

Key Figures

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

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

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

Production KPIs

- Production in comparison with Long-Term Average («LTA») in megawatt/hours ("MWh") and gigawatt/hours ("GWh")
- Production and Production Proportionate

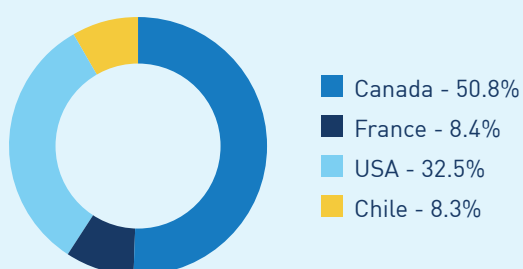
Financial KPIs

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

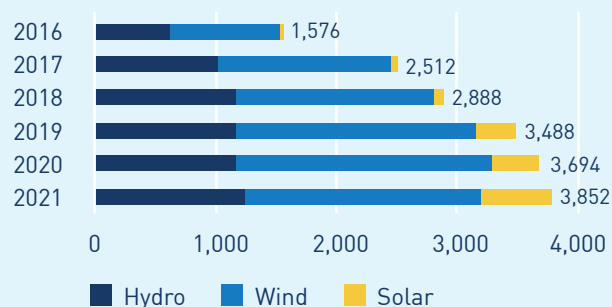
Operational Key Performance Indicators

As at February 23, 2022, the Corporation has four geographic segments and three operating segments.

Gross Installed Capacity by Country*



Gross Installed Capacity by Source of Energy (MW)*



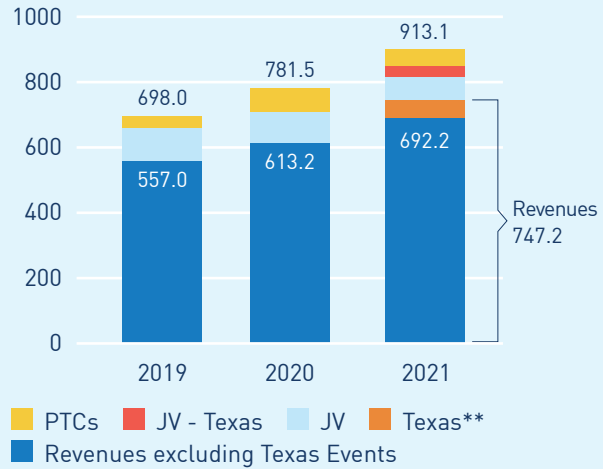
* Gross Installed Capacity for continued operations, excluding the Shannon facility due to the project's assets and liabilities being classified as disposal group held for sale, following the February 2021 Texas Events.

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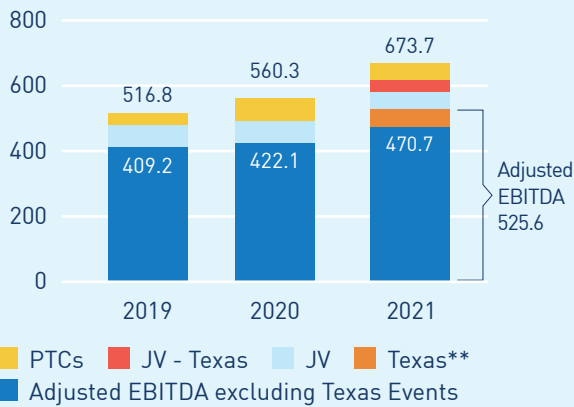
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Financial Key Performance Indicators

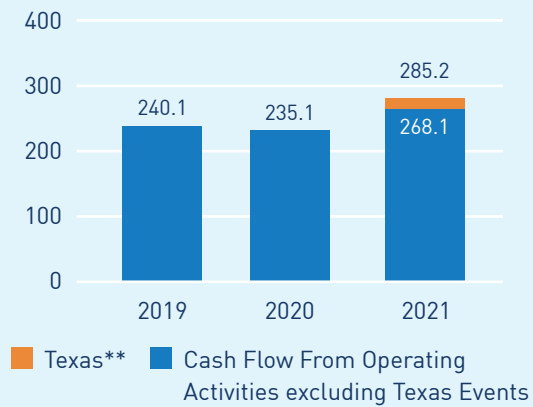
Revenues and Revenues Proportionate (\$M)



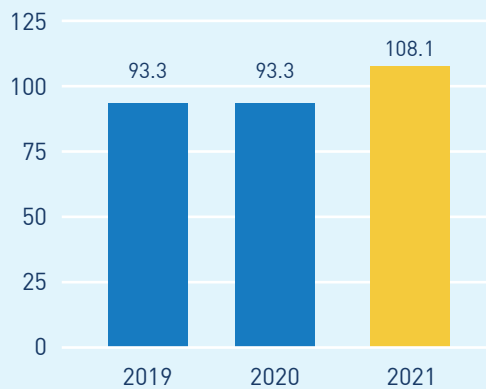
Adjusted EBITDA Proportionate (\$M)



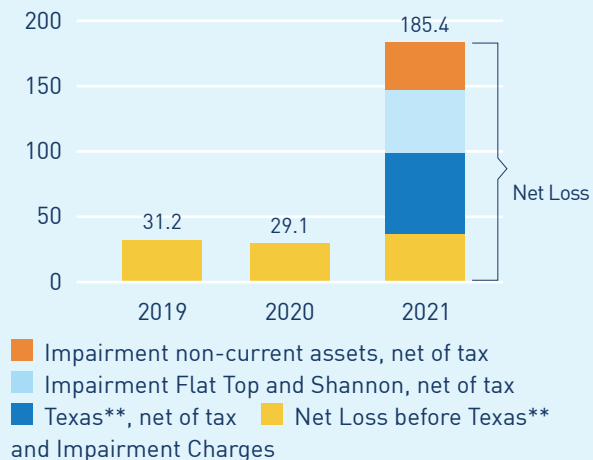
Cash Flow From Operating Activities (\$M)



Free Cash Flow (\$M)



Net Loss (\$M)



** Please refer to the "February 2021 Texas Events" section for more information.



An Increasingly Important Mission

As this second year of the pandemic comes to a close, it is important not to forget that 2021 was also marked by climate change-related natural disasters that underscore our environmental fragility and the urgency for action. All of these events demonstrate how our mission to build a better world with renewable energy is more relevant than ever.

As the occurrence of similar types of natural catastrophes is likely to increase in the coming years, we at Innergex will continue to focus our efforts on strengthening the resilience of our infrastructure and energy systems. As we continue to grow, our team is constantly looking for more innovative solutions to ensure the performance and longevity of our assets.

Continued growth towards a better world

In terms of development, 2021 saw the commissioning of three new projects.

In the **United States**, we commissioned the Griffin Trail wind farm in Texas. This project, developed over 16 months, was made possible thanks to the United States extending the eligibility deadlines for production tax credits, as well as our team's creativity in setting up an ingenious tax equity structure that allowed to achieve the project's financing.

