	$0.0900	$0.2028	$0.3594

On February 21, 2024, the Board of Directors approved an update to its capital allocation strategy and revised its annual dividend for 2024 to $0.36 per common share to support its growth plans.

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

5- OUTLOOK | 2024 Growth Targets

	2024	
	Target Range	
Adjusted EBITDA Proportionate[1]	725,000	775,000
Free Cash Flow per Share[1] ($/share)	0.70	0.85

1. These measures 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.

As a results of recent macroeconomic trends, Innergex is withdrawing its previously provided 2025 financial targets.

The Corporation presents its 2024 growth targets for which it used certain assumptions to provide readers with an indication of its business activities and operating performance. These assumptions include:

- Average hydrology, wind regimes and solar irradiation projections corresponding to 100% LTA target at our operating facilities;
- No material changes in the assumed U.S. dollar to Canadian dollar and Euro to Canadian dollar exchange rate;
- Assets availability corresponding approximately to 95%;
- Full-year contribution of the acquisitions completed in 2023;
- Full-year contribution of the Salvador battery energy storage project in Chile commissioned in 2023 and the Innavik hydro facility supplying customers since October 30, 2023;
- Success in commissioning projects under construction with COD expected in 2024;
- Availability of capital resources and timely performance by third parties of contractual obligations;
- No significant event occurring outside the ordinary course of business such as a natural disaster, pandemic or other;
- Average merchant spot prices consistent with external price curves and internal forecasts;
- No significant variability in interest rates;
- An average inflation rate based on banking institution forecasted inflation; and
- An increase in salaries based on market average assumptions.

These assumptions are based on information currently available to the Corporation and this list of assumptions is not exhaustive. These assumptions, although considered reasonable by the Corporation on February 21, 2024, may prove to be inaccurate. Important risks and uncertainties may cause actual results or performance to be materially different from the Corporation’s expectations as set forth in this section. The risks and uncertainties are referred to in the "Risks and Uncertainties" section of this MD&A.

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

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 pay a dividend and its ability to fund its growth. These indicators also facilitate the comparison of results over different periods. Revenues and Production Tax Credits Proportionate, Adjusted EBITDA, Adjusted EBITDA Proportionate, Adjusted Net Loss, Free Cash Flow, Adjusted Free Cash Flow and Payout Ratio are not measures recognized by IFRS and have no standardized meaning prescribed by IFRS.

Revenues and Production Tax Credits Proportionate, Adjusted EBITDA and Adjusted EBITDA Proportionate

Changes in the Non-IFRS measures effective January 1, 2023

On January 1, 2023, the Corporation amended the presentation of its consolidated statements of earnings to enhance relevance of the financial statements. As a result, production tax credits ("PTCs"), previously recognized in other net income (expenses), have been reclassified directly below revenues to better represent the nature of PTCs as income arising in the course of the Corporation's ordinary activities through the generation of electricity. In addition, certain subtotals have been removed from the consolidated statements of earnings, which now includes an operating income subtotal.

As a result of these changes to the consolidated statements of earnings, certain Non-IFRS measures have been amended as follows:

- PTCs are presented directly in Revenues and Production Tax Credits (a subtotal presented in the primary financial statements of the Corporation, thus excluded from the Non-IFRS Measures);
- PTCs are presented directly in Adjusted EBITDA, along with the realized portion of the change in fair value of power hedges;
- Other income related to PTCs has been retreated from the Revenues Proportionate and Adjusted EBITDA Proportionate measures; and
- Proportionate measures include only Innergex's share of Revenues and Production Tax Credits, and Adjusted EBITDA, of the joint ventures and associates.

The comparative figures have also been adjusted to conform with the revised measures. The above amendments seek to improve the clarity of the measures, and to enhance comparability with current industry practices. In addition, the inclusion of the realized portion of the change in fair value of power hedges to the Adjusted EBITDA measure enhances comparability of the Corporation's performance over time.

Description of the measures

References in this document to "Revenues and Production Tax Credits Proportionate" are to Revenues and Production Tax Credits, plus Innergex's share of Revenues and Production Tax Credits of the joint ventures and associates.

References in this document to “Adjusted EBITDA” are to operating income, to which are added (deducted) depreciation and amortization, ERP implementation, impairment charges, and the realized portion of the change in fair value of power hedges. References in this document to "Adjusted EBITDA Proportionate" are to Adjusted EBITDA, plus Innergex's share of Adjusted EBITDA of the joint ventures and associates.

Innergex believes that the presentation of these measures enhances the understanding of the Corporation's operating performance. Adjusted EBITDA is used by investors to evaluate the operating performance and cash-generating operations, and to derive financial forecasts and valuations. Revenues and Production Tax Credits Proportionate and Adjusted EBITDA Proportionate measures are used by investors to evaluate the contribution of the joint ventures and associates to the Corporation’s operating performance and cash generating operations, and the contribution of such for financial forecasts and valuations purposes. Readers are cautioned that Revenues and Production Tax Credits Proportionate, should not be construed as an alternative to Revenues and Production Tax Credits, as determined in accordance with IFRS. Readers are also cautioned that Adjusted EBITDA and Adjusted EBITDA Proportionate, should not be construed as an alternative to operating income, as determined in accordance with IFRS. Please refer to Section 3- FINANCIAL PERFORMANCE AND OPERATING RESULTS for more information.

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

	Three months ended December 31, 2023			Three months ended December 31, 2022		
	Consolidation	Share of joint ventures	Proportionate	Consolidation	Share of joint ventures	Proportionate
Revenues	243,523	14,699	258,222	203,636	11,364	215,000
Production tax credits	18,003	—	18,003	16,576	—	16,576
Revenues and Production Tax Credits	261,526	14,699	276,225	220,212	11,364	231,576
Operating income	(36,494)	6,681	(29,813)	(6,504)	3,870	(2,634)
Depreciation and amortization	87,927	4,345	92,272	93,756	4,153	97,909
ERP implementation	3,558	—	3,558	1,815	—	1,815
Impairment of long-term assets	118,857	—	118,857	47,868	—	47,868
Realized loss on power hedges	1,573	—	1,573	(1,559)	—	(1,559)
Adjusted EBITDA	175,421	11,026	186,447	135,376	8,023	143,399

	Year ended December 31, 2023			Year ended December 31, 2022		
	Consolidation	Share of joint ventures	Proportionate	Consolidation	Share of joint ventures	Proportionate
Revenues	969,890	61,081	1,030,971	870,494	60,535	931,029
Production tax credits	71,684	—	71,684	64,729	—	64,729
Revenues and Production Tax Credits	1,041,574	61,081	1,102,655	935,223	60,535	995,758
Operating income	219,575	30,962	250,537	263,366	29,919	293,285
Depreciation and amortization	361,292	16,556	377,848	336,053	16,799	352,852
ERP implementation	12,651	—	12,651	2,357	—	2,357
Impairment of long-term assets	118,857	—	118,857	47,868	—	47,868
Realized loss on power hedges	(24,632)	—	(24,632)	(37,479)	—	(37,479)
Adjusted EBITDA	687,743	47,518	735,261	612,165	46,718	658,883

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

Adjusted Net Loss

References to "Adjusted Net Loss" are to net earnings or losses of the Corporation, to which the following elements are added (subtracted): unrealized portion of the change in fair value of derivative financial instruments; realized loss on the termination of interest rate swaps, realized gain on foreign exchange forward contracts, impairment charges, ERP implementation, items that are outside of the normal course of the Corporation's cash generating operations, the net income tax expense (recovery) related to these items, and the share of loss (earnings) of joint ventures and associates related to the above items, net of related income tax.

The Adjusted Net Loss seeks to provide a measure that eliminates the earnings impacts of certain derivative financial instruments and other items that are outside of the normal course of the Corporation's cash generating operations, 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 be marked-to-market. When hedge accounting is not applied, changes in the fair value of the derivatives are 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 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 do not reflect the operations of Innergex.

Innergex believes that the presentation of this measure enhances the understanding of the Corporation's operating performance. Adjusted Net Loss is used by investors to evaluate and compare Innergex’s profitability before the impacts of the unrealized portion of the change in fair value of derivative financial instruments and other items that are outside of the normal course of the Corporation's cash generating operations. Readers are cautioned that Adjusted Net Loss should not be construed as an alternative to net earnings, as determined in accordance with IFRS. Please refer to Section 3- Adjusted Net Earnings (Loss) for more information.

Below is a reconciliation of Adjusted Net Loss to its closest IFRS measure:

	Three months ended December 31		Year ended December 31	
	2023	2022	2023	2022
Net loss	(121,964)	(52,575)	(105,814)	(91,115)
Add (Subtract):				
Share of unrealized portion of the change in fair value of financial instruments of joint ventures and associates, net of related income tax	(1,186)	(76)	(1,917)	(1,381)
Unrealized portion of the change in fair value of financial instruments	6,141	25,336	(9,649)	141,859
Impairment of long-term assets	118,857	47,868	118,857	47,868
Realized gain on settlement of foreign exchange forwards (French Acquisition)	—	(43,458)	—	(43,458)
Realized loss (gain) on termination of interest rate swaps	2,405	(59)	(1,307)	(71,735)
ERP implementation	3,558	1,815	12,651	2,357
Realized gain on foreign exchange forward contracts	(71)	—	(449)	(3,214)
Income tax (recovery) expense related to above items	(14,906)	(6,320)	(14,424)	(13,684)
Adjusted Net loss	(7,166)	(27,469)	(2,052)	(32,503)

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

Below is a reconciliation of Adjusted Net Loss adjustments to each line item of the consolidated statements of earnings:

	Three months ended December 31, 2023			Three months ended December 31, 2022			Year ended December 31, 2023			Year ended December 31, 2022		
	IFRS	Adj.	Non-IFRS	IFRS	Adj.	Non-IFRS	IFRS	Adj.	Non-IFRS	IFRS	Adj.	Non-IFRS
Revenues	243,523	—	243,523	203,636	—	203,636	969,890	—	969,890	870,494	—	870,494
Production Tax Credits	18,003	—	18,003	16,576	—	16,576	71,684	—	71,684	64,729	—	64,729
Operating expenses	63,653	—	63,653	62,591	—	62,591	232,795	—	232,795	207,768	—	207,768
General and administrative expenses	14,941	—	14,941	13,568	—	13,568	69,242	—	69,242	53,071	—	53,071
Prospective projects expenses	9,084	—	9,084	7,118	—	7,118	27,162	—	27,162	24,740	—	24,740
ERP implementation	3,558	(3,558)	—	1,815	(1,815)	—	12,651	(12,651)	—	2,357	(2,357)	—
Depreciation and amortization	87,927	—	87,927	93,756	—	93,756	361,292	—	361,292	336,053	—	336,053
Impairment of long-term assets	118,857	(118,857)	—	47,868	(47,868)	—	118,857	(118,857)	—	47,868	(47,868)	—
Operating income	(36,494)	122,415	85,921	(6,504)	49,683	43,179	219,575	131,508	351,083	263,366	50,225	313,591
Finance costs	88,420	—	88,420	83,864	—	83,864	348,386	—	348,386	317,842	—	317,842
Other net expenses (income)	26,170	71	26,241	(8,475)	—	(8,475)	27,031	449	27,480	(6,547)	3,214	(3,333)
Share of (earnings) losses of joint ventures and associates	(4,004)	744	(3,260)	286	214	500	(16,791)	1,210	(15,581)	(14,382)	1,881	(12,501)
Change in fair value of financial instruments	6,973	(8,546)	(1,573)	(16,622)	18,181	1,559	13,676	10,956	24,632	64,145	(26,666)	37,479
Income tax (recovery) expense	(32,089)	15,348	(16,741)	(12,982)	6,182	(6,800)	(46,913)	15,131	(31,782)	(6,577)	13,184	6,607
Net loss	(121,964)	114,798	(7,166)	(52,575)	25,106	(27,469)	(105,814)	103,762	(2,052)	(91,115)	58,612	(32,503)

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

Free Cash Flow, Payout Ratio and Normalized Payout Ratio

Changes in the Non-IFRS measures effective January 1, 2023

On January 1, 2023, the Corporation revised the calculation of its Free Cash Flow and Payout Ratio measures to exclude the prospective project expenses. The comparative figures have been adjusted to conform with the revised measures.

On October 26, 2023, Innergex disposed of a non-controlling 30% participation in its French portfolio. Until recently, Innergex relied on leverage and equity issuance to fund its capital requirements. The Corporation amended the presentation of its Free Cash Flow and Payout Ratio to include the gains realized on strategic transactions, which allow the Corporation to finance its growth without having to increase leverage or dilute shareholders. The change was applied retrospectively with no impact on comparative information.

The amendments are aimed at increasing relevance of the measure, allowing investors to understand how the operations contribute to funding the Corporation’s growth and its dividend. The revised measure also enhances comparability with current industry practices.

Description of the measures

References to “Free Cash Flow” are to cash flows from operating activities before changes in non-cash operating working capital items, less prospective projects expenses, maintenance capital expenditures net of proceeds from dispositions, scheduled debt principal payments, the portion of Free Cash Flow attributed to non-controlling interests, preferred share dividends declared, and gains realized on strategic transactions, 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, realized gains and losses on contingent considerations related to past business acquisitions, transaction costs related to realized acquisitions, expenses related to the implementation of a cloud-based ERP solution, realized losses or gains on refinancing of certain borrowings or derivative financial instruments used to hedge the interest rate on certain borrowings or the exchange rate on equipment purchases, and tax payments related to fiscal strategies for the purpose of improving the long-term cash generating capacity of Innergex.

Free Cash Flow is a measure of the Corporation's ability to pay a dividend and its ability to fund its growth from its cash generating operations, in the normal course of business, and through strategic transactions.

Innergex believes that the presentation of this measure enhances the understanding of the Corporation's cash generation capabilities, its ability to pay a dividend and its ability to fund its growth. Free Cash Flow is used by investors in this regard. 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 Section 4- Free Cash Flow and Payout Ratio for the reconciliation of Free Cash Flow.

References to “Payout Ratio” are to dividends declared on common shares divided by Free Cash Flow. Innergex believes that this is a measure of its ability to pay a dividend and its ability to fund its growth. Payout Ratio is used by investors in this regard.

References to “Normalized Payout Ratio” are to dividends declared on common shares divided by the estimated Free Cash Flow had production levels been equal to their long-term average in all jurisdictions, excluding Chile, and excluding gains realized on strategic transactions. Innergex believes that this is a measure of its ability to pay a dividend and its ability to fund its growth, free from circumstantial impacts on production and the immediate benefits of strategic transactions. Normalized Payout Ratio is used by investors in this regard.

7- ADDITIONAL CONSOLIDATED INFORMATION | Geographic Segments – Revenues

	Year ended December 31	
	2023	2022
Revenues and Production Tax Credits		
Canada	441,631	427,910
United States	323,293	294,175
Chile	151,040	121,021
France	125,610	92,117
	1,041,574	935,223

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

	As at	
	December 31, 2023	December 31, 2022
Non-current assets, excluding derivative financial instruments and deferred tax assets[1]		
Canada	3,355,393	3,246,979
United States	2,597,848	2,364,160
Chile	1,585,033	1,549,679
France	731,897	753,161
	8,270,171	7,913,979

1. Includes the investments in joint ventures and associates.

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

7- ADDITIONAL CONSOLIDATED INFORMATION | Historical Quarterly Financial Information

(in millions of dollars, unless otherwise stated)	Three months ended							
	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022
Production (MWh)	2,703,285	2,654,439	2,951,098	2,312,655	2,357,039	2,736,471	2,855,891	2,304,600
Revenues and Production Tax Credits	261.5	292.2	269.5	218.3	220.2	268.7	238.5	207.7
Operating income (loss)	(36.5)	99.8	93.3	63.0	(4.7)	108.5	92.5	69.3
Adjusted EBITDA[1]	175.4	180.2	187.0	145.1	135.4	167.6	159.3	149.8
Net (loss) earnings	(122.0)	4.4	24.8	(13.0)	(52.6)	21.0	(24.6)	(34.9)
Net (loss) earnings attributable to owners of the parent	(113.9)	9.1	20.7	(14.3)	(45.3)	23.3	(25.2)	(34.4)
Basic net (loss) earnings attributable to owners of the parent ($ per share)	(0.57)	0.04	0.10	(0.08)	(0.23)	0.11	(0.13)	(0.18)
Diluted net (loss) earnings attributable to owners of the parent ($ per share)	(0.57)	0.04	0.10	(0.08)	(0.23)	0.11	(0.13)	(0.18)
Dividends declared on common shares	36.8	36.8	36.8	36.7	36.7	36.7	36.7	36.7
Dividends declared on common shares, $ per share	0.180	0.180	0.180	0.180	0.180	0.180	0.180	0.180

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 Section 6- NON-IFRS MEASURES 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.

On January 1, 2023, the Corporation amended the presentation of its consolidated statements of earnings (refer to Section 8- Material Accounting Policies for more information). Concurrently, certain Non-IFRS measures have been amended (refer to Section 6- NON-IFRS MEASURES for more information). The following table provides a summary of the amendments to the historical financial information:

(in millions of dollars, unless otherwise stated)	Three months ended			
	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022
Previously reported Revenues	203.6	258.4	219.7	188.7
Production Tax Credits	16.6	10.3	18.8	19.0
Revenues and Production Tax Credits	220.2	268.7	238.5	207.7
Previously reported Adjusted EBITDA[1]	120.4	181.2	152.9	130.5
Production Tax Credits	16.6	10.3	18.8	19.0
Realized (loss) gain on power hedges	(1.6)	(23.9)	(12.3)	0.3
Adjusted EBITDA[1]	135.4	167.6	159.3	149.8

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 Section 6- NON-IFRS MEASURES for more information.

FEBRUARY 2021 TEXAS EVENTS – SUPPLEMENTAL INFORMATION

Innergex's Presence in Texas

Name	Location	Type	Status	Sponsor Equity Ownership %	Gross installed capacity (MW)	Contract Type
Foard City	Foard County	Wind	Operating	100	350.3	Power Purchase Agreement and Merchant Price
Phoebe	Winkler County	Solar	Operating	100	250.0	Power Hedge
Flat Top	Mills County	Wind	Operating	51	200.0	Power Hedge
Shannon	Clay County	Wind	Operating	50	204.0	Power Hedge
Griffin Trail	Knox and Baylor Counties	Wind	Operating	100	225.6	Merchant Price

1. TEXAS EVENTS DESCRIPTION

- In February 2021, unprecedented extreme winter weather conditions and related electricity market failure paralyzed the State of Texas, United States. These unprecedented extreme winter weather events pushed the Texas Government to declare a disaster and the US Government to declare a state of emergency.
- The storm disrupted production, transmission and distribution of power, severely impacting prices. Because of the disturbance, wholesale electricity prices in the Electric Reliability Council of Texas (ERCOT) reached their cap of US$9,000 per MWh and remained at such level for a prolonged period of time.
- The February 2021 Texas Events lasted from February 11 to February 19, 2021, and the figures provided hereinafter are normalized for this period.

