



Renewable Energy.  
Sustainable Development.

# QUARTERLY REPORT 2020

for the period ended  
June 30, 2020



These condensed consolidated interim financial statements have not been audited by the Corporation's independent auditors.



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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") is a discussion of the operating results, cash flows and financial position of Innergex Renewable Energy Inc. ("Innergex" or the "Corporation") for the three- and six-month periods ended June 30, 2020, and reflects all material events up to August 4, 2020, 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 unaudited condensed interim consolidated financial statements and the accompanying notes for the three- and six-month periods ended June 30, 2020.

The unaudited condensed interim consolidated financial statements attached to this MD&A and the accompanying notes for the three- and six-month periods ended June 30, 2020, along with the 2019 comparative figures, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). However, some measures referred to in this MD&A are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section for more information.

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

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

Additional information relating to Innergex, including its Annual Information Form, can be found on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") at [sedar.com](http://sedar.com) or on the Corporation's website at [innegex.com](http://innegex.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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## FINANCIAL HIGHLIGHTS

- Eight projects at an advanced development stage, including the new 225.6 MW wind project in Texas and a stand-alone energy storage project in France.
- The Payout Ratio for the trailing twelve-month ended June 30, 2020 amounted to 150% of Free Cash Flow due to the BC Hydro curtailment in 2020, timing of certain interest payments and an increase in quarterly dividends related to the Hydro-Québec Private Placement. When normalizing for these items, the Payout Ratio would have been 105%.
- Production was 93% of the long-term average ("LTA") in Q2 2020. Excluding the impact of the BC Hydro curtailment, production would have reached 100% of the LTA.
- Revenues increased 4% to \$150.5 million in Q2 2020.
- Adjusted EBITDA was stable at \$105.3 million in Q2 2020, corresponding to an Adjusted EBITDA Margin of 70.0%.
- Adjusted EBITDA Proportionate increased 10% to \$140.0 million in Q2 2020, corresponding to an Adjusted EBITDA Proportionate Margin of 72.9%.
- On May 14, 2020, Innergex completed the acquisition of a 68 MW solar farm in Chile.
- On July 15, 2020, Innergex completed the acquisition of six wind farms in Idaho, United States totalling 138 MW.

	Three months ended June 30 <sup>1</sup>		Six months ended June 30 <sup>1</sup>	
	2020	2019	2020	2019
<b>OPERATING RESULTS</b>				
Production (MWh)	2,185,793	1,741,953	3,865,390	3,050,458
Revenues	150,513	144,693	282,629	271,112
Adjusted EBITDA <sup>2</sup>	105,336	105,248	195,755	198,491
Adjusted EBITDA Margin <sup>2</sup>	70.0%	72.7%	69.3%	73.2%
Net Loss From Continuing Operations	(1,566)	(10,453)	(48,497)	(14,873)
Net (Loss) Earnings	(1,566)	7,345	(48,497)	6,491
Adjusted Net Earnings (Loss) From Continuing Operations <sup>2</sup>	4,484	(2,656)	(4,057)	(14,028)
<b>PROPORTIONATE</b>				
Production Proportionate (MWh) <sup>2</sup>	2,575,868	2,136,983	4,545,631	3,726,810
Revenues Proportionate <sup>2</sup>	192,004	176,571	356,375	324,617
Adjusted EBITDA Proportionate <sup>2</sup>	139,950	127,621	255,965	234,116
Adjusted EBITDA Proportionate Margin <sup>2</sup>	72.9%	72.3%	71.8%	72.1%
<b>COMMON SHARES</b>				
Dividends declared on common shares	31,370	23,373	62,709	46,733
Weighted Average Number of Common Shares (in 000s)	173,671	133,417	166,676	133,143
			Trailing twelve months ended June 30	
			2020	2019
<b>CASH FLOW AND PAYOUT RATIO</b>				
Cash Flow From Operating Activities <sup>3</sup>			200,742	222,999
Free Cash Flow <sup>2,3</sup>			73,844	115,689
Payout Ratio <sup>2,3</sup>			150%	79%
Adjusted Payout Ratio <sup>2,3</sup>			122%	65%
		As at	June 30	December 31
			2020	2019
<b>FINANCIAL POSITION</b>				
Total Assets			6,765,061	6,372,104
Total Liabilities			5,667,370	5,756,778
Non-Controlling Interests			13,006	10,942
Equity Attributable to Owners			1,084,685	604,384

1. Results from continuing operations unless otherwise indicated.

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

3. For more information on the calculation and explanation, please refer to the "Free Cash Flow and Payout Ratio" section.

## UPDATE ON COVID-19

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

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

- Impact on demand for our services and supply chain disruption
- Impact on employees and cybersecurity
- Impact on liquidity and financial metrics
- Impact on capital expenditures and costs
- Impact on customers' ability to pay
- Impact on trading and asset values

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

### COVID-19 Financial Impact

For the period from May 22, 2020, to June 30, 2020, actual eligible energy revenue that would have been produced at the facilities in the absence of the curtailments requested by BC Hydro mentioned below amounted to \$10.0 million for the consolidated facilities, or \$11.2 million on a Revenues Proportionate<sup>1</sup> basis.

Reduced travel and in-person meetings as a result of COVID-19 have resulted in some savings on general and administrative expenses. Direct costs related to COVID-19 measures implemented by Innergex have been immaterial.

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

### Power Production an Essential Service

Power production activities have continued in all segments as they have been deemed essential services in every region where we operate. Only BC Hydro sent curtailment notices for some hydro facilities that the Corporation disputes, as described below. Our renewable power production is sold mainly through power purchase agreements, which include sufficient protection to prevent material reduction in demand, to solid counterparties, and no credit issues are anticipated. As such, we do not intend to make any changes to our workforce and we intend to maintain salaries and benefits.

The Corporation has received notices from BC Hydro in relation to six of the Corporation's hydroelectric facilities in British Columbia stating that BC Hydro would not accept and purchase energy under the applicable electricity purchase agreements ("EPAs") above a specified curtailment level for the period from May 22, 2020, to July 20, 2020. The specified curtailment levels were 0.0 MW/h for the Jimmie Creek (accounted as a joint venture), Upper Lillooet River, Northwest Stave River, and Boulder Creek facilities, 2.0 MW/h for the Tretheway Creek facility and 4.0 MW/h for the Big Silver Creek facility. Maintaining these curtailment levels for the period specified would translate in an estimated loss in revenues of approximately \$20 million for Innergex, based on past production levels.

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

Innergex disputes that the current pandemic and related governmental measures in any way prevent BC Hydro from fulfilling its obligations to accept and purchase energy under the EPAs or enable it to invoke "force majeure" provisions under the EPAs to suspend these obligations. Innergex acknowledges that BC Hydro retains "turn-down" rights under the EPAs, which enable it to require Innergex to turn down or shut off its facilities in certain circumstances, including in order to avoid a safety or stability risk. Where BC Hydro exercises this right, it is required under the EPAs to compensate Innergex for energy that would have



been produced at the facilities in the absence of the curtailment. Innergex complied with BC Hydro's curtailment request, but did so under protest and will seek to enforce its rights under the EPAs on the basis described above.

### **Health and Safety of our Employees and Visitors**

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

All operations teams were split in half with different portions of the buildings accessible to each team to reduce risks of contamination across teams. New cleaning procedures were implemented to ensure common surfaces are disinfected. Employees must wear masks when social distancing measures cannot be respected. Employees must confirm they show no symptoms prior to accessing the site.

All office employees were instructed to work from home. Office presence is limited to essential tasks. To date, the workforce has not been affected from a health perspective, except for one case at the head office, in March 2020, with no possible impacts on colleagues. The employee has since recovered.

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

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

### **Impacts of COVID-19 on our Construction Activities**

#### *Hillcrest Solar Project (Ohio)*

The construction of Hillcrest is progressing well. There have been no COVID-19 cases on the site and we have contingency plans and measures in place to address any problems that may arise due to the current pandemic. Unless a decree is issued to halt construction, Hillcrest should continue to progress according to schedule with commissioning planned at the end of 2020.

#### *Innavik Hydro Project (Quebec)*

The first construction equipment was delivered in September 2019 and construction was planned to start in Q2 2020. However, on March 14, 2020, the Nunavik Regional Board of Health and Social Services issued travel restrictions for non-residents to Inuit communities, including Inukjuak, until further notice. On June 16, 2020, the Nunavik Regional Board of Health and Social Services announced the reopening of construction activities starting July 6, 2020. The Corporation then obtained authorization to begin construction work according to certain rules, including not going to the village and not contacting the residents. The first crews and equipment arrived in Inukjuak in early July 2020. Commissioning is scheduled in 2022.

#### *Yonne II (France)*

Construction activities on-site were able to begin in July 2020 and are progressing well. Although work may have begun, commissioning is still scheduled for 2021.

### **Support to Surrounding Communities**

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

The Corporation distributed \$255,000 in total to local charities such as food banks, women's shelters and relief organizations to alleviate the effects of the COVID-19 crisis. Employees were also invited to make personal donations to these charities and proudly raised \$37,225. Such relief organizations included United Way, Ressort Gaspésie-Iles-de-la-Madeleine, BC First Nation Health Authority, BC Society of Transition Houses, Women in Need, BCAAFC - British Columbia Association of Aboriginal Friendship Center, Moisson Montréal and Regroupement des centres d'amitié autochtones du Québec in Canada, the Wichita Falls Feeding America Food Bank, United Way and Hope Emergency Services in the United States, Restos du Coeur in France, and Red de Alimentos and Banco de Alimentos Biobío Solidario in Chile.

# OVERVIEW

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

**Discontinued Operations**

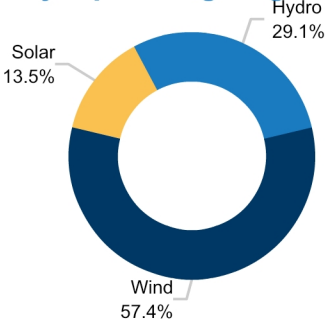
On May 23, 2019, the Corporation announced completion of the sale of its wholly owned subsidiary Magma Energy Sweden A.B. (“Magma Sweden”), which owns an equity interest of approximately 53.9% in HS Orka hf (“HS Orka”), owner of two geothermal facilities in operation, one hydro project in development and prospective projects in Iceland. The Geothermal Power Generation Segment is now accounted for as discontinued operations. For more information, please refer to the “Discontinued Operations” section of this MD&A. The figures presented in this MD&A are for the continuing operations unless otherwise indicated.

## Segments

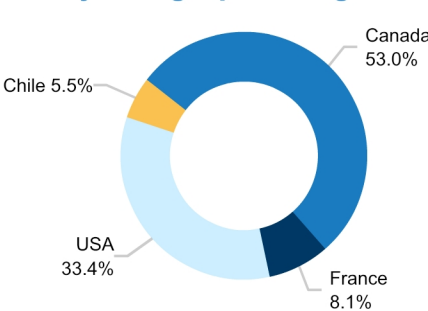
As at June 30, 2020, the Corporation has three operating segments and four geographic segments.

Operating Segments	Geographic Segments
Hydroelectric Power Generation	Canada
Wind Power Generation	France
Solar Power Generation	United States
	Chile

**Net Installed Capacity by Operating Segment**



**Net Installed Capacity by Geographic Segment**



## Portfolio of Assets

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

### Operating Facilities

The Corporation owns and operates 75 facilities in commercial operation (the “Operating Facilities”). Commissioned between 1992 and November 2019, the facilities have a weighted average age of approximately 7.5 years.

They mostly sell the generated power under long-term power purchase agreements, power hedge contracts<sup>1</sup> and short- and long-term industrial contracts (each, a “PPA”) to rated public utilities or other creditworthy counterparties or on the open market. The PPAs have a weighted average remaining life of 14.7 years (based on gross long-term average production).

For most Operating Facilities in Canada and in France, PPAs include a base price and, in some cases, a price adjustment depending on the month, day and hour of delivery. For most Operating Facilities in the United States, power generated is sold through PPAs or on the open market supported by financial or physical power hedges. In Chile, Operating Facilities sell the power generated through PPAs to industrial customers or on the open market.

<sup>1</sup> 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).

	Number of Operating Facilities <sup>1</sup>	Installed Capacity (MW)		Storage Capacity (MWh)
		Gross <sup>2</sup>	Net <sup>3</sup>	
<b>HYDRO</b>				
Canada	33	1,019	713	—
United States	1	10	10	—
Chile	3	152	74	—
Subtotal	37	1,181	797	—
<b>WIND</b>				
Canada	8	908	714	—
France	15	317	221	—
United States	9	892	640	—
Subtotal	32	2,117	1,575	—
<b>SOLAR</b>				
Canada	1	27	27	—
United States	3	267	266	—
Chile	2	102	77	150 <sup>4</sup>
Subtotal	6	396	370	150
<b>Total</b>	<b>75</b>	<b>3,694</b>	<b>2,742</b>	<b>150</b>

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.

## Development Projects

The Corporation now holds interests in eight projects under development. Three Development Projects are currently under construction. These projects are scheduled to begin commercial operation between 2020 and 2023 (the "Development Projects"). For more information on the Development Projects, please refer to the "Second Quarter Update" section.

	Number of Development Projects	Installed Capacity (MW)		Storage Capacity (MWh)
		Gross <sup>1</sup>	Net <sup>2</sup>	
<b>HYDRO</b>				
Quebec	1	8	4	—
Chile	1	109	41	—
Subtotal	2	117	45	—
<b>WIND</b>				
France	1	7	5	—
United States	1	225	225	—
Subtotal	2	232	230	—
<b>SOLAR</b>				
United States	3	245	245	180 <sup>3</sup>
<b>STORAGE</b>				
France	1	—	—	9 <sup>4</sup>
Total	8	594	520	189

1. Gross installed capacity is the total capacity of all Development Projects of Innergex, including non-wholly owned subsidiaries and joint ventures and associates.

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

3. Battery storage capacity related to Hale Kuawehi (120 MWh) and Paeahu (60 MWh) solar projects.

4. Standalone battery storage project.

## Prospective Projects

The Corporation also owns interests in numerous prospective projects at various stages of development. Some have secured land rights, for which an investigative permit application has been filed or for which a proposal has been or could be submitted under a Request for Proposal or a Standing Offer Program (collectively the "Prospective Projects"). The list of Prospective Projects is revised annually to add or remove projects, according to their advancement potential.

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

	Prospective Projects			
	Gross Projected Capacity (MW) <sup>1</sup>			
	Hydro	Wind	Solar	Total
Canada	730	4,343	320	5,393
United States	—	300	669	969
France	—	296	—	296
Chile	207	9	32	248
Total	937	4,948	1,021	6,906

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



## Tax Equity Investment

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

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

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

Elements affecting amortized cost of the tax equity financing	Description
Production Tax Credits ("PTC")	Allocation of PTCs to the tax equity investor derived from the power generated during the period and recognized in other (income) expenses as incurred
Investment Tax Credits ("ITC")	Allocation of ITCs to the tax equity investor stemming from the construction activities and recognized as a reduction in the cost of the assets to which they relate
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 (incomes) expenses as incurred
Pay-go contributions	Additional cash contributions made by the tax equity investor when the annual production exceeds the contractually determined threshold and recognized as an increase in the tax equity financing
Cash distributions	Cash allocation to the tax equity investor

### Production Tax Credit Program ("PTC")

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

	Commercial Operation Date	Expected TEI Flip Point <sup>1</sup>	TEI Investment (M\$)	Expected Annual PTC Generation <sup>3</sup> (M\$)	Expected Annual Pay-go Contribution <sup>4</sup> (M\$)	TEI Allocation of Taxable Income (Loss) and PTCs (Pre-Flip Point)	TEI Allocation of Cash Distributions (Pre-Flip Point)
Shannon <sup>1,2</sup>	2015	2028	274.2	24.3	—	27.83%	64.10%
Flat Top <sup>1,2</sup>	2018	2028	267.2	29.7	—	99.00%	43.55%
Foard City <sup>1,2,4</sup>	2019	2029	372.7	44.4	4.7	99.00%	5.00%

1. Before the Flip Point, TEI cash distributions are based on a quarterly test measurement of cumulative generation for the project since commercial operations date. Lower production could result in a higher cash allocation to the tax equity investor or a change to the Flip Point. Figures provided are for the year ending December 31, 2020.

2. TEIs in U.S. projects generally require certain sponsor guarantees as a condition for their investment. To support the tax equity investments at Shannon, Flat Top and Foard City, Alterra, a subsidiary of Innergex, executed a guarantee indemnifying the tax equity investors against certain breaches of project-level representations, warranties and covenants. The Corporation believes these indemnifications cover matters that are substantially within its control, and are very unlikely to occur.

3. Based on the gross estimated LTA and the current credit of US\$25/MWh generated for the period from COD to Flip Point, translated into Canadian dollars at 1.3628. PTCs generation will vary depending on actual production.

4. Average annual Pay-go Contributions estimate is based on PTCs generated on gross estimated LTA for each year from COD to Flip Point, translated into Canadian dollars at 1.3628. Pay-go Contributions will be earned on actual production in excess of a specified annual threshold, subject to a contractual cumulative maximum.

### Investment Tax Credit Program ("ITC")

Current United States tax law allows wind and solar facilities to receive a one-time federal tax credit, calculated on the basis of the facility's capital cost. Projects that began construction through 2019 are eligible for 30% ITC. This credit steps down to 26% for facilities that began construction in 2020, 22% in 2021 and 10% thereafter.

	Commercial Operation Date	Expected TEI Flip Point	TEI Investment (M\$)	TEI Allocation of Taxable Income (Loss) and ITC (Pre-Flip Point)	TEI Preferred Allocation of Cash (Pre-Flip Point)
Phoebe <sup>1,2,3</sup>	2019	2026	244.3	67.00%	10.62% in excess of priority distribution

- TEIs in U.S. projects generally require certain sponsor guarantees as a condition for their investment. To support the tax equity investments at Phoebe, Alterra, a subsidiary of Innergex, executed a guarantee indemnifying the tax equity investors against certain breaches of project-level representations, warranties and covenants. The Corporation believes these indemnifications cover matters that are substantially within its control, and are very unlikely to occur.
- Phoebe's cash distribution amounts to the TEI are fixed and defined within the TEI partnership agreement. All amounts of distributable cash in excess of this defined threshold are distributed at the rate of 10.62% and 89.38% to the TEI and Innergex respectively.
- TEI Allocation of Taxable Income (Loss) and ITC are 99% until February 15, 2020, down to 67% from February 15, 2020, to December 31, 2024, and then back to 99.0% until TEI Flip Point.

## Basis Hedge

In order to protect the project's returns in the event of a change in the expected price dynamics between the ERCOT South Hub and the Phoebe Node, and in light of the existing transmission congestion prevailing in Texas broadening the basis differential risk at numerous locations, on August 2, 2019, the Corporation entered into a 2-year basis hedge, effective from November 1, 2019 to December 31, 2021.

Under the basis hedge, Innergex swaps the ERCOT South Hub and the Phoebe Node prices at a contractual hourly quantity of 100 MW per hour, for 16 hours daily. As supported by the studies carried out by Innergex's external consultants prior to the transaction being executed, the basis hedge was designed to protect against the basis risk associated with the power hedge during the daily generation period, while the exposure outside of such generation period was expected to be limited.

However, contrary to the initial expectation, the project has been exposed to large unfavourable basis differentials outside of generation hours, which contributed to a cumulated realized loss of \$30.5 million to date. The basis hedge is accounted for at fair value, with subsequent changes being recognized in the consolidated statement of earnings, as change in fair value of financial instruments. Such changes incorporated a realized gain of \$0.8 million for the three-month period ended June 30, 2020 (nil for the comparable period of 2019), and a realized loss of \$18.8 million for the six-month period ended June 30, 2020 (nil for the comparable period of 2019), recorded in the project's tracking account<sup>1</sup>.

<sup>1</sup> Renewable energy projects selling energy under a power/basis hedge structure are exposed to mismatch risks mainly driven by: (1) the risk of a shortfall in the actual energy produced in comparison to the contractual hourly quantity under the hedges; and (2) a price differential risk between hub, node, and fixed contractual prices per MW of contracted energy. To cover such temporary unfavourable mismatches, the counterparty provides the project with a tracking account; a working capital loan that is repaid with subsequent favourable mismatches.

## KEY PERFORMANCE INDICATORS

The Corporation measures its performance using key performance indicators ("KPIs").

### Production KPIs

When evaluating its operating results, a key performance indicator for the Corporation is to compare actual electricity generation with a long-term average ("LTA"), which is determined to allow long-term forecasting of the expected power generation of each facility.

- Production in comparison with LTA in megawatt/hours ("MWh") and gigawatt/hours ("GWh")
- Production and Production Proportionate

### Financial KPIs

- Revenues and Revenues Proportionate
- Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EBITDA Proportionate and Adjusted EBITDA Proportionate Margin
- Adjusted Net Earnings (Loss)
- Free Cash Flow
- Payout Ratio

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

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

## BUSINESS STRATEGY

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

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

### Produce Renewable Energy

The Corporation is committed to producing energy from sustainable renewable sources exclusively and to providing energy storage capacity, by balancing economic, social and environmental considerations. By harnessing the power of the sun's rays, the natural flow of water and the motion of the air, we work with nature to generate clean energy for a brighter future.

### Optimize Operations

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

### Maintain Diversification of Energy Sources

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

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

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

1. The consolidated long-term average production is the annualized LTA for the facilities in operation as of August 4, 2020. 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 Performance Indicators" section.

## Grow Responsibly

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

Nurturing relationships to develop long-term partnerships that support fruitful renewable energy projects is at the core of our business strategy and values. Our projects flourish with the support of our financial, corporate, Indigenous and municipal partners. Our values of following our passion, getting involved, driving opportunities, leading with integrity, achieving together, acting safely and generating prosperity are all ingredients of our success.

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

## Deliver Exceptional Results

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

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

Furthermore, we have nurtured a pool of specialized partners we can rely on to provide services outside our realm of expertise when necessary, from engineering firms to environmental monitoring professionals.

## SECOND QUARTER UPDATE

### Corporate Development

#### Acquisition of a solar farm in Chile

- On May 14, 2020, the Corporation completed the acquisition of the 68 MW PV Salvador SpA solar photovoltaic farm ("Salvador") in Chile (the "Salvador Acquisition"), as well as 11-year demand-based power purchase agreements (the "PPAs Acquisition") covering a total electricity generation of 54,6 GWh/year. The Salvador Acquisition and the PPAs Acquisition were purchased at a net price of US\$47.4 million (\$66.7 million) and US\$18.7 million (\$26.3 million) respectively.
- Salvador is expected to generate 182.2 GWh annually and reach an Adjusted EBITDA of US\$8.0 million (\$11.3 million) in 2021. Salvador was commissioned in 2014 and delivers its total output to the Sistema Interconectado Central (SIC) power grid, where it receives a merchant market price.
- The transaction also includes the transfer of 11-year demand-based PPAs with Empresa Eléctrica ERNC 1 S.A., a power trading company, to Innergex. These PPAs, which are volume-regulated on a timeblock basis, could benefit Energía Llaima SpA, a joint venture of which Innergex owns a 50% interest.
- The total net purchase price of US\$66.1 million (\$93.0 million) will be financed entirely from Innergex revolving credit facilities. The project and the PPAs acquired are free of project debt.