In Ohio, we commissioned the Amazon Solar Farm Ohio – Hillcrest, which sells its output to a large U.S. corporation under a long-term corporate power purchase agreement. This type of contract is expected to continue to grow in our industry as we see an increasing number of companies seeking to reduce or offset their GHG emissions by purchasing clean electricity.

In **Canada**, construction of the Innavik project to decarbonize the Inukjuak community continues in partnership with the Inuit. More than ever this year, Canada has learned about the trauma and harm experienced by Indigenous peoples. We firmly believe not only that the private sector has a responsibility to participate in reconciliation, but also that ensuring resource sustainability depends on establishing viable partnerships with Indigenous communities, drawing on their expertise and knowledge of the territory.

In **France**, the commissioning of Yonne II in March was an opportunity to highlight the development work done since 2017 by our French team, who managed to effectively negotiate authorization processes that are significantly longer in this country than any other countries where we carry out our activities. This year saw the maturing of various development initiatives where market momentum is now expected.

Also in France, we began the construction of the Tonnerre standalone battery storage facility, Innergex's first project of this type. **Batteries** bring more stability to renewable energies and make it possible to regulate voltage as well as store electricity produced to cover peak periods. We firmly believe that storage represents an indispensable component in the energy transition and an undeniable complement to renewable energy production. We have therefore tasked a dedicated in-house team of electricity storage systems professionals with overseeing initiatives in this sector, like those we are pursuing in

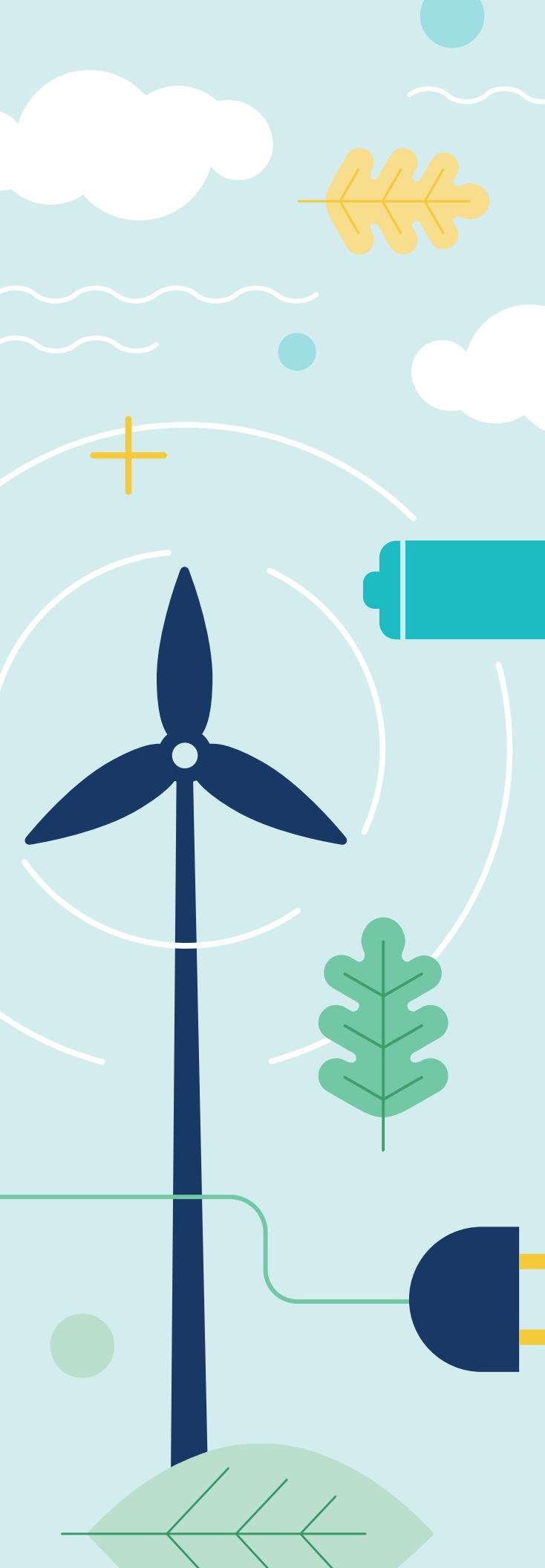
Hawaii to develop flagship solar and storage projects to accelerate the decarbonization of these islands.

Green hydrogen is another technology that our team is starting to develop. While batteries are excellent for short-term storage, green hydrogen is a more viable long-term energy storage and distribution solution in terms of wide-scale global deployment. Green hydrogen would, among other things, make the industrial and transport sectors greener, both of which contribute significantly to current GHG emissions.

We firmly believe that storage represents an indispensable component in the energy transition and an undeniable complement to renewable energy production.

We are therefore striving to expand our expertise in the field of green hydrogen, both from a technical and commercial knowledge point of view, and are studying the various policy frameworks in place with a view to seizing opportunities within our target markets.

We firmly believe in the development of ever more innovative technologies to fight climate change. Innergex can see enormous potential for growth in such technologies, which is why we are actively working on furthering our knowledge and development within related technology sectors.



Acquisitions that accelerate our mission

While project development remains a profitable mid-term outlook, acquisitions constitute an essential complement to our growth strategy that increases immediate cash flow, thus improving our payout ratio. We diversified and considerably strengthened our existing portfolio through several strategic acquisitions in 2021.

Chile presents great potential for Innergex, as the government has set ambitious energy transition objectives. The country also boasts significant renewable resources which should bring considerable business opportunities in the future. In July, we announced the acquisition of the remaining interest in our Chilean partner, Energía Llaima, of which Innergex already held a 50% stake since 2018. This acquisition in Chile also allowed us to welcome over 80 new employees mainly based out of Santiago who share our passion for and our philosophy of sustainable development.

In July, we announced the acquisition of the remaining interest in our Chilean partner, Energía Llaima, of which Innergex already held a 50% stake since 2018. This acquisition in Chile also allowed us to welcome over 80 new employees based out of Santiago and elsewhere in the country who share our passion for and our philosophy of sustainable development.

In August, we continued our growth in Chile with the acquisition of the Licán hydroelectric facility and, at the beginning of 2022, we pursued this momentum with the acquisition of the San Andrés solar farm and of three wind farms (Sarco, Aurora and Cuel) totaling 382.6 MW of additional installed capacity.

We are also proud of having made our first acquisition within the framework of the **Strategic Alliance with Hydro-Québec**, namely the Curtis Mills and Palmer Falls hydroelectric facilities (together "Curtis Palmer") in the state of New York. Curtis Palmer provides us with significant cash flow as well as invaluable learning opportunities within the important renewable energy market that is the state of New York.

Employees committed to building this better world

We rely on a solid team in four countries with cutting-edge sector-specific know-how, whose joint skill sets allow us to be very optimistic about our future.

We conducted an employee engagement survey this year that clearly demonstrates their dedication and the importance they place on our corporate mission. This puts us in an excellent position to continue our growth.

Resolutely turned towards this better world

The private sector continues to lead the energy transition, supported by growing demand from investors seeking responsible investment opportunities.