1.1 Summary of Impacts per Facility

The following table presents a reconciliation of the Production and financial impacts, before income tax, resulting from the February 2021 Texas Events, detailed by facility:

	For the 9-day period from February 11 to February 19, 2021							
	Production (MWh)	LTA (MWh)	Hedge obligation (MWh)[1]	Hedge price (US$)	Revenues	Power hedge	Basis hedge	Total Financial impacts
Consolidated facilities								
Foard City	29,464	35,175	N/A	18.13	16,801	—	—	16,801
Phoebe	5,996	14,550	13,473	33.10	38,166	(70,756)	(1,304)	(33,894)
Total - Consolidated facilities					54,967	(70,756)	(1,304)	(17,093)
Joint venture facilities								
Flat Top	2,046	24,507	19,152	22.60	15,316	(113,609)	—	(98,293)
Shannon	15,546	18,533	15,480	26.20	64,989	(93,123)	—	(28,134)
Total - Joint venture facilities								(126,427)
Total - Innergex's share of loss of the joint venture facilities								(64,197)
Total - Consolidated financial impact, before income tax								(81,290)

1. Hedge obligations are based on hourly commitments in MWh. Therefore, actual production is not always indicative of the hedge obligation fulfillment.

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

2. FINANCIAL IMPACTS AND NORMALIZED FINANCIAL INFORMATION

2.1 Impacts to Consolidated Statement of Earnings

The Phoebe facility is subject to power hedges. In addition, prior to their sale on December 28, 2021, and March 4, 2022, respectively, the Flat Top and Shannon facilities were also subject to power hedges. For facilities subject to power hedges, the power that is generated by the facility is delivered to the grid at the project's node (point of delivery) at the prevailing merchant prices. Production delivered at the node at merchant prices is recognized by Innergex as revenue. Under the power hedges, the hourly contracted energy is virtually purchased at the point of withdrawal on the grid ("Hub"), subject to the prevailing merchant prices, and exchanged for the contractual fixed price per MWh. Settlements under the power hedges are recognized as change in fair value of financial instruments.

The following table presents a reconciliation of the February 2021 Texas Events' impacts to the Consolidated Statement of Earnings, for each line-item impacted by the events:

		Year ended December 31, 2021		
		As presented	Impacts from the February 2021 Texas Events (9 days)	Normalized
1	Revenues and Production tax credits	795,192	(54,967)	740,225
	Operating Income	280,995	(54,967)	226,028
2	Adjusted EBITDA[1]	499,963	15,789	515,752
2	Change in fair value of financial instruments	(92,122)	72,060	(20,062)
3	Share of losses (earnings) of joint ventures and associates	(189,889)	64,197	(125,692)
	(Loss) Earnings before income tax	(211,634)	81,290	(130,344)

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 Section 6- NON-IFRS MEASURES of this MD&A for more information.

(1) Although power generation was depressed by the weather, **revenues at the Foard City and Phoebe facilities were favourably impacted by the events**, with revenues of $16.8 million and $38.2 million, respectively, for an aggregate impact of $55.0 million, as a result of the unprecedented increase in market prices prevailing at the point of delivery on the grid ("Node").

(2) Conversely, the Adjusted EBITDA and change in fair value of financial instruments were unfavourably impacted by a $70.8 million **realized loss on the Phoebe power hedge**, and $1.3 million on the Phoebe basis hedge, respectively, for an aggregate impact of $142.8 million, resulting from the unprecedented increase in market prices prevailing at the point of withdrawal on the grid ("Hub"), for the committed power hedge hourly volumes.

(3) The Flat Top and Shannon joint ventures were similarly impacted by an increase in their respective revenues and realized losses on their respective power hedges, resulting in a share of losses of joint ventures and associates of $50.1 million and $14.1 million for Flat Top and Shannon, respectively, aggregating to a net $64.2 million **unfavourable impact on the share of losses of joint ventures and associates**.

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

The following table presents a reconciliation of the February 2021 Texas Events' impacts to the segmented information:

	Year ended December 31, 2021				
	Hydro	Wind	Solar	Unallocated	Total
Revenues and Production tax credits	277,302	397,770	120,120	—	795,192
Impacts from the February 2021 Texas Events	—	(16,801)	(38,166)	—	(54,967)
Normalized Revenues[2]	277,302	380,969	81,954	—	740,225
Revenues Proportionate[1]	327,849	464,293	121,005	—	913,147
Impacts from the February 2021 Texas Events	—	(57,107)	(38,166)	—	(95,273)
Normalized Revenues Proportionate[1,2]	327,849	407,186	82,839	—	817,874
Adjusted EBITDA[1]	212,436	324,843	30,044	(67,360)	499,963
Impacts from the February 2021 Texas Events	—	(16,801)	32,590	—	15,789
Normalized Adjusted EBITDA[1,2]	212,436	308,042	62,634	(67,360)	515,752
Adjusted EBITDA Proportionate[1]	250,983	255,434	30,598	(67,360)	469,655
Impacts from the February 2021 Texas Events	—	47,396	32,590	—	79,986
Normalized Adjusted EBITDA Proportionate[1,2]	250,983	302,830	63,188	(67,360)	549,641

1. These measures 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. Normalized measures are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers.

2.2 Impacts to Free Cash Flow and Payout Ratio

The following table presents a reconciliation of the February 2021 Texas Events' cash impacts:

		For the 9-day period from February 11 to February 19, 2021		
Facility	Impact	Cash	Non-Cash	Total
Foard City	Revenues	16,801	—	16,801
Phoebe	Revenues	38,166	—	38,166
Phoebe	Power hedge	(70,756)	—	(70,756)
Phoebe	Basis hedge	(1,304)	—	(1,304)
Flat Top	Share of loss	—	(50,129)	(50,129)
Shannon	Share of loss	—	(14,068)	(14,068)
		(17,093)	(64,197)	(81,290)

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

For the year ended December 31, 2021, the February 2021 Texas Events, whose cash impacts are detailed above, have impacted the Free Cash Flow[1] and Payout Ratio[1] as follows:

		Year ended December 31, 2021		
		As presented	Impacts from the February 2021 Texas Events (9 days)	Normalized[2]
1	Cash flows from operating activities before changes in non-cash operating working capital items	286,953	17,093	304,046
2	Realized gain on the Phoebe basis hedge	(2,546)	(1,304)	(3,850)
	Free Cash Flow[1]	119,682	15,789	135,471
	Dividends declared on common shares	137,517	—	137,517
	Payout Ratio[1]	110 %	(21)%	98 %

1. Free Cash Flow and Payout ratio measures 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. Normalized measures are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers.

(1) Cash flows from operating activities before changes in non-cash operating working capital items were impacted by a net unfavourable amount of $17.1 million, representing the February 2021 Texas Events' realized losses on the Phoebe power and basis hedges, partly offset by the favourable impact to the consolidated revenues. The $64.2 million non-cash share of losses of joint ventures and associates does not directly impact cash flows from operating activities before changes in non-cash operating working capital items. It will, however, affect the joint ventures' future capacity to distribute cash to the Corporation.

(2) In the Free Cash Flow[1] and Payout Ratio[1] calculation, Innergex reverses the impacts of the Phoebe basis hedge due to its limited occurrence, which are deemed not to represent the long-term cash-generating capacity of Innergex. As such, $1.3 million is reversed from the recurring adjustment, representing the February 2021 Texas Events' related realized loss on the basis hedge.

1. Free Cash Flow and Payout ratio measures 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.

3. IMPAIRMENT

Following the February 2021 Texas Events, which caused significant losses for facilities under power hedge contracts, a general increase in the assessed risk has been observed throughout the industry for facilities subject to shape risk[2] in this region. While the other key assumptions remained largely consistent as compared to December 31, 2020, the above factors contributed to increased discount rates to reflect higher risk premiums. On March 31, 2021, the Flat Top and Shannon joint ventures, each identified as separate cash generating units ("CGU"), recognized impairment charges of US$83.0 million ($105.4 million) and US$92.7 million ($117.7 million), respectively. The impairment charges were recognized by the Corporation through its share of loss of joint ventures and associates, at $53.8 million and $58.8 million, for Flat Top and Shannon, respectively.

The recoverable amount of each CGU was determined based on a value in use calculation that uses cash flow projections based on financial budgets approved by management covering a period extending to the period for which the Corporation owns its rights on the site, and discounted at a rate of 12%.

2. Shape risk exists when there is a mismatch, or a potential mismatch, between the volume commitment under a power hedge instrument, and the actual production of the facility at a given time. For various reasons, it may happen that a facility's electricity output at a given time is below the contractual volume. In such instances, the project cannot fully cover its hub purchases with its node sales and is therefore exposed to merchant prices on its purchases at the hub.

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

4. MANAGEMENT'S STRATEGIES

4.1 Procedures Initiated

Phoebe

- As a consequence of the February 2021 Texas Events, a claim of Force Majeure was notified to the counterparty of the power hedge of the Phoebe facility in February, which was rejected by the recipient.
- On July 19, 2021, Innergex reached an agreement to settle the amounts that remained unpaid by the Phoebe solar facility following the February 2021 Texas Events. The aggregate cash disbursement of US$24.0 million ($29.7 million) comprises the agreed-upon settlement payment for the amounts disputed following the February 2021 Texas Events, and a payment on the project's tracking account balance, net of unpaid energy sold by the project during the negotiation process.

Flat Top and Shannon

- As a consequence of the February 2021 Texas Events, a claim of Force Majeure was notified to the counterparty of the power hedges of the Flat Top and Shannon facilities in February, which were rejected by the recipient.
- To preserve the Corporation's and its partners' rights with regard to the Flat Top and Shannon facilities, court proceedings were initiated on April 21, 2021.
- On May 20, 2021, the District Court of Harris County, Texas denied the temporary injunction application, directing the counterparty to the power hedges for the Flat Top and Shannon wind facilities to suspend all remedies against the projects, including foreclosure, arising from an alleged default of payment that was formally disputed by Innergex, following the February 2021 Texas Events. As a result of the Court's decision, the counterparty to the power hedges for the projects will not be precluded from exercising any of its remedies, including foreclosure.

4.2 Decisions and Actions

Phoebe

- During the year ended December 31, 2021, an impairment charge of $24.7 million was recognized, reflecting an outlook of higher than expected congestion charges, combined with a higher discount rate to reflect higher risk premiums for facilities under power hedge contracts in Texas.

Flat Top and Shannon

- The carrying amount of the Flat Top and Shannon investments was decreased to nil following the aggregate $112.6 million non-cash impairment charges on these facilities as at March 31, 2021.
- During the period ended June 30, 2021, the underlying assets and liabilities of the Flat Top and Shannon investments were classified as disposal groups held for sale.
- The deferred tax liabilities related to the Corporation's equity investments in Flat Top and Shannon were nil following the aggregate $39.5 million deferred tax recovery upon reclassification of the projects' assets and liabilities as disposal groups held for sale during the period ended June 30, 2021.
- On December 28, 2021, the Corporation completed the sale of its 51% interest in Flat Top for a nominal amount.
- On March 4, 2022, the Corporation completed the sale of its 50% interest in Shannon for a nominal amount.
- The impact of the sale of the Flat Top and Shannon facilities on the Corporation's Free Cash Flow[1], based on the facilities' respective 2020 contribution, represents a reduction of approximately $4.2 million annually.
- The sale of the Flat Top and Shannon facilities also represents an avoided cash outflow of US$60.2 million ($75.7 million), representing the share of the invoiced amounts attributable to the Corporation, which Innergex would have had funded through an equity contribution in the facilities.

1. Free Cash Flow and Payout ratio measures 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.

8- ACCOUNTING POLICIES AND INTERNAL CONTROLS | Material Accounting Policies

Changes in presentation

Consolidated statements of earnings

On January 1, 2023, the Corporation amended the presentation of its consolidated statements of earnings to enhance relevance of the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

As a result, production tax credits ("PTCs"), previously recognized in other net income (expenses), have been reclassified directly below revenues to better represent the nature of PTCs as income arising in the course of the Corporation's ordinary activities through electricity generation. The reclassification also goes alongside the Inflation Reduction Act ("IRA"), signed into law in August 2022 by the United States Government, extending the PTC program for wind facilities, and introducing a PTC program for solar facilities. For projects commencing construction after January 1, 2025, the IRA initiates the transition toward a technology-neutral tax credit system in the United States, allowing zero carbon emission facilities to receive tax credits similar to current PTCs and ITCs.

In addition, certain subtotals have been removed from the consolidated statements of earnings, which now includes an operating income subtotal.

The Corporation has also reclassified the Enterprise Resource Planning (“ERP”) implementation expenses, from other net expenses, to a separate account in the statement of earnings, to conform with the addition of the operating income subtotal.

The table below presents a summary of the reclassifications:

	Three months ended December 31, 2022			Year ended December 31, 2022		
	Legacy presentation	Adjustment	Amended presentation	Legacy presentation	Adjustment	Amended presentation
Revenues	203,636	—	203,636	870,494	—	870,494
Production Tax Credits	—	16,576	16,576	—	64,729	64,729
Revenues and Production Tax Credits	N/A	N/A	220,212	N/A	N/A	935,223
Expenses						
Operating	62,591	—	62,591	207,768	—	207,768
General and administrative	13,568	—	13,568	53,071	—	53,071
Prospective projects	7,118	—	7,118	24,740	—	24,740
ERP implementation	—	1,815	1,815	—	2,357	2,357
Depreciation and amortization	93,756	—	93,756	336,053	—	336,053
Impairment of long-term assets	47,868	—	47,868	47,868	—	47,868
Operating income	N/A	N/A	(6,504)	N/A	N/A	263,366
Finance costs	83,864	—	83,864	317,842	—	317,842
Other net (income) expenses	(23,236)	14,761	(8,475)	(68,919)	62,372	(6,547)
Share of losses of joint ventures and associates	286	—	286	(14,382)	—	(14,382)
Change in fair value of financial instruments	(16,622)	—	(16,622)	64,145	—	64,145
Loss before income tax	(65,557)	—	(65,557)	(97,692)	—	(97,692)
Income tax recovery	(12,982)	—	(12,982)	(6,577)	—	(6,577)
Net loss	(52,575)	—	(52,575)	(91,115)	—	(91,115)

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

Consolidated statements of cash flows

The Corporation corrected the presentation of the buyback of non-controlling interests in the comparative period amounting to ($64.4 million), from cash flows used in investing activities to cash flows from financing activities. As a result, cash flows from financing activities were reduced by $64,382 and cash flows used in investing activities were reduced by ($64.4 million), with a nil effect on the net change in cash and cash equivalents subtotal. This reclassification reflects that these transactions represent a change in ownership interest between equity holders, which shall be classified as financing activities.

Changes in accounting policies

On January 1, 2023, the Corporation adopted the following new standards and interpretations:

Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements). The key amendments include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such do not need to be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

On May 7, 2021, the IASB published "Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)" that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The Corporation has applied these amendments to transactions occurring on or after January 1, 2022, resulting in no impact on the net deferred tax for temporary differences related to leases and decommissioning obligations and retained earnings. The reconciliation of the Income taxes recognized in the consolidated statements of earnings (loss) presented in Note 11 – Income Taxes of the consolidated financial statements was amended to disclose separately the resulting deferred tax liabilities and assets.

New accounting standards and interpretations issued but not yet effective

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 October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1) (the 2022 amendments), to improve the information a company provides about long-term debt with covenants. The 2020 amendments and the 2022 amendments (collectively "the Amendments") are effective for annual periods beginning on or after January 1, 2024. Early adoption is permitted. The impact for the Corporation is being assessed by management.

8- ACCOUNTING POLICIES AND INTERNAL CONTROLS | Internal Controls

In accordance with Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings, the President and Chief Executive Officer and the Chief Financial Officer of the Corporation have designed,or caused 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 it to be evaluated under their supervision, the effectiveness of the Corporation’s DC&P and ICFR as at December 31, 2023, and have concluded that they were effective at the financial year-end. During the period beginning on October 1, 2023, and ended on December 31, 2023, there was no change to the ICFR that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR.

The President and Chief Executive Officer and the Chief Financial Officer have also limited the scope of the Corporation's design of DC&P and ICFR to exclude the controls, policies and procedures of the Sault Ste. Marie solar portfolio composed of the Sault Ste. Marie 1, Sault Ste. Marie 2, and Sault Ste. Marie 3 solar facilities (collectively "entities excluded from the Corporation's control policies and procedures"). The evaluation of the design and the operating effectiveness of the DC&P and ICFR for these entities will be completed in the 12 months following their dates of acquisition. A summary of the financial information about the entities excluded is presented in the "Entities Excluded from the Corporation’s control policies and procedures" section of this MD&A.

8- ACCOUNTING POLICIES AND INTERNAL CONTROLS | Entities excluded from the Corporation's control, policies and procedures

As stated in the "Internal controls" section of this MD&A, the scope of the Corporation's design of DC&P and ICFR exclude the controls, policies and procedures of the Sault Ste. Marie solar portfolio. The following tables present a summary of the entities excluded from the Corporation's control policies and procedures:

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

	Year ended December 31, 2023
Revenues	31,055
Net earnings	5,933
Total comprehensive income	5,144

Summary Statement of Financial Position

	As at December 31, 2023
Current assets	7,268
Non-current assets	216,687
	223,956
Current liabilities	19,063
Non-current liabilities	159,520
Equity	45,373
	223,956

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

9- RISKS AND UNCERTAINTIES

Corporate Risk Management and Board Oversight

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 Board of Directors receives updates on specific risks and risk mitigation activities from management and each of the relevant committee.

Responsibility for risk management is shared across the organization from each segment of activities. The Investment and Risk Oversight Committee, which is comprised of senior management members, reviews all existing and emerging risks and assesses appropriate mitigation measures. The Committee also supervises, among others, the management of risks inherent to investment management. 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 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 processes, are presented to the Board of Directors at each meeting, either by its committees or the officers of the Corporation. Such risks are presented in relation to conjuncture, strategy 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, as well as any consultant or other person when representing the Corporation. 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. 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. Those risks could have a material adverse effect on the Corporation's business, operations, financial condition and results.

Risks Related to Operations

Performance of Major Counterparties

The Corporation enters into a variety of agreements with third-party suppliers. Should one or more major counterparties be unable to meet their obligations under the contracts, this would result in unexpected costs, losses and delays for the Corporation.

Equipment Supply

The Corporation’s development and operation of power generating facilities is dependent on the supply of equipment from third parties. Equipment pricing, production timeline, or delivery delay 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, or delays to supply the 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 concerning complete fulfilment, in due time, of equipment supply. Mitigation measures may be necessary to offset delays, supply chain disruptions or any other circumstance emanating from suppliers, such as putting in place partnerships with suppliers or advancing equipment acquisitions. Legal recourses may also be necessary to compensate the Corporation’s development and construction projects and its operating facilities. 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.