## Development Activities

(as at the date of this MD&A)

	Location	Gross installed capacity (MW)	Expected COD	Gross estimated LTA <sup>1</sup> (GWh)	PPA term (years)
<b>HYDRO (Chile)</b>					
Frontera	Biobío	109.0	2023	464.0	- <sup>2</sup>
<b>SOLAR (United States)</b>					
Hale Kuawehi	Hawaii	30.0 <sup>3</sup>	2022	87.4	25
Paeahu	Hawaii	15.0 <sup>3</sup>	2022	41.2	25
<b>WIND (United States)</b>					
Griffin Trail	Texas	225.6	2021	799.0	- <sup>2</sup>
<b>STORAGE (France)</b>					
Tonnerre	France	— <sup>4</sup>	2021	—	—

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

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

3. Solar project with a battery storage capacity of 120 MWh for Hale Kuawehi and 60 MWh for Paeahu.

4. Standalone battery storage capacity of 9 MWh

### Frontera

- The financing process and the construction contract are progressing slowly due to the COVID-19 pandemic.
- In the coming months, depending on the results of the financing process, the Corporation will make a final decision on the project's fate.

### Hale Kuawehi

- The Public Utilities Commission ("PUC") approved the PPA.
- Environmental and technical studies are completed.
- 30% design engineering is completed.
- Engineering, procurement and construction ("EPC") request for proposals is underway. Selection to be made in Q3 2020.
- Permitting applications are underway.

### Paeahu

- The PUC's PPA review process is ongoing. A contested case hearing took place in the fourth quarter of 2019 to address concerns from an opposition group that consists of neighbouring residents. The PUC is expected to make a decision in the third quarter of 2020.
- Environmental and technical studies are completed.
- 30% design engineering is completed.
- EPC request for proposals is underway. Selection to be made in Q3 2020.
- The Special Use Permit application will be filed in Q3 2020.

### Griffin Trail

Griffin Trail is a 225.6 MW wind project located mainly in Knox County, Texas, United States. The project is in an advanced stage of development and commissioning is expected in Q3 2021.

- Tax Equity Investors are currently being evaluated and should be selected shortly.
- A Turbine Supply Agreement was executed with a turbine manufacturer.
- Limited Notice to Proceed with a contractor was executed in July 2020. On-site construction activities are expected to commence in early September 2020.
- Griffin Trail is planned to be a 'merchant facility', and will sell the energy from the project on the spot market in ERCOT.

### Tonnerre

Tonnerre is a 9 MWh energy storage project located on the Yonne wind farm site in France. Commissioning is expected in Q4 2021.

- The project has been awarded a 7-year contract for difference<sup>1</sup> offering a fixed-price contract for capacity certificate.
- The request for proposals to select the manufacturer has been launched.

1. The French Energy Code sets forth a market-based premium regime. Under a Contract for Difference, the income of the producer relies on a price obtained on the market and an energy premium that corresponds to the difference between a reference tariff calculated on the basis of the average financing and operation costs for an efficient and representative installation and the average electricity and capacity market-based prices.



## Construction Activities

(as at the date of this MD&A)

	Ownership %	Gross installed capacity (MW)	Expected COD	Gross estimated LTA <sup>1</sup> (GWh)	PPA term (years)	Total project cost		Expected first 5-year average	
						Estimated <sup>1</sup> (\$M)	Revenues <sup>1</sup> (\$M)	Adjusted EBITDA <sup>1,2</sup> (\$M)	
<b>SOLAR (United States)</b>									
Hillcrest	100.0	200.0	2020	413.3	15	380.9 <sup>4</sup>	23.8 <sup>4</sup>	14.6 <sup>4</sup>	
<b>HYDRO (Quebec)</b>									
Innavik	50.0	7.5	2022	54.7	40	125.0 <sup>3</sup>	11.0 <sup>3</sup>	8.9 <sup>3</sup>	
<b>WIND (France)</b>									
Yonne II	69.6	6.9	2021	11.0	20	16.5 <sup>5</sup>	1.5 <sup>5</sup>	1.1 <sup>5</sup>	
<b>Total</b>		<b>214.4</b>		<b>479.0</b>		<b>522.4</b>	<b>36.3</b>	<b>24.6</b>	

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

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

3. Corresponding to 100% of this facility.

4. Total Estimated Project Cost at US\$279.5 million, Expected Revenues at US\$17.5 million and Expected Adjusted EBITDA at US\$10.7 million translated at a rate of 1.3628.

5. Total Estimated Project Cost at €10.8 million, Expected Revenues at €1.0 million and Expected Adjusted EBITDA at €0.8 million translated at a rate of 1.5305.

### Hillcrest

- All mobilization activities are completed and all major work activities well underway. Overall, the project is approximately 37% complete.
- Pile driving, tracker installation and module installation are ongoing with multiple crews on each activity and over 300 total personnel on site.
- Pile and tracker deliveries are over 70% complete and 180 MW<sub>DC</sub> of PV modules have now arrived on-site.
- Substation work is underway with completion expected in August.
- Commercial operation is scheduled for late Q4 2020.

### Innavik

- EPC contract was signed.
- On June 16, 2020, the Nunavik Regional Board of Health and Social Services and Kativik Regional Government ("KRG") have lifted some restrictions and allowed the construction sector to reopen on July 6, 2020 under certain conditions.
- With all the terms and conditions of our Certificates of Authorization completed, all construction permits required to commence construction received and all KRG Return to Work Protocol terms and conditions accepted, the contractual Notice to Proceed was sent on July 7, 2020.
- Mobilization on-site to complete construction work started on July 7, 2020.

### Yonne II

- Construction work began in July 2020.
- Craning pads and storage area construction are now completed and access roads were reinforced.
- Work on the foundations has begun and should be completed in early September.
- Commercial operation is scheduled for late Q1 2021.

# OPERATING RESULTS

## Electricity Production

The Corporation's operating results for the three-month period ended June 30, 2020, are compared with the operating results for the same period in 2019.

Energy Segment	Three months ended June 30					
	Production (MWh) <sup>1</sup>	2020 LTA (MWh)	Production as a % of LTA	Production (MWh) <sup>1</sup>	2019 LTA (MWh)	Production as a % of LTA
<b>HYDRO</b>						
Quebec	199,838	214,050	93%	225,002	214,050	105%
Ontario	16,277	20,805	78%	19,258	20,805	93%
British Columbia	677,526	813,139	83%	795,965	813,139	98%
United States	18,935	16,956	112%	14,049	16,956	83%
<b>Subtotal</b>	<b>912,576</b>	<b>1,064,950</b>	<b>86%</b>	<b>1,054,274</b>	<b>1,064,950</b>	<b>99%</b>
<b>WIND</b>						
Quebec	568,245	507,855	112%	535,983	501,077	107%
France	124,243	157,125	79%	132,259	157,125	84%
United States <sup>2</sup>	350,529	355,303	99%	—	—	—%
<b>Subtotal</b>	<b>1,043,017</b>	<b>1,020,283</b>	<b>102%</b>	<b>668,242</b>	<b>658,202</b>	<b>102%</b>
<b>SOLAR</b>						
Ontario	14,181	12,032	118%	12,453	12,117	103%
United States <sup>3</sup>	200,413	229,312	87%	6,984	8,247	85%
Chile <sup>4</sup>	15,606	15,919	98%	—	—	—%
<b>Subtotal</b>	<b>230,200</b>	<b>257,263</b>	<b>89%</b>	<b>19,437</b>	<b>20,364</b>	<b>95%</b>
<b>Total</b>	<b>2,185,793</b>	<b>2,342,496</b>	<b>93%</b>	<b>1,741,953</b>	<b>1,743,516</b>	<b>100%</b>
<b>GEO THERMAL<sup>5</sup></b>						
Iceland	—	—	—%	196,878	185,655	106%

1. Some facilities are treated as joint ventures and associates and accounted for using the equity method; their revenues are not included in the Corporation's consolidated revenues and, for consistency, their electricity production figures have been excluded from the production table.

2. Foard City was commissioned on September 27, 2019.

3. Phoebe was commissioned on November 19, 2019.

4. Production and LTA for the period from May 14, 2020 to June 30, 2020, following the Salvador Acquisition.

5. Production and LTA were nil for the three-month period in 2020 compared to a period from April 1, 2019, to May 23, 2019.

Overall, the **hydroelectric** facilities produced 86% of their LTA mainly due to:

- the curtailment imposed by BC Hydro from May 22, 2020 to the end of the three-month period for five facilities, partly offset by above-average water flows in some regions of British Columbia; and
- below-average water flows at some Quebec facilities.

Overall, the **wind** farms produced 102% of their LTA mainly due to:

- above-average wind regimes in Quebec.

This item was partly offset by:

- below-average wind regimes in France combined with the temporary shutdown of production at two facilities.

Overall, the **solar** farms produced 89% of their LTA mostly due to:

- the curtailment required by the distribution network in Texas combined with outages at the Phoebe facility.

Production for the three-month period ended June 30, 2020, was 2,185,793 MWh compared with 1,741,953 MWh for the same period last year. The 25% increase is due mainly to:

- the contribution of the Foard City wind farm and Phoebe solar facility commissioned respectively on September 27, 2019 and November 19, 2019;
- higher production from the Quebec wind facilities; and
- higher production from the British Columbia hydro facilities not affected by the curtailment.

These items were partly offset by:

- the curtailment imposed by BC Hydro for five hydro facilities.

The Corporation's operating results for the six-month period ended June 30, 2020, are compared with the operating results for the same period in 2019.

Energy Segment	Six months ended June 30, 2020					
	Production (MWh) <sup>1</sup>	LTA (MWh)	Production as a % of LTA	Production (MWh) <sup>1</sup>	LTA (MWh)	Production as a % of LTA
<b>HYDRO</b>						
Quebec	320,548	338,220	95%	359,815	338,220	106%
Ontario	39,010	45,099	86%	43,502	45,099	96%
British Columbia	839,619	1,026,430	82%	923,752	1,026,430	90%
United States	22,855	24,883	92%	19,796	24,883	80%
Subtotal	1,222,032	1,434,632	85%	1,346,865	1,434,632	94%
<b>WIND</b>						
Quebec	1,208,197	1,201,610	101%	1,318,213	1,218,414	108%
France	401,068	384,830	104%	354,959	384,830	92%
United States <sup>2</sup>	678,951	708,523	96%	—	—	—%
Subtotal	2,288,216	2,294,963	100%	1,673,172	1,603,244	104%
<b>SOLAR</b>						
Ontario	20,507	19,063	108%	20,007	19,197	104%
United States <sup>3</sup>	319,029	382,153	83%	10,414	12,920	81%
Chile <sup>4</sup>	15,606	15,919	98%	—	—	—%
Subtotal	355,142	417,135	85%	30,421	32,117	95%
Total	3,865,390	4,146,730	93%	3,050,458	3,069,993	99%
<b>GEOHERMAL<sup>5</sup></b>						
Iceland	—	—	—%	545,424	505,395	108%

1. Some facilities are treated as joint ventures and associates and accounted for using the equity method; their revenues are not included in the Corporation's consolidated revenues and, for consistency, their electricity production figures have been excluded from the production table.

2. Foard City was commissioned on September 27, 2019.

3. Phoebe was commissioned on November 19, 2019.

4. Production and LTA for the period from May 14, 2020 to June 30, 2020, following the Salvador Acquisition.

5. Production and LTA were nil for the period in 2020 as opposed to production and LTA for the period from January 1, 2019, to May 23, 2019

Overall, the **hydroelectric** facilities produced 85% of their LTA due mostly to:

- the curtailment imposed by BC Hydro for five facilities combined with below-average water flows at the British Columbia facilities from cold and dry weather during the winter season.

Overall, the **wind** farms produced 100% of their LTA mainly due to:

- below-average wind regimes in the United States.

This item was offset by:

- above-average wind regimes in France in the first quarter, partly offset by a combined effect of below-average wind regimes in the second quarter and the temporary shutdown of production at two facilities.

Overall, the **solar** farms produced 85% of their LTA mostly due to:

- below-average solar irradiation in the United States in the first quarter combined with curtailment required by the distribution network in Texas and outages at the Phoebe facility.

Production for the six-month period ended June 30, 2020, was 3,865,390 MWh compared with 3,050,458 MWh for the same period last year. The 27% increase is due mainly to:

- the contribution of the Foard City wind farm and the Phoebe solar facility commissioned respectively on September 27, 2019 and November 19, 2019; and
- higher production in France.

These items were partly offset by:

- the curtailment imposed by BC Hydro for five facilities partly offset by higher production from almost all other British Columbia hydro facilities; and
- lower production at the Quebec wind facilities.

## Production Proportionate<sup>1</sup>

(in MWh)	Three months ended June 30			Six months ended June 30		
	2020	2019	Change	2020	2019	Change
Production	2,185,793	1,741,953	443,840	3,865,390	3,050,458	814,932
Innergex's share of Production of joint ventures and associates:						
Hydro	150,506	165,165	(14,659)	185,723	206,092	(20,369)
Wind	236,625	226,651	9,974	488,452	463,691	24,761
Solar	2,944	3,214	(270)	6,066	6,569	(503)
	390,075	395,030	(4,955)	680,241	676,352	3,889
Production Proportionate	2,575,868	2,136,983	438,885	4,545,631	3,726,810	818,821

1. Production Proportionate is a "Key performance indicator" for the Corporation, which cannot be reconciled with an IFRS measure and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section of this MD&A for more information.

### ***For the three-month period ended on June 30, 2020, compared with the same period last year***

Production Proportionate of the joint ventures' and associates' **hydroelectric facilities** was 150,506 MWh (84% of their LTA) in the second quarter of 2020, compared with 165,165 MWh (95% of their LTA) for the same quarter last year, a 9% decrease due mainly to:

- the curtailment imposed by BC Hydro at the Jimmie Creek facility; and
- lower contribution from the Chile facilities due to below-average water flows.

These items were partly offset by:

- higher contribution from the Toba Montrose facility due to above-average water flows.

Production Proportionate of the joint ventures' and associates' **wind farms** was 236,625 MWh (97% of their LTA) in the second quarter of 2020 compared with 226,651 MWh (92% of their LTA) for the same period last year, a 4% increase due mostly to:

- higher contribution from the Shannon and Flat Top facilities in Texas;
- higher contribution from the Dokie facility in British Columbia; and
- higher contribution from the Viger-Denonville facility in Quebec.

Production Proportionate of the joint ventures' and associates' **solar farm** was 2,944 MWh (85% of its LTA) in the second quarter of 2020 compared with 3,214 MWh (95% of its LTA) for the same period last year.

### ***For the six-month period ended on June 30, 2020, compared with the same period last year***

Production Proportionate of the joint ventures' and associates' **hydroelectric facilities** was 185,723 MWh (84% of their LTA) in the six-month period of 2020, compared with 206,092 MWh (96% of their LTA) for the same period last year, a 10% decrease due mainly to:

- the curtailment imposed by BC Hydro at the Jimmie Creek facility; and
- lower contribution from the Chile facilities due to below-average water flows.

These items were partly offset by:

- higher contribution from the Toba Montrose facility due to above-average water flows.

Production Proportionate of the joint ventures' and associates' **wind farms** was 488,452 MWh (101% of their LTA) in the six-month period of 2020 compared with 463,691 MWh (96% of their LTA) for the same period last year, a 5% increase due mostly to:

- higher contribution from the Shannon and Flat Top facilities in Texas; and
- higher contribution from the Dokie facility in British Columbia.

Production Proportionate of the joint ventures' and associates' **solar farm** was 6,066 MWh (83% of its LTA) in the six-month period of 2020 compared with 6,569 MWh (93% of its LTA) for the same period last year.

## Financial Results

	Three months ended June 30 <sup>1</sup>				Six months ended June 30 <sup>1</sup>			
	2020	2019	Change		2020	2019	Change	
Revenues	150,513	144,693	5,820	4 %	282,629	271,112	11,517	4 %
Operating expenses	30,345	27,686	2,659	10 %	57,892	47,744	10,148	21 %
General and administrative expenses	10,070	8,854	1,216	14 %	20,581	17,541	3,040	17 %
Prospective project expenses	4,762	2,905	1,857	64 %	8,401	7,336	1,065	15 %
Adjusted EBITDA <sup>2</sup>	105,336	105,248	88	— %	195,755	198,491	(2,736)	(1)%
Adjusted EBITDA margin <sup>2</sup>	70.0%	72.7%			69.3%	73.2%		
Finance costs	55,248	58,259	(3,011)	(5)%	115,578	111,230	4,348	4 %
Other net (income) expenses	(18,028)	552	(18,580)	(3,366)%	(41,525)	1,278	(42,803)	(3,349)%
Depreciation and amortization	57,126	46,749	10,377	22 %	110,693	93,215	17,478	19 %
Share of losses of joint ventures and associates <sup>3</sup>	12,726	142	12,584	8,862 %	32,780	7,032	25,748	366 %
Change in fair value of financial instruments	(1,015)	8,506	(9,521)	(112)%	26,694	3,194	23,500	736 %
Income tax expense (recovery)	845	1,493	(648)	(43)%	32	(2,585)	2,617	(101)%
<b>Net loss from continuing operations</b>	<b>(1,566)</b>	<b>(10,453)</b>	<b>8,887</b>	<b>(85)%</b>	<b>(48,497)</b>	<b>(14,873)</b>	<b>(33,624)</b>	<b>226 %</b>
Net earnings from discontinued operations	—	17,798	(17,798)	(100)%	—	21,364	(21,364)	(100)%
<b>Net (loss) earnings</b>	<b>(1,566)</b>	<b>7,345</b>	<b>(8,911)</b>	<b>(121)%</b>	<b>(48,497)</b>	<b>6,491</b>	<b>(54,988)</b>	<b>(847)%</b>
(Net loss) earnings attributable to:								
Owners of the parent	(2,548)	10,779	(13,327)	(124)%	(56,288)	4,032	(60,320)	(1,496)%
Non-controlling interests	982	(3,434)	4,416	(129)%	7,791	2,459	5,332	217 %
	(1,566)	7,345	(8,911)	(121)%	(48,497)	6,491	(54,988)	(847)%
Basic and diluted net loss per share from continuing operations attributable to owners (\$)	(0.02)	(0.07)			(0.36)	(0.14)		
Basic and diluted net (loss) earnings per share attributable to owners (\$)	(0.02)	0.07			(0.36)	0.01		

1. Results from continuing operations unless otherwise indicated.

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

3. Some facilities are treated as joint ventures and associates and accounted for using the equity method; their revenues are not included in the Corporation's consolidated revenues.



## Revenues

Up 4% to \$150.5 million for the three-month period ended June 30, 2020

Up 4% to 282.6 million for the six-month period ended June 30, 2020

Energy Segment	Three months ended June 30			Six months ended June 30		
	2020	2019	Change	2020	2019	Change
Hydro	65,030	76,491	(11,461)	92,987	104,529	(11,542)
Wind	71,794	62,193	9,601	167,599	157,019	10,580
Solar	13,689	6,009	7,680	22,043	9,564	12,479
Revenues	150,513	144,693	5,820	282,629	271,112	11,517

### ***For the three-month period ended on June 30, 2020, compared with the same period last year***

The decrease in revenues from the **hydroelectric** power generation segment is mainly due to:

- lower revenues in British Columbia attributable to a net unfavourable impact of lower production from five facilities due to the curtailment imposed by BC Hydro and to lower average selling prices at some facilities over higher production at almost all other facilities; and
- lower production at some Quebec facilities.

The increase in revenues from the **wind** power generation segment is mainly due to:

- the commissioning of the Foard City wind farm in Texas on September 27, 2019; and
- higher revenues at the Quebec facilities due to higher production.

These items were partly offset by:

- lower revenues at the France wind farms due to lower production.

The increase in revenues from the **solar** power generation segment is mainly due to:

- the commissioning of the Phoebe solar facility in Texas on November 19, 2019;
- the Salvador Acquisition in Chile on May 14, 2020; and
- higher production at the Ontario facility.

### ***For the six-month period ended on June 30, 2020, compared with the same period last year***

The decrease in revenues from the **hydroelectric** power generation segment is mainly due to:

- lower revenues in British Columbia attributable to a net unfavourable impact of lower production from five facilities due to the curtailment imposed by BC Hydro and to lower average selling prices at some facilities over higher production at almost all other facilities; and
- lower production and lower average selling prices at some Quebec facilities.

The increase in revenues from the **wind** power generation segment is mainly due to:

- the commissioning of the Foard City wind farm in Texas on September 27, 2019; and
- higher revenues at the France wind farms due to higher production.

These items were partly offset by:

- lower revenues at the Quebec facilities due to lower production.

The increase in revenues from the **solar** power generation segment is mainly due to:

- the commissioning of the Phoebe solar facility in Texas on November 19, 2019; and
- the Salvador Acquisition in Chile on May 14, 2020.

## Revenues Proportionate<sup>1</sup>

	Three months ended June 30			Six months ended June 30		
	2020	2019	Change	2020	2019	Change
Revenues	150,513	144,693	5,820	282,629	271,112	11,517
Innergex's share of Revenues of joint ventures and associates:						
Hydro	14,672	16,411	(1,739)	19,461	21,694	(2,233)
Wind	6,937	8,147	(1,210)	15,680	17,179	(1,499)
Solar	434	540	(106)	1,017	1,032	(15)
	22,043	25,098	(3,055)	36,158	39,905	(3,747)
PTCs and Innergex's share of PTCs generated:	19,448	6,780	12,668	37,588	13,600	23,988
<b>Revenues Proportionate</b>	<b>192,004</b>	<b>176,571</b>	<b>15,433</b>	<b>356,375</b>	<b>324,617</b>	<b>31,758</b>

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

### ***For the three-month period ended on June 30, 2020, compared with the same period last year***

Joint ventures' and associates' **hydroelectric facilities** contributed \$14.7 million to Revenues Proportionate in the second quarter of 2020, compared with a contribution of \$16.4 million for the same quarter last year, an 11% decrease due mostly to:

- lower revenues from the Chile facilities mostly due to a combined effect of lower production and lower average selling prices; and
- lower production from the Jimmie Creek facility due to the curtailment imposed by BC Hydro over higher average selling prices.

These items were partly offset by:

- higher revenues at the Toba Montrose facility in British Columbia due to a combined effect of higher production and higher average selling prices.

Joint ventures' and associates' **wind farms** contributed \$6.9 million to Revenues Proportionate in the second quarter of 2020, compared with \$8.1 million for the same quarter last year, a 15% decrease mainly due to:

- lower contribution from the Shannon and Flat Top wind farms in Texas due to unfavourable nodal prices.

This item was partly offset by:

- higher revenues at the Dokie facility attributable to higher production and higher average selling prices.

The proportional PTCs generated by the **wind farms** contributed \$19.4 million in the second quarter of 2020, compared with a \$6.8 million contribution in the same quarter last year. The increase is due to:

- PTCs generated by the Foard City wind farm following its commissioning on September 27, 2019.

Joint ventures' and associates' **solar farm** contributed \$0.4 million to revenues proportionate in the second quarter of 2020, compared with \$0.5 million for the same quarter last year.