We know that the decisions we are making today are paramount in shaping our energy future, and we want our actions to be above all a source of hope in the face of this crisis.

In the face of the urgency of climate action, we will continue to ensure responsible growth and make investment decisions based on long-term considerations in accordance with our sustainable business model.

We rely on a solid team in four countries with cutting-edge sector-specific know-how, whose joint skill sets allow us to be very optimistic about our future.

Our objective is to consolidate and expand our current position by diversifying our assets through the development of new assets and our mergers and acquisitions activities, while continuing to seize storage opportunities as they arise.

We extend a warm thank you to our employees, the members of our board of directors, shareholders, business partners and suppliers for their exceptional contribution to our success.

I would like to congratulate the entire Innergex team for their resilience and adaptability within the context of the pandemic, as well as for their passion and determination every day.

What motivates me most is seeing every morning the commitment to innovation demonstrated by employees who are doing everything possible to be part of the solution, as well as the deep conviction, which we all share here at Innergex, that we are building a better world with renewable energy.

Michel Letellier
President and CEO

I am honoured to have steered the Innergex Board of Directors this year. I am convinced of the importance of the corporation mission, which focuses on much more than simply generating profit, but also on creating a better world.

The Board of Directors and I will continue to guide this corporation and its management team to deliver quality results that create lasting shareholder value.

Daniel Lafrance
Chairman of the Board of Directors

Generating solutions every day to build a better world

The transition to a clean economy begins with renewable energy. At Innergex, we remain focused on pursuing sustainable growth by generating clean energy exclusively from renewable sources and in line with our commitment to the three P's – People, our Planet and Prosperity. Our team is what differentiates us from others – they bring an unbridled passion, dedication and skill set to achieve our goals. Our dedication to a healthier planet is part of our DNA – we approach every project with the idea that what we do is just as important as how we do it. Our results ensure we can continue to make a difference – generating value for our employees, shareholders, partners and other stakeholders is imperative for us to continue to make a positive impact on future generations.

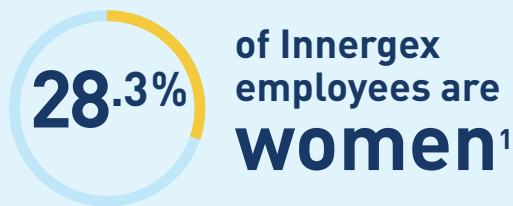
People Our advantage

They come from different backgrounds, have different skill sets and bring different experiences to the table, but the one thing they share is that our team is the backbone of our success. Innergex is proud to offer a nurturing, safe and inclusive work environment where individuals are encouraged to reach their full potential. By providing a flexible work/life balance, fair and equitable compensation, generous benefits and other perks, Innergex has been able to attract and retain a workforce that will lead its future growth.

In 2021



By promoting equal opportunities for a more balanced and diverse workplace,



Innergex's contributions

TO EMPLOYEE RETIREMENT SAVINGS PLAN IN 2021 TOTALED **\$1.3 M**²

IN 2021, THERE WERE



97 employees

WITH AT LEAST **10** years of tenure at Innergex



Our employee engagement survey had an

89% response rate

Our employees received fair and competitive compensation with

\$54.4 M in employee wages and benefits paid out³



1. The decrease from last year's percentage is due to the addition of more than 80 employees in Chile, as part of the acquisition of Energía Llama in July 2021.
 2. For Canadian and US employees. Employees in France and Chile are covered by different retirement systems.
 3. Compared with \$48.6 million in 2020. Includes wages and benefits expenses capitalized to projects under construction or development, and wages and benefits expenses recharged to joint ventures and associates.

Planet

Our passion

Since our inception in 1990, we have been focused on generating solutions to address a warming planet. While many energy companies are in the process of transitioning their operations fully to renewables, throughout its history Innergex has remained committed to generating electricity exclusively from renewable sources and today has positioned itself as a leader in the fight against climate change. Our run-of-river hydro,

solar and wind facilities capture the energy derived from the natural flow of water, the photons from our sun, and the flow of wind, period. By incorporating battery storage technology into our efforts, we are able to offer further stability and flexibility to our customers while adding economic and environmental benefits.

In 2021

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

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

6,982,908

metric tonnes of CO₂

EQUIVALENT TO

removing
1,518,642

GASOLINE PASSENGER

vehicles
from roads over
the year¹

Over
\$767,000



was disbursed
to long-term
environmental
monitoring
programs

which study fish, wildlife,
and their habitats in and
around our facilities

We supplied
the equivalent of

1,083,528

households with clean,
renewable energy²



Our run-of-river hydro plants have
non-consumptive use of water
to generate

clean
electricity



1. Based on Innergex's 2021 Production Proportionate of 9,853,366 MWh and calculated using the United States Environmental Protection Agency's Greenhouse Gas Equivalencies Calculator at <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>.

2. Based on Innergex's 2021 Production Proportionate in each country in which we operate, divided by the local household average consumption, with data from the World Energy Council (2014).

Prosperity

Our strategy

Innergex will continue to deliver sustainable growth through innovative solutions that will generate shareholder value by building on our expertise, diversifying our activities and optimizing our operations. We will remain committed to sharing prosperity with our partners and the communities

where we conduct operations to act as a catalyst for further sustainable economic development and autonomy. Through its focus on renewable energy generation, Innergex will continue to lead the way to a more prosperous future for all.

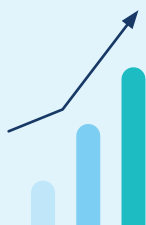
In 2021

Our sponsorship, donation and voluntary contributions supported

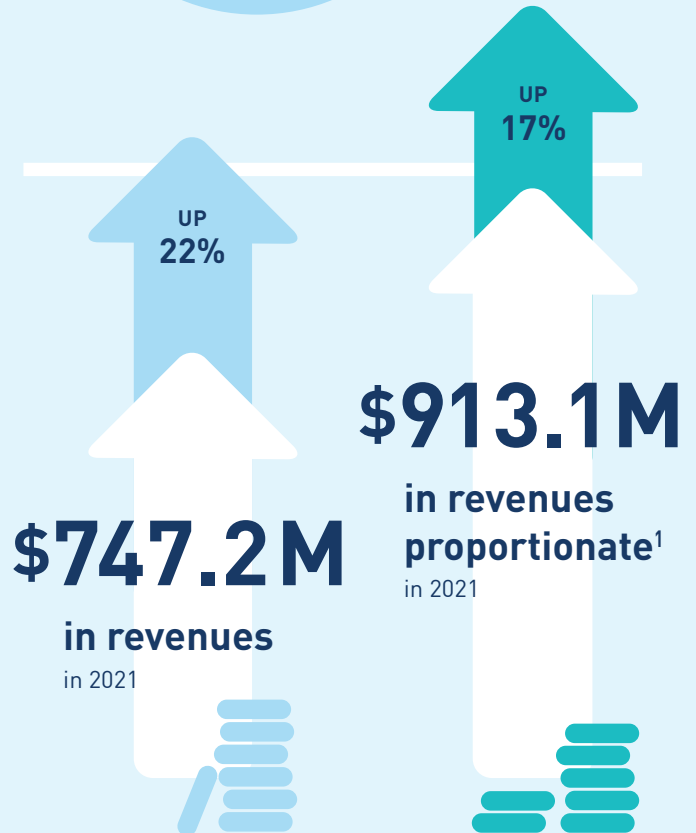
224
organizations
THAT HAVE SHARED OVER



IN
donations



INNERGEX DECLARED
\$132.2M
in dividends
on common shares



1. Revenues Proportionate is not a recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the «Non-IFRS Measures» section for more information.