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, Unexpected Operations and Maintenance Activity and Increased Asset Maintenance on Ageing Equipment

The Corporation’s facilities are subject to the risk of equipment failure due to the 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. Maintenance due to ageing equipment could also result in more costly repairs and longer downtime periods.

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 and Ontario in Canada, Idaho and New York 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.

Resource Assessment and Performance Variability

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 that may provoke unforeseen deviations from historical trends.

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.

Resource and operating sites performance variability could result in the Corporation delivering less than the required quantity of electricity as agreed in a given contract year and therefore be in default under its respective PPA. Penalty payments could then be payable to the relevant purchaser by the Corporation and the payment of any such penalties could adversely affect the revenues and profitability of the Corporation.

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.

Extreme weather events create a risk of physical damage to the Corporation’s assets and power outages and increase the potential likelihood of disruptions to its generation and transmission facilities. As a result, the Corporation could suffer costs, losses and damages, all or some of which may not be recoverable through insurance, legal, regulatory cost recovery or other processes and could materially affect the Corporation’s business, including results of operations and cash flows, and its reputation with customers, investors, local communities, regulators, governments and financial markets. Resulting costs could include reconstruction, repower, regeneration, asset replacement, increased insurance premium and any losses incurred by third parties.

Preparedness to Facing 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 the Corporation's 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, workforce, results of operations, financial condition, cash flows and stock price can be adversely affected by pandemics, epidemics or other public health emergencies, which may result in governments around the world implementing increasingly stringent measures to help control the spread of pathogens, 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 may enact fiscal and monetary stimulus measures to counteract the impacts of such public health emergencies. Business disruptions could impact our suppliers, which in turn could impact the operating results of the Corporation. Should an outbreak become 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.

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, personal information and confidential information leak (or identity theft), malicious software or other violations on the system that controls generation and transmission at any of our offices or facilities could severely disrupt or otherwise affect business operations. Such attacks on our data information base systems through theft, alteration or destruction and the inability to recover promptly could impact individuals, business partners, our operation capabilities, generate unexpected expenses impacting profitability, damage the Corporation's reputation and result in additional liabilities (e.g. investigation, litigation, fines, remedial action).

With the continuous evolution of cyberattacks and having many employees working from home, the Corporation is reviewing its cybersecurity program and adapting it to this new reality. The Corporation continuously takes measures to secure its infrastructure against potential cyberattacks that may damage its infrastructure, systems, and data. The Corporation has implemented mandatory user awareness training on security & data privacy. It also implemented security controls to help secure its data and business operations including access control measures, intrusion detection and prevention systems, logging and monitoring of network activities, and implementing policies and procedures to ensure the secure operations of the business.

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 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 Corporate Strategy

Inability 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 pay a 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.

Inability 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.

Inability 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, virtual 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.

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.

Volatility of Supply and Demand in the Energy Market

A portion of the Corporation's revenues are tied, either directly or indirectly, to the wholesale market price for electricity in the markets in which the Corporation operates. Wholesale market electricity prices are impacted by a number of factors including the management of generation and the amount of excess generating capacity relative to load in a particular market; the structure of the electricity market; and weather conditions (such as extremely hot or cold weather) that impact electrical load.

There is uncertainty surrounding the trend in electricity demand growth, which is notably influenced by macroeconomic conditions; absolute and relative energy prices; and energy conservation and demand-side management. Therefore, from a supply perspective, there are uncertainties associated with the timing of generating plant retirements that are in part driven by environmental regulations, and by the scale, pace and structure of replacement capacity.

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 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 Foard City Wind Farm, the Phoebe Solar Farm, the Salvador Solar Farm, the Griffin Trail Wind Farm, the Licán Hydro Facility, 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 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 required 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.

Inability 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 of 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 partially 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.

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. Those changes could also adversely affect the revenues of the Corporation.

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.

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 the Inflation Reduction Act passed in 2022) 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 or ITCs.

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.

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.

Social Acceptance of Renewable Energy Projects

The social acceptance by First Nations and Indigenous communities, local communities and local stakeholders 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 Indigenous Communities and 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 groups, including Indigenous communities, landowners, municipalities and other stakeholders. Any unforeseen delays in this process may negatively impact the ability of the Corporation to complete any given project on time or at all.

Inability 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, (v) changes in international and local taxation and (vi) excessive concentration of assets in single foreign markets.

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 that 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 EBITDA and free cash flow may be lower than expected or reduced, which would respectively impact the payout ratio.

Foreign Exchange Fluctuations

The Corporation often 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.

Other Risks

Possibility that the Corporation May Not Declare a Dividend or May Reduce the Amount of the 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 and the amount 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.

Insufficiency 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. There are certain elements of the Corporation’s business which are not insured, either as is customary in the industry, or where the cost of coverage is not economically viable. Insurance policies are generally subject to annual review by the respective insurers and there is no certainty that equivalent or more favourable terms will be offered upon each renewal. A significant loss, that is uninsured or significantly exceeding the limits of insurance policies, or the failure to renew insurance policies on equivalent or more favourable terms, could materially affect the Corporation’s business, including results of operations and cash flows, and its reputation with customers, investors, lenders, regulators, governments and financial markets.

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.

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, revenues from such facilities on the electricity market or under the applicable power purchase agreement will vary. An increase in the volatility of spot price would add uncertainty to the determination of potential revenues and adjusted EBITDA 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 a lack of support for our activities in local communities in the vicinity of Innergex's 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 the Corporation's 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 Innergex's 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.

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

The Corporation's success and competitive position are dependent in part upon its 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 the Corporation's 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 growth targets, 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 targeted production, the estimated targeted revenues and production tax credits, targeted Revenues and Production Tax Credits Proportionate, targeted Adjusted EBITDA and targeted Adjusted EBITDA Proportionate, targeted Free Cash Flow, targeted 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 pay a dividend 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, acquisitions and commissioned projects; availability of capital resources and timely performance by third parties of contractual obligations; favourable economic and financial market conditions; average merchant spot prices consistent with external price curves and internal forecasts; no material changes in the assumed U.S. dollar to Canadian dollar and Euro to Canadian dollar exchange rate; no significant variability in interest rates; the Corporation's success in developing and constructing new facilities; no adverse political and regulatory intervention; successful renewal of PPAs; sufficient human resources to deliver service and execute the capital plan; no significant event occurring outside the ordinary course of business such as a natural disaster, pandemic or other calamity; continued maintenance of information technology infrastructure and no material breach of cybersecurity.

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: performance of major counterparties; equipment supply; delays and cost overruns in the design and construction of projects; health, safety and environmental risks; equipment failure, unexpected operations and maintenance activity and increased asset maintenance on ageing equipment; variability of installation performance and related penalties; increase in water rental cost or changes to regulations applicable to water use; availability and reliability of transmission systems; resource assessment and performance variability; global climate change; variability in hydrology, wind regimes and solar irradiation; preparedness to facing natural disasters and force majeure; pandemics, epidemics or other public health emergencies; cybersecurity; reliance on shared transmission and interconnection infrastructure; inability of the Corporation to execute its strategy for building shareholder value; inability to raise additional capital and the state of the capital market; inability to secure new PPAs or renew any PPA; reliance on various forms of PPAs; volatility of supply and demand in the energy market; fluctuations affecting prospective power prices; uncertainties surrounding development of new facilities; obtainment of permits; inability to realize the anticipated benefits of completed and future acquisitions; integration of the completed and future acquisitions; changes in governmental support to increase electricity to be generated from renewable sources by independent power producers; regulatory and political risks; risks related to U.S. production and investment tax credits, changes in U.S. corporate tax rates and availability of tax equity financing; exposure to many different forms of taxation in various jurisdictions; social acceptance of renewable energy projects; relationships with Indigenous communities and stakeholders; inability to secure appropriate land; foreign market growth and development risks; liquidity risks related to derivative financial instruments; interest rate fluctuations and refinancing; financial leverage and restrictive covenants governing current and future indebtedness; changes in general economic conditions; foreign exchange fluctuations; possibility that the Corporation may not declare a dividend or may reduce the amount of the dividend; insufficiency of insurance coverage; ability to attract new talent or to retain officers or key employees; litigation; credit rating may not reflect actual performance of the Corporation or a lowering (downgrade) of the credit rating; revenues from certain facilities will vary based on the market (or spot) price of electricity; host country economic, social and political conditions; adverse claims to property title; reliance on intellectual property and confidential agreements to protect the Corporation's rights and confidential information; and reputational risks arising from misconduct of representatives of the Corporation.

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

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 **IFRS Accounting Standards as issued by the IASB** 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 Trudel
Jean Trudel, MBA
Chief Financial Officer

Innergex Renewable Energy Inc.

Longueuil, Canada, February 21, 2024

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INDEPENDENT AUDITOR'S 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, 2023 and December 31, 2022;
- 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 material accounting policy information.

(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, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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, 2023. 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 matter described below to be the key audit matter to be communicated in our auditor's report.

Evaluation of the impairment analysis for facilities subject to market price risk exposure and for a facility under construction in Hawaii

Description of the matter

We draw attention to Notes 2, 3 and 15 to the financial statements. The Entity has property, plant and equipment of $6,560,814 and recorded an impairment charge of $118,857 during the year ended December 31, 2023. A portion of these non-financial assets are related to facilities that are subject to market price risk exposure and to a facility under construction in Hawaii.

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 or cash-generating unit ("CGU") is estimated. 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).

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 the Entity’s significant assumptions, such as discount rates and:

- For facilities subject to market price risk exposure: future selling prices.
- For the facility under construction in Hawaii: timing and costs to complete the construction and future selling prices .

Why the matter is a key audit matter

We identified the evaluation of impairment analysis for facilities subject to market price risk exposure and for a facility under construction in Hawaii as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of such non-financial assets 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:

- For facilities subject to market price risk exposure, we evaluated the appropriateness of the Entity’s future selling price assumptions by comparing to third party industry forecasts specific to the regions.
- For the facility under construction in Hawaii, we evaluated the appropriateness of the Entity’s significant assumptions:
    - for timing and costs to complete the construction by examining source documentation for a selection of expected costs and by inquiring of project managers to evaluate progress to date and factors impacting the amount of time and costs to complete the project;
    - for future selling prices by comparing to the agreement.

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 rates to publicly available market data for comparable entities.

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2023 Annual Report".

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.
We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2023 Annual Report" as at the date of this auditor's 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 auditor's 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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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.

Auditor's 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 auditor's 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 auditor’s 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 auditor’s 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 auditor's 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 auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Mathieu Lefebvre.

KPMG LLP*

Montréal, Canada
February 21, 2024

*CPA auditor, public accountancy permit No. A134987

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

	Notes	Year ended December 31 2023	2022 (Note 2)
Revenues		969,890	870,494
Production tax credits		71,684	64,729
Revenues and production tax credits		1,041,574	935,223
Expenses			
Operating	6	232,795	207,768
General and administrative	6	69,242	53,071
Prospective projects	6	27,162	24,740
ERP implementation	6	12,651	2,357
Depreciation and amortization	15, 16	361,292	336,053
Impairment of long-term assets	15, 17	118,857	47,868
Operating income		219,575	263,366
Finance costs	7	348,386	317,842
Other net expenses (income)	8	27,031	(6,547)
Share of earnings of joint ventures and associates	9	(16,791)	(14,382)
Change in fair value of financial instruments	10 b)	13,676	64,145
Loss before income tax		(152,727)	(97,692)
Income tax recovery	11	(46,913)	(6,577)
Net loss		(105,814)	(91,115)
Net loss attributable to:			
Owners of the parent		(98,451)	(81,619)
Non-controlling interests	26	(7,363)	(9,496)
		(105,814)	(91,115)
Net loss per share attributable to owners:			
Basic net loss per share ($)	12	(0.51)	(0.43)
Diluted net loss per share ($)	12	(0.51)	(0.43)

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Notes	Year ended December 31 2023	2022
Net loss		(105,814)	(91,115)
Items of comprehensive (loss) income that will be subsequently reclassified to earnings:			
Foreign currency translation differences for foreign operations	5, 24	(27,705)	97,131
Change in fair value of financial instruments designated as net investment hedges	10, 24	(4,530)	(3,484)
Change in fair value of financial instruments designated as cash flow hedges	5, 10, 24	(41,792)	220,511
Change in fair value of financial instruments of joint ventures and associates designated as cash flow hedges	9, 24	(3,705)	9,683
Related deferred income tax	24	10,168	(56,598)
Other comprehensive (loss) income		(67,564)	267,243
Total comprehensive (loss) income		(173,378)	176,128
Total comprehensive (loss) income attributable to:			
Owners of the parent		(160,337)	159,372
Non-controlling interests		(13,041)	16,756
		(173,378)	176,128

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

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	Notes	December 31, 2023	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents		159,244	162,971
Restricted cash	13	40,099	54,670
Accounts receivable	14	232,694	179,299
Derivative financial instruments	10	38,017	33,833
Prepaids and other		48,052	37,169
Assets held for sale	15	—	59,217
Total current assets		518,106	527,159
Non-current assets			
Property, plant and equipment	15	6,560,814	6,212,371
Intangible assets	16	1,273,059	1,268,960
Project development costs	17	34,255	41,151
Investments in joint ventures and associates	9	130,009	135,786
Derivative financial instruments	10	63,689	92,504
Deferred tax assets	11	87,860	68,785
Goodwill	18	176,608	139,676
Other long-term assets	19	95,426	116,035
Total non-current assets		8,421,720	8,075,268
Total assets		8,939,826	8,602,427
LIABILITIES			
Current liabilities			
Accounts payable and other payables	20	280,382	248,659
Derivative financial instruments	10	30,780	22,018
Current portion of long-term loans and borrowings and other liabilities	21, 22	255,285	380,147
Total current liabilities		566,447	650,824
Non-current liabilities			
Derivative financial instruments	10	66,610	79,069
Long-term loans and borrowings	21	6,032,269	5,384,813
Other liabilities	22	540,550	463,863
Deferred tax liabilities	11	528,622	537,431
Total non-current liabilities		7,168,051	6,465,176
Total liabilities		7,734,498	7,116,000
SHAREHOLDERS' EQUITY			
Equity attributable to owners		1,086,883	1,316,195
Non-controlling interests	26	118,445	170,232
Total shareholders’ equity		1,205,328	1,486,427
Total liabilities and shareholders’ equity		8,939,826	8,602,427

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Equity attributable to owners								
Year ended December 31, 2023	Common share capital account	Contributed surplus	Preferred shares	Convertible debentures	Deficit	Accumulated other comprehensive Income	Total	Non-controlling interests	Total shareholders' equity
Balance January 1, 2023	485	2,581,173	131,069	2,819	(1,596,021)	196,670	1,316,195	170,232	1,486,427
Net loss	—	—	—	—	(98,451)	—	(98,451)	(7,363)	(105,814)
Other comprehensive loss	—	—	—	—	—	(61,886)	(61,886)	(5,678)	(67,564)
Total comprehensive loss	—	—	—	—	(98,451)	(61,886)	(160,337)	(13,041)	(173,378)
Common shares issued through dividend reinvestment plan	2,541	—	—	—	—	—	2,541	—	2,541
Reduction of capital on common shares (Note 23)	(1,103)	1,103	—	—	—	—	—	—	—
Share-based payments and Performance Share Plan	—	3,274	—	—	—	—	3,274	—	3,274
Shares vested - Performance Share Plan	1,991	(3,041)	—	—	—	—	(1,050)	—	(1,050)
Shares purchased - Performance Share Plan	(2,647)	459	—	—	—	—	(2,188)	—	(2,188)
Business dispositions (Note 5)	—	—	—	—	—	—	—	119	119
Buyback of non-controlling interests (Note 4)	—	—	—	—	(5,468)	332	(5,136)	(2,298)	(7,434)
Investments from non-controlling interests (Note 26)	—	—	—	—	88,500	(2,226)	86,274	5,792	92,066
Dividends declared on common shares (Note 23)	—	—	—	—	(147,058)	—	(147,058)	—	(147,058)
Dividends declared on preferred shares (Note 23)	—	—	—	—	(5,632)	—	(5,632)	—	(5,632)
Distributions to non-controlling interests	—	—	—	—	—	—	—	(42,359)	(42,359)
Balance December 31, 2023	1,267	2,582,968	131,069	2,819	(1,764,130)	132,890	1,086,883	118,445	1,205,328

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Equity attributable to owners								
Year ended December 31, 2022	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, 2022	360,936	2,022,540	131,069	2,819	(1,373,628)	(50,624)	1,093,112	267,568	1,360,680
Net loss	—	—	—	—	(81,619)	—	(81,619)	(9,496)	(91,115)
Other comprehensive income	—	—	—	—	—	240,991	240,991	26,252	267,243
Total comprehensive (loss) income	—	—	—	—	(81,619)	240,991	159,372	16,756	176,128
Common shares issued on public offering	172,506	—	—	—	—	—	172,506	—	172,506
Common shares issued on private placement	37,275	—	—	—	—	—	37,275	—	37,275
Issuance fees (net of $1,978 of deferred income tax)	(5,432)	—	—	—	—	—	(5,432)	—	(5,432)
Common shares issued through dividend reinvestment plan	1,301	—	—	—	—	—	1,301	—	1,301
Reduction of capital on common shares	(560,532)	560,532	—	—	—	—	—	—	—
Buyback of common shares	(4,417)	—	—	—	—	—	(4,417)	—	(4,417)
Share-based payments and Performance Share Plan	—	2,598	—	—	—	—	2,598	—	2,598
Shares vested - Performance Share Plan	2,114	(4,883)	—	—	—	—	(2,769)	—	(2,769)
Shares purchased - Performance Share Plan	(3,266)	386	—	—	—	—	(2,880)	—	(2,880)
Buyback of non-controlling interests (net of $17,100 of deferred income tax)	—	—	—	—	11,815	6,303	18,118	(65,400)	(47,282)
Dividends declared on common shares	—	—	—	—	(146,957)	—	(146,957)	—	(146,957)
Dividends declared on preferred shares	—	—	—	—	(5,632)	—	(5,632)	—	(5,632)
Distributions to non-controlling interests	—	—	—	—	—	—	—	(48,692)	(48,692)
Balance December 31, 2022	485	2,581,173	131,069	2,819	(1,596,021)	196,670	1,316,195	170,232	1,486,427

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31 2023	2022 (Adjusted - Note 2)
OPERATING ACTIVITIES			
Net loss		(105,814)	(91,115)
Items not affecting cash:			
Depreciation and amortization	15, 16	361,292	336,053
Impairment of long-term assets	15, 17	118,857	47,868
Share of earnings of joint ventures and associates	9	(16,791)	(14,382)
Unrealized portion of change in fair value of financial instruments	10	(9,649)	141,859
Production tax credits and tax attributes allocated to tax equity investors		(73,460)	(67,182)
Change in fair value of contingent consideration	22	25,563	—
Other		587	91
Finance costs	7	348,386	317,842
Finance costs paid	25 b)	(284,387)	(228,361)
Distributions received from joint ventures and associates	9	18,930	22,028
Income tax recovery	11	(46,913)	(6,577)
Income tax paid		(5,929)	(2,730)
Effect of exchange rate fluctuations		582	(10,633)
		331,254	444,761
Changes in non-cash operating working capital items	25 a)	(33,401)	(14,518)
		297,853	430,243
FINANCING ACTIVITIES			
Dividends paid on common and preferred shares		(150,114)	(149,193)
Distributions to non-controlling interests		(42,359)	(48,692)
Investments from non-controlling interests	26	99,759	—
Increase in long-term debt, net of deferred financing costs	25 c)	1,469,145	1,717,541
Repayment of long-term debt	25 c)	(1,025,345)	(1,509,591)
Buyback of non-controlling interests	4	(7,434)	(64,382)
Payment of other liabilities	22	(7,135)	(4,834)
Proceeds from issuance of common shares, net of issuance fees		—	202,371
Payment for buyback of common shares		—	(4,417)
Purchase of common shares under the Performance Share Plan		(2,188)	(2,880)
Payment of payroll withholding on exercise of stock options and Performance Share Plan		(1,050)	(2,769)
		333,279	133,154
INVESTING ACTIVITIES			
Business acquisitions, net of cash acquired	4	(47,810)	(418,044)
Change in restricted cash		17,528	9,256
Additions to property, plant and equipment, net		(685,089)	(119,189)
Additions to intangible assets		(2,113)	(2,508)
Additions to project development costs		(8,488)	(29,632)
Investments in joint ventures and associates		—	(325)
Proceeds from BESS supply agreements termination payments	17	18,159	—
Proceeds from disposition of assets held for sale	15	59,426	—
Other		14,678	(10,942)
		(633,709)	(571,384)
Effects of exchange rate changes on cash and cash equivalents		(1,150)	4,692
Net change in cash and cash equivalents		(3,727)	(3,295)
Cash and cash equivalents, beginning of year		162,971	166,266
Cash and cash equivalents, end of year		159,244	162,971

Additional information is presented in Note 25 – Additional Information to the Consolidated Statements of Cash Flows
The accompanying notes are an integral part of these audited consolidated financial statements.