### ***For the six-month period ended on June 30, 2020, compared with the same period last year***

Joint ventures' and associates' **hydroelectric facilities** contributed \$19.5 million to Revenues Proportionate in the six-month period of 2020, compared with a contribution of \$21.7 million for the same quarter last year, a 10% decrease due mostly to:

- lower revenues from the Chile facilities mostly due to lower production; and
- lower production from the Jimmie Creek facility due to the curtailment imposed by BC Hydro over higher average selling prices.

These items were partly offset by:

- higher revenues at the Toba Montrose facility in British Columbia due to a combined effect of higher production and higher average selling prices.

Joint ventures' and associates' **wind farms** contributed \$15.7 million to Revenues Proportionate in the six-month period of 2020, compared with \$17.2 million for the same quarter last year, a 9% decrease mainly due to:

- lower contribution from the Shannon and Flat Top wind farms in Texas due to the net impact of unfavourable nodal prices over higher production.

This item was partly offset by:

- higher revenues at the Dokie facility attributable to a net favourable impact of higher production over lower average selling prices.

The proportional PTCs generated by the **wind farms** contributed \$37.6 million in the six-month period of 2020, compared with a \$13.6 million contribution in the same period last year. The increase is due to:

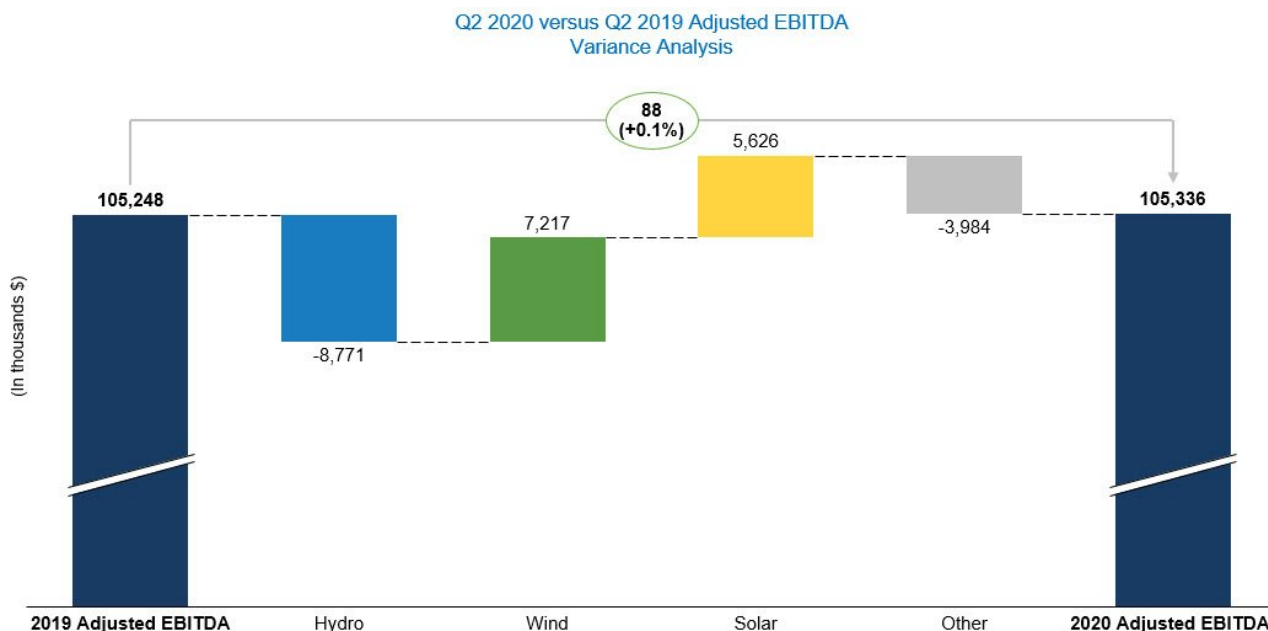
- PTCs generated by the Foard City wind farm following its commissioning on September 27, 2019.

Joint ventures' and associates' **solar farm** contributed \$1.0 million to revenues proportionate in the six-month period of 2020, compared with \$1.0 million for the same period last year.

### Adjusted EBITDA<sup>1</sup>

Stable at \$105.3 million for the three-month period ended June 30, 2020

Down 1% to \$195.8 million for the six-month period ended June 30, 2020



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

### **For the three-month period ended on June 30, 2020, compared with the same period last year**

The decrease in Adjusted EBITDA in the **hydroelectric** power generation segment is mainly due to:

- lower contribution from the British Columbia facilities due to a net unfavourable impact of lower revenues over lower operational expenses; and
- lower contribution from the Quebec facilities explained by lower revenues.

The increase in Adjusted EBITDA in the **wind** power generation segment is due mainly to:

- higher contribution from the Quebec facilities explained by higher revenues and lower operational expenses; and
- the commissioning of the Foard City wind farm in Texas on September 27, 2019.

These items were partly offset by:

- lower contribution from the France wind facilities due to lower revenues.

The increase in Adjusted EBITDA in the **solar** power generation segment is mainly due to:

- the commissioning of the Phoebe solar facility on November 19, 2019;
- higher contribution from the Ontario facility due to higher revenues; and
- the Salvador Acquisition in Chile on May 14, 2020.

**For the six-month period ended on June 30, 2020, compared with the same period last year**

The decrease in Adjusted EBITDA in the **hydroelectric** power generation segment is mainly due to:

- lower contribution from the British Columbia facilities mostly attributable to a net unfavourable impact of lower revenues over lower operational expenses; and
- lower contribution from the Quebec facilities explained by lower revenues.

The increase in Adjusted EBITDA in the **wind** power generation segment is due mainly to:

- higher contribution from the France wind facilities due to higher revenues; and
- the commissioning of the Foard City wind farm in Texas on September 27, 2019.

These items were partly offset by:

- lower contribution from the Quebec facilities mostly attributable to a net unfavourable impact of lower revenues over lower operational expenses.

The increase in Adjusted EBITDA in the **solar** power generation segment is mainly due to:

- the commissioning of the Phoebe solar facility on November 19, 2019.

The increase in other elements stems mostly from higher general and administrative expenses.

**Adjusted EBITDA Margin<sup>1</sup>**

Down from 72.7% to 70.0% for the three-month period ended on June 30, 2020

Down from 73.2% to 69.3% for the six-month period ended on June 30, 2020

The decrease for the three-month period is mainly explained by:

- lower margin from the projects that were commissioned in 2019; and
- higher general and administrative expenses.

The decrease for the six-month period is mainly explained by:

- lower margin from the projects that were commissioned in 2019; and
- higher general and administrative expenses.

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

**Adjusted EBITDA Proportionate<sup>2</sup>**

	Three months ended June 30			Six months ended June 30		
	2020	2019	Change	2020	2019	Change
Adjusted EBITDA	105,336	105,248	88	195,755	198,491	(2,736)
Innergex's share of Adjusted EBITDA of joint ventures and associates:						
Hydro	11,744	11,417	327	13,070	12,462	608
Wind	3,184	4,152	(968)	8,990	9,288	(298)
Solar	238	24	214	562	275	287
	15,166	15,593	(427)	22,622	22,025	597
PTCs and Innergex's share of PTCs generated:	19,448	6,780	12,668	37,588	13,600	23,988
<b>Adjusted EBITDA Proportionate</b>	<b>139,950</b>	<b>127,621</b>	<b>12,329</b>	<b>255,965</b>	<b>234,116</b>	<b>21,849</b>

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

***For the three-month period ended on June 30, 2020, compared with the same period last year***

The joint ventures' and associates' **hydroelectric facilities** contributed \$11.7 million to the Adjusted EBITDA Proportionate in the second quarter of 2020, compared with \$11.4 million for the same quarter last year, a 3% increase mainly due to:

- higher contribution from the Toba Montrose facility due to higher revenues;
- higher contribution from the Chile facilities due to a net favourable impact of lower operational costs over lower revenues.

These items were partly offset by:

- lower contribution from the Jimmie Creek facility due to lower revenues.

The joint ventures' and associates' **wind farms** contributed \$3.2 million to the Adjusted EBITDA Proportionate for the second quarter of 2020, compared with a \$4.2 million contribution in the same quarter last year, a 23% decrease mainly due to:

- lower contribution from the Shannon and Flat Top facilities due to lower revenues.

This item was partly offset by:

- higher contribution from the Dokie facility due to higher revenues.

The proportional PTCs generated by the **wind farms** contributed \$19.4 million in the second quarter of 2020, compared with a \$6.8 million contribution in the same quarter last year. The increase is due to:

- PTCs generated by the Foard City wind farm following its commissioning on September 27, 2019.

The joint ventures' and associates' **solar farm** contributed \$0.24 million to Adjusted EBITDA Proportionate in the second quarter of 2020 compared with a contribution of \$0.02 million for the same quarter last year.

***For the six-month period ended on June 30, 2020, compared with the same period last year***

The joint ventures' and associates' **hydroelectric facilities** contributed \$13.1 million to the Adjusted EBITDA Proportionate in the six-month period of 2020, compared with \$12.5 million for the same period last year, a 5% increase mainly due to:

- higher contribution from the Toba Montrose facility due to higher revenues; and
- higher contribution from the Chile facilities due to a net favourable impact of lower operational costs over lower revenues.

These items were partly offset by:

- lower contribution from the Jimmie Creek facility due to lower revenues.

The joint ventures' and associates' **wind farms** contributed \$9.0 million to the Adjusted EBITDA Proportionate for the six-month period of 2020, compared with a \$9.3 million contribution in the same period last year, a 3% decrease mainly due to:

- lower contribution from the Shannon facility due to lower revenues; and
- lower contribution at the Flat Top facility due to a net unfavourable impact of lower revenues over lower operating costs.

These items were partly offset by:

- higher contribution from the Dokie facility due to higher revenues.

The proportional PTCs generated by the **wind farms** contributed \$37.6 million in the six-month period of 2020, compared with a \$13.6 million contribution in the same period last year. The increase is due to:

- PTCs generated by the Foard City wind farm following its commissioning on September 27, 2019.

The joint ventures' and associates' **solar farm** contributed \$0.6 million to Adjusted EBITDA Proportionate in the six-month period of 2020 compared with a contribution of \$0.3 million for the same period last year.

**Adjusted EBITDA Proportionate Margin<sup>1</sup>**

Up from 72.3% to 72.9% for the three-month period ended on June 30, 2020

Down from 72.1% to 71.8% for the six-month period ended on June 30, 2020

The increase for the three-month period is mainly explained by:

- higher margin in the wind segment mostly due to the Foard City facility's PTCs which directly improve the margin.

This item was partly offset by:

- lower margin from the joint ventures' and associates' wind facilities;
- lower adjusted EBITDA margin.

The decrease for the six-month period is mainly explained by:

- lower adjusted EBITDA margin.



These items were partly offset by:

- higher margin in the wind segment mostly due to the Foard City facility's PTCs which directly improve the margin.

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

### Finance Costs

Down 5% to \$55.2 million for the three-month period ended June 30, 2020

Up 4% to \$115.6 million for the six-month period ended June 30, 2020

The decrease for the three-month period is mainly due to:

- a recovery of inflation compensation interest on the Harrison Hydro real return bonds owing to periods of negative inflation during the three months ended June 30, 2020, compared with the same period last year;
- interest income on the preferred shares owned in the joint-venture of Innavig; and
- lower interest on the corporate credit facility that was partially repaid during the first quarter of 2020.

These items were partly offset by:

- interest expenses related to the Phoebe and Foard City project loans and lease liabilities, mainly arising from ceasing to capitalize interest following the commencement of commercial operations in the fourth quarter of 2019, and interest on tax equity financing entered into concurrently in the fourth quarter of 2019; and
- higher interest expenses stemming from the September 2019 4.65% Convertible Debentures offering.

The increase for the six-month period is mainly due to:

- interest expenses related to the Phoebe and Foard City project loans and lease liabilities, mainly arising from ceasing to capitalize interest following the commencement of commercial operations in the fourth quarter of 2019, and interest on tax equity financing entered into concurrently in the fourth quarter of 2019;
- higher interest expenses stemming from the September 2019 4.65% Convertible Debentures offering.

These items were partly offset by:

- a recovery of inflation compensation interest on the Harrison Hydro real return bonds owing to periods of negative inflation during the six months ended June 30, 2020, compared with the same period last year.
- interest income on the preferred shares owned in the joint-venture of Innavig; and
- lower interest on the corporate credit facility that was partially repaid during the first quarter of 2020.

The effective all-in interest rate on the Corporation's debt and convertible debentures was 4.54% as at June 30, 2020 (4.48% as at December 31, 2019).

### Other Net (Income) Expenses

Income of \$18.0 million for the three-month period ended June 30, 2020

Income of \$41.5 million for the six-month period ended June 30, 2020

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Tax attributes allocated to tax equity investors	(5,080)	—	(11,430)	—
Production tax credits	(12,120)	—	(23,052)	—
Realized gain on contingent considerations	(945)	—	(945)	—
Restructuring costs	166	—	450	—
Others, net	(49)	552	(6,548)	1,278
	(18,028)	552	(41,525)	1,278

The increase for the three-month period is mainly due to:

- PTCs generated by the Foard City wind facility;
- tax attributes allocated to the tax equity investors at the Phoebe solar facility, mainly related to the accelerated tax depreciation.

The increase for the six-month period is mainly due to:

- PTCs generated by the Foard City wind facility;
- tax attributes allocated to the tax equity investors at the Phoebe solar facility, mainly related to the accelerated tax depreciation; and
- foreign exchange gain on the revaluation of net U.S. dollar-denominated monetary assets in conjunction with a weakening of the Canadian dollar against the U.S. dollar.

### **Depreciation and Amortization**

Up 22% to \$57.1 million for the three-month period ended June 30, 2020

Up 19% to \$110.7 million for the six-month period ended June 30, 2020

The increases for the three- and six-month periods are mainly due to the depreciation expense on the Foard City and Phoebe facilities following their commissioning in late 2019.

### **Share of losses of joint ventures and associates**

Share of loss of \$12.7 million for the three-month period ended June 30, 2020, compared with \$0.1 million for the corresponding period in 2019

Share of loss of \$32.8 million for the six-month period ended June 30, 2020, compared \$7.0 million for the corresponding period in 2019

The loss increase for the three-month period is mainly due to:

- an unfavourable change in the fair value of the Shannon and Flat Top power hedges, which are not designated as cash flow hedges, with changes in the fair value of the derivatives therefore being recognized directly as an element of the investees' net loss.
- an unfavourable change in the fair value of the Innavik bond forward contracts, which are not designated as cash flow hedges, with changes in the fair value of the derivatives therefore being recognized directly as an element of the investees' net loss.
- a decrease in the revenues attributable to Innergex from the Flat Top, Shannon, Jimmie Creek and Energía Llaima investees, compared with the revenues attributable to Innergex in 2019. Production from the Jimmie Creek hydro facility in BC has been affected downwards by the curtailment notices received from BC Hydro.

The above items were partly offset by:

- an increase in revenues from the Toba Montrose and Dokie investees, compared with the same period last year.

The loss increase for the six-month period is mainly due to:

- an unfavourable change in the fair value of the Shannon and Flat Top power hedges, which are not designated as cash flow hedges, with changes in the fair value of the derivatives therefore being recognized directly as an element of the investees' net loss.
- an unfavourable change in the fair value of the Innavik bond forward contracts, which are not designated as cash flow hedges, with changes in the fair value of the derivatives therefore being recognized directly as an element of the investees' net loss.
- a decrease in the revenues attributable to Innergex from the Shannon, Flat Top, Jimmie Creek and Energía Llaima investees, compared with the revenues attributable to Innergex in 2019. Production from the Jimmie Creek hydro facility in BC has been affected downwards by the curtailment notices received from BC Hydro.

The above items were partly offset by:

- an increase in the revenues attributable to Innergex from the Toba Montrose and Dokie investees, compared with the same period last year.

### Change in Fair Value of Financial Instruments

Gain related to a change in fair value of financial instruments of \$1.0 million for the three-month period ended June 30, 2020, compared with a loss of \$8.5 million for the corresponding period in 2019

Loss related to a change in fair value of financial instruments of \$26.7 million for the six-month period ended June 30, 2020, compared with a loss of \$3.2 million for the corresponding period in 2019

(Gain) Loss	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Unrealized portion of change in fair value of financial instruments	2,569	8,506	12,819	3,194
Realized portion of change in fair value of financial instruments:				
Realized gain on the power hedges	(2,768)	—	(4,967)	—
Realized (gain) loss on Phoebe basis hedge	(816)	—	18,842	—
Change in fair value of financial instruments recognized in consolidated statement of earnings	(1,015)	8,506	26,694	3,194

*Derivatives* are used by the Corporation to manage its exposure to interest rate risk on its existing and upcoming debt financing, to manage its exposure to foreign exchange risk, thereby protecting the economic value of its facilities, and to manage its exposure to electricity price risk for projects that deliver electricity at variable prices per MWh.

The gain related to the change in fair value of financial instruments for the three-month period ended June 30, 2020 is mainly due to:

- a net realized gain on derivative financial instruments stemming from:
  - net favourable settlements under the Phoebe and Salvador power hedges; and
  - net favourable settlements under the Phoebe basis hedge.

This was partly offset by:

- a net unrealized loss on derivative financial instruments stemming from:
    - an unfavourable impact related to the change in the fair value of the Phoebe power hedge; and
    - an unfavourable impact related to the change in the fair value of the Corporation's portfolio of foreign exchange forward contracts;
- itself partly offset by:
- a favourable movement in the fair value of the Phoebe basis hedge; and
  - an unrealized gain on the conversion of intragroup loans.

The loss related to the change in fair value of financial instruments for the six-month period ended June 30, 2020 is mainly due to:

- a net realized loss on derivative financial instruments stemming from:
    - net unfavourable settlements under the Phoebe basis hedge; partly offset by
    - net favourable settlements under the Phoebe power hedge.
  - a net unrealized loss on derivative financial instruments stemming from:
    - an unfavourable impact related to the change in the fair value of the Phoebe power hedge;
- itself partly offset by:
- \* a favourable impact related to the change in fair value of the Phoebe basis hedge;
  - \* a favourable impact related to the change in fair value of the Corporation's portfolio of foreign exchange forwards contracts; and
  - \* an unrealized gain on the conversion of intragroup loans.

### Income Tax Expense (Recovery of)

Income tax expense of \$0.8 million for the three-month period ended June 30, 2020, compared with an Income tax expense of \$1.5 million for the same period in 2019

Income tax amount nil for the six-month period ended June 30, 2020 compared with an income tax recovery of \$2.6 million for the same period in 2019

For the three-month period ended June 30, 2020, the Corporation recorded:

- a current income tax expense of \$1.0 million (\$19.6 million for the corresponding period in 2019); and
- a deferred income tax recovery of \$0.1 million (\$18.1 million for the corresponding period in 2019).

For the six-month period ended June 30, 2020, the Corporation recorded:

- a current income tax expense of \$4.9 million (\$22.1 million for the corresponding period in 2019); and
- a deferred income tax recovery of \$4.9 million (\$24.6 million for the corresponding period in 2019).

For the three- and six-month periods ended June 30, 2020, the Corporation recorded a decrease in its current income tax expense due mainly to a significant taxable gain realized by the Corporation during the three-month period ended June 30, 2019. The gain realized by the Corporation at that time resulted from an intercompany transaction related to the introduction of a tax equity investor in the Phoebe solar project.

For the three- and six-month period ended June 30, 2020, the Corporation recorded a decrease in its deferred income tax recovery due mainly to a deductible temporary difference registered in the period ended June 30, 2019 following an intercompany transaction related to the introduction of a tax equity investor in the Phoebe solar project.

### **Net Loss from continuing operations**

Net loss of \$1.6 million (\$0.02 loss per share - basic and diluted) for the three-month period ended June 30, 2020, compared with a net loss from continuing operations of \$10.5 million (\$0.07 loss per share - basic and diluted) for the same period in 2019

Net loss of \$48.5 million (\$0.36 loss per share - basic and diluted) for the six-month period ended June 30, 2020, compared with a net loss from continuing operations of \$14.9 million (\$0.14 loss per share - basic and diluted) for the same period in 2019

For the three-month period, the favourable change of \$8.9 million can be explained by:

- an \$18.6 million increase in other income mainly related to PTCs generated by the Foard City wind project, and tax attributes allocated to the tax equity investors at the Phoebe solar facilities;
- a \$9.5 million gain related to the change in fair value of financial instruments, largely related to realized gains on the power hedges and on the Phoebe basis hedge; partly offset by net unrealized losses on derivative financial instruments; and
- a \$3.0 million decrease in finance costs.

These items were partly offset by:

- a \$10.4 million increase in depreciation and amortization mainly related to the Foard City and Phoebe facilities; and
- a \$12.6 million increase in share of loss of joint ventures and associates mainly derived from unfavourable changes in the fair value of the Shannon and Flat Top power hedges, and the Innavik bond forward contracts, which are not subject to hedge accounting.

For the six-month period, the unfavourable change of \$33.6 million can be explained by:

- a \$25.7 million increase in share of loss of joint ventures and associates mainly derived from unfavourable changes in the fair value of the Shannon and Flat Top power hedges, and the Innavik bond forward contracts, which are not subject to hedge accounting;
- a \$23.5 million loss related to the change in fair value of financial instruments largely related to a realized loss on the Phoebe basis hedge and an unrealized loss on the Phoebe power hedge; partly offset by net realized gains on the Phoebe power hedge and a favourable change in fair value of the Phoebe basis hedge;
- a \$17.5 million increase in depreciation and amortization mainly related to the Foard City and Phoebe facilities; and
- a \$4.3 million increase in finance costs.

These items were partly offset by:

- a \$2.7 million decrease in Adjusted EBITDA; and
- a \$42.8 million increase in other income mainly related to PTCs generated by the Foard City wind project, tax attributes allocated to the tax equity investors at the Phoebe solar facilities, and foreign exchange gains.

### **Adjusted Net Earnings (Loss) from Continuing Operations**

Adjusted Net Earnings from Continuing Operations of \$4.5 million for the three-month period ended June 30, 2020, compared with an Adjusted Net Loss from Continuing Operations of \$2.7 million in 2019

Adjusted Net Loss from Continuing Operations of \$4.1 million for the six-month period ended June 30, 2020, compared with \$14.0 million in 2019

When evaluating its operating results, a key performance indicator for the Corporation is Adjusted Net Earnings (Loss) from Continuing Operations. Adjusted Net Earnings (Loss) from Continuing Operations is not a recognized measure under IFRS, has no standardized meaning prescribed by IFRS and therefore may not be comparable with measures presented by other issuers. Please refer to the "Non-IFRS Measures" section for more information.

Innergex uses derivative financial instruments to hedge its exposure to various risks. The unrealized portion of the changes in fair value of financial instruments recognized in the statement of consolidated earnings is excluded from the Adjusted Net Earnings (Loss) from Continuing Operations. Such changes have no immediate cash effect and may have reversed by the time the actual settlements occur, as they are spread over a long period after the reporting date.