Governance

Our strength

Our Board of Directors has steadily built a strong foundation for over 30 years, that has guided Innergex with clear expectations and sound strategies. This group of experts brings a diverse wealth of knowledge and experience to guide the Corporation to ensure its continued growth and success remains in line

with the interests of our shareholders, employees, partners and other stakeholders. Ethics and integrity are embedded into all decisions which reflect the commitments contained in the Corporation's Mission, Vision and Values.

In 2021

100%

of employees participated in online self-training modules on the



Code of conduct

and other ethical behaviours and committed to uphold its highest standards

The combined attendance

at Board and committee meetings was

100%

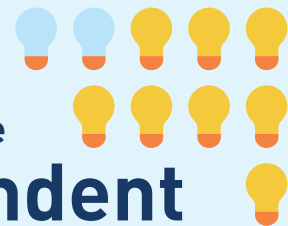


ON CORPORATE KNIGHTS
2021 Best 50 Corporate Citizens List



of our board members were

independent



members

of the Board of Directors are **experts** in the fields of **ESG criteria**

ENVIRONMENTAL

SOCIAL

GOVERNANCE

Business Strategy

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

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

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

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

Innergex owns interests in 40 hydroelectric facilities drawing on 33 watersheds, 32 wind farms and 8 solar farms. The expertise and innovation developed by our skilled team in various energies and different locations can be leveraged and shared among the Corporation to maximize returns from our high-quality assets.

Setting the course for sustainable growth

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

✓ Grow responsibly

Focus growth on current markets and target opportunities in neighbouring ones

✓ Build expertise

Become an expert in deploying energy storage technologies

✓ Optimize operations

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

✓ Diversify activities

Increase diversification of the Corporation's activities and assets

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

Innergex has a solid track record, with decades of producing green energy from its quality assets. Its existing renewable energy facilities are operated by a

dedicated team of skilled professionals who will continue optimizing operations and providing quality maintenance.

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

A skilled and passionate team providing expertise

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

Their collective knowledge, talent, abilities, experience and sound judgment have always been key to its long-term success. The management

team has a proven track record of delivering projects on-time and on-budget.

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

Information on COVID-19

The Corporation continues to closely monitor the impacts of COVID-19 and is actively managing its response by placing a priority on the health and safety of our employees, suppliers, business partners and the broader community. Innergex is adhering to pandemic response plans and is following guidance from government health departments with respect to conducting operations safely. To the extent possible, and as permitted by local guidelines, the Corporation is facilitating vaccination of its employees against COVID-19.

Power Production: an Essential Service

Power production activities have continued in all segments, as they have been deemed essential services in every region where the Corporation operates. Innergex's renewable power production is sold mainly through power purchase agreements, which include sufficient protection to prevent material reduction in demand, to financially solid counterparties, and no credit issues are anticipated. As such, the Corporation does not intend to make any changes to its workforce and intends to maintain salaries and benefits.

Health and Safety of our Employees and Visitors

Since March 2020, Innergex has implemented numerous measures to protect employees, suppliers and business partners from COVID-19. In addition to standard operating procedures designed to maintain safe operations, the Corporation has implemented additional measures including:

- work from home policy for all office employees. While some offices are now open in respect of regional guidance from government health departments, others remain accessible only for employee needing to achieve essential tasks that require them to be on-site;
- enhanced cleaning and disinfection of facilities;
- limiting interactions between employees through social distancing and physical barriers;
- mandating the use of personal protective equipment by employees;
- revising and improving COVID-19 screening protocols and measures specifically for monitoring the health and safety of employees; and
- introducing specific instructions and guidance on COVID-19 health and safety measures.

The Corporation is engaged in ongoing communications with employees, apprising them on its response to the pandemic. Innergex believes that its employees and suppliers can access its facilities safely and in compliance with relevant directives.

Portfolio of Assets

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

As at February 23, 2022, the Corporation owns and operates 80 facilities in commercial operation (the "Operating Facilities"). Commissioned between 1986 and July 2021, the facilities have a weighted average age of approximately 9.4 years.

They mostly sell the generated power under long-term power purchase agreements, power hedge contracts¹ 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 14.1 years (weighted average based on gross long-term average production).

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

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

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

The table below outlines Operating Facilities and Development Projects as at February 23, 2022.

	Number of Facilities ¹		Gross ² Installed Capacity (MW)		Net ³ Installed Capacity (MW)		Storage Capacity (MWh)	
	Operating Facilities	Development Projects	Operating Facilities	Development Projects	Operating Facilities	Development Projects	Operating Facilities	Development Projects
HYDRO								
Canada	33	1	1,019	8	713	4	—	—
United States	3	—	70	—	40	—	—	—
Chile	4	2	170	112	166	85	—	—
Subtotal	40	3	1,259	120	919	89	—	—
WIND								
Canada	8	—	908	—	714	—	—	—
France	16	2	324	38	226	32	—	—
United States	8	1	714	332	662	332	—	—
Subtotal	32	3	1,946	370	1,602	364	—	—
SOLAR								
Canada	1	—	27	—	27	—	—	—
United States	4	5	467	280	466	280	—	320 ⁵
Chile	3	—	153	—	138	—	150 ⁴	—
Subtotal	8	5	647	280	631	280	150	320
STORAGE								
France	—	1	—	—	—	—	—	9 ⁶
Total	80	12	3,852	770	3,152	733	150	329

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

Non-Wholly Owned Subsidiaries

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

Gross installed capacity attributable to Non-wholly owned subsidiaries represents 25.0% as at February 23, 2022.