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

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 21, 2024.

1. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

Statement of Compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Corporation's material 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. Historical cost is generally based on the fair value of the consideration given in exchange.

Functional Currency and Presentation Currency

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

2. MATERIAL 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 disposition 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
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 Cartier Energy LP	Own and operate wind facilities	Canada	100.00%
Innergex SSMarie Holdco LP	Own and operate a solar facility	Canada	100.00%
Harrison Hydro L.P., and its subsidiaries	Own and operate hydroelectric facilities	Canada	50.01%
Mesgi'g Ugju's'n (MU) Wind Farm L.P.[1]	Own and operate a wind facility	Canada	50.00%
Mountain Air Alternatives LLC, and its subsidiaries	Own and operate wind facilities	United States	100.00%
Foard City Holdings, LLC	Own and operate a wind facility	United States	100.00%
Phoebe Energy Project, LLC	Own and operate a solar facility	United States	100.00%
Hillcrest Solar I, LLC	Own and operate a solar facility	United States	100.00%
Griffin Trail Wind, LLC	Own and operate a wind facility	United States	100.00%
Innergex HQI USA LLC[1]	Own and operate hydroelectric facilities	United States	50.00%
Boswell Springs	Construction of a wind facility	United States	100.00%
Innergex France S.A.S.	Own and operate wind facilities	France	70.00%
Aela Generación S.A., and its subsidiaries	Own and operate hydroelectric, wind and solar facilities	Chile	100.00%

1. Based on the terms of agreements under which these entities were established, the Corporation is exposed to, and has right to, variable returns from its involvement with the investee, and has the current ability to direct these entities's activities that most significantly affect the returns.

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.

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

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.

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 in the consolidated statement of financial position. Any negative goodwill is recognized directly in the consolidated statements of earnings (loss).

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Corporation's equity therein. The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interest's proportionate share in the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition by acquisition basis.

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 disposition or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposition 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 20 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 lives 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 the 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 power purchase agreements, permits, licenses and agreements. Intangible assets are amortized using the straight-line method over a period ending on the maturity date of the power purchase agreements, permits, licenses or agreements of each facility. 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 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.

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.

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.

(i) 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.

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

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 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 revenues and production tax credits 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 and contingent considerations payable as financial liabilities measured at fair value.

The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

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.

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).

When a derivative is designated as the hedging instrument in a hedge of the foreign currency exposure on the carrying amount of the net assets of the foreign operation, 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 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. Any ineffective portion of changes in the hedging instruments is recognized directly in net earnings. Amounts previously recognized in accumulated other comprehensive income are recognized in earnings when there is a reduction in the net investment.

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. Amounts previously recognized in accumulated other comprehensive income are recognized in earnings when there is a reduction in the net investment.

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.

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 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 revenues and production tax credits.

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 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, 2023	December 31, 2022	2023	2022
Euro	1.4626	1.4458	1.4597	1.3696
US dollar	1.3226	1.3544	1.3497	1.3013

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.

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

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.

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 share 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, 2023, the Corporation adopted the following new standards and interpretations:

Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements). The key amendments include:
- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such do not need to be disclosed
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

On May 7, 2021, the IASB published "Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)" that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The Corporation has applied these amendments to transactions occurring on or after January 1, 2022, resulting in no impact on the net deferred tax for temporary differences related to leases and decommissioning obligations and retained earnings. The reconciliation of the Income taxes recognized in the consolidated statements of earnings (loss) presented in Note 11 – Income Taxes was amended to disclose separately the resulting deferred tax liabilities and assets.

Changes in presentation

Consolidated statements of earnings

On January 1, 2023, the Corporation amended the presentation of its consolidated statements of earnings to enhance relevance of the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

As a result, production tax credits ("PTCs"), previously recognized in other net (income) expenses, have been reclassified directly below revenues to better represent the nature of PTCs as income arising in the course of the Corporation's ordinary activities through electricity generation. The reclassification also goes alongside the Inflation Reduction Act ("IRA"), signed into law in August 2022 by the United States Government, extending the PTC program for wind facilities, and introducing a PTC program for solar facilities. For projects commencing construction after January 1, 2025, the IRA initiates the transition toward a technology-neutral tax credit system in the United States, allowing zero carbon emission facilities to receive tax credits similar to current PTCs and ITCs.

In addition, certain subtotals have been removed from the consolidated statements of earnings, which now includes an operating income subtotal.

The Corporation has also reclassified the Enterprise Resource Planning (“ERP”) implementation expenses, from other net expenses, to a separate account in the consolidated statement of earnings, to conform with the addition of the operating income subtotal.

The table below presents a summary of the reclassifications:

	Year ended December 31, 2022		
	Legacy presentation	Adjustment	Amended presentation
Revenues	870,494	—	870,494
Production tax credits	—	64,729	64,729
Revenues and production tax credits	N/A	N/A	935,223
Expenses			
Operating	207,768	—	207,768
General and administrative	53,071	—	53,071
Prospective projects	24,740	—	24,740
ERP implementation	—	2,357	2,357
Depreciation and amortization	336,053	—	336,053
Impairment of long-term assets	47,868	—	47,868
Operating income	N/A	N/A	263,366
Finance costs	317,842	—	317,842
Other net income	(68,919)	62,372	(6,547)
Share of losses of joint ventures and associates	(14,382)	—	(14,382)
Change in fair value of financial instruments	64,145	—	64,145
Loss before income tax	(97,692)	—	(97,692)
Income tax recovery	(6,577)	—	(6,577)
Net loss	(91,115)	—	(91,115)

Consolidated statements of cash flows

The Corporation corrected the presentation of the buyback of non-controlling interests in the comparative period amounting to ($64,382), from cash flows used in investing activities to cash flows from financing activities. As a result, cash flows from financing activities were reduced by $64,382 and cash flows used in investing activities were reduced by ($64,382), with a nil effect on the net change in cash and cash equivalents subtotal. This reclassification reflects that these transactions represent a change in ownership interest between equity holders, which shall be classified as financing activities.

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

New accounting standards and interpretations issued but not yet effective

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 October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1) (the 2022 amendments), to improve the information a company provides about long-term debt with covenants. The 2020 amendments and the 2022 amendments (collectively "the Amendments") are effective for annual periods beginning on or after January 1, 2024. Early adoption is permitted. The impact for the Corporation is being assessed by management.

3. USE OF 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. 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. The Corporation calculates fair values using appropriate valuation techniques, which are generally 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 is required to make judgments in assessing at the end of each reporting period whether there is any indication that an asset may be impaired. In making this assessment, the Corporation uses various indicators including, but not limited to, adverse changes in the industry or economic conditions, a lower-than-expected economic performance of the asset or a significant change in market returns or interest rates. When such an indication exists, or at least annually for goodwill, 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 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 Sault Ste.Marie

On March 9, 2023, Innergex acquired all of the ordinary shares of the 60MW Sault Ste. Marie solar portfolio in Ontario for a total cash consideration of $51,270.

The Sault Ste. Marie portfolio consists of the Sault Ste. Marie 1 solar facility (20 MW), the Sault Ste. Marie 2 solar facility (30 MW) and the Sault Ste. Marie 3 solar facility (10 MW). Revenues from these facilities are anchored by long term power purchase agreements with the Independent Electricity System Operator, maturing between 2030 and 2031.

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

	Acquisition Accounting
Cash and cash equivalents	3,460
Restricted cash	2,833
Accounts receivable	3,421
Prepaid and other	379
Property, plant and equipment	36,961
Intangible assets	160,691
Derivative financial instruments	10,242
Goodwill	30,021
Accounts payable and other payables	(992)
Long-term loans and borrowings (Note 21)	(164,262)
Other liabilities	(1,463)
Deferred tax liability	(30,021)
Net assets acquired	51,270

The acquisition gave rise to transaction costs of $3,053 which were expensed as incurred in other net expenses (income) in the consolidated statements of earnings (loss).

The acquisition 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 $31,055 and $5,933, respectively for the 298-day period ended December 31, 2023. Had the acquisition taken place on January 1, 2023, revenues and net earnings included in the consolidated statements of earnings (loss) for the period from January 1, 2023 to December 31, 2023 would have been $2,805 higher and $1,193 lower, respectively.

b) Purchase of Non-Controlling Interests

Pampa Elvira Solar SpA

On November 9, 2023, Innergex acquired the remaining 45.00% interests in its Pampa Elvira solar thermal facility in Chile for a total consideration of US$5,500 ($7,434).

Innergex Europe (2015) Limited Partnership

Innergex acquired on October 4, 2022 the remaining 30.45% interests in its Innergex Europe (2015) Limited Partnership subsidiary and its wind portfolio of 16 assets in France for a total consideration of $96,350. The acquisition also settles the outstanding Innergex Europe debentures and all previously accrued and unpaid interest thereon, with an aggregate carrying value of $101,272, resulting in a $4,922 gain recognized in other net income.

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

Mountain Air Alternatives LLC

Innergex acquired on December 14, 2022 all of the outstanding Class A shares, which are entitled to 37.75% of the cash distributions of its Mountain Air Alternatives LLC subsidiary and its wind portfolio of six assets in Idaho for a total consideration of US$47,525 ($64,382). The transaction was accounted for directly in equity, as a transaction with equity holders.

c) Acquisition of Aela

On June 9, 2022, the Corporation acquired Aela Generación S.A. and Aela Energía SpA (together "Aela"). The purchase price for Aela consisted of a cash consideration of US$324,348 ($408,160). Subsequently, during 2023, the Corporation updated its acquisition accounting for Aela. The adjustments made resulted in a US$6,377 ($8,025) increase in the net deferred tax liability recognized on acquisition, with a corresponding adjustment to goodwill.

5. BUSINESS DISPOSITIONS

Disposition of the Kokomo and Spartan solar facilities

On July 17, 2023, the Corporation disposed of its ownership interest in the Kokomo and Spartan solar facilities. No significant gain or loss on disposition was recognized pursuant to this transaction.

The following table presents the carrying amount of assets and liabilities disposed:

	July 17, 2023
Current assets	582
Non-current assets	27,278
	27,860
Current liabilities	1,085
Non-current liabilities	22,143
	23,228
Non-controlling interests	(119)
Net assets disposed	4,751

Cumulative gains of $1,133 and $948 in foreign currency translation differences and change in fair value of financial instruments designated as cash flow hedges, respectively, are included in accumulated other comprehensive income relating to the disposal group.

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

6. EXPENSES BY NATURE

Operating, general and administrative, prospective projects expenses and ERP implementation costs, as reported in the consolidated statements of earnings (loss), have been grouped by nature of expenses as follows:

	Year ended December 31	
	2023	2022
Operation and maintenance	120,681	125,994
Salaries and benefits[1]	77,296	54,360
Property taxes, other taxes and royalties	61,516	46,229
Insurance	28,190	18,423
Professional fees[2]	23,171	12,268
Other expenses	18,252	16,176
Prospective expenses	11,203	13,010
Administrative expenses	1,541	1,476
Total of Operating, General and Administrative, Prospective Projects and ERP Implementation	341,850	287,936

1. Includes $4,533 in salaries and benefits recognized as ERP implementation expenses ($775 in 2022).
2. Includes $8,118 in professional fees recognized as ERP implementation expenses ($1,582 in 2022).

7. FINANCE COSTS

	Year ended December 31	
	2023	2022
Interest expense on long-term corporate and project loans	261,014	216,945
Interest expense on tax equity financing	29,450	30,700
Interest expense on convertible debentures	13,611	13,637
Amortization of financing fees	12,796	15,255
Inflation on compensation interest	8,836	18,834
Interests on lease liabilities	9,194	7,612
Accretion of long-term loans and borrowings and other liabilities	8,822	7,482
Other	4,663	7,377
	348,386	317,842

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

8. OTHER NET EXPENSES (INCOME)

	Year ended December 31	
	2023	2022 (Note 2)
Interest revenues	(7,494)	(3,167)
Tax attributes allocated to tax equity investors	(1,776)	(2,453)
Change in fair value of contingent consideration (Note 22)	25,563	—
Acquisition and integration costs	3,297	15,561
Loss (gain) on foreign exchange	133	(13,848)
Gain on repayment of loans	—	(4,922)
Other expenses, net	7,308	2,282
	27,031	(6,547)

9. INVESTMENT IN JOINT VENTURE AND ASSOCIATES

a) 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, 2023	December 31, 2022
Toba Montrose	Own and operate two hydroelectric facilities	British Columbia	40 %	40 %
Dokie	Own and operate a wind facility	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 facility	Quebec	50 %	50 %
Innavik	Own and operate a hydroelectric facility	Quebec	50 %	50 %

1. The Corporation does not consolidate these entities as it does not control the decision making.

b) Commitments of joint ventures and associates

As at December 31, 2023, the Corporation's share of the expected 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	2,998	12,479	37,988	53,465

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

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

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

	Year ended December 31, 2023				
	Toba Montrose	Dokie	Jimmie Creek	Umbata Falls	Viger-Denonville
Revenues	70,028	42,398	24,585	7,663	9,925
Expenses					
Operating, general and administrative expenses	15,978	11,014	3,767	2,053	2,099
Depreciation and amortization	19,191	14,030	3,804	4,182	2,028
Operating income	34,859	17,354	17,014	1,428	5,798
Finance costs	21,880	5,487	9,159	2,124	2,490
Other net (income) expenses	(671)	(330)	29	(323)	(228)
Change in fair value of financial instruments	(5,473)	—	—	(472)	(406)
Net earnings	19,123	12,197	7,826	99	3,942
Other comprehensive loss	(8,228)	—	—	—	(827)
Total comprehensive income	10,895	12,197	7,826	99	3,115
Net earnings attributable to Innergex	7,649	3,110	3,992	48	1,972
Other comprehensive loss attributable to Innergex	(3,291)	—	—	—	(413)
Total	4,358	3,110	3,992	48	1,559

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

	Year ended December 31, 2022				
	Toba Montrose	Dokie	Jimmie Creek	Umbata Falls	Viger-Denonville
Revenues	67,565	40,491	24,940	9,355	11,764
Expenses					
Operating, general and administrative expenses	16,927	10,697	3,934	2,036	2,631
Depreciation and amortization	19,474	14,035	4,159	4,027	2,675
Operating Income	31,164	15,759	16,847	3,292	6,458
Finance costs	22,362	6,043	9,228	2,466	2,716
Other net income	(314)	(224)	(182)	(50)	(83)
Change in fair value of financial instruments	(33)	—	—	(3,199)	(600)
Net earnings	9,149	9,940	7,801	4,075	4,425
Other comprehensive income	20,544	—	—	—	2,931
Total comprehensive income	29,693	9,940	7,801	4,075	7,356
Net earnings attributable to Innergex	3,660	2,535	3,979	1,996	2,212
Other comprehensive income attributable to Innergex	8,218	—	—	—	1,465
Total	11,878	2,535	3,979	1,996	3,677

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

Summary Statements of Financial Position

	As at December 31, 2023					
	Toba Montrose	Dokie	Jimmie Creek	Umbata Falls	Viger-Denonville	Innavik
Current assets	35,757	22,979	6,966	1,474	3,394	8,702
Non-current assets	656,960	171,985	211,211	35,901	42,202	147,550
	692,717	194,964	218,177	37,375	45,596	156,252
Current liabilities	27,284	19,316	6,946	5,582	4,032	24,711
Non-current liabilities	481,286	94,918	161,642	20,789	33,025	138,637
Partner's equity interest (deficit)	184,147	80,730	49,589	11,004	8,539	(7,096)
	692,717	194,964	218,177	37,375	45,596	156,252

	As at December 31, 2022					
	Toba Montrose	Dokie	Jimmie Creek	Umbata Falls	Viger-Denonville	Innavik
Current assets	38,724	19,625	5,706	2,741	4,313	5,133
Non-current assets	673,101	186,017	214,853	39,855	45,590	148,536
	711,825	205,642	220,559	42,596	49,903	153,669
Current liabilities	20,159	11,772	6,000	4,960	4,543	34,034
Non-current liabilities	498,215	113,137	162,195	25,130	36,836	125,581
Partner's equity interest (deficit)	193,451	80,733	52,364	12,506	8,524	(5,946)
	711,825	205,642	220,559	42,596	49,903	153,669

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

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:

	Year ended December 31, 2023						
	Toba Montrose	Dokie	Jimmie Creek	Umbata Falls	Viger-Denonville	Others	Total
As at January 1, 2023	77,377	20,586	26,722	6,128	4,256	717	135,786
Increase in investment	—	—	—	—	—	58	58
Share of earnings	7,649	3,110	3,992	48	1,972	20	16,791
Share of other comprehensive loss	(3,291)	—	—	—	(413)	(1)	(3,705)
Foreign currency translation differences	—	—	—	—	—	9	9
Distributions received	(8,080)	(3,111)	(5,405)	(784)	(1,550)	—	(18,930)
As at December 31, 2023	73,655	20,585	25,309	5,392	4,265	803	130,009