As such, the following items are excluded from the Adjusted Net Earnings (Loss):

- The unrealized portion of the change in fair value of the derivatives that are *not* subject to hedge accounting, as is the case for the Corporation's power hedges and basis hedge, as well as for its equity accounted investments' power hedges;
- The amount of hedge ineffectiveness in the changes in fair value of the Corporation's derivatives that are subject to hedge accounting.

In addition, due to their limited occurrence (over the remaining contractual period of 18 months), realized gains and losses on the Phoebe basis hedge are deemed not to represent the long-term cash-generating capacity of Innergex, and are thus excluded from the Adjusted Net Earnings (Loss) from Continuing Operations.

Impact on net loss of financial instruments	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Net loss from continuing operations	(1,566)	(10,453)	(48,497)	(14,873)
<i>Add (Subtract):</i>				
Unrealized portion of the change in fair value of financial instruments	2,569	8,506	12,819	3,194
Realized portion of the change in fair value of the Phoebe basis hedge	(816)	—	18,842	—
Realized loss on foreign exchange forward contracts	(825)	(448)	(825)	(448)
Income tax (recovery) expense related to above items	(212)	247	(5,201)	(774)
Share of unrealized portion of the change in fair value of financial instruments of joint ventures and associates, net of related income tax	5,334	(508)	18,805	(1,127)
<b>Adjusted Net Earnings (Loss) from continuing operations</b>	<b>4,484</b>	<b>(2,656)</b>	<b>(4,057)</b>	<b>(14,028)</b>

### Non-controlling Interests

Attribution of earnings of \$1.0 million to non-controlling interests for the three-month period ended June 30, 2020, compared with an attribution of losses of \$3.4 million for the corresponding period in 2019

Attribution of earnings of \$7.8 million to non-controlling interests for the six-month period ended June 30, 2020, compared with \$2.5 million for the corresponding period in 2019

The increase in earnings attributed to non-controlling interests for the three-month period ended June 30, 2020, is mainly due to:

- a higher allocation of income to the non-controlling interests on Harrison Hydro, mostly explained by a recovery of inflation compensation interest on the real return bonds owing to periods of negative inflation during the three months ended June 30, 2020, compared with the same period last year; and
- a higher allocation of income to non-controlling interests on Mesgi'g Ugju's'n, mainly due to higher revenues in 2020, compared with the same period last year.

The increase in earnings attributed to non-controlling interests for the six-month period ended June 30, 2020, is mainly due to:

- a higher allocation of income to the non-controlling interests on Innergex Europe, largely due to an unrealized gain on derivative financial instruments and to an increase in revenues compared with the same period last year; and
- a higher allocation of income to the non-controlling interests on Harrison Hydro, mostly explained by a recovery of inflation compensation interest on the real return bonds owing to periods of negative inflation during the six months ended June 30, 2020, compared with the same period last year.

## GEOGRAPHIC SEGMENTS

As at June 30, 2020, and excluding its investments in joint ventures and associates, which are accounted for using the equity method, the Corporation had interests in the following operating facilities: 29 hydroelectric facilities, six wind farms and one solar farm in Canada, 15 wind farms in France, one hydroelectric facility, one wind farm and three solar farms in the United States and one solar farm in Chile. The Corporation operates in four principal geographical areas, which are detailed below.

	Three months ended June 30		Six months ended June 30	
	2020 <sup>1</sup>	2019	2020 <sup>1</sup>	2019
<b>Revenues</b>				
Canada	117,045	125,014	200,920	221,144
France	16,735	17,677	53,125	47,139
United States	15,613	2,002	27,464	2,829
Chile	1,120	—	1,120	—
	<b>150,513</b>	<b>144,693</b>	<b>282,629</b>	<b>271,112</b>

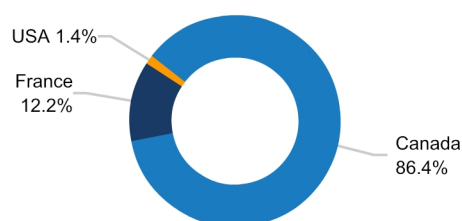
	As at	
	June 30, 2020	December 31, 2019
<b>Non-current assets, excluding derivative financial instruments and deferred tax assets<sup>1</sup></b>		
Canada	3,578,000	3,629,942
France	917,808	891,764
United States	1,473,564	1,293,983
Chile	217,988	142,268
	<b>6,187,360</b>	<b>5,957,957</b>

1. Includes the investments in joint ventures and associates.

Q2 2020 Revenues by Country



Q2 2019 Revenues by Country



### Canada

Revenues down 6% to \$117.0 million for the three-month period ended June 30, 2020

Revenues down 9% to \$200.9 million for the six-month period ended June 30, 2020

Non-current assets, excluding derivative financial instruments and deferred tax assets, down 1% to \$3,578.0 million at June 30, 2020, compared with December 31, 2019

The decrease in Canadian revenues for the three-month period is attributable mainly to:

- lower revenues in British Columbia due to lower production and lower average selling price; and
- lower revenues from the Quebec hydro facilities due to lower production.

These items were partly offset by:

- higher revenues at the Quebec wind facilities due to higher production.

The decrease in Canadian revenues for the six-month period is attributable mainly to:

- lower revenues from the Quebec wind facilities due to lower production;



- lower revenues in British Columbia due to lower production and lower average selling price; and
- lower production and lower average selling price at some Quebec hydro facilities.

The decrease in non-current assets, excluding derivative financial instruments and deferred income tax assets in Canada, is attributable mainly to:

- depreciation of property, plant and equipment, and amortization of intangible assets.

This item was partly offset by:

- an increase in the asset retirement obligations and transfer of ownership rights obligations due to a decrease in interest rate curves.

## France

Revenues down 5% to \$16.7 million for the three-month period ended June 30, 2020

Revenues up 13% to \$53.1 million for the six-month period ended June 30, 2020

Non-current assets, excluding derivative financial instruments and deferred tax assets, up 3% to \$917.8 million at June 30, 2020, compared with December 31, 2019

The decrease in France revenues for the three-month period is attributable mainly to:

- lower revenues from the France wind farms due to lower production.

The increase in France revenues for the six-month period is attributable mainly to:

- higher revenues from the France wind farms due to higher production.

The increase in non-current assets, excluding derivative financial instruments and deferred income tax assets in France, is attributable mainly to:

- the weakening of the Canadian Dollar against the Euro.

This item was partly offset by:

- depreciation of property, plant and equipment, and amortization of intangible assets.

## United States

Revenues up to \$15.6 million for the three-month period ended June 30, 2020

Revenues up to \$27.5 million for the six-month period ended June 30, 2020

Non-current assets, excluding derivative financial instruments and deferred tax assets, up 14% to \$1,473.6 million at June 30, 2020, compared with December 31, 2019

The increases in US revenues for the three-month period are attributable mainly to:

- the contribution of the Foard City wind facility, commissioned on September 27, 2019; and
- the contribution of the Phoebe solar facility, commissioned on November 19, 2019.

The increases in US revenues for the six-month period are attributable mainly to:

- the contribution of the Foard City wind facility, commissioned on September 27, 2019; and
- the contribution of the Phoebe solar facility, commissioned on November 19, 2019.

The increase in non-current assets, excluding derivative financial instruments and deferred income tax assets in the United States, is attributable mainly to:

- property, plant and equipment additions related to the construction of the Hillcrest solar project; and
- the weakening of the Canadian Dollar against the US Dollar; and
- additions to project development costs related to the Griffin Trail wind project.

These items were partly offset by:

- depreciation of property, plant and equipment, and amortization of intangible assets; and
- decrease in investments in joint ventures and associates due to unfavourable changes in fair value of the Shannon and Flat Top power hedges; and
- decrease in the Phoebe land right-of-use asset due to lower expected future lease payments following a revision, upon completion of the construction activities, of the total acreage of the project.

## Chile

Revenues up to \$1.1 million for the three-month period and the six-month period ended June 30, 2020

Non-current assets, excluding derivative financial instruments and deferred tax assets, up 53% to \$218.0 million at June 30, 2020, compared with December 31, 2019

The increase in Chile revenues for the three-month period and for the six-month period is attributable mainly to:

- the Salvador Acquisition on May 14, 2020.

For the period ended June 30, 2020, the increase in non-current assets is attributable to:

- the Salvador Acquisition on May 14, 2020.
- a foreign exchange gain in the Energía Llaima investment recorded as a comprehensive income.

This item was partly offset by:

- decrease in the investment value due to a net loss attributable to Energía Llaima.

The Corporation's investment in Energía Llaima in Chile is accounted for using the equity method; therefore its revenues are not consolidated and the Corporation's investment value 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.

## DISCONTINUED OPERATIONS FINANCIAL RESULTS

	Three months ended June 30, 2020			Three months ended June 30, 2019		
	Innergex <sup>1</sup>	HS Orka <sup>2</sup>	Total	Innergex <sup>1</sup>	HS Orka <sup>2</sup>	Total
Production	2,185,793	—	2,185,793	1,741,953	196,878	1,938,831
Revenues	150,513	—	150,513	144,693	13,412	158,105
Adjusted EBITDA <sup>3</sup>	105,336	—	105,336	105,248	3,521	108,769
Net (loss) earnings	(1,566)	—	(1,566)	(10,453)	17,798	7,345

1. Equivalent to continuing operations.

2. Equivalent to discontinued operations.

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

	Six months ended June 30, 2020			Six months ended June 30, 2019		
	Innergex <sup>1</sup>	HS Orka <sup>2</sup>	Total	Innergex <sup>1</sup>	HS Orka <sup>2</sup>	Total
Production	3,865,390	—	3,865,390	3,050,458	545,424	3,595,882
Revenues	282,629	—	282,629	271,112	40,006	311,118
Adjusted EBITDA <sup>3</sup>	195,755	—	195,755	198,491	13,291	211,782
Net (loss) earnings	(48,497)	—	(48,497)	(14,873)	21,364	6,491

1. Equivalent to continuing operations.

2. Equivalent to discontinued operations.

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

## SHARE CAPITAL STRUCTURE

### Information on Capital Stock

#### Number of Common Shares Outstanding

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Weighted average number of common shares (in 000s)	173,671	133,417	166,676	133,143
Shares that may be issued from the following equity instruments that are excluded from the dilutive elements (in 000s):				
Effect of share options	508	918	508	918
Effect of shares in trust related to the Performance Share Plan	557	131	557	131
Effect of convertible debentures	13,777	14,167	13,777	14,167
	14,842	15,216	14,842	15,216

#### The Corporation's Equity Securities

	As at		
	August 3, 2020	June 30, 2020	June 30, 2019
Number of common shares	174,408,627	174,278,195	133,559,963
Number of 4.75% convertible debentures	150,000	150,000	150,000
Number of 4.65% convertible debentures	125,000	125,000	—
Number of 4.25% convertible debentures	—	—	100,000
Number of Series A Preferred Shares	3,400,000	3,400,000	3,400,000
Number of Series C Preferred Shares	2,000,000	2,000,000	2,000,000
Number of share options outstanding	642,933	642,933	917,729

As at the closing of the market on August 3, 2020, and since June 30, 2020, the increase in the number of common shares of the Corporation is attributable mainly to the issuance of 130,432 common shares related to the Corporation's Dividend Reinvestment Plan ("DRIP").

As at June 30, 2020, the increase in the number of common shares since June 30, 2019, was attributable mainly to the issuance of 34,636,823 common shares to Hydro-Québec under a private placement of common shares of Innergex as well as the conversion of a portion of the 4.25% Convertible Debentures into 5,776,795 common shares. In addition, the increase was also attributable to the issuance of 139,282 common shares following the cashless exercise of 458,953 options as well as the issuance of 1,215 common shares under the Deferred Share of Unit Plan and 164,117 common shares related to the DRIP.

## Dividends

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

The following dividends were declared by the Corporation:

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Dividends declared on common shares <sup>1</sup>	31,370	23,373	62,709	46,733
Dividends declared on common shares (\$/share)	0.180	0.175	0.360	0.350
Dividends declared on Series A Preferred Shares	767	767	1,533	1,533
Dividends declared on Series A Preferred Shares (\$/share)	0.2255	0.2255	0.4510	0.4510
Dividends declared on Series C Preferred Shares	719	719	1,438	1,438
Dividends declared on Series C Preferred Shares (\$/share)	0.3594	0.3594	0.7188	0.7188

1. The increase in dividends declared on common shares is attributable to the increase in quarterly dividend, to the issuance of common shares following the exercise of options and to the issuance of shares under the DRIP.

The following dividends will be paid by the Corporation on October 15, 2020:

Date of announcement	Record date	Payment date	Dividend per common share (\$)	Dividend per Series A Preferred Share (\$)	Dividend per Series C Preferred Share (\$)
08/4/2020	9/30/2020	10/15/2020	0.1800	0.2255	0.359375

## Normal Course Issuer Bid

On May 21, 2020, the Corporation received the approval from the Toronto Stock Exchange (TSX) to proceed with a normal course issuer bid on its common shares (the New Bid). Under the New Bid, the Corporation could purchase for cancellation up to 2,000,000 of its common shares, representing approximately 1.15% of the 174,234,629 issued and outstanding common shares of the Corporation as at May 21, 2020. The Corporation could also purchase for cancellation up to 68,000 of its Series A Preferred Shares, representing approximately 2% of the 3,400,000 issued and outstanding shares of the Corporation as at May 21, 2020. And finally, the Corporation could purchase for cancellation up to 40,000 of its Series C Preferred Shares, representing approximately 2% of the 2,000,000 issued and outstanding shares of the Corporation as at May 21, 2020. The New Bid commenced on May 24, 2020 and will terminate on May 23, 2021. No common or preferred shares have been purchased and cancelled as at June 30, 2020.

## Contributed surplus from reduction of capital account on common shares

A special resolution to approve the reduction of the legal stated capital account maintained in respect of the common shares of the Corporation, without any payment or distribution to the shareholders was adopted on May 12, 2020. This resulted in a decrease of the shareholders' capital account of \$754,355 and an equivalent increase of the contributed surplus from reduction of capital on common shares account.

## FINANCIAL POSITION

As at	June 30, 2020	December 31, 2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	228,978	156,224
Restricted cash	33,800	39,451
Investment tax credit recoverable	74,874	—
Other current assets	120,982	109,957
<b>Total current assets</b>	<b>458,634</b>	<b>305,632</b>
<b>Non-current assets</b>		
Property, plant and equipment	4,832,508	4,620,025
Intangible assets	680,169	682,227
Investments in joint ventures and associates	482,036	511,899
Goodwill	68,991	60,666
Other non-current assets	242,723	191,655
<b>Total non-current assets</b>	<b>6,306,427</b>	<b>6,066,472</b>
<b>Total assets</b>	<b>6,765,061</b>	<b>6,372,104</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
	723,569	641,353
<b>Non-current liabilities</b>		
Long-term loans and borrowings	3,971,612	4,281,586
Other non-current liabilities	972,189	833,839
<b>Total non-current liabilities</b>	<b>4,943,801</b>	<b>5,115,425</b>
<b>Total liabilities</b>	<b>5,667,370</b>	<b>5,756,778</b>
<b>SHAREHOLDERS' EQUITY</b>		
Equity attributable to owners	1,084,685	604,384
Non-controlling interests	13,006	10,942
<b>Total shareholders' equity</b>	<b>1,097,691</b>	<b>615,326</b>
	<b>6,765,061</b>	<b>6,372,104</b>

### Working Capital Items

#### Current assets

Current assets amounted to \$458.6 million as at June 30, 2020, compared with \$305.6 million as at December 31, 2019, an increase of \$153.0 million due mainly to:

- an increase of \$72.8 million in cash and cash equivalents derived from operating, financing and investing activities and the strengthening of the US dollar and Euro against the Canadian dollar;
- an increase of \$74.9 million in investment tax credit recoverable relating to Hillcrest construction activities;
- an increase of \$11.7 million stemming from the Salvador Acquisition.

These increases were partly offset by:

- a decrease of \$5.7 million in restricted cash.

### **Current liabilities**

Current liabilities amounted to \$723.6 million as at June 30, 2020, compared with \$641.4 million as at December 31, 2019, an increase of \$82.2 million due mainly to:

- a \$29.7 million increase in derivative financial instruments following a general decrease in interest rate curves during the first six months of 2020;
- an increase in current portion of long-term loans and borrowings of \$33.7 million mainly relating to Phoebe tax equity financing;
- an increase in dividend payable of \$7.0 million arising from the higher dividend declared in June 2020 compared with December 2019;
- an increase of \$5.7 million stemming from the Salvador Acquisition; and
- a strengthening of the US dollar and Euro against the Canadian dollar.

Working capital was negative at \$264.9 million, as at June 30, 2020, with a working capital ratio of 0.63:1.00 (as at December 31, 2019, working capital was negative at \$335.7 million, with a working capital ratio of 0.48:1.00), an improvement of \$70.8 million due to the items explained above.

The Corporation considers its current level of working capital to be sufficient to meet its needs. As at June 30, 2020, the Corporation had \$700.0 million in revolving term credit facilities and had drawn \$182.0 million as cash advances, while \$63.4 million had been used to issue letters of credit, leaving \$454.6 million available. In addition, a default in the the Mesgi'g Ugnu's'n credit agreement, due to the bankruptcy of a supplier considered a major project participant under the agreement, caused the total project loan balance of \$236.9 million to be classified within current liabilities.

### **Non-current assets**

Non-current assets amounted to \$6,306.4 million as at June 30, 2020, compared with \$6,066.5 million as at December 31, 2019, an increase of \$240.0 million mainly due to:

- a \$212.4 million increase in property, plant and equipment due to:
  - an increase of \$158.5 million stemming from a \$235.3 million investment in the construction activities related to the Hillcrest project net of a \$76.8 million investment tax credit;
  - an increase of \$61.0 million stemming from the Salvador Acquisition;
  - an increase in the present value of the asset retirement obligations; and
  - a strengthening of the US dollar and Euro against the Canadian dollar.

These items were partially offset by:

- depreciation and amortization.
- a \$20.3 million increase in other long-term assets related to preferred shares received in exchange for cash contributions made to Innavik Hydro LP towards the forthcoming construction of the joint venture hydro project; and
- a \$47.6 million increase, excluding fixed assets, stemming from the Salvador Acquisition.

These increases were partly offset by:

- a \$29.9 million decrease in investments in joint ventures and associates; and
- a \$33.0 million decrease in derivative financial instruments.

### **Non-current liabilities**

Non-current liabilities amounted to \$4,943.8 million as at June 30, 2020, compared with \$5,115.4 million as at December 31, 2019, a decrease of \$171.6 million mainly due to:

- a \$310.0 million decrease in long-term loans and borrowings mainly due to:
  - a net repayment of \$309.0 million of the corporate credit facility from the \$661.0 million Hydro-Québec Private Placement proceeds, partly offset by draws made towards the Hillcrest construction and other cash requirements; and
  - scheduled principal repayments on long-term debt.

These items were partially offset by:

- a \$71.2 million draw made on the Hillcrest project construction loan.

This item was partly offset by:

- a \$74.2 million increase in derivative financial instruments due to a significant decrease in interest rate curves;
- a \$52.2 million increase in lease obligations due to new obligations relating to the Hillcrest project, partly offset by a decrease in present value of future payments of lease obligations; and
- a \$24.9 million increase stemming from the Salvador Acquisition.

As at June 30, 2020, the Corporation and its subsidiaries have met all material financial and non-financial conditions, unless indicated below, related to their credit agreements, trust indentures and PPAs. Were they not met, certain financial and non-financial covenants included in the credit agreements, trust indentures and PPAs entered into by various subsidiaries of the Corporation could limit the capacity of these subsidiaries to transfer funds to the Corporation. These restrictions could have a



negative impact on the Corporation's ability to meet its obligations. As at December 31, 2019 and June 30, 2020, the Mesgig Ugu's'n project was in default of its credit agreement. A breach was triggered by the bankruptcy of a supplier considered a major project participant under the credit agreement. A waiver has been obtained and was subsequently extended until September 30, 2020. A plan was put in place to ensure the continuity of the operations of the project. Ongoing dialogue and reporting are provided to the project Lenders until this situation is resolved. The project was in compliance with financial covenants. If the waiver is not renewed, the lenders would have the right to request repayment; the \$236.9 million loan was reallocated to the current portion of long-term debt.

### 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.

As at June 30, 2020	Currency	Current Notional		Fair Value After Credit Adjustment	
		Currency of origin	CAD	Currency of origin	CAD
Interest rate swaps	CAD	1,153,661	1,153,661	(133,641)	(133,641)
Interest rate swaps	USD	173,850	236,923	(31,961)	(43,566)
Interest rate swaps	EURO	141,213	216,126	(13,719)	(20,997)
Foreign exchange forward contracts	CAD	525,888	525,888	(17,852)	(17,852)
Power and basis Hedges	USD	N/A	N/A	18,749	25,550
				(178,424)	(190,506)

### Shareholders' Equity

Shareholders' equity amounted to \$1,097.7 million as at June 30, 2020, compared with \$615.3 million as at December 31, 2019, an increase of \$482.4 million mainly due to:

- the Private Placement by Hydro-Québec of \$661.0 million in Innergex common shares at a price of \$19.08 per share for a total of 34.6 million shares.

This item was partly offset by:

- dividends declared on common and preferred shares totaling \$65.7 million during the period compared to \$49.7 million for the same period last year.

### Contingencies

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

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

Innergex disputes that the current pandemic and related governmental measures in any way prevent BC Hydro from fulfilling its obligations to accept and purchase energy under the EPAs or enable it to invoke "force majeure" provisions under the EPAs to suspend these obligations. Innergex acknowledges that BC Hydro retains "turn-down" rights under the EPAs, which enable it to require Innergex to turn down or shut off its facilities in certain circumstances, including in order to avoid a safety or stability risk. Where BC Hydro exercises this right, it is required under the EPAs to compensate Innergex for energy that would have been produced at the facilities in the absence of the curtailment. Innergex intends to comply with BC Hydro's curtailment request, but will do so under protest and will seek to enforce its rights under the EPAs on the basis described above. For the period from May 22, 2020 to June 30, 2020, actual eligible energy revenues that would have been produced at the facilities in the absence of the curtailment amounted to \$10.0 million for the consolidated facilities, or \$11.2 million on a Revenues Proportionate<sup>1</sup> basis.

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

### **Off-Balance-Sheet Arrangements**

As at June 30, 2020, the Corporation had issued letters of credit totaling \$179.3 million, including \$100.2 million from its available corporate facilities, to meet its obligations under its various PPAs and other agreements. These letters of credit were issued as payment securities for various projects under construction and as performance or financial guarantees under PPAs and other contractual obligations. As at that date, Innergex had also issued a total of \$97.2 million in corporate guaranties used mainly to guarantee certain activities of prospective projects. The corporate guaranties were also used to support the long-term currency hedging instruments of its operations in France, and the performance of the Brown Lake and Miller Creek hydroelectric facilities.