	Operating Facilities	Gross Installed Capacity (MW)	Net Installed Capacity (MW)	Sources of Energy	Principal Place of Operation	Proportion of Ownership Interest and Voting Rights Held by the Corporation
Innergex Europe (2015) Limited Partnership and its subsidiaries	16 wind farms located in France	324	225	Wind	France	69.55%
Mesgi'g Ugju's'n (MU) Wind Farm L.P.	Mesgi'g Ugju's'n	150	75	Wind	Quebec	50.00% ^{1,2,3}
Harrison Hydro Limited Partnership and its subsidiaries	Douglas Creek, Fire Creek, Lamont Creek, Stokke Creek, Tipella Creek and Upper Stave River	150	75	Hydro	British Columbia	50.01%
Mountain Air Alternatives LLC	Cold Springs, Desert Meadow, Hammett Hill, Mainline, Ryegrass and Two Ponds	138	86	Wind	Idaho	62.25%
Kwoiek Creek Resources Limited Partnership	Kwoiek Creek	50	25	Hydro	British Columbia	50.00% ^{1,3}
Innergex HQI USA LLC, and its subsidiaries	Curtis Mills, Palmer Falls	60	30	Hydro	New York	50.00% ³
Innergex Sainte-Marguerite S.E.C	Sainte-Marguerite	31	15	Hydro	Quebec	50.01%
Cayoos Creek Power Limited Partnership	Walden North	16	8	Hydro	British Columbia	49.00%
Muko Partnership Holding LLC	Kokomo	6	5.4	Solar	Indiana	10.00%
Energía Coyanco S.A.	Guayacán	12	8.3	Hydro	Chile	69.47%
Pampa Elvira Solar SpA	Pampa Elvira	34	18.7	Solar	Chile	55.00%

1. The Corporation owns more than a 50% economic interest in the entity.

2. The Corporation owns a 50% voting interest and a participation interest of 63.7% in 2021 (participation interest to decline over the years).

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

Joint Ventures and Associates

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

Gross installed capacity attributable to Joint Ventures and Associates represents 12.7% as at February 23, 2022.

	Operating Facilities	Gross Installed Capacity (MW)	Net Installed Capacity (MW)	Sources of Energy	Principal Place of Operation	Proportion of Ownership Interest and Voting Rights Held by the Corporation
Toba Montrose General Partnership	East Toba and Montrose Creek	235	94	Hydro	British Columbia	40.00% ^{1,2}
Dokie General Partnership	Dokie	144	37	Wind	British Columbia	25.50%
Jimmie Creek Limited Partnership	Jimmie Creek	62	32	Hydro	British Columbia	50.99% ²
Parc éolien communautaire Viger-Denonville, S.E.C.	Viger-Denonville	25	12	Wind	Quebec	50.00%
Umbata Falls L.P.	Umbata Falls	23	11	Hydro	Ontario	49.00%

1. The Corporation holds a 51% voting interest and 40% participating economic interest. In 2046, the Corporation's economic interest will increase to 51% for no additional consideration.

2. The Corporation does not consolidate the entity as it does not have control over the decision-making process.

Corporate governance

Board of Directors

The Corporation is supported by a Board of Directors which is responsible for the stewardship of the Corporation. Its mandate is to oversee the management of the business and affairs of the Corporation while taking into account ESG criteria and shareholders’

interests. Members of the Board are elected at each Annual General Meeting of Shareholders where other matters are also up to a vote, including appointing the auditor of the Corporation. Each common share of the Corporation entitles its owner to one vote.

Daniel Lafrance
Chair of the Board
Independent
Joined: March 2010

Nathalie Francisci
Independent
Joined: May 2017

Dalton McQuinty
Independent
Joined: May 2015

Louis Veci
Non-Independent
Joined: February 2020

Ross J. Beaty
Independent
Joined: February 2018

Richard Gagnon
Independent
Joined: May 2017

Monique Mercier
Independent
Joined: October 2015

Pierre G. Brodeur
Independent
Joined: May 2020

Michel Letellier
Non-Independent
Joined: October 2002

Ouma Sananikone
Independent
Joined: February 2019

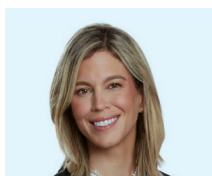
Executive Management



Michel Letellier
President and Chief Executive Officer
Joined: 1997



Yves Baribeault
Chief Legal Officer and Secretary
Joined: 2009



Alexandra Boislard-Pépin
Chief Human Resources Officer
Joined: 2020



Jean-François Neault
Chief Financial Officer
Joined: 2018



Pascale Tremblay
Chief Asset Officer
Joined: 2021



Jean Trudel
Chief Investment and Development Officer
Joined: 2002



Renaud de Batz
Senior Vice President Latin America
Joined: 2002



Jay Sutton
Senior Vice President - Construction and Technical Services
Joined: 2018



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



Robert Guillemette
Vice President - Technical Services
Joined: 2018



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



Matt Kennedy
Vice President - Environment
Joined: 2011



David Little
Vice President and Managing Director - USA
Joined: 2017



Niko Nikolaidis
Vice President - Investments and Financing
Joined: 2017



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") is a discussion of the operating results, cash flows and financial position of Innergex Renewable Energy Inc. ("Innergex" or the "Corporation") for the three- and twelve-month periods ended December 31, 2021, and reflects all material events up to February 23, 2022, the date on which this MD&A was approved by the Corporation's Board of Directors.

The MD&A should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2021.

The audited consolidated financial statements attached to this MD&A and the accompanying notes for the year ended December 31, 2021, along with the 2020 comparative figures, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). However, some measures referred to in this MD&A are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section for more information.

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

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

Additional information relating to Innergex, including its Annual Information Form, can be found on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") at sedar.com or on the Corporation's website at innergex.com. Information contained in or otherwise accessible through our website does not form part of this MD&A and is not incorporated into the MD&A by reference.

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1- HIGHLIGHTS

	Year ended December 31				
	2021	February 2021 Texas Events (9 days) ³	2021 Normalized	2020	2019
OPERATING RESULTS					
Production (MWh)	9,055,215	—	9,055,215	8,073,914	6,509,622
Revenues	747,208	(54,967)	692,241	613,207	557,042
Operating, general, administrative and prospective projects expenses	221,571	—	221,571	191,098	147,867
Adjusted EBITDA ¹	525,637	(54,967)	470,670	422,109	409,175
Adjusted EBITDA Margin ¹	70.3 %	(2.3)%	68.0 %	68.8 %	73.5 %
Net (Loss) Earnings (2019-from continuing operations)	(185,394)	64,219	(121,175)	(29,111)	(53,026)
Adjusted Net (Loss) Earnings ¹	(6,951)	—	(6,951)	22,311	(26,025)
PROPORTIONATE					
Production Proportionate (MWh) ¹	9,853,366	—	9,853,366	9,590,140	8,021,758
Revenues Proportionate ¹	913,147	(95,273)	817,874	781,466	698,001
Adjusted EBITDA Proportionate ¹	673,745	(95,273)	578,472	560,328	516,819
Adjusted EBITDA Proportionate Margin ¹	73.8 %	(3.1)%	70.7 %	71.7 %	74.0 %
COMMON SHARES					
Dividends declared on Common Shares	132,229	—	132,229	125,543	95,046
Dividends declared on Series A Preferred Shares	2,757	—	2,757	3,067	3,067
Dividends declared on Series C Preferred Shares	2,875	—	2,875	2,875	2,875
Weighted Average Number of Common Shares (in 000s)	180,857	—	180,857	170,292	134,658
	February 2021 Texas Events (9 days) ⁴				
	2021	February 2021 Texas Events (9 days) ⁴	2021 Normalized	2020	2019
CASH FLOW AND PAYOUT RATIO					
Cash Flow From Operating Activities ²	265,498	17,093	282,591	235,108	240,065
Free Cash Flow ^{1,2}	92,315	15,789	108,104	93,260	93,311
Payout Ratio ^{1,2}	143 %	(20)%	122 %	135 %	102 %
Adjusted Payout Ratio ^{1,2}	98 %	— %	98 %	114 %	89 %
	As at December 31				
	2021	2020	2019		
FINANCIAL POSITION					
Total Assets	7,396,068	7,141,598	6,372,104		
Total Liabilities	6,035,388	6,070,666	5,756,778		
Equity Attributable to Owners	1,093,112	1,008,854	604,384		
Non-Controlling Interests	267,568	62,078	10,942		

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

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

3. For the year ended December 31, 2021, the operating results are normalized to exclude the impacts of the February 2021 Texas Events. Please refer to the "February 2021 Texas Events" section for more information.