	Year ended December 31, 2022						
	Toba Montrose	Dokie	Jimmie Creek	Umbata Falls	Viger-Denonville	Others	Total
As at January 1, 2022	73,499	22,246	30,393	5,015	1,879	366	133,398
Increase in investment	—	—	—	—	—	325	325
Share of earnings	3,660	2,535	3,979	1,996	2,212	—	14,382
Share of other comprehensive income	8,218	—	—	—	1,465	—	9,683
Foreign currency translation differences	—	—	—	—	—	26	26
Distributions received	(8,000)	(4,195)	(7,650)	(883)	(1,300)	—	(22,028)
As at December 31, 2022	77,377	20,586	26,722	6,128	4,256	717	135,786

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

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 :

Financial assets (liabilities)	Foreign exchange forwards (Level 2)	Interests hedging derivatives (Level 2)	Power hedges (Level 3)	Total
As at January 1, 2023	(3,555)	98,138	(69,333)	25,250
Business acquisitions (Note 4)	—	10,242	—	10,242
Business dispositions (Note 5)	—	(547)	—	(547)
Unrealized portion of change in fair value recognized in earnings (loss)[1]	(531)	8,720	1,460	9,649
Change in fair value recognized in other comprehensive income	(4,530)	(37,402)	(3,442)	(45,374)
Amortization of accumulated other comprehensive income recognized in revenue	—	—	3,442	3,442
Net foreign exchange differences	—	(49)	1,703	1,654
As at December 31, 2023	(8,616)	79,102	(66,170)	4,316

1. Refer to Note 10 b) – Derivative Financial Instruments 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 hedges (Level 3)	Currency translation of intragroup loans	Total
As at January 1, 2022	2,485	(78,482)	16,559	—	(59,438)
Business acquisitions	—	6,567	—	—	6,567
Unrealized portion of change in fair value recognized in earnings (loss)[1]	(2,556)	(57,082)	(82,072)	(149)	(141,859)
Change in fair value recognized in other comprehensive income	(3,484)	223,862	(3,351)	—	217,027
Amortization of accumulated other comprehensive income recognized in revenue	—	—	3,351	—	3,351
Net foreign exchange differences	—	3,273	(3,820)	149	(398)
As at December 31, 2022	(3,555)	98,138	(69,333)	—	25,250

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

	Year ended December 31	
	2023	2022
Unrealized portion of change in fair value of financial instruments	(9,649)	141,859
Realized portion of change in fair value of financial instruments:		
Realized gain on the foreign exchange forwards	—	(43,458)
Realized loss on power hedges	24,632	37,479
Realized gain on the interest rate swaps	(1,307)	(71,735)
Change in fair value of financial instruments	13,676	64,145

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

11. 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, 2023	December 31, 2022
Loss before income tax	(152,727)	(97,692)
Canadian statutory income tax rate	26.6 %	26.6 %
Income tax expense calculated at the statutory rate	(40,625)	(25,986)
Items affecting the statutory rate:		
Non-taxable income	(14,607)	(23,528)
Amounts attributable to Tax Equity Investors	13,598	12,215
Change in deferred tax assets not recognized	(20,351)	22,344
Income taxable at a different rate than the Canadian statutory rate	5,932	5,772
Decrease in deferred income tax rates	(1,930)	(818)
Increase in taxable temporary differences in relation to investments in subsidiaries and in joint ventures	1,143	2,248
Tax on dividends on preferred shares	157	170
Adjustments recognized in the current year in relation to the current tax of prior years	(20)	(775)
Adjustments recognized in the current year in relation to the deferred tax of prior years	12,148	(5,095)
Income tax on loss (earnings) allocated to non-controlling interests on non-taxable entities	3,074	5,131
Others	(5,432)	1,745
Provision for income taxes recognized in the current year	(46,913)	(6,577)
Current income taxes	8,161	483
Deferred income taxes	(55,074)	(7,060)

The tax rate used for 2023 and 2022 reconciliations above is the average combined corporate tax rate payable by corporate entities in Canada on taxable profits under federal and provincial tax laws.

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

b) Deferred income tax balances

The following is the analysis of deferred income tax assets (liabilities) presented in the consolidated statements of financial position:

	As at January 1, 2023	Recognized in statement of earnings	Recognized in other comprehensive loss	Acquired in business acquisition	Recognized in business dispositions	Recognized directly in equity	Net exchange differences	As at December 31, 2023
Deferred income tax assets (liabilities) in relation to:								
Assets held for sale	3,062	(3,050)	—	—	—	—	(12)	—
Property, plant and equipment	(627,305)	(27,794)	—	7,288	7,132	—	6,152	(634,527)
Intangible assets	(220,902)	18,670	—	(42,811)	—	—	1,758	(243,285)
Project development costs	38,090	4,437	—	—	—	—	(214)	42,313
Investments in subsidiaries and in joint ventures and associates	(67,239)	3,996	(63)	—	—	—	424	(62,882)
Derivative financial instruments	29,622	(5,142)	10,231	(2,725)	123	—	(437)	31,672
Long-term loans and borrowings	(20,133)	(1,455)	—	—	(111)	—	606	(21,093)
Capitalized investment tax credits	28,891	(1,876)	—	—	(967)	—	(623)	25,425
Convertible debentures	1,613	517	—	—	—	—	—	2,130
Other liabilities	77,999	17,226	—	—	—	—	(1,272)	93,953
Financing fees	(15,317)	4,774	—	202	—	—	91	(10,250)
Share-based payment	804	36	—	—	—	—	—	840
Disallowed interest carried forward	5,021	(4,274)	—	—	—	—	(34)	713
Others	28	(2,757)	—	—	—	—	52	(2,677)
	(765,766)	3,308	10,168	(38,046)	6,177	—	6,491	(777,668)
Tax losses carried forward	297,120	51,766			—	(6,684)	(5,296)	336,906
	(468,646)	55,074	10,168	(38,046)	6,177	(6,684)	1,195	(440,762)

As at December 31, 2023, the Corporation, its subsidiaries and joint ventures and associates have non-capital losses totalling approximately $1,329 that may be applied against future taxable income. The non-capital losses in Canada and losses incurred before 2018 in the United-States expire gradually between 2024 and 2043. The non-capital losses in France are subject to restrictions over time but have no expiration date.The non-capital losses in Chile and losses incurred after 2017 in United States 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 renewable energy projects currently in operation.

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

	As at January 1, 2022 (Note 2)	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, 2022
Deferred income tax assets (liabilities) in relation to:							
Assets held for sale	—	2,947	—	—	—	115	3,062
Property, plant and equipment	(505,123)	(62,441)	—	(40,597)	2,550	(21,693)	(627,304)
Intangible assets	(151,198)	333	—	(77,758)	14,567	(6,846)	(220,902)
Project development costs	30,669	6,861	—	—	—	560	38,090
Investments in subsidiaries and in joint ventures and associates	(68,080)	4,865	(2,608)	—	—	(1,416)	(67,239)
Derivative financial instruments	45,771	39,706	(53,990)	(1,773)	—	(92)	29,622
Long-term loans and borrowings	82	8,936	—	(27,386)	—	(1,765)	(20,133)
Capitalized investment tax credits	23,658	3,327	—	—	—	1,906	28,891
Convertible debentures	(70)	1,683	—	—	—	—	1,613
Other liabilities	56,479	1,099	—	17,386	—	3,034	77,998
Financing fees	(4,837)	(10,011)	—	(2,280)	1,972	(161)	(15,317)
Share-based payment	1,790	(986)	—	—	—	—	804
Disallowed interest carried forward	3,073	1,680	—	—	—	268	5,021
Others	(2,232)	2,257	—	—	—	3	28
	(570,018)	256	(56,598)	(132,408)	19,089	(26,087)	(765,766)
Tax losses carried forward	219,287	6,804	—	59,309	—	11,720	297,120
	(350,731)	7,060	(56,598)	(73,099)	19,089	(14,367)	(468,646)

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

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

	December 31, 2023	December 31, 2022
Non-capital tax losses	379,339	318,780
Capital tax losses	72,833	70,562
Disallowed interests	72,187	—
Property, Plant and Equipment	69,468	—
Tax credits	13,342	25,044
Derivative financial instruments	10,069	—
Transaction costs	477	477
	617,715	414,863

The unrecognized tax losses will expire gradually between 2026 and 2040. The unrecognized tax credits will expire gradually between 2035 and 2042.

12. EARNINGS (LOSS) PER SHARE

	Year ended December 31	
Basic	2023	2022
Net loss attributable to owners of the parent	(98,451)	(81,619)
Dividends declared on preferred shares	(5,632)	(5,632)
Net loss attributable to common shareholders	(104,083)	(87,251)
Weighted average number of common shares	203,565,046	201,835,956
Basic net loss per share ($)	(0.51)	(0.43)

	Year ended December 31	
Diluted	2023	2022
Net loss attributable to common shareholders	(104,083)	(87,251)
Diluted weighted average number of common shares	203,565,046	201,835,956
Diluted net loss per share ($)	(0.51)	(0.43)

	Year ended December 31	
Instruments that are excluded from the dilutive elements	2023	2022
Stock options	289,111	284,769
Shares held in trust related to the Performance Share Plan	713,732	592,257
Convertible debentures	13,604,473	13,604,473
	14,607,316	14,481,499

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

13. RESTRICTED CASH

As at	December 31, 2023	December 31, 2022
Restricted proceeds account	26,935	33,556
Restricted cash accounts	5,653	11,677
Debt service payment accounts	7,511	9,437
	40,099	54,670

As required under several projects' credit agreements, the Corporation maintains restricted cash accounts and restricted proceeds accounts. The unused portion of loan 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 required under certain financing agreements.

14. ACCOUNTS RECEIVABLES

As at	December 31, 2023	December 31, 2022
Trade	149,480	124,349
Commodity taxes	26,046	19,012
Advances to related parties	12,684	6,240
Dividends receivable on Innavik preferred shares	12,094	7,875
Income taxes receivable	5,454	5,191
Other	26,936	16,632
	232,694	179,299

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

15. PROPERTY, PLANT AND EQUIPEMENT

	Lands	Hydroelectric facilities	Wind farm facilities	Solar facilities	Storage facilities	Facilities under construction	Other	Total
Cost								
As at January 1, 2023	301,094	2,634,926	3,511,736	875,437	—	190,665	59,823	7,573,681
Additions[1,2]	21,855	9,377	20,309	2,547	7,009	654,775	14,887	730,759
Investment tax credits[3]	—	—	—	—	—	9,201	—	9,201
Business acquisitions (Note 4)	8,200	—	—	28,674	—	—	87	36,961
Transfer of assets upon commissioning	—	—	—	—	93,042	(93,042)	—	—
Business dispositions (Note 5)	(1,322)	—	—	(29,050)	—	—	(1,439)	(31,811)
Reclassification	—	—	—	(3,562)	7,689	—	(4,127)	—
Dispositions	—	(3,270)	(5,812)	(556)	—	(1,746)	(429)	(11,813)
Other changes[4]	2,907	—	12,648	(520)	—	—	(837)	14,198
Net foreign exchange differences	(5,305)	(12,876)	(28,210)	(15,570)	(2,468)	(17,594)	(122)	(82,145)
As at December 31, 2023	327,429	2,628,157	3,510,671	857,400	105,272	742,259	67,843	8,239,031
Accumulated depreciation								
As at January 1, 2023	(24,888)	(445,804)	(683,784)	(152,782)	—	(25,226)	(28,826)	(1,361,310)
Depreciation[5]	(9,444)	(53,560)	(118,120)	(25,390)	(525)	—	(7,853)	(214,892)
Business dispositions (Note 5)	162	—	—	5,367	—	—	442	5,971
Reclassification	—	—	—	—	(214)	—	214	—
Dispositions	—	968	1,385	120	—	—	426	2,899
Impairment	—	—	—	(25,362)		(93,495)	—	(118,857)
Net foreign exchange differences	394	890	922	2,408	10	3,293	55	7,972
As at December 31, 2023	(33,776)	(497,506)	(799,597)	(195,639)	(729)	(115,428)	(35,542)	(1,678,217)
Carrying amounts as at December 31, 2023	293,653	2,130,651	2,711,074	661,761	104,543	626,831	32,301	6,560,814

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 used for a specific property, plant and equipment. Additions in the current period include $26,612 of capitalized financing costs incurred prior to commissioning.
2. Additions in lands include initial measurement of right-of-use assets of $21,855.
3. Represents the reversal of accrued investment tax credits recoverable related to the construction of the Hale Kuawehi solar project, following the revision of estimated cash flows and taxable income from the project, which no longer support the recognition of tax credits.
4. Includes remeasurements of right-of-use assets and asset retirement obligations of $2,070 and $12,128, respectively.
5. An amount of $664 of the depreciation expense for the land leases is capitalized as a construction cost in facilities under construction.

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

	Lands	Hydroelectric facilities	Wind farm facilities	Solar facilities	Facilities under construction	Other	Total
Cost							
As at January 1, 2022	185,100	2,594,780	2,891,964	819,621	72,877	45,064	6,609,406
Additions	12,373	5,243	3,520	2,450	142,089	5,601	171,276
Investment tax credits	—	—	—	—	(8,535)	—	(8,535)
Business acquisitions	48,170	—	572,275	22,184	—	13	642,642
Transfer of assets upon commissioning	—	—	—	—	(6,840)	6,840	—
Transfer from project development costs	—	—	—	—	40,660	—	40,660
Reclassification	—	—	(1,274)	—	(59)	1,333	—
Assets classified as held for sale	—	—	—	—	(59,899)	—	(59,899)
Dispositions	—	(322)	(7,325)	—	—	(390)	(8,037)
Other changes	41,977	293	(52,768)	(15,690)	—	(21)	(26,209)
Net foreign exchange differences	13,474	34,932	105,344	46,872	10,372	1,383	212,377
As at December 31, 2022	301,094	2,634,926	3,511,736	875,437	190,665	59,823	7,573,681
Accumulated depreciation							
As at January 1, 2022	(16,801)	(391,093)	(549,980)	(115,531)	—	(22,609)	(1,096,014)
Depreciation	(7,222)	(53,478)	(128,889)	(32,221)	—	(6,385)	(228,195)
Dispositions	—	37	1,438	—	—	367	1,842
Impairment	—	—	—	—	(25,226)	—	(25,226)
Net foreign exchange differences	(865)	(1,270)	(6,353)	(5,030)	—	(199)	(13,717)
As at December 31, 2022	(24,888)	(445,804)	(683,784)	(152,782)	(25,226)	(28,826)	(1,361,310)
Carrying amounts as at December 31, 2022	276,206	2,189,122	2,827,952	722,655	165,439	30,997	6,212,371

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

Disposition of Safe Harbor Solar Modules

The safe harbor solar modules, classified as held for sale in 2022, were sold during the first quarter of 2023 for cash proceeds of US$43,722 ($59,426), net of selling costs. The decision to sell these modules follows the enactment of the Inflation Reduction Act ("IRA") supporting renewable energy projects, allowing Innergex to secure tax incentives for its development project portfolio without the use of the safe harbor modules previously secured under the former tax incentive program.

Impairment of Hale Kuawehi

During the year ended December 31, 2023, as a result of uncertainties regarding the timing and costs to complete the construction and the profitability of the Hale Kuawehi construction project (located in Hawaii), an impairment test was performed. Management estimated the recoverable amount of the project, based on its value in use, and determined, using a pre-tax discount rate of 10.0%, an impairment charge of US$68,200 ($93,495).

Impairment of Hillcrest

As at December 31, 2023, the carrying value of the Hillcrest solar facility, located in Ohio, exceeded its estimated recoverable amount resulting in an impairment charge of US$18,500 ($25,362), reflecting an outlook of lower than expected capacity revenues.

Management estimated the recoverable amount of the project, based on its value in use, which was calculated based on projected future cash flows, utilizing the latest information available and Management's estimates, including: energy production, revenues from production and capacity, operating costs, general and administrative costs and energy price forecasts. These projected cash flows were discounted using a pre-tax discount rate of 6.11%.

Right-of-use assets

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

	Land	Other	Total
Cost			
As at January 1, 2023	272,658	11,449	284,107
Additions	21,855	2,558	24,413
Business dispositions (Note 5)	(1,322)	—	(1,322)
Dispositions	—	(358)	(358)
Other changes	2,907	(837)	2,070
Net foreign exchange differences	(4,531)	(71)	(4,602)
As at December 31, 2023	291,567	12,741	304,308
Accumulated depreciation			
As at January 1, 2023	(24,887)	(4,952)	(29,839)
Depreciation	(9,444)	(1,552)	(10,996)
Business dispositions (Note 5)	162	—	162
Dispositions	—	358	358
Net foreign exchange differences	394	37	431
As at December 31, 2023	(33,775)	(6,109)	(39,884)
Carrying amounts as at December 31, 2023	257,792	6,632	264,424

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

	Land	Other	Total
Cost			
As at January 1, 2022	159,139	11,265	170,404
Additions	11,453	—	11,453
Business acquisition	48,170	—	48,170
Other changes	41,977	—	41,977
Net foreign exchange differences	11,919	184	12,103
As at December 31, 2022	272,658	11,449	284,107
Accumulated depreciation			
As at January 1, 2022	(16,800)	(3,367)	(20,167)
Depreciation	(7,222)	(1,508)	(8,730)
Net foreign exchange differences	(865)	(77)	(942)
As at December 31, 2022	(24,887)	(4,952)	(29,839)
Carrying amounts as at December 31, 2022	247,771	6,497	254,268

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

16. INTANGIBLES ASSETS

	Hydroelectric facilities	Wind farm facilities	Solar facilities	Total
Cost				
As at January 1, 2023	781,120	972,697	29,663	1,783,480
Additions	2,113	—	—	2,113
Business acquisitions (Note 4)	—	—	160,691	160,691
Business dispositions (Note 5)	—	—	(1,317)	(1,317)
Reclassification	(1,694)	—		(1,694)
Other changes[1]	3,582	—	—	3,582
Net foreign exchange	(5,462)	(11,261)	(444)	(17,167)
As at December 31, 2023	779,659	961,436	188,593	1,929,688
Accumulated amortization				
As at January 1, 2023	(284,504)	(222,581)	(7,435)	(514,520)
Amortization	(59,315)	(69,365)	(18,384)	(147,064)
Business dispositions (Note 5)	—	—	63	63
Reclassification	1,694	—	—	1,694
Net foreign exchange	2,191	885	122	3,198
As at December 31, 2023	(339,934)	(291,061)	(25,634)	(656,629)
Carrying amounts as at December 31, 2023	439,725	670,375	162,959	1,273,059

1. Includes remeasurements of the future ownership rights of $3,582.

	Hydroelectric facilities	Wind farm facilities	Solar facilities	Total
Cost				
As at January 1, 2022	780,422	648,591	14,986	1,443,999
Additions	2,380	128	—	2,508
Business acquisitions	—	283,778	13,426	297,204
Other changes	(16,659)	—	—	(16,659)
Net foreign exchange	14,977	40,200	1,251	56,428
As at December 31, 2022	781,120	972,697	29,663	1,783,480
Accumulated amortization				
As at January 1, 2022	(224,244)	(167,961)	(7,800)	(400,005)
Amortization	(57,450)	(51,340)	705	(108,085)
Net foreign exchange	(2,810)	(3,280)	(340)	(6,430)
As at December 31, 2022	(284,504)	(222,581)	(7,435)	(514,520)
Carrying amounts as at December 31, 2022	496,616	750,116	22,228	1,268,960

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

17. PROJECT DEVELOPMENT COSTS

As at	December 31, 2023	December 31, 2022
Beginning of year	41,151	70,829
Additions	7,267	30,178
Transfer to property, plant and equipment	—	(40,660)
Dispositions	(13,632)	—
Impairment of project development costs	—	(22,642)
Net foreign exchange	(531)	3,446
End of year	34,255	41,151

Termination of certain BESS supply agreements in Hawaii

On April 1, 2023, the battery energy storage systems ("BESS") supply agreements for the Paeahu, Kahana and Barbers Point Hawaiian solar energy and battery storage projects were terminated, while remaining in effect for the Hale Kuawehi project. As part of the settlement, Innergex received payments totalling US$13,272 ($18,159) in the second quarter of 2023. No significant gain or loss was recognized pursuant to this transaction.