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

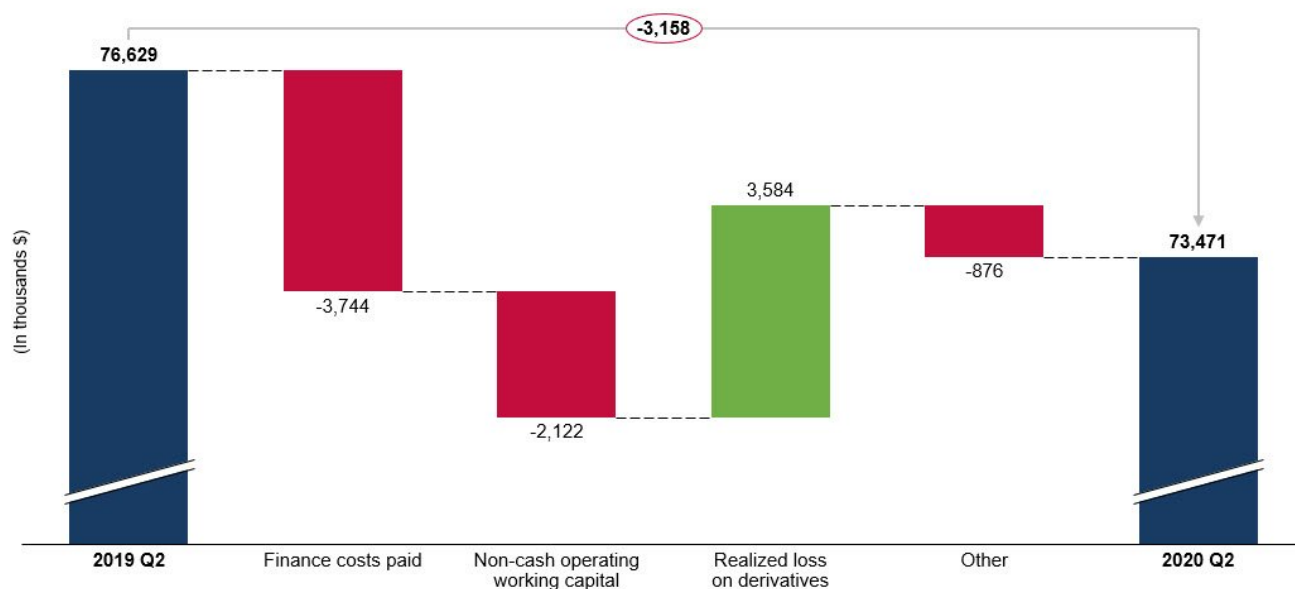
## LIQUIDITY AND CAPITAL RESOURCES

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
<b>OPERATING ACTIVITIES</b>				
Cash flows from operating activities from continuing operations before changes in non-cash operating working capital items	59,221	60,257	102,050	117,758
Changes in non-cash operating working capital items	14,250	16,372	(9,546)	947
Cash flows from operating activities from continuing operations	73,471	76,629	92,504	118,705
Cash flows from operating activities from discontinued operations	—	2,580	—	13,122
	73,471	79,209	92,504	131,827
<b>FINANCING ACTIVITIES</b>				
Cash flows from financing activities from continuing operations	142,908	(24,851)	276,115	69,327
Cash flows from financing activities from discontinued operations	—	20,689	—	20,059
	142,908	(4,162)	276,115	89,386
<b>INVESTING ACTIVITIES</b>				
Cash flows from investing activities from continuing operations	(253,298)	(74,613)	(302,915)	(178,984)
Cash flows from investing activities from discontinued operations	—	(13,395)	—	(31,957)
	(253,298)	(88,008)	(302,915)	(210,941)
Effects of exchange rate changes on cash and cash equivalents	(5,111)	(553)	7,050	(1,236)
Net change in cash and cash equivalents	(42,030)	(13,514)	72,754	9,036
Cash and cash equivalents, beginning of period	271,008	97,972	156,224	79,586
Plus: Cash and cash equivalents held for sale, beginning of period	—	4,164	—	—
<b>Cash and cash equivalents, end of period</b>	<b>228,978</b>	<b>88,622</b>	<b>228,978</b>	<b>88,622</b>

## Cash Flows from Operating Activities from Continuing Operations

Down \$3.2 million to \$73.5 million for the three-month period ended June 30, 2020

Down \$26.2 million to \$92.5 million for the six-month period ended June 30, 2020



### **For the three-month period ended on June 30, 2020, compared with the same period last year**

The decrease in cash flows from operating activities from continuing operations is primarily attributable to:

- a \$3.7 million increase in finance costs paid, mainly stemming from the timing of payments; and
- a \$2.1 million unfavourable change in non-cash operating working capital items, due mainly to:
  - an \$18.5 million and a \$5.5 million unfavourable variations in non-cash operating working capital changes from accounts payable and other payables, and prepaid and other, respectively; partly offset by:
  - a \$21.3 million favourable variation in non-cash operating working capital changes from accounts receivable.

These items were partly offset by:

- a \$3.6 million realized gain on derivative financial instruments (nil in 2019) mainly attributable to the favourable settlements under the Phoebe and Salvador power hedges.

### **For the six-month period ended on June 30, 2020, compared with the same period last year**

The decrease in cash flows from operating activities from continuing operations is primarily attributable to:

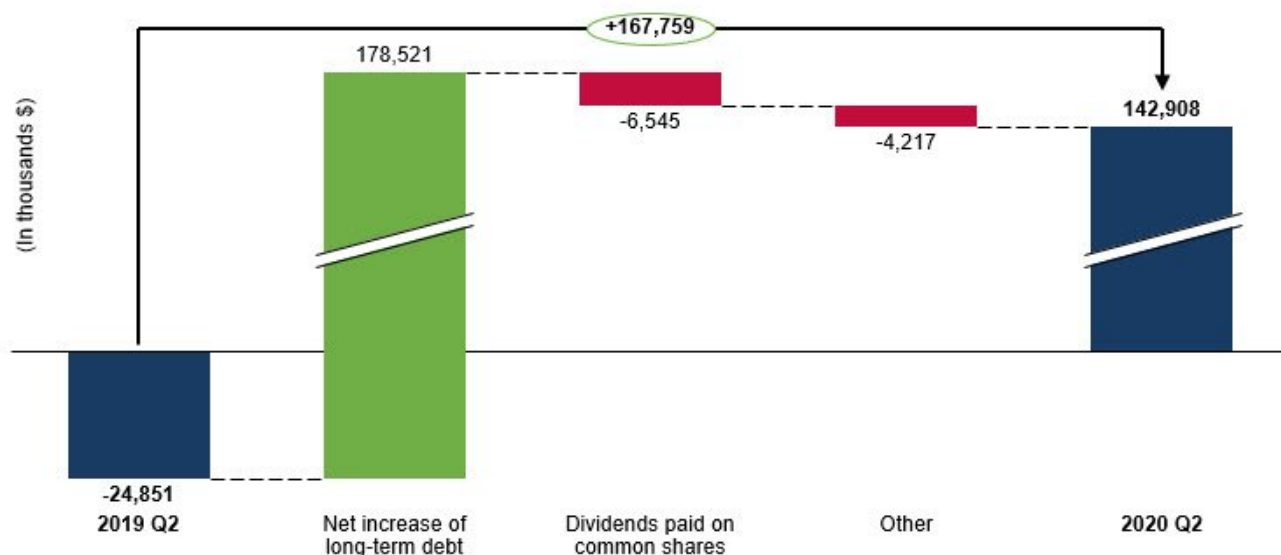
- a \$13.9 million realized loss on derivative financial instruments (nil in 2019) mainly attributable to an \$18.8 million realized loss on the Phoebe basis hedge due to unfavourable basis differentials outside of generation hours, partly offset by a \$5.0 million realized gain on the Phoebe and Salvador power hedges;
- a \$10.5 million unfavourable change in non-cash operating working capital items, due mainly to:
  - a \$10.7 million unfavourable variation in non-cash operating working capital changes from accounts payable and other payables;
- a \$3.8 million increase in finance costs paid, mainly stemming from the timing of payments; and
- a \$2.7 million decrease in Adjusted EBITDA<sup>1</sup>.

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

## Cash Flows from Financing Activities from Continuing Operations

Up \$167.8 million to \$142.9 million for the three-month period ended June 30, 2020

Up \$206.8 million to \$276.1 million for the six-month period ended June 30, 2020



### ***For the three-month period ended on June 30, 2020, compared with the same period last year***

The increase in cash inflows from financing activities from continuing operations stems mainly from:

- a \$178.5 million net increase of long-term debt mainly due to:
  - draws made towards the Hillcrest construction and the Mountain Air Acquisition, partly offset by scheduled principal repayments on long-term debt.

This item was partly offset by:

- a \$6.5 million increase in dividends paid on common shares, mainly due to the 34,636,823 shares issued to Hydro-Québec on February 6, 2020.

### ***For the six-month period ended on June 30, 2020, compared with the same period last year***

The increase in cash flows from financing activities from continuing operations stems mainly from:

- a \$658.5 million net cash inflow from the Private Placement by Hydro-Québec in Innergex common shares.

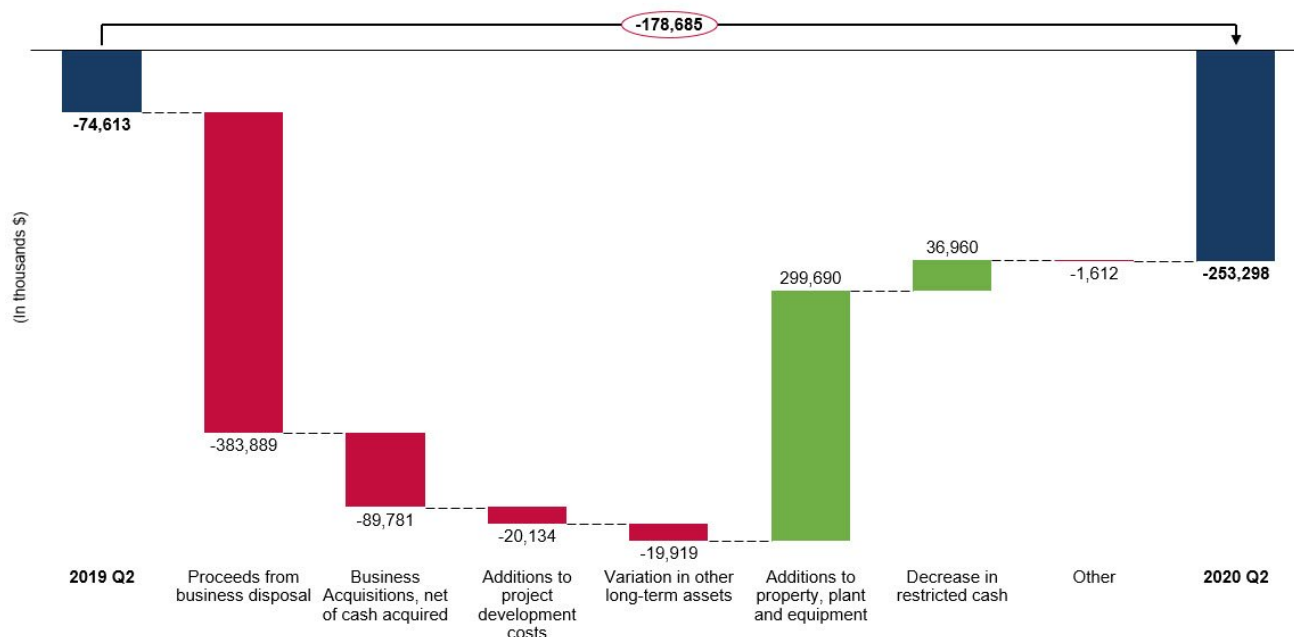
This item was partly offset by:

- a \$9.1 million increase in dividends paid on common shares, mainly due to the 34,636,823 shares issued to Hydro-Québec on February 6, 2020;
- a \$442.9 million net repayment of long-term debt mainly due to:
  - repayments made to the corporate credit facility from the proceeds received following the Private Placement by Hydro-Québec in Innergex common shares, partly offset by draws made towards the Hillcrest construction, and the Salvador and Mountain Air acquisitions; and
  - scheduled principal repayments on long-term debt.

## Cash Flows from Investing Activities from Continuing Operations

Outflow up \$178.7 million to \$253.3 million for the three-month period ended June 30, 2020

Outflow up \$123.9 million to \$302.9 million for the six-month period ended June 30, 2020



### **For the three-month period ended on June 30, 2020, compared with the same period last year**

The increase in cash outflows from investing activities from continuing operations is mainly related to:

- a decrease in proceeds received from a business disposal, from \$383.9 million in 2019, related to the sale of HS Orka to Jarðvarmi slhf, to nil in 2020;
- an \$89.8 million cash contribution, net of cash acquired, made towards the Salvador Acquisition;
- a \$20.1 million increase in project development costs additions, which mainly relates to the Griffin Trail wind project;
- a \$19.9 million increase in other long-term assets related to preferred shares received in exchange for cash contributions made to Innavik Hydro LP towards the forthcoming construction of the joint venture hydro project;

These items were partly offset by:

- a \$299.7 million decrease in additions to property, plant and equipment, from \$421.1 million in 2019, related primarily to the construction of the Phoebe solar and Foard City wind projects, to \$121.4 million in 2020, mostly related to the construction of the Hillcrest solar project;
- a \$37.0 million favourable change in restricted cash balances, from a \$34.1 million increase in restricted cash in 2019, to a \$2.8 million decrease in restricted cash in 2020.

### **For the six-month period ended on June 30, 2020, compared with the same period last year**

The increase in cash outflows from investing activities from continuing operations is mainly related to:

- a decrease in proceeds received from a business disposal, from \$383.9 million in 2019, related to the sale of HS Orka to Jarðvarmi slhf, to nil in 2020;
- an \$89.8 million cash contribution, net of cash acquired, made towards the Salvador Acquisition;
- a \$21.2 million increase in project development costs additions, which mainly relates to the Griffin Trail wind project;
- a \$20.0 million increase in other long-term assets related to preferred shares received in exchange for cash contributions made to Innavik Hydro LP towards the forthcoming construction of the joint venture hydro project;

These items were partly offset by:

- a \$348.1 million decrease in additions to property, plant and equipment, from \$519.3 million in 2019, related primarily to the construction of the Phoebe solar and Foard City wind projects, to \$171.2 million in 2020, mostly related to the construction of the Hillcrest solar project;
- a \$45.9 million favourable change in restricted cash balances, from a \$39.0 million increase in restricted cash in 2019, to a \$6.9 million decrease in restricted cash in 2020.



## FREE CASH FLOW AND PAYOUT RATIO

Free Cash Flow and Payout Ratio calculation <sup>1</sup>	Trailing twelve months ended June 30	
	2020	2019
Cash flows from operating activities	200,742	222,999
<i>Add (Subtract) the following items:</i>		
Changes in non-cash operating working capital items	(11,909)	17,294
Maintenance capital expenditures net of proceeds from disposals	(5,432)	(9,224)
Scheduled debt principal payments	(139,908)	(104,385)
Free Cash Flow attributed to non-controlling interests <sup>2</sup>	(9,322)	(22,335)
Dividends declared on Preferred shares	(5,942)	(5,942)
<i>Add (subtract) the following non-recurring elements:</i>		
Transaction costs related to realized acquisitions	337	2,121
Realized loss on termination of interest rate swaps	4,145	6,919
Realized loss on the Phoebe basis hedge <sup>3</sup>	30,539	—
Income tax paid on realized intercompany gain	10,594	—
Recovery of maintenance capital expenditures and prospective project expenses on sale of HS Orka, net of attribution to non-controlling interests <sup>4</sup>	—	8,242
<b>Free Cash Flow</b>	<b>73,844</b>	<b>115,689</b>
Dividends declared on common shares	111,022	91,917
Payout Ratio	150%	79%
<i>Adjust for the following items:</i>		
Prospective projects expenses	13,969	17,937
<b>Adjusted Free Cash Flow</b>	<b>87,813</b>	<b>133,626</b>
Dividends declared on common shares - DRIP adjusted	106,773	86,650
<b>Adjusted Payout Ratio</b>	<b>122%</b>	<b>65%</b>

1. Free Cash Flow, Adjusted Free Cash Flow, Payout Ratio and Adjusted Payout Ratio are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section for more information.

2. The portion of Free Cash Flow attributed to non-controlling interests is subtracted, regardless of whether an actual distribution to non-controlling interests is made, in order to reflect the fact that such distributions may not occur in the period they are generated.

3. Due to their limited occurrence (over the remaining contractual period of 18 months), gains and losses on the Phoebe basis hedge are deemed not to represent the long-term cash generating capacity of Innergex.

4. The sale of HS Orka has allowed for the recovery of maintenance capital expenditures and prospective project expenses incurred thereon since the acquisition of the project in February 2018, totaling \$5.7 million and \$9.6 million, respectively. An amount of \$7.1 million was deducted from the total recovery as it pertains to non-controlling interests.

## Payout Ratio<sup>1</sup>

For the trailing twelve months ended June 30, 2020, the dividends on common shares declared by the Corporation amounted to 150% of Free Cash Flow, compared with 79% for the corresponding period last year.

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

<i>(in millions of Canadian dollars)</i>	Trailing twelve months ended June 30, 2020		
	Free Cash Flow	Dividends	Payout Ratio
Free Cash Flow and Payout Ratio	74	111	150%
<i>Add (subtract) the following items:</i>			
BC Hydro curtailment	11	—	
Timing of interest payments	13	—	
Decrease in corporate revolving facilities interest payment	(5)	—	
Hydro-Québec additional dividend	—	(13)	
Free Cash Flow and Payout Ratio - Normalized	93	98	105%

The Corporation considers the \$73.8 million Free Cash Flow not to represent the current cash generating capacity.

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

- an unfavourable impact on the Adjusted EBITDA Proportionate stemming from the BC Hydro imposed curtailment during 2020;
- timing of certain project loan interest payments which resulted in the Corporation having made 5 quarterly payments during the trailing four quarters; and
- an increase in quarterly dividends mainly related to the issuance of 34,636,823 common shares following the Hydro-Québec Private Placement, while a large portion of the funds have yet to be invested in cash generating projects, or have been used towards recent acquisitions whose contributions to the Corporation's Free Cash Flow has not yet fully materialized.

These items were partly offset by:

- a decrease in the corporate revolving facilities interest expense concurrent with the Hydro-Québec Private Placement.

<sup>1</sup> The Payout Ratio is a measure of the Corporation's ability to sustain current dividends and dividend increases as well as its ability to fund its growth. The Payout Ratio level reflects the Corporation's decision to invest yearly in advancing the development of its Prospective Projects, for which investments must be expensed as incurred. The Corporation considers such investments essential to its long-term growth and success, as it believes that the greenfield development of renewable energy projects offers the greatest potential internal rates of return and represents the most efficient use of management's expertise and value-added skills.

## Free Cash Flow

For the trailing twelve months ended June 30, 2020, the Corporation generated Free Cash Flow of \$73.8 million, compared with \$115.7 million for the corresponding period last year.

The unfavourable variance in Free Cash Flow is due mainly to:

- a decrease in Free Cash Flow attributable to discontinued operations, including the recovery of maintenance capital expenditures, following the sale of HS Orka in the second quarter of 2019;
- an unfavourable impact to Adjusted EBITDA Proportionate stemming from the BC Hydro imposed curtailment during 2020;
- timing of certain project loan interest payments which resulted in the Corporation having made 5 quarterly payments during the trailing four quarters; and
- lower generation due to unfavorable weather conditions.

These items were partly offset by:

- the Free Cash Flow contribution of recently acquired and commissioned projects; and
- lower interest payment on the corporate revolving facilities concurrent with the Hydro-Québec Private Placement.

On a forward-looking basis, when taking into account a full-year contribution of the two recently announced acquisitions, the full effect of the annualized dividend following the Hydro-Québec Private Placement and adding back the above described normalized items, the Corporation anticipates the Payout Ratio for the next twelve months to be around 100%.

## QUARTERLY FINANCIAL INFORMATION

<i>(in millions of dollars, unless otherwise stated)</i>	Three months ended			
	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept 30, 2019
Production (MWh)	2,185,793	1,679,598	1,793,803	1,665,362
Revenues	150.5	132.1	143.1	142.8
Adjusted EBITDA <sup>1</sup>	105.3	90.4	103.3	107.4
Net (loss) earnings	(1.6)	(46.9)	(47.4)	9.7
Net (loss) earnings from continuing operations attributable to owners of the parent	(2.5)	(53.7)	(46.8)	14.3
Net (loss) earnings from continuing operations attributable to owners of the parent (\$ per share – basic and diluted)	(0.02)	(0.35)	(0.35)	0.10
Net (loss) earnings attributable to owners of the parent	(2.5)	(53.7)	(46.2)	14.1
Net (loss) earnings attributable to owners of the parent (\$ per share – basic and diluted)	(0.02)	(0.35)	(0.35)	0.09
Dividends declared on common shares	31.4	31.3	24.4	23.9
Dividends declared on common shares, \$ per share	0.180	0.180	0.175	0.175

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

<i>(in millions of dollars, unless otherwise stated)</i>	Three months ended			
	June 30, 2019	March 31, 2019	Dec. 31, 2018	Sept 30, 2018
Production (MWh)	1,741,953	1,308,505	1,396,066	1,236,722
Revenues	144.7	126.4	138.3	116.5
Adjusted EBITDA <sup>1</sup>	105.2	93.2	103.3	83.7
Net earnings (loss)	7.3	(0.9)	14.2	9.5
Net (loss) earnings from continuing operations attributable to owners of the parent	(7.8)	(7.4)	15.9	8.8
Net (loss) earnings from continuing operations attributable to owners of the parent (\$ per share – basic and diluted)	(0.07)	(0.07)	0.12	0.06
Net earnings (loss) attributable to owners of the parent	10.8	(6.7)	13.7	10.7
Net earnings (loss) attributable to owners of the parent (\$ per share – basic and diluted)	0.07	(0.06)	0.10	0.07
Dividends declared on common shares	23.4	23.4	22.6	22.6
Dividends declared on common shares, \$ per share	0.175	0.175	0.170	0.170

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

## 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 the Corporation's production and cash generation capabilities, its ability to sustain current dividends and dividend increases and its ability to fund its growth. These indicators also facilitate the comparison of results over different periods. Innergex's share of Revenues of joint ventures and associates, Revenues Proportionate, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EBITDA Proportionate, Adjusted EBITDA Proportionate Margin, Innergex's share of Adjusted EBITDA of joint ventures and associates, Adjusted Net Earnings (Loss) from Continuing Operations, Free Cash Flow, Adjusted Free Cash Flow, Payout Ratio and Adjusted Payout Ratio are not measures recognized by IFRS and have no standardized meaning prescribed by IFRS.

### Revenues Proportionate

References in this document to "Innergex's share of Revenues of joint ventures and associates" are to Innergex's equity interest in the joint ventures and associates' Revenues. Readers are cautioned that Innergex's share of Revenues of joint ventures and associates should not be construed as an alternative to Revenues, as determined in accordance with IFRS.