4. For the year ended December 31, 2021, the Cash Flow From Operating Activities, Free Cash Flow and Payout Ratio are normalized to exclude the impacts of the February 2021 Texas Events. Please refer to the "February 2021 Texas Events" section for more information.

1- HIGHLIGHTS | Financial Year 2021 – Operating Performance

For the year ended December 31, 2021, **Revenues**, on a normalized basis, excluding the February 2021 Texas Events, were up 13% to \$692.2 million compared with the same period last year. The **hydroelectric** power generation segment recorded an increase in revenues mainly attributable to higher production at most of the facilities in British Columbia, the acquisition of the remaining 50% interest in Energía Llaima, which is now included in Innergex's consolidated revenues and the Curtis Palmer Acquisition. These items were partly offset by a lower contribution from some Quebec hydro facilities due to the combined effect of lower production and lower selling prices from the recently renewed PPAs. The slight decrease in revenues in the **wind** power generation segment is mainly attributable to a lower production from the wind facilities in Quebec and France. This slight decrease is also attributable to a lower contribution from the Foard City facility due to a combined effect of lower average selling prices and lower production. This decrease was partly offset by the first full year of contribution from the Mountain Air Acquisition and the commissioning of the Griffin Trail wind facility. The increase in revenues from the **solar** power generation segment was due to liquidated damages due from the EPC contractor for loss of revenues caused by the delays in and the commissioning of the Amazon Solar Farm Ohio - Hillcrest ("Hillcrest") facility. This increase was also due to higher selling prices at the Salvador facility combined with its first full year of contribution following its acquisition and the acquisition of the remaining 50% interest in Energía Llaima. These items were partly offset by lower revenues at the Phoebe solar facility due to lower production from the higher curtailment required by the distribution network in Texas along with lower irradiation despite higher average selling prices. Revenues Proportionate¹, on a normalized basis, excluding the February 2021 Texas Events, were up 5% at \$817.9 million compared with the same period last year.

For the year ended December 31, 2021, **Operating, general and administrative expenses** were up 16% to \$221.6 million compared with the same period last year. The **hydroelectric** power generation segment recorded an increase in expenses due to higher operating expenses from the acquisitions of the Chilean and Curtis Palmer facilities. The increase in the **wind** power generation segment is attributable to the first full year impact of operating expenses following the Mountain Air Acquisition and the commissioning of the Griffin Trail facility. These items were partly offset by lower operating expenses due to non-recurring expenses at Foard City facility in the same period last year. The increase in the **solar** power generation segment is explained by higher operating expenses stemming from the acquisitions of the Chilean facilities and the commissioning of the Hillcrest facility.

As a result of the above explanations and in combination with higher prospective expenses supporting the Corporation's growth, the Adjusted EBITDA¹, on a normalized basis, excluding the February 2021 Texas Events, was 12% higher at \$470.7 million for the year ended December 31, 2021, compared with the same period last year. The Adjusted EBITDA Proportionate¹, on a normalized basis, excluding the February 2021 Texas Events, reached \$578.5 million, a 3% increase compared with the same period last year.

Innergex recorded a **net loss** of \$185.4 million (\$1.09 loss per share - basic and diluted) for the year ended December 31, 2021, compared with a **net loss** of \$29.1 million (\$0.23 loss per share - basic and diluted) for the corresponding period in 2020. This was mainly due to the net unfavourable impact of \$81.3 million before tax from the February 2021 Texas events, the recognition of an aggregate \$112.6 million share of **impairment charges** in the Flat Top and Shannon joint ventures and the recognition of **impairment charges** related to the Phoebe solar facility in Texas, to the previously owned Energía Llaima investment, and to a minority equity investment in France, totaling \$24.7 million, \$6.3 million and \$5.9 million, respectively. The increase in net loss is also due to a \$27.1 million increase in **depreciation and amortization**, mainly attributable to the recent acquisitions and commissioning activities, an unfavourable \$26.8 million unrealized change in fair value of financial instruments, and a \$19.1 million increase in **finance costs** mainly related to the Griffin Trail wind facility, following its commissioning in the third quarter and an increase in inflation compensation interests on the Harrison Hydro real return bonds.

These items were partly offset by a favourable \$8.8 million movement in the **realized portion of financial instruments**, mainly related to the Phoebe basis hedge, compared with the same period in 2020, a \$45.1 million increase in **recovery of income tax**, mainly related to the impacts of the February 2021 Texas Events and the reversal of deferred tax liabilities related to the Flat Top and Shannon joint venture facilities, due to the projects' assets and liabilities being classified as disposal groups held for sale, partly offset by the tax attributes being allocated to tax equity investors of the Griffin Trail and Hillcrest facilities commissioned in 2021, and a \$24.1 million increase in **other income** mainly related to the production tax credits and tax attributes allocated to the tax equity investors at the Griffin Trail wind facility, following its commissioning during the third quarter.

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

1- HIGHLIGHTS | Financial Year 2021 – Capital and Resources

The increase in total assets results largely from the Energía Llaima, Licán and Curtis Palmer acquisitions in the second half of 2021, as well as the construction activities, followed by the commissioning of the Hillcrest solar and Griffin Trail wind facilities. This was partly offset by an impairment charge related to the Phoebe solar facility in Texas, reflecting an outlook of higher than expected congestion charges, the share of loss in joint ventures and associates due mainly to the February 2021 Texas Events and the impairment loss at the Shannon and Flat Top facilities, as well as depreciation and amortization. Additionally, Innergex has acquired the remaining 50% interest in Energía Llaima, which triggered consolidation and concurrently reduced the investments in joint ventures.

The increase in long-term loans and borrowings, including the current portion thereof, results largely from the debt assumed in the Energía Llaima and Licán acquisitions, the net draws made toward the construction of the Hillcrest and Griffin Trail facilities, including the tax equity financing thereof, and the purchase price of Curtis Palmer, partly offset by the proceeds received from the public offering of common shares and the Hydro-Québec private placements applied against the revolving credit facility.

The increase in equity attributable to owners is mainly attributable to shares issued related to the Energía Llaima Acquisition, the public offering and the concurrent Hydro-Québec private placements, and the investment made by HQI US Holding LLC, a subsidiary of Hydro-Québec, in the Curtis Palmer Acquisition, partly offset by the total comprehensive loss attributable to owners of the parent and dividends declared.