Sale of the Kahana solar energy and battery storage project

On April 19, 2023, Innergex has disposed of the Kahana solar energy and battery storage project for a nominal amount. No significant gain or loss was recognized pursuant to this transaction.

18. GOODWILL

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

	Hydroelectric facilities	Wind farm facilities	Solar facilities	Total
As at January 1, 2023	20,291	119,385	—	139,676
Business acquisition (Note 4)	—	8,025	30,021	38,046
Net foreign exchange	—	(1,114)	—	(1,114)
As at December 31, 2023	20,291	126,296	30,021	176,608

	Hydroelectric facilities	Wind farm facilities	Total
As at January 1, 2022	20,291	40,567	60,858
Business acquisition	—	73,070	73,070
Net foreign exchange	—	5,748	5,748
As at December 31, 2022	20,291	119,385	139,676

On December 31, 2023, 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 until the end of the estimated life of the site, and discount rates of 4.03% to 10.00% (4.20% to 8.50% in 2022).

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

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, and risks relating to the facility itself.
- The expected selling price of electricity once the power purchase agreements are renewed or on the spot market.
- 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, 2023	December 31, 2022
Hydrology/ wind power reserve[1]	33,572	46,434
Major maintenance reserve[1]	1,759	7,333
Security deposits	7,986	7,322
Investments in preferred shares of equity-accounted investees	21,859	15,797
Other	30,250	39,149
	95,426	116,035

1. The availability in the reserve accounts is restricted by credit agreements.

Other long-term assets include security deposits under various agreements, and prepaid royalty fees, reserves, long-term receivables and long-term investments that are not investments in joint ventures and associates.

The Corporation holds two types of reserve accounts designed to help ensure its financial stability. The first is the hydrology/wind power 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, which also includes dismantlement reserve aiming to have sufficient funding available for the decommissioning of wind farms at the end of the projects. 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.

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.

20. ACCOUNTS PAYABLES AND OTHER PAYABLES

As at	December 31, 2023	December 31, 2022
Trade and other payables	149,148	139,900
Dividends payable to shareholders	38,186	38,152
Interest payable	32,978	28,395
Construction holdbacks	29,637	21,758
Salaries and benefits	15,866	10,304
Commodity taxes	9,458	8,269
Income taxes payable	5,109	1,881
	280,382	248,659

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

21. LONG-TERM LOANS AND BORROWINGS

	Currency	Interest rates[1]	Maturity	December 31, 2023	December 31, 2022
Corporate indebtedness (a)					
Revolving term credit facility	CAD	4.80 %	2027	473,725	718,232
Subordinated unsecured term loan	CAD	6.40 %	2025	150,000	150,000
Alterra loans	CAD	5.05 %	2028-2031	175,000	155,000
				798,725	1,023,232
Convertible debentures					
4.65% Convertible Debentures[4]	CAD	4.65 %	2026	139,078	138,028
4.75% Convertible Debentures[5]	CAD	4.75 %	2025	146,027	144,650
				285,105	282,678
Tax equity financing[2,3]					
Wind segment					
Foard City	USD	7.50 %	2029[6]	206,284	238,734
Griffin Trail	USD	6.80 %	2031[6]	141,695	160,349
Solar Segment					
Hillcrest	USD	5.15 %	2028[6]	19,515	23,274
Phoebe	USD	7.14 %	2026[6]	15,606	19,940
Others	USD	8.00 %	2023	—	850
				383,100	443,147
Project-level indebtedness					
Chile green bonds (b)	USD	6.28 %	2036	939,046	887,572
Hydroelectric segment					
Upper Lillooet	CAD	4.37 %	2042-2056	482,748	487,307
Harrison Operating Facilities	CAD	4.99 %	2049	447,184	450,279
Big Silver Creek	CAD	4.71 %	2041-2056	192,988	193,501
Hydro Finance (c)	CAD	6.12 %	2038-2043	179,915	—
Kwoiek Creek	CAD	5.19 %	2052-2054	159,416	161,501
Tretheway Creek	CAD	4.99 %	2055	91,500	91,957
Northwest Stave River	CAD	5.30 %	2053	70,533	71,065
Ashlu Creek	CAD	6.60 %	2025	69,525	73,414
Sainte-Marguerite	CAD	7.93 %	2025-2064	48,253	51,760
Magpie	CAD	7.23 %	2025-2031	33,636	36,767
Fitzsimmons Creek	CAD	4.95 %	2026	17,194	17,805
Rutherford Creek	CAD	6.88 %	2023	—	8,714
Guayacán	USD	6.85 %	2032	10,985	11,875
Others	USD	7.17 %	2025	4,894	5,345
Wind segment					
Innergex Cartier Energie	CAD	4.46 %	2032	356,817	402,965
Mesgi'g Ugju's'n	CAD	4.14 %	2026-2036	196,333	209,929
Yonne and Yonne II	EURO	1.35 %	2031-2039	81,804	88,229
Innergex France (d)	EURO	5.67 %	2033	81,079	—
Rougemont 2	EURO	3.15 %	2035	60,180	64,556
Vaite	EURO	3.02 %	2035	53,669	57,939
Rougemont 1	EURO	3.12 %	2035	52,521	56,420
Plan Fleury	EURO	1.65 %	2032-2034	33,450	36,869
Les Renardières	EURO	1.70 %	2032-2034	29,371	32,431
Beaumont	EURO	2.59 %	2027-2031	18,331	20,943
Montjean	EURO	1.32 %	2026-2031	13,940	15,812
Theil Rabier	EURO	1.32 %	2026-2031	13,940	15,812

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

(continued)	Currency	Interest rates	Maturity	December 31, 2023	December 31, 2022
Others	EURO	3.33 %	2024-2030	39,105	46,645
Boswell (e)	USD	6.51 %	2034	497,599	—
Mountain Air	USD	5.47 %	2029-2032	139,687	153,282
Foard City	USD	3.91 %	2026	14,323	18,165
Solar segment					
Sault Ste. Marie (f)	CAD	3.62 %	2026	146,301	—
Stardale	CAD	5.38 %	2032	70,471	72,934
Phoebe	USD	5.06 %	2026	128,764	136,591
Hillcrest	USD	2.66 %	2028	81,827	89,363
San Andrés (g)	USD	7.38 %	2025	32,140	—
Hale Kuawehi	USD	5.81 %	2023	—	4,897
Others	USD	5.67 %	2023	—	15,812
				4,889,469	4,088,456
Total long-term loans and borrowings				6,356,399	5,837,513
Deferred financing costs				(75,252)	(78,303)
				6,281,147	5,759,210
Current portion of long-term loans and borrowings				(248,878)	(374,397)
Long-term loans and borrowings				6,032,269	5,384,813

1. The interest rates include the effects of the hedging instruments. As at December 31, 2023, excluding the construction financing of the Boswell Springs wind project, which is subject to a forward-starting interest rate swap, approximately 96.7% of the Corporation's total long-term loans and borrowings was either fixed or hedged. Refer to Note 28 a) *(i)* - Interest rate risk.
2. The interest rates reflect the internal rate of return required by the respective tax equity investors.
3. The maturity date of these obligations are driven by the dates on which the tax equity investor reaches the agreed upon target rate of return.
4. 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.
5. 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.
6. Represents the expected Flip Point date as estimated at the date of final funding from the tax equity investor. Actual Flip Point may differ, subject to the facilities' respective operating performance.

The carrying amount of assets pledged to secure the loans totalled $6,087,083 ($5,792,466 in 2022).

Letters of credit under revolving term credit facility and project loans amount to $439,019 ($302,059 in 2022). Moreover, the Corporation has access to a letter of credit facility guaranteed by Export Development Canada ("EDC"). On April 12, 2023, the Corporation increased by $50,000 its existing letter of credit facility, up to an amount of $200,000. As of December 31, 2023, letters of credit have been issued for an amount of $178,722.

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, 2023, the Corporation and its subsidiaries have met all material financial and non-financial conditions related to their credit agreements.

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

a) Corporate Indebtedness

Revolving term credit facility

The Corporation has access to a revolving term credit facility maturing in 2027. The available facility amount is $950,000. 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, SOFR or EURIBOR plus a spread which depends on interest coverage ratio and leverage ratio. As of December 31, 2023, an amount of $6,059 has been used to issue letters of credit.

On March 14, 2023, the Corporation concluded two interest rate swaps to hedge a $100,000 portion of the credit facility notional that is subject to variable interest rates.

Subordinated Unsecured Term Loan

On February 1, 2023, Innergex completed the refinancing of the subordinated unsecured term loan with a non-revolving term credit facility of $75,000 bearing interest at a fixed rate of 6.25% and maturing on February 1, 2025, and a non-revolving term credit facility of $75,000 bearing interest at a variable rate, based on the bankers' acceptance rates plus a spread of 1.85% which depends on a leverage ratio, maturing on February 1, 2025. Concurrently, the Corporation concluded an interest rate swap to hedge a $50,000 portion of the credit facility notional that is subject to variable interest rates.

Alterra Loans

On March 30, 2023, the Corporation has drawn the remaining $20,000 availability on the Alterra loans' delayed-draw facility.

b) Chile Green Bonds

On March 10, 2023, the Corporation has drawn the remaining funds available from the Green Bonds, aggregating to US$54,675 ($73,538), to complete the construction of the Salvador battery energy Storage System project in Chile.

c) Hydro Finance

On November 14, 2023, the Corporation closed a $185,459 non-recourse project financing, including a $179,915 term loan facility bearing an effective interest rate of 6.12%, and a $5,544 reserve facility, to finance a portfolio of unlevered Canadian hydroelectric facilities in operations comprising the Gilles-Lefrançois, Miller Creek and Rutherford Creek facilities. The term loan facility comprises a $59,400 tranche set to mature in 2038, and a $120,500 tranche set to mature in 2043, corresponding to the remaining duration of the facilities' power purchase agreements.

d) Innergex France

On October 26, 2023, concurrently with the completion of the non-controlling investment in Innergex's portfolio in France, a 30 % portion of the shareholders loan, previously due to Innergex and eliminated upon consolidation, for a total amount of €55,435 ($80,064) and €2,559 ($3,696) in accrued interests recognized in accounts payables and other payables, was issued to Crédit Agricole Assurances. The shareholders loan bears interest at 5.67% and matures on June 30, 2033. A total of €55,435 ($81,079) was outstanding under long-term loans and borrowings as at December 31, 2023.

As at December 31, 2023, an equivalent shareholders loan, bearing interest at 5.67% and maturing on June 30, 2033, aggregating to €129,348 ($189,184), was payable to Innergex and eliminated upon consolidation.

e) Boswell Springs financing

On July 14, 2023, the Corporation closed the construction financing of the Boswell Springs wind project totalling US$533,631 ($703,753) bearing interest at 1-month SOFR + 1% maturing in 2025, which consists of a construction loan of US$207,002 ($272,995) and a tax equity bridge loan of US$326,629 ($430,758), and a US$49,200 ($64,885) letter of credit facility bearing interest at 1.31 %. The construction loan will be repaid by a US$203,268 ($268,070) 10-year non-recourse loan bearing interest at SOFR 180 days + 1.375% and it is expected that the tax equity bridge loan will be repaid with the proceeds from the tax equity financing.

The Corporation concluded three forward-start interest rate swaps, which will become effective upon term conversion of the construction bridge loan into a 10-year non-recourse loan, on or about December 2024, for an aggregate hedged notional of US$152,490 ($206,166) at a fixed rate of 3.268%.

f) Acquisition of Sault Ste.Marie

As part of the acquisition of Sault Ste. Marie on March 9, 2023, the Corporation assumed the related term loans. The outstanding principal on acquisition was $164,262. The term loans bear interest at 3-months CDOR + 1.25%, are payable quarterly and $139,680 of the principal is hedged at a fixed interest rate of 1.80%. The term loans mature in April 2026.

g) Financing of the San Andrés Battery Energy Storage project

On April 21, 2023, the Corporation closed a US$49,500 ($66,672) 2-year non-recourse construction bridge loan for the San Andrés BESS project, carrying an interest rate of 1-month SOFR + 2%.).

22. OTHER LIABILITIES

	Contingent considerations	Asset retirement obligations	Interest payable on SM S.E.C. debenture	Future ownership rights	Deferred income	Lease liabilities	Total
As at January 1, 2023	11,233	118,701	36,249	19,700	17,903	265,827	469,613
Business acquisitions (Note 4)	—	1,463	—	—	—	—	1,463
Business dispositions (Note 5)	—	—	—	—	—	(1,290)	(1,290)
New obligations	—	5,462	—	—	4,270	24,413	34,145
Interest expense included in finance costs	—	—	5,384	—	—	—	5,384
Accretion expense included in finance costs	16	6,942	—	1,118	—	—	8,076
Remeasurement	25,563	12,128	—	3,582	—	2,070	43,343
Payments	(1,622)	—	—	—	—	(5,513)	(7,135)
Impact of foreign exchange fluctuations	(1,113)	(1,017)	—	—	—	(4,512)	(6,642)
As at December 31, 2023	34,077	143,679	41,633	24,400	22,173	280,995	546,957
Current portion of other liabilities	(257)	—	—	—	—	(6,150)	(6,407)
Long-term portion of other liabilities	33,820	143,679	41,633	24,400	22,173	274,845	540,550

	Contingent considerations	Asset retirement obligations	Interest payable on SM S.E.C. debenture	Future ownership rights	Deferred income	Lease liabilities	Total
As at January 1, 2022	11,049	165,808	31,210	35,117	18,702	157,109	418,995
Business acquisitions	—	11,914	—	—	—	47,108	59,022
New obligations	—	—	—	—	—	11,453	11,453
Interest expense included in finance costs	—	—	5,039	—	—	—	5,039
Accretion expense included in finance costs	27	5,748	—	1,242	—	—	7,017
Remeasurement	—	(66,594)	—	(16,659)	—	41,977	(41,276)
Amortization	—	—	—	—	(799)	—	(799)
Payments	(520)	—	—	—	—	(3,515)	(4,035)
Impact of foreign exchange fluctuations	677	1,825	—	—	—	11,695	14,197
As at December 31, 2022	11,233	118,701	36,249	19,700	17,903	265,827	469,613
Current portion of other liabilities	(256)	—	—	—	—	(5,494)	(5,750)
Long-term portion of other liabilities	10,977	118,701	36,249	19,700	17,903	260,333	463,863

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

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 30 and 35 years, respectively, after the signing date.

The cash flows were discounted at rates between 3.52% and 7.17% as at December 31, 2023 (4.42% to 7.90% in 2022) to determine the obligations.

b) Interest payable on the Sainte-Marguerite 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, 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.

e) Mesgi'g Ugju's'n letter of credit

During 2021, the Corporation availed itself of the full amount under a $19,642 letter of credit to cover certain unfulfilled performance obligations following the bankruptcy of the service provider under the turbine supply agreement at Mesgi'g' Ugju's'n. The proceeds are subject to restrictions under the Mesgi'g Ugju's'n credit agreement and as such, have been recognized as other long-term assets and the associated obligation as other non-current liabilities. The proceeds are to be used in the future to remediate the unfulfilled performance obligations under the turbine supply agreement.

f) Contingent considerations

On July 9, 2021, Innergex acquired the remaining 50% interest in Energía Llaima SpA (“Energía Llaima”). The purchase price included a contingent consideration evaluated at US$3,650 ($4,827), calculated on the fair value of the lands owned by Inversiones La Frontera Sur SpA and Inversiones San Carlos SpA at the date of acquisition. The contingent consideration is to be paid within five to six years following the closing of the acquisition.

On October 25, 2021, Innergex and HQI US Holding LLC, a subsidiary of Hydro-Québec, acquired the Curtis Palmer hydroelectric portfolio located in Corinth, New York. The purchase price included a contingent consideration provision, based on the evolution of the New York Independent System Operator ("NYISO") market pricing during calendar years 2023 and 2024, limited to US$30,000. On December 31, 2023, the provision for contingent consideration was remeasured at US$21,816 ($28,854).

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, 2023	December 31, 2022
Number of common shares	204,321,381	204,132,833
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, 2023	December 31, 2022
Issued and fully paid		
Beginning of the year	204,132,833	192,493,999
Issued through dividend reinvestment plan	188,548	73,865
Issued on public offering	—	9,718,650
Issued following the Strategic Alliance with Hydro-Québec	—	2,100,000
Buybacks	—	(253,681)
End of year	204,321,381	204,132,833
Held in trust under the Performance Share Plan		
Beginning of the year	(592,257)	(541,261)
Purchased	(185,410)	(178,597)
Distributed	63,935	127,601
End of year	(713,732)	(592,257)
Common shares outstanding at end of the year	203,607,649	203,540,576

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 9, 2023. This resulted in a decrease of the shareholders' capital account of $1,103 and an equivalent increase of the contributed surplus from reduction of capital on common shares account.

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.

(in thousands of Canadian dollars, except as noted and amounts 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, 2023		December 31, 2022	
	Number of options	Weighted average exercise price ($)	Number of options	Weighted average exercise price ($)
Outstanding - beginning of year	284,769	16.75	265,570	16.83
Granted during the year	60,873	15.08	51,352	17.50
Cancelled during the year	(56,531)	14.65	(32,153)	18.59
Outstanding - end of year	289,111	16.81	284,769	16.75
Options exercisable - end of year	173,015	16.49	186,088	15.55

The following options were outstanding as at December 31, 2023:

Year of granting	Number of options outstanding	Exercise price ($)	Number of options exercisable	Year of maturity
2017	54,411	14.52	54,411	2024
2019	63,878	14.41	63,878	2026
2020	41,374	20.52	31,031	2027
2021	26,201	24.49	13,101	2028
2022	42,374	17.50	10,594	2029
2023	60,873	15.08	—	2030
	289,111		173,015	

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

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

A compensation expense of $59 was recorded during the year ended December 31, 2023, with respect to the stock option plan ($35 in 2022).