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

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Revenues	150,513	144,693	282,629	271,112
Innergex's share of Revenues of joint ventures and associates:				
Toba Montrose (40%)	8,800	7,438	9,140	7,973
Shannon (50%)	1,670	2,422	3,229	4,545
Flat Top (51%)	2,076	3,126	4,494	5,723
Dokie (25.5%)	1,841	1,432	5,034	3,753
Jimmie Creek (50.99%)	1,032	2,156	1,223	2,298
Umbata Falls (49%)	1,660	1,582	2,320	2,283
Viger-Denonville (50%)	1,350	1,167	2,923	3,158
Duqueco (50%) <sup>1</sup>	3,061	4,827	5,919	8,129
Guayacán (50%) <sup>1</sup>	119	408	859	1,011
Pampa Elvira (50%) <sup>1</sup>	434	540	1,017	1,032
	22,043	25,098	36,158	39,905
PTCs and Innergex's share of PTCs generated:				
Foard City	12,120	—	23,052	—
Shannon (50%)	3,277	2,955	6,432	5,969
Flat Top (51%)	4,051	3,825	8,104	7,631
	19,448	6,780	37,588	13,600
<b>Revenues Proportionate</b>	<b>192,004</b>	<b>176,571</b>	<b>356,375</b>	<b>324,617</b>

1. Innergex owns a 50% interest in Energía Llaima, which owns the Guayacán (69.47% interest) and the Pampa Elvira (55% interest) facilities and Duqueco, which includes the Mampil (100% interest) and Peuchén (100% interest) facilities.

## Adjusted EBITDA and Adjusted EBITDA Margin

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

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

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Net loss from continuing operations	(1,566)	(10,453)	(48,497)	(14,873)
Income tax expense (recovery)	845	1,493	32	(2,585)
Finance costs	55,248	58,259	115,578	111,230
Depreciation and amortization	57,126	46,749	110,693	93,215
EBITDA	111,653	96,048	177,806	186,987
Other net (income) expenses	(18,028)	552	(41,525)	1,278
Share of loss of joint ventures and associates	12,726	142	32,780	7,032
Change in fair value of financial instruments	(1,015)	8,506	26,694	3,194
Adjusted EBITDA	105,336	105,248	195,755	198,491
Adjusted EBITDA margin	70.0%	72.7%	69.3%	73.2%

## Adjusted EBITDA Proportionate and Adjusted EBITDA Proportionate Margin

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

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

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

During the year ended December 31, 2019, upon commissioning of the Foard City wind project, the Adjusted EBITDA Proportionate measure was changed to reflect PTC generation from the Corporation's wind facilities and from its joint ventures' and associates' wind facilities. PTCs represent an important factor to a U.S. wind project's financial performance and have been a major driver to determining their economic feasibility. PTCs are currently used, for the most part, as an element of the principal repayment of the Corporation's tax equity financing.

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Adjusted EBITDA	105,336	105,248	195,755	198,491
Innergex's share of Adjusted EBITDA of joint ventures and associates:				
Toba Montrose (40%)	7,212	6,004	6,244	5,016
Shannon (50%)	137	1,149	602	2,108
Flat Top (51%)	493	1,194	1,892	1,925
Dokie (25.5%)	1,423	911	4,056	2,704
Jimmie Creek (50.99%)	621	1,746	375	1,370
Umbata Falls (49%)	1,478	1,436	1,943	1,862
Viger-Denonville (50%)	1,131	898	2,440	2,551
Duqueco (50%) <sup>1</sup>	2,345	2,082	3,956	3,661
Guayacán (50%) <sup>1</sup>	88	149	552	553
Pampa Elvira (50%) <sup>1</sup>	238	24	562	275
	15,166	15,593	22,622	22,025
PTCs and Innergex's share of PTCs generated:				
Foard City	12,120	—	23,052	—
Shannon (50%)	3,277	2,955	6,432	5,969
Flat Top (51%)	4,051	3,825	8,104	7,631
	19,448	6,780	37,588	13,600
Adjusted EBITDA Proportionate	139,950	127,621	255,965	234,116
Adjusted EBITDA Proportionate Margin	72.9%	72.3%	71.8%	72.1%

1. Innergex owns a 50% interest in Energía Llaima, which owns the Guayacán (69.47% interest) and the Pampa Elvira (55% interest) facilities, and Duqueco, which includes the Mampil (100% interest) and Peuchén (100% interest) facilities.



### **Adjusted Net Earnings (Loss) from Continuing Operations**

References to "Adjusted Net Earnings (Loss) from Continuing Operations" are to net earnings or losses from continuing operations of the Corporation, to which the following elements are added (subtracted): change in fair value of financial instruments; realized (gain) loss on financial instruments; income tax expense (recovery) related to the above items; and the share of change in fair value of financial instruments of joint ventures and associates, net of related tax. Innergex uses derivative financial instruments to hedge its exposure to various risks. Accounting for derivatives under IFRS requires that all derivatives are marked-to-market. Accounting for derivatives requires that all derivatives are marked-to-market. When hedge accounting is not applied, changes in the fair value of the derivatives is recognized directly in net earnings (loss). Such unrealized changes have no immediate cash effect, may or may not reverse by the time the actual settlements occur and do not reflect the Corporation's business model toward derivatives, which are held for their long-term cash flows, over the whole life of a project. The Adjusted Net Earnings (Loss) from Continuing Operations of the Corporation aims to eliminate the impact of the mark-to-market rules on derivatives on the profit and loss of the Corporation. Innergex believes the analysis and presentation of net earnings or loss on this basis enhances understanding of the Corporation's operating performance. Readers are cautioned that Adjusted Net Earnings (Loss) from Continuing Operations should not be construed as an alternative to net earnings, as determined in accordance with IFRS. Please refer to the "Operating Results" section for reconciliation of the Adjusted Net Earnings (Loss) from Continuing Operations.

### **Free Cash Flow and Payout Ratio**

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

References to "Adjusted Free Cash Flow" are to Free Cash Flow excluding prospective project expenses and non-recurring items.

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

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

## Production KPIs

### Production Proportionate

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

References in this document to "Production Proportionate" are to Production plus Innergex's share of Production of the joint ventures and associates. Innergex believes that the presentation of this measure enhances the understanding of the Corporation's operating performance. Please refer to the "Operating Results" section of this MD&A for more information.

(in MWh)	Three months ended June 30					
	2020			2019		
	Production (MWh)	LTA (MWh)	Production as a % of LTA	Production (MWh)	LTA (MWh)	Production as a % of LTA
Production	2,185,793	2,342,496	93%	1,741,953	1,743,516	100%
Innergex's share of Production of joint ventures and associates:						
Toba Montrose (40%)	97,961	92,018	106%	87,168	92,018	95%
Shannon (50%)	93,668	101,901	92%	89,172	101,901	88%
Flat Top (51%)	116,562	119,335	98%	115,450	119,335	97%
Dokie (25.5%)	17,498	16,158	108%	14,311	16,158	89%
Jimmie Creek (50.99%)	8,021	22,973	35%	25,456	22,973	111%
Umbata Falls (49%)	21,991	18,533	119%	20,905	18,533	113%
Viger-Denonville (50%)	8,897	7,725	115%	7,718	7,725	100%
Duqueco (50%) <sup>1</sup>	19,474	39,200	50%	27,498	34,763	79%
Guayacán (50%) <sup>1</sup>	3,059	5,477	56%	4,138	5,140	81%
Pampa Elvira (50%) <sup>1</sup>	2,944	3,474	85%	3,214	3,368	95%
	390,075	426,794	91%	395,030	421,914	94%
<b>Production Proportionate</b>	<b>2,575,868</b>	<b>2,769,290</b>	<b>93%</b>	<b>2,136,983</b>	<b>2,165,430</b>	<b>99%</b>

1. Innergex owns a 50% interest in Energía Llaima, which owns the Guayacán (69.47% interest) and Pampa Elvira (55% interest) facilities, and Duqueco, which includes the Mampil (100% interest) and Peuchén (100% interest) facilities.

(in MWh)	Six months ended June 30					
	2020			2019		
	Production (MWh)	LTA (MWh)	Production as a % of LTA	Production (MWh)	LTA (MWh)	Production as a % of LTA
Production	3,865,390	4,146,730	93%	3,050,458	3,069,993	99%
Innergex's share of Production of joint ventures and associates:						
Toba Montrose (40%)	100,598	100,082	101%	91,638	100,082	92%
Shannon (50%)	187,508	194,204	97%	180,781	194,204	93%
Flat Top (51%)	238,316	235,990	101%	231,126	235,990	98%
Dokie (25.5%)	43,366	37,216	117%	30,887	37,216	83%
Jimmie Creek (50.99%)	9,024	23,678	38%	26,221	23,678	111%
Umbata Falls (49%)	30,705	26,828	114%	30,149	26,828	112%
Viger-Denonville (50%)	19,262	17,875	108%	20,897	17,875	117%
Duqueco (50%) <sup>1</sup>	36,278	57,708	63%	47,298	51,365	92%
Guayacán (50%) <sup>1</sup>	9,118	12,977	70%	10,786	11,752	92%
Pampa Elvira (50%) <sup>1</sup>	6,066	7,270	83%	6,569	7,049	93%
	680,241	713,828	95%	676,352	706,039	96%
<b>Production Proportionate</b>	<b>4,545,631</b>	<b>4,860,558</b>	<b>94%</b>	<b>3,726,810</b>	<b>3,776,032</b>	<b>99%</b>

1. Innergex owns a 50% interest in Energía Llaima, which owns the Guayacán (69.47% interest) and Pampa Elvira (55% interest) facilities, and Duqueco, which includes the Mampil (100% interest) and Peuchén (100% interest) facilities.

## 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 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), business integration, governance, business outlook, objectives, plans and strategic priorities, and other statements that are not historical facts. Forward-Looking Information can generally be identified by the use of words such as "approximately", "may", "will", "could", "believes", "expects", "intends", "should", "would", "plans", "potential", "project", "anticipates", "estimates", "scheduled" or "forecasts", or other comparable terms that state that certain events will or will not occur. It represents the projections and expectations of the Corporation relating to future events or results as of the date of this MD&A.

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

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

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

To combat the spread of the COVID-19, authorities in all regions where we operate have put in place restrictive measures for businesses. However, these measures have not impacted the Corporation in a material way to date as electricity production has been deemed essential service in every region where we operate. Only BC Hydro sent curtailment notices for some hydro facilities that the Corporation disputes. Our renewable power production is sold mainly through PPAs to solid counterparts. It

is not excluded that current or future restrictive measures might have an adverse effect on the financial stability of the Corporation's suppliers and other partners, or on the Corporation's operating results and financial position. The issuance of permits and authorizations, negotiations and finalizations of agreements with regards to development and acquisition projects, construction activities and procurement of equipment could be adversely impacted by the COVID-19 restrictive measures.

Although the Corporation believes that the expectations and assumptions on which Forward-Looking Information is based are reasonable under the current circumstances, readers are cautioned not to rely unduly on this Forward-Looking Information, as no assurance can be given that it will prove to be correct. Forward-Looking Information contained herein is provided as at the date of this MD&A, and the Corporation does not undertake any obligation to update or revise any Forward-Looking Information, whether as a result of events or circumstances occurring after the date hereof, unless so required by law.

## Forward-Looking Information in this MD&A

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

Principal Risks and Uncertainties	
<p><b>Expected production</b> For each facility, the Corporation determines a long-term average annual level of electricity production ("LTA") over the expected life of the facility, based on engineers' studies that take into consideration a number of important factors: for hydroelectricity, the historically observed flows of the river, the operating head, the technology employed and the reserved aesthetic and ecological flows; for wind energy, the historical wind and meteorological conditions and turbine technology; and for solar energy, the historical solar irradiation conditions, panel technology and expected solar panel degradation. Other factors considered include, without limitation, site topography, installed capacity, energy losses, operational features and maintenance. Although production will fluctuate from year to year, over an extended period it should approach the estimated LTA.</p> <p>On a consolidated basis, the Corporation estimates its LTA by adding together the expected LTAs of all the Operating Facilities that it consolidates. This consolidation excludes, however, the facilities that are accounted for using the equity method.</p>	<p>Improper assessment of water, wind and solar resources and associated electricity production</p> <p>Variability in hydrology, wind regimes and solar irradiation resources</p> <p>Equipment supply risk, including failure or unexpected operations and maintenance activity</p> <p>Natural disasters and force majeure</p> <p>Regulatory and political risks affecting production</p> <p>Health, safety and environmental risks affecting production</p> <p>Variability of installation performance and related penalties</p> <p>Availability and reliability of transmission systems</p> <p>Litigation</p>
<p><b>Projected revenues</b> For each facility, expected annual revenues are estimated by multiplying the LTA by a price for electricity stipulated in the PPA secured with a public utility or other creditworthy counterparty. In most cases, these PPAs stipulate a base price for electricity produced and, in some cases, a price adjustment depending on the month, day and hour of its delivery. This excludes facilities that receive revenues based on the market (or spot) price for electricity, including the Foard City, Shannon and Flat Top wind farms, the Phoebe solar farm and the Miller Creek hydroelectric facility, which receives a price based on a formula using the Platts Mid-C pricing indices; and the Horseshoe Bend hydroelectric facility, for which 85% of the price is fixed and 15% is adjusted annually as determined by the Idaho Public Utility Commission. In most cases, PPAs also contain an annual inflation adjustment based on a portion of the Consumer Price Index.</p> <p>On a consolidated basis, the Corporation estimates annual revenues by adding together the projected revenues of the Operating Facilities that it consolidates. The consolidation excludes, however, the facilities that are accounted for using the equity method.</p>	<p>See principal assumptions, risks and uncertainties identified under "Expected Production"</p> <p>Reliance on PPAs</p> <p>Revenues from certain facilities will vary based on the market (or spot) price of electricity</p> <p>Fluctuations affecting prospective power prices</p> <p>Changes in general economic conditions</p> <p>Ability to secure new PPAs or renew any PPA</p>
<p><b>Projected Adjusted EBITDA</b> For each facility, the Corporation estimates annual operating earnings by adding (deducting) to net earnings (loss) income tax expense (recovery), finance costs, depreciation and amortization, other net expenses (revenues), share of (earnings) loss of joint ventures and associates and change in fair value of financial instruments.</p>	<p>See principal assumptions, risks and uncertainties identified under "Expected Production" and "Projected Revenues"</p> <p>Unexpected maintenance expenditures</p>

## Principal Risks and Uncertainties

### Projected Adjusted EBITDA Proportionate

On a consolidated basis, the Corporation estimates annual Adjusted EBITDA Proportionate by adding to the projected Adjusted EBITDA Innergex's share of Adjusted EBITDA of the operating joint ventures and associates, other revenues related to PTCs, and Innergex's share of the other net revenues of the operating joint ventures and associates related to PTCs.

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

### Intention to pay dividend quarterly

The Corporation estimates the annual dividend it intends to distribute based on the Corporation's operating results, cash flows, financial conditions, debt covenants, long-term growth prospects, solvency test imposed under corporate law for declaration of dividends and other relevant factors.

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

Possibility that the Corporation may not declare or pay a dividend

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

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

Uncertainties surrounding development of new facilities

Performance of major counterparties, such as suppliers or contractors

Delays and cost overruns in the design and construction of projects

Ability to secure appropriate land

Obtainment of permits

Health, safety and environmental risks

Ability to secure new PPAs or renew any PPA

Higher-than-expected inflation

Equipment supply

Interest rate fluctuations and financing risk

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

Regulatory and political risks

Natural disaster and force majeure

Relationships with stakeholders

Foreign market growth and development risks

Outcome of insurance claims

Social acceptance of renewable energy projects

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

Failure to realize the anticipated benefits of completed and future acquisitions

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

COVID-19 restrictive measures

## Principal Risks and Uncertainties

### Intention to respond to requests for proposals

The Corporation provides indications of its intention to submit proposals in response to requests for proposals (“Request for Proposals” or “RFP”) based on the state of readiness of some of its Prospective Projects and their compatibility with the announced terms of these RFPs.

Regulatory and political risks  
 Ability of the Corporation to execute its strategy for building shareholder value  
 Ability to secure new PPAs  
 Changes in governmental support to increase electricity to be generated from renewable sources by independent power producers  
 Social acceptance of renewable energy projects  
 Relationships with stakeholders

### Qualification for PTCs and ITC and expected tax equity investment Flip Point

For certain Development Projects in the United States, the Corporation has conducted on- and off-site activities expected to qualify its Development Projects for PTCs or ITC at the full rate and to obtain tax equity financing on such a basis. To assess the potential qualification of a project, the Corporation takes into account the construction work performed and the timing of such work. The expected Tax Equity Flip Point for tax equity investment is determined according to the LTAs and revenues of each such project and is subject in addition to the related risks mentioned above.

Risks related to U.S. PTCs and ITC, changes in U.S. corporate tax rates and availability of tax equity financing  
 Regulatory and political risks  
 Delays and cost overruns in the design and construction of projects  
 Obtainment of permits

## CHANGE IN ACCOUNTING POLICIES

### New Accounting Standards and Interpretations Adopted During the Year

The Corporation has adopted the following new standards and interpretations:

#### Amendments to materiality definition

On October 31, 2018, the IASB issued Definition of Material (Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*) to clarify the definition of ‘material’ and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

#### Amendments to References to the Conceptual Framework

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The amendments are effective for annual periods beginning on or after January 1, 2020.

#### Amendments to IFRS 3 *Business Combinations*

On October 22, 2018, the IASB issued Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020.



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

In accordance with Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings, the President and Chief Executive Officer and the Chief Financial Officer of the Corporation have certified that they have designed, or caused it to be designed under their supervision:

- Disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the President and Chief Executive Officer and the Chief Financial Officer by others, particularly during the period in which the interim 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.

During the period beginning on April 1, 2020 and ended on June 30, 2020, there was no change in 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 PV Salvador SpA and its wholly owned subsidiary Empresa Eléctrica ERNC 1 S.A. 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 acquisition date. A summary of the financial information about the entities excluded is presented in the "Entities excluded from the Corporation's control policies and procedures" section of this MD&A.

## ENTITIES EXCLUDED FROM THE CORPORATION'S CONTROL POLICIES AND PROCEDURES

As stated in the "Establishment and Maintenance of DC&P and ICFR" section of this MD&A, the figures for PV Salvador SpA and its wholly owned subsidiary Empresa Eléctrica ERNC 1 S. are excluded from the Corporation's control policies and procedures.

Summary financial information about PV Salvador SpA and its wholly owned subsidiary Empresa Eléctrica ERNC 1 S is set out below:

### Summary Statement of Earnings and Comprehensive Income (Loss)

	Period of 47 days ended June 30, 2020
Revenues	1,121
Adjusted EBITDA <sup>1</sup>	472
Net earnings	376
Other comprehensive loss	(9)
Total comprehensive income	367

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

## Summary Statement of Financial Position

	As at June 30, 2020
Current assets	13,573
Non-current assets	105,630
	119,203
Current liabilities	4,416
Non-current liabilities	108,475
Equity	6,312
	119,203

## SUBSEQUENT EVENTS

### Acquisition of six wind farms in Idaho, United States

- On July 15, 2020, the Corporation completed the acquisition of all the Class B shares of a portfolio of six operating wind farms in Elmore County, Idaho in the United States (the "Mountain Air Acquisition") for a purchase price of US\$56.8 million (CAN\$77.3 million).
- The six 23 MW wind farms, Cold Springs, Desert Meadow, Hammett Hill, Mainline, Ryegrass and Two Ponds, have a total installed capacity of 138 MW and were fully commissioned in December 2012. The wind turbines are currently under a full scope Service Maintenance Agreement, and all wind farms have power purchase agreements with Idaho Power Company, a power utility rated BBB by Standard & Poor's, for 100% of their capacity over a remaining period of approximately 12.5 years.
- The Mountain Air Acquisition is expected to produce a gross estimated long-term average of 331 GWh per year and a US\$21.1 million (CAN\$28.7 million) projected adjusted EBITDA for 2021.
- The Class B shares should provide Innergex with additional cash immediately available for distribution representing 62.25% of the project free cash flow. Following cash distributions to the tax equity partner, the distributions receivable by Innergex would be approximately US\$6.1 million (CAN\$8.3 million). The Class A shares will remain the property of the tax equity partner.
- The existing US\$111.1 million (CAN\$151.3 million) long-term non-recourse project-level financing amortized over the next 12 years remains in place.

# CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

		Three months ended June 30		Six months ended June 30	
		2020	2019	2020	2019
Notes					
<b>Revenues</b>		150,513	144,693	282,629	271,112
<b>Expenses</b>					
Operating		30,345	27,686	57,892	47,744
General and administrative		10,070	8,854	20,581	17,541
Prospective projects		4,762	2,905	8,401	7,336
Earnings before the following:		105,336	105,248	195,755	198,491
Depreciation	10	46,401	36,288	89,522	72,734
Amortization		10,725	10,461	21,171	20,481
Earnings before the following:		48,210	58,499	85,062	105,276
Finance costs	5	55,248	58,259	115,578	111,230
Other net (income) expenses	6	(18,028)	552	(41,525)	1,278
Share of losses of joint ventures and associates		12,726	142	32,780	7,032
Change in fair value of financial instruments	8 b)	(1,015)	8,506	26,694	3,194
Loss before income tax		(721)	(8,960)	(48,465)	(17,458)
Income tax expense (recovery)					
Current		964	19,627	4,890	22,051
Deferred		(119)	(18,134)	(4,858)	(24,636)
		845	1,493	32	(2,585)
<b>Net loss from continuing operations</b>		(1,566)	(10,453)	(48,497)	(14,873)
Net earnings from discontinued operations	4	—	17,798	—	21,364
<b>Net (loss) earnings</b>		(1,566)	7,345	(48,497)	6,491
<b>(Net loss) earnings attributable to:</b>					
Owners of the parent		(2,548)	10,779	(56,288)	4,032
Non-controlling interests		982	(3,434)	7,791	2,459
		(1,566)	7,345	(48,497)	6,491
<b>Loss per share from continuing operations attributable to owners:</b>					
Basic net loss per share (\$)	9	(0.02)	(0.07)	(0.36)	(0.14)
Diluted net loss per share (\$)	9	(0.02)	(0.07)	(0.36)	(0.14)
<b>(Loss) earnings per share attributable to owners:</b>					
Basic net (loss) earnings per share (\$)	9	(0.02)	0.07	(0.36)	0.01
Diluted net (loss) earnings per share (\$)	9	(0.02)	0.07	(0.36)	0.01

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

# CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Notes	Three months ended June 30		Six months ended June 30	
		2020	2019	2020	2019
Net (loss) earnings		(1,566)	7,345	(48,497)	6,491
<b>Items of comprehensive income (loss) that will be subsequently reclassified to earnings:</b>					
Foreign currency translation differences for foreign operations		(33,650)	(8,118)	37,967	(14,783)
Change in fair value of financial instruments designated as net investment hedges	8	223	(2,496)	1,247	3,566
Change in fair value of financial instruments designated as cash flow hedges	8	(23,305)	(25,039)	(115,826)	(2,748)
Change in fair value of financial instruments of joint ventures and associates designated as cash flow hedges		(494)	6,383	(6,386)	4,263
Related deferred income tax		4,936	4,443	29,104	1,348
<b>Other comprehensive loss from continuing operations</b>		<b>(52,290)</b>	<b>(24,827)</b>	<b>(53,894)</b>	<b>(8,354)</b>
Other comprehensive income from discontinued operations	4	—	41,718	—	3,928
<b>Other comprehensive (loss) income</b>		<b>(52,290)</b>	<b>16,891</b>	<b>(53,894)</b>	<b>(4,426)</b>
<b>Total comprehensive (loss) income</b>		<b>(53,856)</b>	<b>24,236</b>	<b>(102,391)</b>	<b>2,065</b>
<b>Total comprehensive (loss) income attributable to:</b>					
Owners of the parent		(52,887)	28,440	(110,077)	24,103
Non-controlling interests		(969)	(4,204)	7,686	(22,038)
		(53,856)	24,236	(102,391)	2,065

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

# CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at		June 30, 2020	December 31, 2019
	Notes		
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		228,978	156,224
Restricted cash		33,800	39,451
Accounts receivable		90,383	92,265
Derivative financial instruments	8	11,893	5,419
Investment tax credits recoverable	10	74,874	—
Prepaid and other		18,706	12,273
<b>Total current assets</b>		<b>458,634</b>	<b>305,632</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	4,832,508	4,620,025
Intangible assets		680,169	682,227
Project development costs		25,548	11,135
Investments in joint ventures and associates		482,036	511,899
Derivative financial instruments	8	81,116	78,251
Deferred tax assets		37,951	30,264
Goodwill		68,991	60,666
Other long-term assets		98,108	72,005
<b>Total non-current assets</b>		<b>6,306,427</b>	<b>6,066,472</b>
<b>Total assets</b>		<b>6,765,061</b>	<b>6,372,104</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other payables		192,588	176,157
Derivative financial instruments	8	83,210	51,093
Current portion of long-term loans and borrowings and other liabilities		447,771	414,103
<b>Total current liabilities</b>		<b>723,569</b>	<b>641,353</b>
<b>Non-current liabilities</b>			
Derivative financial instruments	8	200,305	112,625
Long-term loans and borrowings		3,971,612	4,281,586
Other liabilities		361,625	292,421
Deferred tax liabilities		410,259	428,793
<b>Total non-current liabilities</b>		<b>4,943,801</b>	<b>5,115,425</b>
<b>Total liabilities</b>		<b>5,667,370</b>	<b>5,756,778</b>
<b>SHAREHOLDERS' EQUITY</b>			
Equity attributable to owners		1,084,685	604,384
Non-controlling interests		13,006	10,942
<b>Total shareholders' equity</b>		<b>1,097,691</b>	<b>615,326</b>
<b>Total liabilities and shareholders' equity</b>		<b>6,765,061</b>	<b>6,372,104</b>

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

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the six-month period ended June 30, 2020	Equity attributable to owners								Total shareholders' equity
	Common share capital account	Contributed surplus	Preferred shares	Convertible debentures	Deficit	Accumulated other comprehensive (loss)	Total	Non-controlling interests	
Balance January 1, 2020	97,215	1,268,311	131,069	2,869	(879,849)	(15,231)	604,384	10,942	615,326
Net (loss) earnings	—	—	—	—	(56,288)	—	(56,288)	7,791	(48,497)
Other comprehensive loss	—	—	—	—	—	(53,789)	(53,789)	(105)	(53,894)
Total comprehensive (loss) income	—	—	—	—	(56,288)	(53,789)	(110,077)	7,686	(102,391)
Common shares issued on February 6, 2020:									
private placement	660,870	—	—	—	—	—	660,870	—	660,870
Issuance fees (net of \$632 of deferred income tax)	(1,732)	—	—	—	—	—	(1,732)	—	(1,732)
Common shares issued through dividend reinvestment plan	2,695	—	—	—	—	—	2,695	—	2,695
Reduction of capital on common shares (Note 12b)	(754,355)	754,355	—	—	—	—	—	—	—
Share-based payments	—	39	—	—	—	—	39	—	39
Common share options exercised	250	(1,122)	—	—	—	—	(872)	—	(872)
Shares vested - Performance Share Plan	1,046	—	—	—	—	—	1,046	—	1,046
Shares purchased - Performance Share Plan	(6,008)	—	—	—	—	—	(6,008)	—	(6,008)
Shares issued from Deferred Share Unit Plan	20	—	—	—	—	—	20	—	20
Dividends declared on common shares	—	—	—	—	(62,709)	—	(62,709)	—	(62,709)
Dividends declared on preferred shares	—	—	—	—	(2,971)	—	(2,971)	—	(2,971)
Distributions to non-controlling interests	—	—	—	—	—	—	—	(5,622)	(5,622)
Balance June 30, 2020	1	2,021,583	131,069	2,869	(1,001,817)	(69,020)	1,084,685	13,006	1,097,691

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

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the six-month period ended June 30, 2019	Equity attributable to owners						Total	Non-controlling interests	Total shareholders' equity
	Common shares capital account	Contributed surplus	Preferred shares	Convertible debentures	Deficit	Accumulated other comprehensive (loss) income			
Balance January 1, 2019	6,546	1,272,604	131,069	3,976	(748,890)	(35,513)	629,792	329,769	959,561
Net earnings	—	—	—	—	4,032	—	4,032	2,459	6,491
Other comprehensive income (loss)	—	—	—	—	—	20,071	20,071	(24,497)	(4,426)
Reclassification of defined benefit plan actuarial losses	—	—	—	—	(378)	378	—	—	—
Total comprehensive income (loss)	—	—	—	—	3,654	20,449	24,103	(22,038)	2,065
Common shares issued through dividend reinvestment plan	2,039	—	—	—	—	—	2,039	—	2,039
Share-based payments	—	34	—	—	—	—	34	—	34
Common share options exercised	1,181	(4,256)	—	—	—	—	(3,075)	—	(3,075)
Shares vested - Performance Share Plan	1,057	—	—	—	—	—	1,057	—	1,057
Buyback of non-controlling interests	—	—	—	—	—	—	—	(218)	(218)
Disposition of non-controlling interests	—	—	—	—	—	—	—	(260,846)	(260,846)
Investments from non-controlling interests	—	—	—	—	—	—	—	49,629	49,629
Dividends declared on common shares	—	—	—	—	(46,733)	—	(46,733)	—	(46,733)
Dividends declared on preferred shares	—	—	—	—	(2,971)	—	(2,971)	—	(2,971)
Distributions to non-controlling interests	—	—	—	—	—	—	—	(10,379)	(10,379)
Balance June 30, 2019	10,823	1,268,382	131,069	3,976	(794,940)	(15,064)	604,246	85,917	690,163

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



# CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three months ended June 30		Six months ended June 30	
		2020	2019	2020	2019
	Notes				
<b>OPERATING ACTIVITIES</b>					
Net (loss) earnings		(1,566)	7,345	(48,497)	6,491
Net earnings from discontinued operations		—	(17,798)	—	(21,364)
Net loss from continuing operations		(1,566)	(10,453)	(48,497)	(14,873)
Items not affecting cash:					
Depreciation and amortization		57,126	46,749	110,693	93,215
Share of losses of joint ventures and associates		12,726	142	32,780	7,032
Unrealized portion of the change in fair value of financial instruments	8	2,569	8,506	12,819	3,194
Production tax credits and tax attributes allocated to tax equity investors		(17,200)	—	(34,482)	—
Other		194	83	212	(80)
Finance costs expense		55,248	58,259	115,578	111,230
Finance costs paid	13 b)	(52,236)	(48,492)	(89,551)	(85,781)
Distributions received from joint ventures and associates		3,021	3,647	8,145	6,920
Income tax expense (recovery)		845	1,493	32	(2,585)
Income tax paid		(1,142)	(1,929)	(2,662)	(3,477)
Effect of exchange rate fluctuations		(364)	2,252	(3,017)	2,963
		59,221	60,257	102,050	117,758
Changes in non-cash operating working capital items	13 a)	14,250	16,372	(9,546)	947
Cash flows from operating activities from continuing operations		73,471	76,629	92,504	118,705
Cash flows from operating activities from discontinued operations		—	2,580	—	13,122
		73,471	79,209	92,504	131,827
<b>FINANCING ACTIVITIES</b>					
Dividends paid on common and preferred shares		(30,332)	(23,787)	(56,010)	(46,900)
Distributions to non-controlling interests		(5,622)	(4,168)	(5,622)	(7,250)
Increase of long-term debt, net of deferred financing costs	13 c)	234,752	517,439	305,677	683,332
Repayment of long-term debt	13 c)	(51,663)	(512,871)	(619,021)	(553,766)
Payment of lease liabilities		(112)	(1,464)	(555)	(3,014)
Purchase of common shares held in trust under the PSP plan		(2,904)	—	(6,008)	—
Net proceeds from issuance of common shares		(359)	—	658,506	—
Payment of payroll withholding on exercise of share options		(852)	—	(852)	(3,075)
Cash flows from financing activities from continuing operations		142,908	(24,851)	276,115	69,327
Cash flows from financing activities from discontinued operations		—	20,689	—	20,059
		142,908	(4,162)	276,115	89,386
<b>INVESTING ACTIVITIES</b>					
Business acquisition, net of cash acquired	3	(89,781)	—	(89,781)	—
Proceeds from sale of business, net of transaction costs (\$6,634) and cash disposed (\$13,877)	4	—	383,889	—	383,889
Variation in restricted cash		2,835	(34,125)	6,905	(39,022)
Net funds invested in the reserve accounts		(3,221)	(1,091)	(5,177)	(2,124)
Additions to property, plant and equipment		(121,378)	(421,068)	(171,232)	(519,341)
Additions to project development costs		(21,823)	(1,689)	(23,636)	(2,444)
Investments in joint ventures and associates		—	(524)	—	(524)
Additions to other long-term assets		(19,930)	(11)	(19,994)	(26)
Proceeds from disposal of property, plant and equipment		—	6	—	608
Cash flows used in investing activities from continuing operations		(253,298)	(74,613)	(302,915)	(178,984)
Cash flows used in investing activities from discontinued operations		—	(13,395)	—	(31,957)
		(253,298)	(88,008)	(302,915)	(210,941)
Effects of exchange rate changes on cash and cash equivalents		(5,111)	(553)	7,050	(1,236)
Net change in cash and cash equivalents		(42,030)	(13,514)	72,754	9,036
Cash and cash equivalents, beginning of period		271,008	97,972	156,224	79,586
Plus: Cash and cash equivalents held for sale, beginning of period		—	4,164	—	—
<b>Cash and cash equivalents, end of period</b>		<b>228,978</b>	<b>88,622</b>	<b>228,978</b>	<b>88,622</b>

Additional information is presented in Note 13.

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

## DESCRIPTION OF BUSINESS

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

These unaudited condensed interim consolidated financial statements have not been audited by the Corporation's independent auditors and were approved by the Board of Directors on August 4, 2020.

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

## 1. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

### Statement of Compliance

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

### Basis of Measurement

The unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

### Functional Currency and Presentation Currency

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Change in accounting policies

The Corporation has adopted the following new standards and interpretation which did not have a significant impact on these unaudited condensed interim consolidated financial statements:

#### **Amendments to materiality definition**

On October 31, 2018, the IASB issued Definition of Material (Amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*) to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

#### **Amendments to References to the Conceptual Framework**

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The amendments are effective for annual periods beginning on or after January 1, 2020.

#### **Amendments to IFRS 3, *Business Combinations***

On October 22, 2018, the IASB issued Definition of a Business (Amendments to IFRS 3, *Business Combinations*) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020.

### 3. BUSINESS ACQUISITIONS

#### Acquisition of PV Salvador SPA

On May 14, 2020, the Corporation acquired all the outstanding shares of PV Salvador SpA (“Salvador”), a solar photovoltaic farm in Chile, including 11-year demand-based power hedge agreements covering a total electricity generation of 54.6 GWh/year through Salvador’s wholly-owned subsidiary Empresa Eléctrica ERNC 1 S.A., a power trading company. Salvador was acquired for a total cash consideration of US\$66,051 (\$92,953), financed entirely from the Corporation’s revolving credit facilities. The Salvador acquisition added an additional gross installed capacity of 68 MW to the Corporation’s portfolio.

The acquisition gave rise to transaction costs of \$83 which were expensed as incurred in other net (income) expenses in the consolidated statement of earnings.

The investment was accounted for as a business combination and the results have been included in the condensed consolidated statement of earnings since the date of the acquisition. The revenues and net earnings included in the condensed consolidated statement of earnings are \$1,121 and \$376, respectively for the 47-day period ended June 30, 2020. Had the acquisition taken place on January 1, 2020, revenues and net earnings for the period from January 1, 2020 to June 30, 2020 would have been \$5,422 and \$253 higher, respectively.

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

	Preliminary acquisition accounting	
	US\$	CA\$
Cash and cash equivalents	2,254	3,172
Accounts receivable	2,527	3,061
Prepaid and other	1,253	2,258
Property, plant and equipment	43,361	61,022
Intangible assets	3,323	4,676
Derivative financial instruments	18,694	26,308
Goodwill	5,048	7,104
Accounts payable and other payables	(2,279)	(3,207)
Other liabilities	(3,082)	(4,337)
Deferred tax liabilities	(5,048)	(7,104)
<b>Net assets acquired</b>	<b>66,051</b>	<b>92,953</b>

Goodwill is attributable to the deferred tax liabilities on the power hedges acquired and is not deductible for tax purposes.

## 4. DISCONTINUED OPERATIONS

On May 23, 2019, the Corporation sold its wholly-owned subsidiary Magma Energy Sweden A.B., which owned an equity interest of approximately 53.9% in HS Orka hf ("HS Orka"), to Jarðvarmi slhf. The following table summarizes the net earnings from discontinued operations for the 53-day and 143-day periods ended May 23, 2019:

	Period of 53 days ended May 23, 2019	Period of 143 days ended May 23, 2019
Revenues	13,412	40,006
Expenses	18,225	39,677
Share of earnings of joint ventures and associates	(1,434)	(3,718)
(Loss) earnings before income tax	(3,379)	4,047
Recovery of income tax	(966)	(40)
Net (loss) earnings from discontinued operations before the following:	(2,413)	4,087
Gain on sale of the subsidiary	(20,211)	(17,277)
Net earnings from discontinued operations	17,798	21,364
Other comprehensive income from discontinued operations	41,718	3,928
<b>Total comprehensive income from discontinued operations</b>	<b>59,516</b>	<b>25,292</b>
Net earnings (loss) from discontinued operations attributable to:		
Owners of the parent	18,567	19,231
Non-controlling interests	(769)	2,133
	17,798	21,364
Total comprehensive income (loss) from discontinued operations attributable to:		
Owners of the parent	58,433	42,381
Non-controlling interests	1,083	(17,089)
	59,516	25,292
Net earnings per share from discontinued operations		
Basic net earnings per share (\$)	0.14	0.15
Diluted net earnings per share (\$)	0.14	0.15

## 5. FINANCE COSTS

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Interest expense on long-term corporate and project loans	43,275	44,876	86,526	92,038
Interest expense on convertible debentures	3,396	2,851	6,874	5,683
Interest expense on tax equity investors financing	6,532	—	12,988	—
Interest on lease liabilities	1,061	500	2,265	1,012
Interest income on preferred shares	(2,962)	—	(2,962)	—
Inflation compensation interest	(2,211)	4,989	(1,795)	3,946
Amortization of financing fees	2,356	2,524	4,781	4,321
Accretion of long-term loans and borrowings	668	607	1,349	634
Accretion expenses on other liabilities	1,157	873	2,479	1,749
Other	1,976	1,039	3,073	1,847
	55,248	58,259	115,578	111,230

## 6. OTHER NET (INCOME) EXPENSES

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Tax attributes allocated to tax equity investors	(5,080)	—	(11,430)	—
Production tax credits	(12,120)	—	(23,052)	—
Realized gain on contingent considerations	(945)	—	(945)	—
Restructuring costs	166	—	450	—
Others, net	(49)	552	(6,548)	1,278
	(18,028)	552	(41,525)	1,278

### **Tax attributes allocated to tax equity investors**

In tax equity structures, a portion of the tax attributes generated by a renewable project, such as taxable income (loss), including accelerated tax depreciation under the U.S. Modified Accelerated Cost Recovery System ("MACRS"), are allocated to the tax equity investors and applied against the related tax equity financing as principal repayment. During the three and six months ended June 30, 2020, tax attributes allocated to the tax equity investors and applied as principal payment against the tax equity financing totalled \$5,080 and \$11,430, respectively, and relate to the Foard City wind and the Phoebe solar projects commissioned in 2019, which were subject to accelerated tax depreciation under the MACRS, as well as the Kokomo and Spartan solar projects.

### **Production tax credits ("PTCs")**

Certain projects are eligible to receive U.S. renewable tax incentives such as PTCs, which are earned as production occurs. In tax equity structures, the portion of these tax attributes which is allocated to the tax equity investors is applied against the related tax equity financing as principal repayment. During the three and six months ended June 30, 2020, PTCs earned and applied as principal payment against the tax equity financing totalled \$12,120 and \$23,052, respectively, and relate to the Foard City wind project commissioned during 2019.

## 7. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

### Innavik

The Innavik hydroelectric project is currently in the process of securing financing for the forthcoming construction. In order to mitigate the risk of interest rate fluctuations during the negotiation process, therefore affecting the cost of future financing and the project's expected rate of return, Innavik has entered, between February 20, 2020 and March 6, 2020, into 7 bond forward contracts maturing on August 20, 2020, for a total notional of \$58,000 Government of Canada 2.75%, December 1, 2048 bonds. The bond forward contracts are financial derivatives and are measured at fair value, with changes recognized in the net earnings of the joint venture.

## 8. DERIVATIVE FINANCIAL INSTRUMENTS

### a. Financial position

The following table shows a reconciliation from the opening balances to the closing balances for the derivative financial instruments (refer to Note 14 for financial risk management and fair value disclosures):

Financial assets (liabilities)	Foreign exchange forwards (Level 2)	Interests hedging derivatives (Level 2)	Power and basis hedges (Level 3)	Currency translation of intragroup loans <sup>1</sup>	Total
As at January 1, 2020	(24,269)	(83,536)	27,757	—	(80,048)
Derivatives acquired on business acquisition (Note 3)	—	—	26,308	—	26,308
Change in fair value recognized in consolidated statement of earnings - unrealized portion <sup>2</sup>	5,170	(985)	(26,556)	9,552	(12,819)
Change in fair value recognized in other comprehensive income	1,247	(113,671)	(2,155)	—	(114,579)
Net foreign exchange differences	—	(12)	196	(9,552)	(9,368)
As at June 30, 2020	(17,852)	(198,204)	25,550	—	(190,506)

1. A gain of \$9,552 results from the revaluation, into Canadian dollars, of foreign currency-denominated intragroup loans. On consolidation, although the intragroup loans are eliminated from the condensed consolidated statement of financial position, the foreign subsidiaries financial positions, including their loan balances towards the Corporation, are converted into Canadian dollars, with currency translation differences being recorded within other comprehensive (loss) income, therefore not eliminating the gain recognized on the condensed consolidated statement of earnings.

2. Refer to Note 8b for a reconciliation to the change in fair value recognized in the condensed consolidated statement of earnings.

Reported in the condensed consolidated statements of financial position:

As at	June 30, 2020	December 31, 2019
Current assets	11,893	5,419
Non-current assets	81,116	78,251
Current liabilities	(83,210)	(51,093)
Non-current liabilities	(200,305)	(112,625)
	(190,506)	(80,048)



**b. Change in fair value of financial instruments recognized in the consolidated statement of earnings**

Recognized in the consolidated statement of earnings:

(Gain) loss	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Unrealized portion of change in fair value of financial instruments	2,569	8,506	12,819	3,194
Realized portion of change in fair value of financial instruments:				
Realized gain on the power hedges	(2,768)	—	(4,967)	—
Realized (gain) loss on Phoebe basis hedge	(816)	—	18,842	—
<b>Change in fair value of financial instruments recognized in consolidated statement of earnings</b>	<b>(1,015)</b>	<b>8,506</b>	<b>26,694</b>	<b>3,194</b>

## 9. EARNINGS PER SHARE

Basic	Three months ended June 30		Six months ended June 30	
	2020	2019 Continuing operations <sup>1</sup>	2020	2019 Continuing operations <sup>1</sup>
Net loss attributable to owners of the parent	(2,548)	(7,788)	(56,288)	(15,199)
Dividends declared on preferred shares	(1,485)	(1,485)	(2,971)	(2,971)
Net loss available to common shareholders	(4,033)	(9,273)	(59,259)	(18,170)
Weighted average number of common shares (in 000s)	173,671	133,417	166,676	133,143
Basic net loss per share (\$)	(0.02)	(0.07)	(0.36)	(0.14)

<sup>1</sup> Net earnings from discontinued operations attributable to owners of the parent for the the three and six months ended June 30, 2019 was \$18,567 and \$19,231, or \$0.14 and \$0.15 per share, respectively. Total net earnings available to common shareholders for the the three and six months ended June 30, 2019 was \$9,294 and \$1,061, or \$0.07 and \$0.01 per share, respectively.

Diluted	Three months ended June 30		Six months ended June 30	
	2020	2019 Continuing operations <sup>1</sup>	2020	2019 Continuing operations <sup>1</sup>
Net loss available to common shareholders	(4,033)	(9,273)	(59,259)	(18,170)
Diluted Weighted average number of common shares (in 000s)	173,671	133,417	166,676	133,143
Diluted net loss per share (\$)	(0.02)	(0.07)	(0.36)	(0.14)

<sup>1</sup> Net earnings from discontinued operations attributable to owners of the parent for the the three and six months ended June 30, 2019 was \$18,567 and \$19,231, or \$0.14 and \$0.15 per share, respectively. Total net earnings available to common shareholders for the the three and six months ended June 30, 2019 was \$9,294 and \$1,061, or \$0.07 and \$0.01 per share, respectively.