The increase in cash flows from operating activities before changes in non-cash operating working capital items for the year ended December 31, 2021, is mainly due to the Energía Llaima, Licán and Curtis Palmer acquisitions achieved during the second half of 2021, the Hillcrest and Griffin Trail facilities commissioned in 2021, and the full year impact of the Mountain Air and Salvador acquisitions of 2020. Free Cash Flow¹ was favourably impacted by the above, partly offset by an increase in debt principal repayments stemming from the Energía Llaima Acquisition in the third quarter of 2021 and the beginning of debt repayments for Upper Lillooet/Boulder Creek project loan, and an increase in Free Cash Flow¹ attributed to non-controlling interests, stemming mainly from the Curtis Palmer Acquisition and the full year impact of the Mountain Air Acquisition realized in 2020.

1- HIGHLIGHTS | Financial Year 2021 – Growth Initiatives

On March 1, 2021, the Corporation completed the commissioning of the 6.9 MW Yonne II wind farm in France. Innergex owns a 69.55% interest in the wind farm and Desjardins Group Pension Plan ("RRMD") owns the remaining 30.45%.

On May 11, 2021, the 200 MW Hillcrest solar facility located in Ohio achieved PPA Commercial Operation and the tax equity funding was completed on November 17, 2021.

On July 9, 2021, the Corporation completed the acquisition of the remaining 50% interest in Energía Llaima SpA ("Energía Llaima"), a renewable energy company based in Chile, of which Innergex already owned 50%, for an aggregate consideration of US\$75.0 million (\$94.0 million), which includes a contingent consideration of US\$3.7 million (\$4.6 million).

On July 26, 2021, the Corporation completed the commissioning of the 225.6 MW Griffin Trail wind facility located in north Texas and concluded the tax equity funding on July 30, 2021.

On August 3, 2021, the Corporation acquired 100% of the shares of Empresa Eléctrica Licán S.A. ("Licán"). Licán was acquired for an aggregate consideration of US\$17.7 million (\$22.1 million), which includes a contingent consideration of US\$1.0 million (\$1.3 million).

On September 3, 2021, Innergex completed a bought deal equity financing of common shares. The Corporation issued a total of 10,374,150 common shares, including 1,353,150 common shares as a result of the full exercise at of the over-allotment option granted to the syndicate of underwriters, at an offering price of \$19.40 per common share (the "Offering Price") for aggregate gross proceeds of \$201.3 million (the "Offering"). As part of the Investor Rights Agreement between Innergex and HQI Canada Holding Inc., a wholly owned subsidiary of Hydro-Québec ("Hydro-Québec"), Innergex has issued, concurrently with the Offering, 2,581,000 common shares at the Offering Price for aggregate gross proceeds of \$50.1 million in order to maintain Hydro-Québec's 19.9% ownership.

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

On October 25, 2021, Innergex and Hydro-Québec completed the acquisition of Curtis Palmer, a 60 MW run-of-river hydroelectric portfolio located in Corinth, New York, consisting of the 12 MW Curtis Mills and 48 MW Palmer Falls facilities ("Curtis Palmer"). This joint acquisition is the first under the Strategic Alliance formed by Innergex and Hydro-Québec in 2020. Innergex owns indirectly a 50% interest in the Curtis Palmer facilities with Hydro-Québec indirectly owning the remaining 50% interest. The total consideration for this acquisition was US\$321.6 million (\$397.3 million), which includes a contingent consideration of US\$3.2 million (\$3.9 million).

On December 28, 2021, the Corporation completed the sale of its 51% interest in the Flat Top wind facility ("Flat Top") for a nominal amount.

Construction continued at the 7.5 MW **Innavik hydro project** in Quebec, Canada, which is expected to be commissioned in late 2022. In France, at the **Tonnerre standalone battery storage project**, construction activities are mostly completed, commissioning and testing activities are ongoing. In the U.S., construction began at the **Hale Kuawehi solar and battery storage project** with the commencement of civil works and construction of roads and laydown areas.

Projects under development are progressing well with the addition of 3 new development projects: in the U.S., the **Boswell Springs wind project** and the **Palomino solar project**, along with the France **Auxy Bois Regnier wind project** which obtained on February 23, 2022 a 20-year PPA with EDF-OA.

The **Prospective projects** pipeline will allow several opportunities in the years to come, with 10 projects for a total 346 MW of installed capacity currently at an advanced stage.

1-HIGHLIGHTS | Subsequent Events

Acquisition of San Andrés SpA

Innergex has completed on January 28, 2022 the acquisition of the 50.6 MW San Andrés solar farm in Chile ("San Andrés"). The facility, commissioned in 2014, is located in the Atacama Desert in northern Chile. San Andrés was acquired for a total consideration of US\$25.8 million (\$32.7 million), net of cash acquired. The facility is expected to produce a gross long-term average of approximately 118.9 GWh per year.

Acquisition of Aela Generación S.A. and Aela Energía SpA

On February 3, 2022, Innergex has entered into an agreement to acquire 100% of the ordinary shares of Aela Generación S.A. and Aela Energía SpA (together "Aela"), a 332 MW portfolio of three newly built operating wind assets in Chile, for a purchase price of US\$685.5 million (\$870.6 million) (the "Aela Acquisition"), including the assumption of US\$385.5 million (\$489.6 million) of existing debt, subject to customary closing adjustments.

On February 10, 2022, Innergex has entered into two foreign exchange forward contracts with an aggregate notional amount of US\$100.0 million (\$126.8 million) to manage its exposure to exchange rate fluctuations related to the purchase price. In addition, in order to manage its exposure to the risk of increasing interest rates on a portion of the expected refinancing of the non-recourse debt assumed in the acquisition and at Innergex's existing Chilean projects, Innergex has entered into two forward start interest rate swaps on February 17 and February 18, 2022, respectively, with an aggregate notional amount of US\$172.8 million (\$219.1 million).

With this new wind portfolio, Innergex will diversify its geography and energy sources and more than double its installed capacity in Chile, opening the way to refinancing its entire Chilean portfolio to generate long-term accretive value. The Acquisition is expected to close in Q2 2022 and is subject to the regulatory approval of the Chilean Antitrust Agency (Fiscalía Nacional Económica), as well as customary closing conditions.

Closing of equity offering

As part of the public offering closed on February 22, 2022 the Corporation issued 9,718,650 common shares at a price of \$17.75 for cash proceeds of \$172.5 million. Concurrently with the closing of the public offering, Hydro-Québec subscribed 2,100,000 common shares of the Corporation for cash proceeds of \$37.3 million.

1- HIGHLIGHTS | Financial Year 2020

For the year ended December 31, 2020, the increase in Production (MWh), Revenues, Operating, general and administrative expenses, Adjusted EBITDA¹ and Adjusted EBITDA Proportionate¹ were attributable mostly to the contribution of the facilities commissioned in 2019, the Mountain Air and the Salvador acquisitions.