Granted
During the year ended December 31, 2023, 60,873 options were granted. The options granted vest in three equal tranches from February 24, 2026, to February 24, 2028 and must be exercised before February 24, 2030 at an exercise price of $15.08.

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, 2023	December 31, 2022
Risk-free interest rate	3.46 %	1.78 %
Expected annual dividend per common share	$ 0.72	$ 0.72
Expected life of options	6	6
Expected volatility	27.94 %	26.77 %

Expected volatility is estimated by considering historic average share price volatility of the Corporation.

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

Performance Share Plan

During the year ended December 31, 2023, 325,708 share rights were granted during the year ended December 31, 2023. The performance share rights vest on December 31, 2025.

In addition 145,001 performance share rights vested during the year ended December 31, 2023.

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

During the year ended December 31, 2023, 62,219 units were granted.

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.

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

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, 2023		December 31, 2022	
	PSP	DSU	PSP	DSU
Balance beginning of year	531,351	215,612	526,519	162,512
Granted during the year	325,708	62,219	251,650	44,745
Paid out during the year	(145,001)	—	(185,910)	—
Expired during the year	(40,177)	—	(84,261)	—
Dividend reinvestment during the year	46,060	16,915	23,353	8,355
Balance end of year	717,941	294,746	531,351	215,612

A compensation expense of $2,400 was recorded during the year ended December 31, 2023, with respect to the PSP and DSU plans ($3,171 in 2022).

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, 2023, 188,548 shares (73,865 shares in 2022) were issued from treasury under the DRIP.

b) Dividend Declared

The following dividends were declared by the Corporation:

	Year ended December 31, 2023			
	2023		2022	
	($/share)	Total	($/share)	Total
Dividends declared on common shares	0.7200	147,058	0.7200	146,957
Dividends declared on Series A preferred shares	0.8110	2,757	0.8110	2,757
Dividends declared on Series C preferred shares	1.4375	2,875	1.4375	2,875

Dividend declared subsequent to period end and not recognized at the end of the reporting period.

The following dividends will be paid by the Corporation on April 15, 2024:

Date of announcement	Record date	Payment date	Dividend per common share	Dividend per Series A Preferred Share	Dividend per Series C Preferred Share
February 21, 2024	March 28, 2024	April 15, 2024	$ 0.0900	$ 0.2028	$ 0.3594

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

24. ACCUMULATED OTHER COMPREHENSIVE INCOME

	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, 2023	43,011	(1,323)	151,240	3,742	196,670
Business dispositions (Note 5)	(1,133)	—	(948)	—	(2,081)
Investments from non-controlling interests (Note 26)	1,021	—	(3,247)	—	(2,226)
Exchange differences on translation of foreign operations	(26,572)	—	—	—	(26,572)
Hedging loss	—	(4,530)	(40,844)	(3,705)	(49,079)
Share of non-controlling interest	3,677	—	2,001	—	5,678
Buyback of non-controlling interests (Note 4)	332	—	—	—	332
Related deferred tax expense	—	—	9,170	998	10,168
Balance as at December 31, 2023	20,336	(5,853)	117,372	1,035	132,890

	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, 2022	(35,878)	574	(11,987)	(3,333)	(50,624)
Exchange differences on translation of foreign operations	97,131	—	—	—	97,131
Hedging (loss) gain	—	(3,484)	220,511	9,683	226,710
Share of non-controlling interest	(15,633)	(3,453)	(7,166)	—	(26,252)
Buyback of non-controlling interests	(2,609)	5,040	3,872	—	6,303
Related deferred tax expense	—	—	(53,990)	(2,608)	(56,598)
Balance as at December 31, 2022	43,011	(1,323)	151,240	3,742	196,670

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

25. ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

a) Changes in non-cash operating working capital items

	Year ended December 31	
	2023	2022
Accounts receivable	(44,108)	(27,704)
Prepaids and other	(11,443)	(1,493)
Accounts payable and other payables	22,150	14,679
	(33,401)	(14,518)

b) Additional information

	Year ended December 31	
	2023	2022
Finance costs paid relative to operating activities before interest on leases	(274,538)	(221,662)
Interest on leases paid relative to operating activities	(9,849)	(6,699)
Capitalized interest relative to investing activities	(19,511)	(1,654)
Capitalized interest on leases relative to investing activities	(1,164)	(397)
Total finance costs paid	(305,062)	(230,412)
Non-cash transactions:		
Change in unpaid property, plant and equipment	7,126	36,444
Investment tax credits	(9,201)	8,535
Change in other long-term assets	(204)	261
Change in unpaid project development costs	(1,220)	546
Remeasurement of other liabilities	17,779	(41,276)
Initial measurement of other liabilities	29,876	11,453
Common shares issued through equity based compensation	1,991	2,114

c) Changes in liabilities arising from financing activities

	Year ended December 31	
	2023	2022
Changes in long-term loans and borrowings		
Long-term debt at beginning of period	5,759,210	4,924,435
Business dispositions	(16,108)	—
Increase in long-term debt	1,485,589	1,737,819
Repayment of long-term debt	(1,025,345)	(1,509,591)
Reclassification of interest payable	—	23,315
Payment of deferred financing costs	(16,444)	(20,278)
Business acquisitions (Note 4)	164,262	478,488
Tax attributes	(1,776)	(2,453)
Production tax credits	(71,684)	(64,729)
Other non-cash finance costs	58,164	62,715
Net foreign exchange differences	(54,721)	129,489
Long-term loans and borrowings at end of period	6,281,147	5,759,210

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

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 December 31		Earnings (loss) allocated to non-controlling interests for the year ended December 31		Non-controlling interests (deficit) December 31	
		2023	2022	2023	2022	2023	2022
Harrison Hydro L.P. and its subsidiaries	Canada	49.99 %	49.99 %	(8,961)	(18,770)	10,190	19,151
Kwoiek Creek Resources, L.P.[1,2]	Canada	50.00 %	50.00 %	(2,970)	(2,942)	(20,796)	(17,826)
Mesgi'g Ugju's'n (MU) Wind Farm L.P.[1,2]	Canada	50.00 %	50.00 %	9,178	11,303	(5,193)	(5,391)
Innergex Sainte-Marguerite, S.E.C.	Canada	49.99 %	49.99 %	(3,241)	(3,003)	(21,935)	(18,694)
Innergex Europe (2015) Limited Partnership, and its subsidiaries[4]	Canada/ Europe	— %	— %	—	3,999	—	—
Innergex France S.A.S, and its subsidiaries[3]	Europe	30.00 %	— %	1,795	—	6,160	—
Mountain Air Alternatives LLC, and its subsidiaries[5]	United States	— %	— %	—	2,044	—	—
Innergex HQI USA LLC, and its subsidiaries[2]	United States	50.00 %	50.00 %	(2,530)	(423)	147,639	186,595
Others	Various	Various	Various	(634)	(1,704)	2,380	6,397
				(7,363)	(9,496)	118,445	170,232

1. The Corporation owns more than 50% of the economic interest in the subsidiary.
2. Based on the terms of agreements under which these entities were established, the Corporation is exposed to, and has right to, variable returns from its involvement with the investee, and has the current ability to direct these entities's activities that most significantly affect the returns.
3. On October 26, 2023, the Corporation disposed of a 30% non-controlling interest in Innergex France S.A.S.
4. On October 4, 2022, the Corporation acquired the remaining ownership interests in Innergex Europe (2015) Limited Partnership.
5. On December 14, 2022, the Corporation acquired the remaining ownership interests in Mountain Air Alternatives LLC.

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

Investment from non-controlling interests in Innergex's portfolio in France

On October 26, 2023, the Corporation has completed the long-term partnership with Crédit Agricole Assurances, in connection with Crédit Agricole Centre-Est, for a 30% non-controlling interest in Innergex France S.A.S, and its subsidiaries, representing a €129,546 ($187,676) investment.

The investment is composed of a 30% equity investment of €71,552 ($103,916) and a shareholders loan of €55,435 ($80,064), with €2,559 ($3,696) in accrued and unpaid interests. In connection with this transaction, the Corporation recognized an amount of $5,792 under non-controlling interests, a shareholders loan of $83,760, and a gain on a transaction with a non-controlling interest of $86,274 under equity attributable to owners. Transaction costs and income taxes amounting to $4,157 and $7,693 respectively, related to the transaction were directly recognized in equity.

A total of €55,435 ($81,079) in sharedolders loan to Crédit Agricole was outstanding under long-term loans and borrowings as at December 31, 2023. An equivalent shareholders loan aggregating to €129,348 ($189,184), was payable to Innergex and eliminated upon consolidation.

The following table presents the impact on equity attributable to owners of the Corporation during the period.

	Year ended December 31, 2023
Total consideration received	187,676
Shareholders loan, including interest payable	83,760
Consideration received for the equity investment	103,916
Transaction costs	(4,157)
Consideration received for the equity investment, net of transaction costs	99,759
Carrying amount of the investment sold	5,792
Increase in equity attributable to owners	93,967
Tax impact	(7,693)
Increase in equity attributable to owners, net of income tax	86,274

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

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, 2023					
	Harrison	Kwoiek	Mesgi'g Ugju's'n	Sainte-Marguerite	Innergex France (67-day period)	Innergex HQI USA
Summary Statements of Earnings (Loss) and Comprehensive Income (Loss)						
Revenues	40,808	15,755	51,980	9,143	34,259	77,324
Expenses	58,734	21,695	28,281	15,623	28,253	82,384
Net (loss) earnings	(17,926)	(5,940)	23,699	(6,480)	6,006	(5,060)
Other comprehensive (loss) income	—	—	(989)	—	(4,583)	(6,909)
Total comprehensive (loss) income	(17,926)	(5,940)	22,710	(6,480)	1,423	(11,969)
Net (loss) earnings attributable to:						
Owners of the parent	(8,965)	(2,970)	14,521	(3,239)	4,211	(2,530)
Non-controlling interests	(8,961)	(2,970)	9,178	(3,241)	1,795	(2,530)
	(17,926)	(5,940)	23,699	(6,480)	6,006	(5,060)
Total comprehensive (loss) income attributable to:						
Owners of the parent	(8,965)	(2,970)	13,915	(3,239)	1,003	(5,985)
Non-controlling interests	(8,961)	(2,970)	8,795	(3,241)	420	(5,984)
	(17,926)	(5,940)	22,710	(6,480)	1,423	(11,969)
Summary Statements of Cash Flows						
Cash flows (used in) from operating activities	(210)	3,953	34,348	3,862	6,972	65,885
Cash flows used in financing activities	(14,237)	(2,087)	(36,293)	(3,213)	(16,101)	(65,944)
Cash flows from (used in) investing activities	20,562	(850)	(3,830)	(1,432)	(1,173)	(175)
Effects on exchange rate changes on cash and cash equivalents	—	—	—	—	888	(71)
Net change in cash and cash equivalents	6,115	1,016	(5,775)	(783)	(9,414)	(305)
Distributions paid to non-controlling interests	—	—	8,597	—	—	32,972

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

	Year ended December 31, 2022						
	Harrison	Kwoiek	Mesgi'g Ugju's'n	Sainte-Marguerite	Innergex Europe (277-day period)[1 2]	Mountain Air (348-day period)[3]	Innergex HQI USA
Summary Statements of Earnings (Loss) and Comprehensive Income (Loss)							
Revenues	38,130	14,870	58,966	9,484	58,311	35,392	54,525
Expenses	75,675	20,753	28,841	15,491	45,176	29,974	55,371
Net (loss) earnings	(37,545)	(5,883)	30,125	(6,007)	13,135	5,418	(846)
Other comprehensive income	—	—	2,602	—	24,491	10,577	24,885
Total comprehensive (loss) income	(37,545)	(5,883)	32,727	(6,007)	37,626	15,995	24,039
Net (loss) earnings attributable to:							
Owners of the parent	(18,775)	(2,941)	18,822	(3,004)	9,136	3,374	(423)
Non-controlling interests	(18,770)	(2,942)	11,303	(3,003)	3,999	2,044	(423)
	(37,545)	(5,883)	30,125	(6,007)	13,135	5,418	(846)
Total comprehensive (loss) income attributable to:							
Owners of the parent	(18,775)	(2,941)	20,447	(3,004)	26,169	9,958	12,020
Non-controlling interests	(18,770)	(2,942)	12,280	(3,003)	11,457	6,037	12,019
	(37,545)	(5,883)	32,727	(6,007)	37,626	15,995	24,039
Summary Statements of Cash Flows							
Cash flows from operating activities	1,177	6,294	44,634	2,817	91,860	19,573	43,212
Cash flows used in financing activities	(13,342)	(2,021)	(45,016)	(2,913)	(71,036)	(17,365)	(57,225)
Cash flows (used in) from investing activities	(2,650)	(1,745)	(689)	731	58	(330)	—
Effects on exchange rate changes on cash and cash equivalents	—	—	—	—	(3,547)	742	445
Net change in cash and cash equivalents	(14,815)	2,528	(1,071)	635	17,335	2,620	(305)
Distributions paid to non-controlling interests	—	—	11,482	—	—	7,387	28,613

1. On October 4, 2022, the Corporation acquired the remaining ownership interests in Innergex Europe (2015) Limited Partnership.
2. The cash flows from operating activities include a realized gain of $43,458 related to the monetization of the Euro/CAD foreign exchange forward contracts. The cash flows from financing activities include the reimbursement of the debentures for a total consideration of $96,350, partially offset by a capital contribution from the parent company in the amount of $53,042.
3. On December 14, 2022, the Corporation acquired the remaining ownership interests in Mountain Air Alternatives LLC.

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

Summary Statements of Financial Position

	As at December 31, 2023					
	Harrison	Kwoiek	Mesgi'g Ugju's'n	Sainte-Marguerite	Innergex France	Innergex HQI USA
Current assets	14,509	8,450	16,839	2,408	80,753	12,727
Non-current assets	512,090	161,276	254,882	113,011	734,955	313,711
	526,599	169,726	271,721	115,419	815,708	326,438
Current liabilities	25,973	25,347	17,846	12,818	86,026	2,297
Non-current liabilities	443,225	194,198	221,311	129,908	709,148	28,854
Equity (deficit) attributable to owners	47,211	(29,023)	37,757	(5,372)	14,374	147,648
Non-controlling interests (deficit)	10,190	(20,796)	(5,193)	(21,935)	6,160	147,639
	526,599	169,726	271,721	115,419	815,708	326,438

	As at December 31, 2022				
	Harrison	Kwoiek	Mesgi'g Ugju's'n	Sainte-Marguerite	Innergex HQI USA
Current assets	14,035	6,014	21,937	2,319	11,877
Non-current assets	539,070	164,068	260,700	114,685	368,126
	553,105	170,082	282,637	117,004	380,003
Current liabilities	29,399	17,409	17,252	9,608	2,512
Non-current liabilities	448,380	196,552	233,333	128,223	4,292
Equity (deficit) attributable to owners	56,175	(26,053)	37,443	(2,133)	186,604
Non-controlling interests (deficit)	19,151	(17,826)	(5,391)	(18,694)	186,595
	553,105	170,082	282,637	117,004	380,003

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

27. RELATED PARTY TRANSACTIONS

a) Key management personnel compensation

The following are transactions that the Corporation engaged with its key management personnel. The members of the Board of Directors as well as the President and CEO, CFO, CAO, Chief Legal Officer and Secretary, Chief Human Resources Officer and all the Senior Vice Presidents and Vice Presidents are key management personnel of the Corporation.

	Year ended December 31	
	2023	2022
Salaries and short-term benefits	8,790	7,670
Board of Directors' fees	989	1,016
Performance share plan	1,283	3,172
Share-based payments	59	35
	11,121	11,893

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:

- Common shares issued to Hydro-Québec in 2022 and dividend payments in 2023 and 2022.
- Sales made under PPAs with Hydro-Québec (see Note 31 - Major Customers).
- EVLO, a subsidiary of Hydro-Québec, provided battery at the Tonnerre Energy storage project in 2022.
- Acquisition of the remaining interests in Pampa Elvira Solar from its partner Denmark’s Investment Fund for Developing Countries (see Note 4 - Business acquisitions)

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

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, 2023		As at December 31, 2022	
	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*	23,803	23,803	17,178	17,178
Non-current financial liabilities measured at amortized cost					
Long-term loans and borrowings	*Level 2*	6,281,147	6,347,187	5,759,210	5,934,241
Contingent considerations included in other long-term liabilities	*Level 3*	28,854	28,854	4,292	4,292
Derivative financial instruments measured at fair value					
Interest rate swaps	*Level 2*	79,102	79,102	98,138	98,138
Foreign exchange forwards	*Level 2*	(8,616)	(8,616)	(3,555)	(3,555)
Power and basis hedges	*Level 3*	(66,170)	(66,170)	(69,333)	(69,333)

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.

Contingent considerations
The purchase price of the Curtis Palmer acquisition on October 25, 2021, included a contingent consideration provision, based on the evolution of the New York Independent System Operator ("NYISO") market pricing during calendar years 2023 and 2024, limited to US$30,000. The fair value calculation of the contingent consideration gives rise to measurement uncertainty as the market pricing curves are constructed using certain unobservable inputs, such as capacity revenues that are derived from the NYISO seasonal auction capacity prices and the trading prices for voluntary Renewable Energy Certificates.

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

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 hedges are calculated using a discounted cash flow model. The fair value calculation of power 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, 2023, the forward power prices used in the calculation of fair value were as follows:

With respect to the Phoebe power hedge, the ERCOT South Hub forward power prices are expected to be in a range of US$26.46 to US$117.67 per MWh between January 1, 2024 and June 30, 2031.

With respect to the Salvador power hedges, the withdrawal node future power prices are expected to be in a range of US $0.00 to US$191.19 per MWh between January 1, 2024 and December 31, 2030.

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

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 historical market prices and a combination of observable exchange prices and over-the-counter broker quotes obtained through June 2031.

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.

Interest rate benchmark reform

The Corporation holds interest rate swaps for risk management purposes that are designated in cash flow hedging relationships.

London Interbank Offered Rate ("LIBOR")

Effective June 30, 2023, the remaining USD LIBOR 1-month, 3-month, 6-month and 12-month tenors have either ceased, or ceased being representative. The LIBOR administrator will continue to publish the 1-month, 3-month and 6-month tenors under an unrepresentative synthetic methodology until September 30, 2024.

All of the USD LIBOR financial instruments were transitioned to secured overnight financing rate ("SOFR").

Canadian Dollar Offered Rate ("CDOR")

The Corporation currently holds interest rate swaps that have floating legs indexed to CDOR. On June 28, 2024 the remaining CDOR 1-month, 2-month and 3-month tenors will either cease or no longer be representative. The Corporation's CDOR swaps and cash flow hedging relationships extend beyond the anticipated cessation date of CDOR.