Shares that may be issued from the following equity instruments that are excluded from the dilutive elements (in 000s):	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Effect of share options	508	918	508	918
Effect of shares in trust related to the Performance Share Plan	557	131	557	131
Effect of convertible debentures	13,777	14,167	13,777	14,167
	14,842	15,216	14,842	15,216

## 10. PROPERTY, PLANT AND EQUIPMENT

	Lands	Hydroelectric facilities	Wind farm facilities	Solar facilities	Facilities under construction	Other	Total
<b>Cost</b>							
As at January 1, 2020	120,809	2,091,034	2,514,434	466,078	102,952	32,462	5,327,769
Additions <sup>1</sup>	52,772	226	735	1,407	176,137	379	231,656
Investment tax credits <sup>2</sup>	—	—	—	—	(76,753)	—	(76,753)
Business acquisitions (Note 3)	660	—	—	60,362	—	—	61,022
Transfer from projects under development	—	—	—	—	9,819	—	9,819
Dispositions	—	—	(325)	—	—	—	(325)
Other changes	(14,536)	(7)	8,925	1,260	—	916	(3,442)
Net foreign exchange differences	4,775	474	61,136	15,009	4,366	230	85,990
<b>As at June 30, 2020</b>	<b>164,480</b>	<b>2,091,727</b>	<b>2,584,905</b>	<b>544,116</b>	<b>216,521</b>	<b>33,987</b>	<b>5,635,736</b>
<b>Accumulated depreciation</b>							
As at January 1, 2020	(4,672)	(310,000)	(328,004)	(50,593)	—	(14,475)	(707,744)
Depreciation <sup>3</sup>	(2,689)	(19,935)	(55,672)	(10,797)	—	(859)	(89,952)
Dispositions	—	—	152	—	—	—	152
Net foreign exchange differences	(163)	59	(4,215)	(309)	—	(1,056)	(5,684)
<b>As at June 30, 2020</b>	<b>(7,524)</b>	<b>(329,876)</b>	<b>(387,739)</b>	<b>(61,699)</b>	<b>—</b>	<b>(16,390)</b>	<b>(803,228)</b>
<b>Carrying amount as at June 30, 2020 <sup>4</sup></b>	<b>156,956</b>	<b>1,761,851</b>	<b>2,197,166</b>	<b>482,417</b>	<b>216,521</b>	<b>17,597</b>	<b>4,832,508</b>

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

- The financing costs related to a specific project financing are entirely capitalized to the specific property, plant and equipment. Financing costs related to the revolving credit facilities are capitalized for the portion of the financing actually used for a specific property, plant and equipment. Additions in the current period include \$2,039 of capitalized financing costs incurred prior to commissioning.
- During the six-month period ended June 30, 2020, the Corporation accrued for US\$54,941 (\$76,753) in investment tax credits recoverable in relation to the construction of the Hillcrest solar project, which were recognized as a reduction in the cost of the Hillcrest property, plant and equipment. As at June 30, 2020, the balance of investment tax credit recoverable amounts to US\$54,941 (\$74,874).
- An amount of \$430 of the depreciation expense for the land leases is capitalized as a construction cost in facilities under construction.
- Included in property, plant and equipment are right-of-use assets with a carrying amount of \$160,838 (\$153,157, \$106 and \$7,575 included in Lands, Hydroelectric facilities and Other, respectively) pursuant to lease agreements.

## 11. LONG-TERM LOANS AND BORROWINGS

### a. Corporate Indebtedness

#### Revolving Term Credit Facility

In February 2020, the Corporation completely reimbursed the revolving term credit facility from the proceeds of the private placement of Hydro-Québec in common shares of the Corporation (see Note 12a). Following the repayment, additional draws of \$181,996 were made to support the Corporation's business acquisition, construction and operating activities. The outstanding balance as at June 30, 2020 is \$181,996 (December 31, 2019 - \$490,996).

### b. Closing of the financing of the Hillcrest Solar Project

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

The credit agreement comprises two facilities:

- a US\$82,000 (\$115,817) construction term loan bearing interest at LIBOR +1.75% maturing in 2027. As at June 30, 2020, an amount of US\$50,999 (\$69,501) has been drawn. Following the commencement of commercial operations, the construction facility will be converted into a 7-year term loan bearing interest at LIBOR +2.25% for the first four years and at LIBOR +0.125% thereafter until maturity. All of the variable interest rate exposure has been fixed through an interest rate swap which becomes effective on December 31 2020, resulting in a fixed interest rate of 0.945%.
- a US\$109,800 (\$155,082) tax equity bridge loan bearing interest at LIBOR +1.75% maturing in 2027. As at June 30, 2020, an amount of nil has been drawn. Following the commencement of commercial operations, the tax equity bridge loan will be repaid with the proceeds from the tax equity investor's contribution.

### c. Closing of the financing of the Yonne II Project

On May 26, 2020, the Corporation's subsidiary Éoles-Yonne S.A.S. entered into an amendment to its credit agreement for the financing of the Yonne II wind farm project, an extension of the Yonne wind farm. The Yonne II project loan, for a total loan commitment of €12,767 (\$19,347), comprises :

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

The outstanding balance as at June 30, 2020 is €2,422 (\$3,707).

## 12. SHAREHOLDERS' CAPITAL

### a. Strategic Alliance and private placement with Hydro-Québec

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

### b. Contributed surplus from reduction of capital account on common shares

A special resolution to approve the reduction of the legal stated capital account maintained in respect of the common shares of the Corporation, without any payment or distribution to the shareholders was adopted on May 12, 2020. This resulted in a decrease of the shareholders' capital account of \$754,355 and an equivalent increase of the contributed surplus from reduction of capital on common shares account.

### c. Buyback of common shares and preferred shares

On May 21, 2020, the Corporation received the approval from the Toronto Stock Exchange (TSX) to proceed with a normal course issuer bid on its common shares (the New Bid). Under the New Bid, the Corporation could purchase for cancellation up to 2,000,000 of its common shares, representing approximately 1.15% of the 174,234,629 issued and outstanding common shares of the Corporation as at May 21, 2020. The Corporation could also purchase for cancellation up to 68,000 of its Series A Preferred Shares, representing approximately 2% of the 3,400,000 issued and outstanding shares of the Corporation as at May 21, 2020. And finally, the Corporation could purchase for cancellation up to 40,000 of its Series C Preferred Shares, representing approximately 2% of the 2,000,000 issued and outstanding shares of the Corporation as at May 21, 2020. The New Bid commenced on May 24, 2020 and will terminate on May 23, 2021. No common or preferred shares have been purchased and cancelled as at June 30, 2020.

### d. Equity-based compensation

#### Share option plan

During the three and six months ended June 30, 2020, 137,262 and 279,201 options were exercised, respectively, resulting in 43,566 and 93,934 shares issued, respectively. The difference between the options exercised and the shares issued is the result of a cashless exercise by the holders, and the payroll withholding assumed by the Corporation, as authorized by the share option plan and the Board of Directors. In addition, during the three and six months ended June 30, 2020, 2,673 options expired.

During the three and six months ended June 30, 2020, 5,000 and 51,895 options were granted. The options granted under the share options plan vest over a period of four years following the grant date. Options must be exercised before March 2, 2027 at an exercise price of \$20.52.

### e. Dividend Declared on common shares

The following dividends were declared on common shares by the Corporation:

	Three months ended June 30	
	2020	2019
Dividends declared on common shares (\$/share)	0.180	0.175

### Dividend Declared on common shares not recognized at the end of the reporting period

The following dividends will be paid by the Corporation on October 15, 2020:

Date of announcement	Record date	Payment date	Dividend per common share (\$)	Dividend per Series A Preferred Share (\$)	Dividend per Series C Preferred Share (\$)
08/4/2020	9/30/2020	10/15/2020	0.1800	0.2255	0.359375

## 13. ADDITIONAL INFORMATION TO THE CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

### a. Changes in non-cash operating working capital items

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Accounts receivable	2,411	(18,931)	3,885	(1,806)
Prepaid and others	(3,645)	1,359	(6,015)	(526)
Accounts payable and other payables	15,484	33,944	(7,416)	3,279
	14,250	16,372	(9,546)	947

### b. Additional information

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Finance costs paid relative to operating activities before interest on leases	(52,212)	(48,259)	(88,517)	(85,315)
Interest on leases paid relative to operating activities	(24)	(233)	(1,034)	(466)
Capitalized interest relative to investing activities	(1,080)	(2,865)	(1,508)	(5,859)
Capitalized interest on leases relative to investing activities	(531)	(822)	(531)	(1,293)
Total finance costs paid	(53,847)	(52,179)	(91,590)	(92,933)
<i>Non-cash transactions:</i>				
Change in unpaid property, plant and equipment	16,118	49,013	5,338	119,999
Change in unpaid project development costs	—	41	—	(711)
Common shares issued through share options exercised	113	—	250	1,181
Shares vested in PSP plan	—	—	1,046	1,057
Unpaid distributions to non-controlling interests in subsidiaries <sup>1</sup>	—	(3,263)	—	47
Remeasurement of other liabilities	37,292	25,872	2,854	25,872
Common shares issued through dividend reinvestment plan	2,492	1,059	2,695	2,039
New lease obligations	742	—	52,776	—
Unpaid closing adjustments related to the sale of HS Orka	—	3,327	—	3,327
Unpaid withholding taxes on exercise of share options	(512)	—	—	—
Investment tax credits	76,753	—	76,753	—

1. For the six-month period ending June 30, 2019, the unpaid distribution for HSO are included in liabilities held for sale

### c. Changes in liabilities arising from financing activities

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
<b>Changes in long-term debt</b>				
Long-term debt at beginning of period	3,994,269	4,469,724	4,412,842	4,470,252
Reclassified as held for sale	—	—	—	(96,515)
Increase of long-term debt	244,008	531,149	314,933	697,969
Repayment of long-term debt	(51,663)	(512,871)	(619,021)	(553,766)
Payment of deferred financing costs	(9,256)	(13,710)	(9,256)	(14,637)
Tax attributes	(5,080)	—	(11,430)	—
Production tax credits	(12,120)	—	(23,052)	—
Other non-cash finance costs	6,830	15,677	16,299	18,004
Net foreign exchange differences	(33,515)	(19,373)	52,158	(50,711)
Long-term debt at end of period	4,133,473	4,470,596	4,133,473	4,470,596
<b>Changes in convertible debentures</b>				
Convertible debentures at beginning of period	279,438	239,339	278,827	238,648
Accretion of convertible debentures	619	699	1,230	1,390
Convertible debentures at end of period	280,057	240,038	280,057	240,038

## 14. FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES

### Fair value disclosures

#### Interest rate swaps

The fair value is calculated as the present value of the expected cash flows. Expected 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 or of the counterparty.

#### Foreign exchange forwards

The fair value is calculated as the present value of the expected 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 and basis hedges

The fair value calculation of power and basis hedges gives rise to measurement uncertainty as the power price curves are constructed using various methodologies and assumptions, which consider certain unobservable inputs. As at June 30 2020, the forward power prices used in the calculation of fair value were as follows:

With respect to the Phoebe power hedge, ERCOT South hub forward power prices are expected to be in a range of US \$10.12 to US\$116.65 per MWh between July 1, 2020 and June 30, 2031.

With respect to the Salvador power hedges, Polpaico node future power prices are expected to be in a range of US \$16.65 to US\$106.68 per MWh between July 1, 2020 and June 30, 2031.

With respect to the Phoebe basis hedge, ERCOT South hub forward power prices are expected to be in a range of US \$10.12 to US\$116.65 per MWh between July 1, 2020 and December 31, 2021, while Phoebe node forward power prices are derived using a historical spread against the ERCOT South hub of US\$30.68 per MWh.



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

**Phoebe power hedge:** The fair value of the power hedge is derived from forward power prices that are not based on observable market data for the entirety of the contracted period. The power ERCOT South hub forward price curves are constructed using various assumptions depending on the following observable market data available as of the valuation date: (1) observable monthly market prices through December 2024 for the ERCOT South hub, as obtained from the Intercontinental Exchange (ICE) open interest data; (2) quoted prices obtained from ICE through December 2030; (3) for the six remaining months until June 2031, a heat rate based on the calendar year forward electricity price and the NYMEX natural gas calendar strip resulting in calendar year average power prices, adjusted for seasonality based on calendar year 2021.

**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.

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

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

The changes in the fair value of the derivative instrument are recognized in the condensed consolidated statements of earnings, as unrealized portion of the change in fair value of financial instruments.

### Sensitivities

**Phoebe power hedge:** A reasonably possible change of plus (minus) 10% at the reporting date in the ERCOT South forward prices would have caused an increase (a decrease) in the power hedge floating leg expected outflows and thus a shift in the Phoebe power hedge fair value and the net loss by minus (plus) \$28,075. This analysis assumes that all other variables remain constant.

**Salvador power hedges:** A reasonably possible change of plus (minus) 10% at the reporting date in the Polpaico Node forward prices would have caused an increase (a decrease) in the energy swaps floating leg expected outflows and thus a shift in the Salvador energy swaps aggregate fair values and the net loss by minus (plus) \$1,458. This analysis assumes that all other variables remain constant.

**Phoebe basis hedge:** A reasonably possible change of plus (minus) 10% at the reporting date in the spread between the Phoebe node prices and the ERCOT South hub would have resulted in larger (smaller) outflows and thus a shift in the basis hedge fair value and the net loss by minus (plus) \$3,643. This analysis assumes that all other variables remain constant.

## Financial risk management

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

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

### Market risk

Market risk is related to fluctuations in the fair value or future cash flows of a financial instrument from market price variations. Market risk includes interest rate, foreign exchange, and power price risks.

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.

## 15. COVID-19

To combat the spread of the COVID-19, authorities in all regions where we operate have put in place restrictive measures for businesses. However, with the exception of the curtailment notices received from BC Hydro, as described in Note 16, *Contingencies*, these measures have not impacted the Corporation in a material way to date as electricity production has been deemed an essential service in every region where we operate. Our renewable power production is sold mainly through power purchase agreements with public utilities and corporate entities with high credit ratings. It is not excluded that current or future restrictive measures might have an adverse effect on the financial stability of the Corporation's suppliers and other partners, or on the Corporation's operating results and financial position. The issuance of permits and authorizations, negotiations and finalizations of agreements with regards to development and acquisition projects, construction activities and procurement of equipment could be adversely impacted by the COVID-19 restrictive measures.

Construction activities at our Hillcrest solar project continued without interruption while construction activities for the Innalik hydro project have, after a slight delay, started on July 7, 2020. Construction of the Yonne II wind project in France has commenced during the third quarter of 2020 and is not expected to be further delayed. Commissioning of the Yonne II wind project is expected for 2021.

## 16. 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.

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

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

Innergex disputes that the current pandemic and related governmental measures in any way prevent BC Hydro from fulfilling its obligations to accept and purchase energy under the EPAs or enable it to invoke "force majeure" provisions under the EPAs to suspend these obligations. Innergex acknowledges that BC Hydro retains "turn-down" rights under the EPAs, which enable it to require Innergex to turn down or shut off its facilities in certain circumstances, including in order to avoid a safety or stability risk. Where BC Hydro exercises this right, it is required under the EPAs to compensate Innergex for energy that would have been produced at the facilities in the absence of the curtailment. Innergex has complied with BC Hydro's curtailment request, but has done so under protest and will seek to enforce its rights under the EPAs on the basis described above. For the period from May 22, 2020 to June 30, 2020, actual eligible energy revenue that would have been produced at the facilities in the absence of the curtailment amounted to \$10,016 for the consolidated facilities, or \$11,159 on a Revenues Proportionate<sup>1</sup> basis.

1. Revenues Proportionate is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to Note 17, Segment Information, for more information

## 17. SEGMENT INFORMATION

### Operating segments

The Corporation produces and sells electricity generated by its hydroelectric, wind and solar facilities to publicly-owned utilities or other creditworthy counterparties. The Corporation's Management analyzes the results and manages operations based on the type of technology, resulting in different cost structures and skill set requirements for the operating teams. The Corporation consequently has three operating segments: (a) hydroelectric power generation (b) wind power generation and (c) solar power generation.

"Revenues Proportionate" are Revenues plus Innergex's share of Revenues of the operating joint ventures and associates, other incomes related to PTCs, and Innergex's share of the operating joint ventures and associates' other incomes related to PTCs. "Adjusted EBITDA" represents net earnings (loss) before income tax expense, finance costs, depreciation and amortization, adjusted to exclude other net (income) expenses, share of (earnings) loss of joint ventures and associates, and change in fair value of financial instruments. "Adjusted EBITDA Proportionate" represents Adjusted EBITDA plus the Corporation's share of Adjusted EBITDA of the operating joint ventures and associates, other incomes related to PTCs, and Innergex's share of the operating joint ventures and associates' other incomes related to PTCs. 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 Adjusted EBITDA and Adjusted EBITDA Proportionate should not be construed as an alternative to net earnings (loss), as determined in accordance with IFRS.

Except for Revenues Proportionate, Adjusted EBITDA and Adjusted EBITDA Proportionate described above, the accounting policies for these segments are the same as those described in the significant accounting policies. The Corporation accounts for inter-segment and management sales at the carrying amount.

Three months ended June 30, 2020				
Operating segments	Hydroelectric	Wind	Solar	Segment results
Segment revenues	65,030	71,794	13,689	150,513
Innergex's share of revenues of joint ventures and associates	14,672	6,937	434	22,043
PTCs and Innergex's share of PTCs generated	—	19,448	—	19,448
Segment Revenues Proportionate	79,702	98,179	14,123	192,004
Segment Adjusted EBITDA	52,071	55,915	11,349	119,335
Innergex's share of Adjusted EBITDA of joint ventures and associates	11,744	3,184	238	15,166
PTCs and Innergex's share of PTCs generated	—	19,448	—	19,448
Segment Adjusted EBITDA Proportionate	63,815	78,547	11,587	153,949
Segment Adjusted EBITDA Margin	80%	78%	83%	79%

Six months ended June 30, 2020				
Operating segments	Hydroelectric	Wind	Solar	Segment results
Segment revenues	92,987	167,599	22,043	282,629
Innergex's share of revenues of joint ventures and associates	19,461	15,680	1,017	36,158
PTCs and Innergex's share of PTCs generated	—	37,588	—	37,588
Segment Revenues Proportionate	112,448	220,867	23,060	356,375
Segment Adjusted EBITDA	68,521	136,856	17,045	222,422
Innergex's share of Adjusted EBITDA of joint ventures and associates	13,070	8,990	562	22,622
PTCs and Innergex's share of PTCs generated	—	37,588	—	37,588
Segment Adjusted EBITDA Proportionate	81,591	183,434	17,607	282,632
Segment Adjusted EBITDA Margin	74%	82%	77%	79%

As at June 30, 2020	Hydroelectric	Wind	Solar	Segment totals <sup>1</sup>
Investments in joint ventures and associates	176,429	231,269	16,161	423,859
Property, plant and equipment acquired through business acquisitions (Note 3)	—	—	61,022	61,022
Acquisition of property, plant and equipment during the period	226	735	1,407	2,368

1. Segment totals include only operating projects.

Three months ended June 30, 2019				
Operating segments	Hydroelectric	Wind	Solar	Segment results
Segment revenues	76,491	62,193	6,009	144,693
Innergex's share of revenues of joint ventures and associates	16,411	8,147	540	25,098
PTCs and Innergex's share of PTCs generated	—	6,780	—	6,780
Segment Revenues Proportionate	92,902	77,120	6,549	176,571
Segment Adjusted EBITDA	60,842	48,698	5,723	115,263
Innergex's share of Adjusted EBITDA of joint ventures and associates	11,417	4,152	24	15,593
PTCs and Innergex's share of PTCs generated	—	6,780	—	6,780
Segment Adjusted EBITDA Proportionate	72,259	59,630	5,747	137,636
Segment Adjusted EBITDA Margin	80%	78%	95%	80%

Six months ended June 30, 2019				
Operating segments	Hydroelectric	Wind	Solar	Segment results
Segment revenues	104,529	157,019	9,564	271,112
Innergex's share of revenues of joint ventures and associates	21,694	17,179	1,032	39,905
PTCs and Innergex's share of PTCs generated	—	13,600	—	13,600
<b>Segment Revenues Proportionate</b>	<b>126,223</b>	<b>187,798</b>	<b>10,596</b>	<b>324,617</b>
Segment Adjusted EBITDA	78,120	133,662	9,050	220,832
Innergex's share of Adjusted EBITDA of joint ventures and associates	12,462	9,288	275	22,025
PTCs and Innergex's share of PTCs generated	—	13,600	—	13,600
<b>Segment Adjusted EBITDA Proportionate</b>	<b>90,582</b>	<b>156,550</b>	<b>9,325</b>	<b>256,457</b>
<b>Segment Adjusted EBITDA Margin</b>	<b>75%</b>	<b>85%</b>	<b>95%</b>	<b>81%</b>

As at June 30, 2019	Hydroelectric	Wind	Solar	Segment totals <sup>1</sup>
Acquisition of property, plant and equipment during the period	2,092	23	174	2,289

1. Segment totals include only operating projects.

Segment Adjusted EBITDA is reconciled to the most comparable IFRS measure, namely, net earnings (loss) from continuing operations, in the following table:

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Segment Adjusted EBITDA	119,335	115,263	222,422	220,832
Unallocated expenses:				
General and administrative	9,237	7,110	18,266	15,005
Prospective projects	4,762	2,905	8,401	7,336
Adjusted EBITDA	105,336	105,248	195,755	198,491
Other net (income) expenses	(18,028)	552	(41,525)	1,278
Share of loss of joint ventures and associates	12,726	142	32,780	7,032
Change in fair value of financial instruments	(1,015)	8,506	26,694	3,194
EBITDA	111,653	96,048	177,806	186,987
Finance costs	55,248	58,259	115,578	111,230
Depreciation and amortization	57,126	46,749	110,693	93,215
Income tax expense (recovery)	845	1,493	32	(2,585)
<b>Net loss from continuing operations</b>	<b>(1,566)</b>	<b>(10,453)</b>	<b>(48,497)</b>	<b>(14,873)</b>

## Geographic segments

As at June 30, 2020, excluding its investments in joint ventures and associates which are accounted for as equity method, the Corporation had interests in the following operating assets: 29 hydroelectric facilities, six wind farms and one solar farm in Canada, 15 wind farms in France, and one hydroelectric facility, one wind farm and three solar farms in the United States and one solar farm in Chile. The Corporation operates in four principal geographical areas, which are detailed below:

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
<b>Revenues</b>				
Canada	117,045	125,014	200,920	221,144
France	16,735	17,677	53,125	47,139
United States	15,613	2,002	27,464	2,829
Chile	1,120	—	1,120	—
	<b>150,513</b>	<b>144,693</b>	<b>282,629</b>	<b>271,112</b>

As at	June 30, 2020	Dec. 31, 2019
<b>Non-current assets, excluding derivatives financial instruments and deferred tax assets<sup>1</sup></b>		
Canada	3,578,000	3,629,942
France	917,808	891,764
United States	1,473,564	1,293,983
Chile	217,988	142,268
	<b>6,187,360</b>	<b>5,957,957</b>

1. Includes the investments in joint ventures and associates

## 18. SUBSEQUENT EVENTS

### **Acquisition of six wind farms in Idaho, United States**

On July 15, 2020, the Corporation completed the acquisition of all the Class B shares of a portfolio of six operating wind farms in Elmore County, Idaho in the United States (the "Mountain Air Acquisition") for a purchase price of US\$56,751 (\$77,272).

The existing US\$111,113 (\$151,292) long-term non-recourse project-level financing amortized over the next 12 years remains in place.

## 19. COMPARATIVE FIGURES

Certain reclassifications have been made to the prior quarter's financial statements to enhance comparability with the current quarter's consolidated financial statements.

As a result, certain line items have been amended in the condensed consolidated statements of cash flows and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current quarter's presentation.



## SHAREHOLDER INFORMATION

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### Credit Rating by Standard & Poor's

Innergex Renewable Energy Inc.	BBB-
Series A Preferred Shares	P-3
Series C Preferred Shares	P-3

### Transfer Agent and Registrar

For information concerning share certificates, dividend payments, a change of address, or electronic delivery of shareholder documents, please contact:

**AST Trust Company (Canada)**  
2001 Robert-Bourassa,  
Suite 1600  
Montreal QC H3A 2A6  
Tel. 1 800 387.0825  
416 682.3860  
inquiries@astfinancial.com

### 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: AST Trust Company (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.

**Common Shares - TSX: INE**

**Series A Preferred Shares - TSX: INE.PR.A**

**Series C Preferred Shares - TSX: INE.PR.C**

**Convertible Debentures - TSX: INE.DB.B**

**Convertible Debentures - TSX: INE.DB.C**

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