The Corporation has evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by the IBOR reform. The Corporation's hedged items and hedging instruments continue to be indexed to CDOR. The benchmark rates are quoted each day and the CDOR cash flows are exchanged with counterparties as usual.

There is uncertainty about when and how replacement may occur with respect to the relevant hedged items and hedging instruments. Such uncertainty may impact the hedging relationship, which may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to the alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness. The Corporation has measured its hedging instruments indexed to CDOR using available quoted market rates for CDOR-based instruments of the same tenor and similar maturity and has measured the cumulative change in the present value of hedged cash flows attributable to changes in CDOR on a similar basis. The Corporation's notional amount exposure to CDOR designated in hedging relationships is $1,282,565 as at December 31, 2023.

Financial risk management

The Corporation is exposed to a variety of financial risks: market risk (e.g. interest rate, foreign exchange, and power price), 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]:

Project	Notional Currency [2]	Variable rate	Swap Rate	Maturity	Early termination option	Notional Amounts December 31, 2023	Notional Amounts December 31, 2022
Corporate							
Innergex	CAD	CDOR	2.18%	2027	2027	20,000	20,000
Innergex	CAD	CDOR	2.33%	2028	2027	30,000	30,000
Innergex	CAD	CDOR	2.33%	2028	2027	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	2024	24,161	26,585
Innergex	CAD	CDOR	1.89%	2029	2027	20,000	20,000
Innergex	CAD	CDOR	1.92%	2029	2027	20,000	20,000
Innergex	CAD	CDOR	2.08%	2034	2029	20,000	20,000
Innergex	CAD	CDOR	2.12%	2034	2027	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
Innergex	CAD	CDOR	3.97%	2025	None	50,000	50,000
Innergex	CAD	CDOR	3.24%	2028	2027	50,000	—
Innergex	CAD	CDOR	3.18%	2030	2027	50,000	—
Innergex	USD	N/A	3.00%	2051	None	—	81,854
Alterra	CAD	CDOR	2.57%	2031	None	100,000	100,000
Alterra	CAD	CDOR	2.60%	2031	None	12,500	12,500
Alterra	CAD	CDOR	2.51%	2028	None	62,500	42,500
Hydroelectric segment							
Ashlu Creek	CAD	CDOR	4.70%	2035	2025	71,194	75,309
Fitzsimmons Creek	CAD	CDOR	2.85%	2041	2026	15,895	16,372
Coyanco	USD	SOFR	1.01%	2031	None	6,700	7,487
Wind segment							
Rougemont	EUR	EURIBOR	1.35%	2032	None	99,408	107,889
Vaites	EUR	EURIBOR	1.28%	2032	None	48,371	52,746
Cartier	CAD	CDOR	2.83%	2032	None	356,388	402,430
Mesgi'g Ugju's'n	CAD	CDOR	1.91%	2026	None	36,874	50,470
Cholletz	EUR	EURIBOR	2.64%	2030	None	8,193	9,296
Foard City	USD	SOFR	2.01%	2029	2026	14,323	18,165
Boswell	USD	SOFR	3.27%	2052	2034	201,683	—
Mountain Air	USD	SOFR	1.77%	2029	None	16,695	19,051
Solar Segment							
Stardale	CAD	CDOR	3.60%	2032	None	61,425	64,021
Sault Ste. Marie	CAD	CDOR	1.82%	2030	2026	124,028	—
Phoebe	USD	SOFR	2.82%	2037	2026	123,901	130,753
Kokomo	USD	N/A	1.85%	2026	None	—	4,854
Spartan	USD	N/A	2.31%	2024	None	—	10,957
Hillcrest	USD	SOFR	0.69%	2041	2028	81,827	89,363
HP Solar I	USD	N/A	2.40%	2048	2041	—	55,519
						1,883,666	1,695,721

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 1.3226 and EURO swaps are converted at a fixed rate of CAD 1.4626.

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

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.

Interest rate swaps	Earnings (loss)		Other comprehensive income (loss)	
	10 bps increase	10 bps decrease	10 bps increase	10 bps decrease
December 31, 2023	10	(13)	9,309	(9,401)
December 31, 2022	27	(27)	8,470	(8,554)

(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	Notional Amounts December 31, 2023	Notional Amounts December 31, 2022
Contracts used to hedge the foreign exchange risk			
Foreign exchange forwards amortizing until 2043, allowing conversion at a fixed rate of CAD 1.4838/Euro	2024	109,345	115,317
Foreign exchange forwards amortizing until 2043, allowing conversion at a fixed rate of CAD 1.5321/Euro	2024	112,905	—
		222,250	115,317

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 value 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.

Foreign exchange forwards	Earnings (loss)		Other comprehensive income (loss)	
	1% increase	1% decrease	1% increase	1% decrease
December 31, 2023	(158)	161	(1,459)	1,456
December 31, 2022	(140)	140	(642)	643

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

(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 maturing on June 30, 2031. The power hedge was designated for hedge accounting purposes until September 30, 2019, after which the Phoebe power hedge was no longer meeting the hedge effectiveness criteria. The Phoebe power hedge is 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 $3,429 for the year ended December 31, 2023.

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.

Power hedge	Earnings (loss)	
	10 % increase	10% decrease
December 31, 2023	(27,001)	27,001
December 31, 2022	(29,895)	29,895

Salvador power hedges
The Corporation is subject, under the Salvador solar project, to a portfolio of power hedges maturing on December 31, 2030. The 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 loss recognized as change in fair value of financial instruments amounts to $1,969 for the year ended December 31, 2023.

Sensitivities
A reasonably possible change of 10% in the withdrawal nodes 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.

Power hedge	Earnings (loss)	
	10 % increase	10% decrease
December 31, 2023	(2,284)	2,284
December 31, 2022	(2,318)	2,318

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

(iv) Hedge accounting

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, 2023 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	1,883,666	84,661	(5,637)
Net investment hedges:			
Foreign exchange risk			
Foreign exchange forwards	196,376	252	(8,318)

The following table summarizes the impact of hedge ineffectiveness and hedging gains (losses) as at December 31, 2023:

	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	(34,015)	(1,307)	4,936
Power price risk			
Power hedge [1]	—	—	3,442
Hedge of net investment in a foreign operation:			
Foreign exchange risk			
Foreign exchange forwards	(4,530)	(211)	14

1. The balance of cash flow hedge reserve relating to power price risk for which hedge accounting is no longer applied is $22,639.

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

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

As at December 31, 2023, the Corporation was holding cash and cash equivalents, restricted cash (Note 13) and reserves included in other long-term assets (Note 19). 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., European and Chilean 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.

Most of the Corporation's trade receivables in Chile relate to electricity sold to distribution companies, with the majority being sold to large distribution companies 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, 2023, $6,359 ($15,199 in 2022) of trade and other receivables were more than 90 days overdue and a total write-off of impaired receivables of $3,437 ($2,341 in 2022) was recorded during the year. Given that expected credit losses are minimal, the expected credit losses by trade accounts receivable ageing 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 $48,341 as at December 31, 2023, (negative working capital of $123,665 in 2022). The Corporation limits its excess cash position through repayments of its revolving term credit facility. When required, the Corporation can use its revolving term credit facility of which $467,948 was available as at December 31, 2023 ($174,877 in 2022). The Corporation considers its current level of working capital and revolving term credit facility availability to be sufficient to meet its needs. 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 following table presents the contractual cash flows of non-derivative financial liabilities and derivative financial instruments:

	Less than 1 year	Between 1 year and 5 years	Over 5 years	Total
Non-derivative financial liabilities				
Accounts payable and other payables	280,382	—	—	280,382
Long-term loans and borrowings[1]	502,004	3,006,462	5,131,078	8,639,544
Other liabilities	257	33,820	41,633	75,710
Lease liabilities	15,504	67,550	411,135	494,189
Derivative financial instruments[2]				
Interests rate swaps	(36,346)	(24,366)	(32,828)	(93,540)
Foreign exchange forwards	(180)	189	14,183	14,192
Power Hedge	19,013	34,927	10,871	64,811
Total	780,634	3,118,582	5,576,072	9,475,288

1. The contractual cash flows include debt principal and interest payments.
2. The contractual cash flows are presented at the net of cash receipts and disbursements for each derivative financial instrument. The amounts may fluctuate from the actual cash flows at settlement due to the volatility of these instruments.

29. COMMITMENTS

a) Power Purchase Agreements

Quebec facilities

Under PPAs with terms varying from 20 to 25 years and expiring between 2026 and 2046, 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 Portneuf reached the end of the inital 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 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 2024 and 2057, British Columbia Hydro and Power Authority agreed to purchase all of the electrical energy produced by the facilities located in the Province of British Columbia.

On April 16, 2018, 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.

On March 3, 2023, the Corporation and BC Hydro have renewed the Brown Lake EPA for an additional 20-year term, which commenced on June 1, 2023.

On May 14, 2023, the Corporation and BC Hydro have renewed the Miller Creek EPA for an additional 20-year term, which commenced on October 2, 2023.

On May 31, 2023, the Corporation and BC Hydro have renewed the Rutherford Creek EPA for an additional 20-year term, which commences on May 31, 2024.

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

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 10 of the 16 wind facilities located in France.

Under PPA's with initial terms of three years, expiring in 2025, an offtaker agreed to purchase the electrical energy produced by the facilities of Antoigné, Porcien and Vallottes, located in France.

Under PPA's with initial terms of 10 years expiring in 2032, an offtaker agreed to purchase the electrical energy produced by Beaumont and Bois d'Anchat wind facilities located in France.

The Tonnerre energy storage project has been awarded a 7-year contract for differences offering a fixed-price contract for capacity certificate.

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 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.

Under a PPA with a 6-year term and expiring in 2027, Niagara Mohawk Power Corporation agreed to purchase all of the electricity produced by the Curtis Mills and Palmer Falls hydro facilities located in the state of New York.

Chile facilities
Under a PPA with a 10-year term and renewed in March 2023, the client agreed to purchase all of the energy produced by the Pampa Elvira solar facility located in Chile.

Under a PPA with terms varying from 4 to 6 years and expiring between 2024 and 2030, clients agreed to purchase all of the electricity produced by the Peuchen and Mampil Hydro facilities located in the Bio-Bio region.

Under a PPA with terms varying from 2 to 4 years and expiring between 2025 and 2026, clients agreed to purchase all of the electricity produced by the Guayacan Hydro facility.

Under PPAs with 20-year terms expiring between 2030 and 2041, Chilean energy distributors agreed to purchase a portion of the electricity produced by the PV Salvador solar facility and the Sarco, Cuel and Aurora wind 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 financial 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.

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.

Hale Kuawehi Solar LLC has entered into a engineering, procurement, and supply agreement to construct the solar project in Hawaii, U.S.

c) Summary of commitments

As at December 31, 2023, the expected schedule of commitment payments is as follows:

Year of expected payment	Under 1 year	1 to 5 years	Thereafter	Total
Purchase obligations	39,030	138,309	376,954	554,293
Variable payments on lease contracts	2,503	6,790	5,436	14,729
Total	41,533	145,099	382,390	569,022

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

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.

Innavik EPC Agreement

During 2023, legal hypothecs were registered by the contractor against the Innavik hydroelectric project ("Innavik" or "the project"), a joint venture company, in the amount of $61,251, representing the contractor’s claim for payment of additional costs under the engineering, procurement and construction ("EPC") agreement with Innavik, and interests thereon. The Corporation disputes that claim in good faith and has taken legal action to cause the legal hypothecs to be removed from title. As at December 31, 2023, the project recognized a provision for the legal fees to be incurred regarding the claim.

Senvion GmbH claims under insolvency proceedings

During 2019, Senvion GmbH ("Senvion"), an insolvent German company and service provider under the turbine supply agreement at Innergex's Mesgi'g' Ugju's'n wind facility, filed for bankruptcy. Certain of the performance obligations under the turbine supply agreement were covered, subject to terms and conditions precedent, by a $19,642 letter of credit. The Corporation availed itself of the full amount on April 27, 2021. Such proceeds are to be used to remediate Senvion's unfulfilled performance obligations under the turbine supply agreement.

On May 17, 2023, Senvion issued a claim through the Ontario Superior Court of Justice (the "Court") against Mesgi'g Ugju's'n (MU) Wind Farm L.P. and Mesgi'g Ugju's'n (MU) Wind Farm Inc. (together, "MU"), alleging that MU drew down on a $19,642 letter of credit held in its favour in violation of a stay of proceedings imposed by the Court under the Companies Creditors’ Arrangement Act. The Corporation considers that this procedure has no basis and is disputing the claim. No provision in respect of this litigation has been recorded as at December 31, 2023.

31. CAPITAL MANAGEMENT

The Corporation's strategy in managing its capital is: (i) to develop or acquire high-quality renewable power production and storage facilities that generate sustainable and stable cash flows, with the objective of achieving a high return on invested capital, and (ii) to pay a 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 pay a 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 $7,486,475 as at December 31, 2023.

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, 2023, the Corporation and its subsidiaries have met all material financial and non-financial conditions, related to their credit agreements, trust indentures and PPAs. Were they are 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.

The Corporation's capital management objectives, policies and procedures are to ensure the sustainability of the dividend payable to its shareholders and the development or acquisition of power production facilities.

32. 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 and Production Tax Credits Proportionate" are Revenues and Production Tax Credits plus Innergex's share of Revenues and Production Tax Credits of the operating joint ventures and associates. "Adjusted EBITDA" represents operating income, to which are added (deducted) depreciation and amortization, ERP implementation, impairment charges and the realized portion of the change in fair value of power hedges. "Adjusted EBITDA Proportionate" represents Adjusted EBITDA plus Innergex's share of Adjusted EBITDA of the operating joint ventures and associates. Revenues and Production Tax Credits 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 these measures should not be construed as an alternative to net earnings (loss), as determined in accordance with IFRS.

Except for Revenues and Production Tax Credits 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, 2023			
Operating segments	Hydroelectric	Wind	Solar	Segment results
Segment Revenues and Production Tax Credits	358,210	536,238	147,126	1,041,574
Segment Revenues and Production Tax Credits Proportionate	403,517	552,012	147,126	1,102,655
Segment Adjusted EBITDA	276,113	404,718	94,998	775,829
Segment Adjusted EBITDA Proportionate	311,715	416,634	94,998	823,347

	Year ended December 31, 2023			
	Hydroelectric	Wind	Solar	Segment totals [1]
Investments in joint ventures and associates	104,361	24,868	—	129,229
Property, plant and equipment acquired through business acquisitions	—	—	28,761	28,761
Acquisition of property, plant and equipment	10,391	22,154	2,749	35,294

1. Segment totals include only operating projects.

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

Operating segments	Year ended December 31, 2022 Hydroelectric	Wind	Solar	Segment results
Segment Revenues and Production Tax Credits	336,645	485,258	113,320	935,223
Segment Revenues and Production Tax Credits Proportionate	380,973	501,465	113,320	995,758
Segment Adjusted EBITDA	250,510	382,216	51,542	684,268
Segment Adjusted EBITDA Proportionate	285,064	394,380	51,542	730,986

	Year ended December 31, 2022 Hydroelectric	Wind	Solar	Segment totals [1]
Investments in joint ventures and associates	110,181	24,840	—	135,021
Property, plant and equipment acquired through business acquisitions	—	572,284	22,188	594,472
Acquisition of property, plant and equipment	5,502	5,313	1,814	12,629

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, 2023			Year ended December 31, 2022		
	Consolidation	Share of joint ventures	Proportionate	Consolidation	Share of joint ventures	Proportionate
Revenues	969,890	61,081	1,030,971	870,494	60,535	931,029
Production tax credits	71,684	—	71,684	64,729	—	64,729
Revenues and production tax credits	1,041,574	61,081	1,102,655	935,223	60,535	995,758
Operating income	219,575	30,962	250,537	263,366	29,919	293,285
Depreciation and amortization	361,292	16,556	377,848	336,053	16,799	352,852
ERP implementation	12,651	—	12,651	2,357	—	2,357
Impairment of long-term assets	118,857	—	118,857	47,868	—	47,868
Realized loss on power hedges	(24,632)	—	(24,632)	(37,479)	—	(37,479)
Adjusted EBITDA	687,743	47,518	735,261	612,165	46,718	658,883
Unallocated expenses:						
General and administrative	60,924	—	60,924	47,363	—	47,363
Prospective projects	27,162	—	27,162	24,740	—	24,740
Segment Adjusted EBITDA	775,829	47,518	823,347	684,268	46,718	730,986

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

Geographic segments

As at December 31, 2023, excluding its investments in joint ventures and associates which are accounted for as equity method, the Corporation had interests in the following operating assets: 34 hydroelectric facilities, 8 wind farms and 4 solar farms in Canada, 16 wind farms and 1 storage facility in France, 3 hydroelectric facilities, 8 wind farms and 2 solar farms in the United States, and 4 hydroelectric facilities, 3 wind farms and 3 solar farms and 1 storage facility in Chile. The Corporation operates in four principal geographical areas, which are detailed below:

	Year ended December 31	
	2023	2022
Revenues and production tax credits		
Canada	441,631	427,910
United States	323,293	294,175
Chile	151,040	121,021
France	125,610	92,117
	1,041,574	935,223

	As at	
	December 31, 2023	December 31, 2022
Non-current assets, excluding derivative financial instruments and deferred tax assets [1]		
Canada	3,355,393	3,246,979
United States	2,597,848	2,364,160
Chile	1,585,033	1,549,679
France	731,897	753,161
	8,270,171	7,913,979

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	
		2023	2022
Hydro-Québec	Hydroelectric and wind	215,184	235,234
British Columbia Hydro and Power authority	Hydroelectric generation	171,232	158,325
		386,416	393,559

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

33. SUBSEQUENT EVENTS

On February 21, 2024, the Board of Directors approved an update to its capital allocation strategy and revised its annual dividend for 2024 to $0.36 per common share to support its growth plans.

SHAREHOLDER INFORMATION

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1225 St-Charles West, 10th floor Longueuil QC J4K 0B9 Tel. 450 928.2550 Fax 450 928.2544 innergex.com	***Investor Relations*** Jean Trudel Chief Financial Officer Naji Baydoun Director - IR Tel. 450 928-2550 x1263 inverstorrelations@innergex.com

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 204,321,381 common shares outstanding as at December 31, 2023, with a closing price of $9.19 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 $0.8110 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 $148.0 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 are redeemable since June 30, 2021.

Convertible Debentures - TSX: INE.DB.C

Innergex Renewable Energy Inc. currently has convertible debentures outstanding for an aggregate principal amount of $142.1 million, bearing interest at a rate of 4.65% per annum, payable semi-annually on October 31 and April 30 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, 2026 and are redeemable since October 31, 2022.

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.

Credit Rating by Fitch Rating

Innergex Renewable Energy Inc.	BBB-
Series A Preferred Shares	BB
Series C Preferred Shares	BB

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

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