The decrease in loss from continuing operations in 2020 is mainly due to a decrease in the income tax expense related to a decrease in tax attributes being allocated to tax equity investors and a non-cash favourable change in fair value of the power and basis hedges, partly offset by the impairment charge recognized on the Energía Llaima investment, an increase in depreciation and amortization from the facilities commissioned in 2019 and the 2020 acquisitions, a decrease in the tax attributes allocated to the tax equity investors, and an increase in the share of loss of joint ventures and associates, mainly related to a non-cash unfavourable change in fair value of the Flat Top and Shannon power hedges.

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

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

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

Cash flows from operating activities before changes in non-cash operating working capital items increased, mainly due to the facilities commissioned in 2019, and the Salvador and Mountain Air acquisitions in 2020. Free Cash Flow¹, however, remained relatively stable, mainly due to the increase in debt principal payments stemming from the acquisitions and commissioning activities.

2- OVERVIEW OF OPERATIONS | Business Environment

Key Growth Factors

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

- the growing demand for renewable energy, as key to the energy transition to fight climate change, as supported by international agreements such as the Paris Agreement;
- stable and long-term government policies for climate change mitigation and adaptation and for the procurement of new renewable energy capacity;
- the availability of long-term renewable energy purchase contracts with highly creditworthy counterparties;
- the implementation of non-discriminatory access to transmission systems, providing independent power producers with access to regional electricity markets;
- sustainable merchant prices in the different markets;
- its capacity to evaluate and secure the best prospective sites for the development of new projects in cooperation with local communities;
- its ability to adequately forecast total construction costs, expected revenues and expected expenses for each project, in a market with rapidly improving cost-competitiveness of renewable energy generation facilities;
- its ability to make accretive acquisitions; and
- its ability to finance its growth and to provide firm power with the increasing market readiness and cost effectiveness of storage technologies.

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

Key Geographic Markets

In **Canada**, there has been significant growth in the renewable power generation sector over the years due to public and private commitments to reducing greenhouse gas emissions in power generation; national carbon pricing regulations introduced by the federal government; public concern over energy derived from fossil fuels, air quality and warming climate; improvements in renewable energy technologies; and shorter construction lead times for some renewable energy projects. Renewable electricity generation in Canada is also supported by federal and provincial procurements that result in long-term fixed price contracts with Crown corporations, incentives such as accelerated depreciation, and legislated commitments to renewable energy generation. In response to its commitments under the Paris Agreement, the Government of Canada released the Pan-Canadian Framework on Clean Growth and Climate Change in 2016. Among its goals, the plan commits to phasing out coal-fired electricity generation by 2030 and resulted in the implementation of a national price on carbon pollution from industrial facilities as of 2019. The plan includes an Output-Based Pricing System to reduce carbon pollution from electricity generation and ensure that renewable electricity sources, such as wind and solar, compete even more effectively against non-renewable sources. In 2020, the Government of Canada released its strengthened climate plan, A Healthy Environment and a Healthy Economy. The plan commits to a significant increase to the national carbon price to reach \$170 per tonne in 2030. Government took further steps in 2021: enhancing Canada's Paris Agreement target to reduce emissions by 40-45% from 2005 levels by 2030; and passing a legislated commitment to achieve net-zero emissions by 2050. The Government has also announced an aim to make Canada's 82% emissions-free electricity grid 100% net-zero by 2035. Achieving these targets will require significant electrification in all economic sectors and for Canada to produce around twice as much non-emitting power as it does now. At the provincial and territorial level, many governments have set targets for an increased component of renewable energy in their electricity generation supply mix, in order to reduce greenhouse gas emissions over time.

In the **United States**, according to the U.S. Energy Information Administration, electricity generation from renewable energy is expected to rise from 19% in 2019 to 38% by 2050, with approximately 117 GW of new wind and solar photovoltaic capacity expected to be added from 2020-2023, encouraged by declining capital costs and the availability of tax credits. In many markets across the U.S., wind and solar energy are already among the least costly new generation sources, even compared with relatively low-cost natural gas. As electricity demand grows modestly, the primary drivers for new capacity are expected to be the retirements of older, less-efficient fossil fuel units, the availability of renewable energy tax credits, and the continued decline in the capital cost of renewable energy sources, especially solar photovoltaic (PV). The U.S. also has a growing portion of new renewable energy projects being built to meet corporate demand. Favourable costs for renewable energy sources, combined with legislated commitments toward renewable energy at the state level, are expected to continue driving demand for new renewable generation capacity. States have been very active in adopting and increasing renewable portfolio standards (RPS), policies that require electricity suppliers to source a certain amount of their electricity from designated renewable resources or eligible technologies. Thirty (30) states, Washington, D.C., and three (3) territories have now adopted an RPS. Thirteen (13) jurisdictions including Hawaii require 100% clean electricity by 2050 or earlier. Over 60% of U.S. electricity retail sales are in a jurisdiction with legally binding RPS policies.

France continues to be a very attractive market for renewable power. The country has a largely decarbonized electricity system thanks to the role of nuclear energy, which accounts for around 66% of its generation mix. Hydroelectricity, at 12% of generation, is the largest source of renewable energy. Wind and solar PV generation have increased rapidly over the past decade, driving the total share of renewables in electricity generation from 14% in 2010 up to 24% in 2020. Remaining generation is a mix of fossil fuels, mainly natural gas. France's decarbonization framework, anchored in the Energy Transition Law of 2015, builds on the National Low-Carbon Strategy for 2050 (Stratégie Nationale Bas-Carbone, SNBC), with targets for the reduction of fossil fuel use and emissions by sectors under three five-year carbon budgets out to 2034. In the energy sector, actions are implemented by two successive five-year energy investment plans (la programmation pluriannuelle de l'énergie, PPE). In 2020, the government updated the SNBC and the PPE toward the goal of carbon neutrality by 2050. The French government has set ambitious goals to increase the share of renewable energy in the next 10 years by setting some specific targets by technology. This translates into a projected 35 GW installed capacity in onshore wind by 2028, which continues to be our main focus in this market. In addition, from 2021, we intend to address the large-scale solar sector, which benefits from the same support with a 40 GW target by 2028. Finally, alongside renewable generation, Innergex intends to pursue opportunities in the storage market for which a regulatory framework is in progress.

Renewable power continues to increase in **Chile**. In 2020, the production of solar and wind energy reached a total of 13,130 GWh, a 17% increase from 2019, and representing 21% of the total generated power. Meanwhile, hydroelectric facilities continued to play a significant role in 2020, accounting for 27% of the total generation (equivalent to 20,634 GWh). As of December 2021, there were 169 renewable energy facilities under construction, representing 4,500 MW of capacity. Non-conventional renewable energies, which do not include hydro power with reservoirs, now make up 36.7% of the country's installed capacity and contribute 27% of annual electricity generation. Mining, which consumes about a third of Chile's overall power production, is also an industry that consumes most of the new renewable energy. Since 2014, the prices of solar energy dropped by more than 60%, prompting the mining sector and other sectors to invest in renewable energy to reduce their energy consumption expenses.

Seasonality of Operations

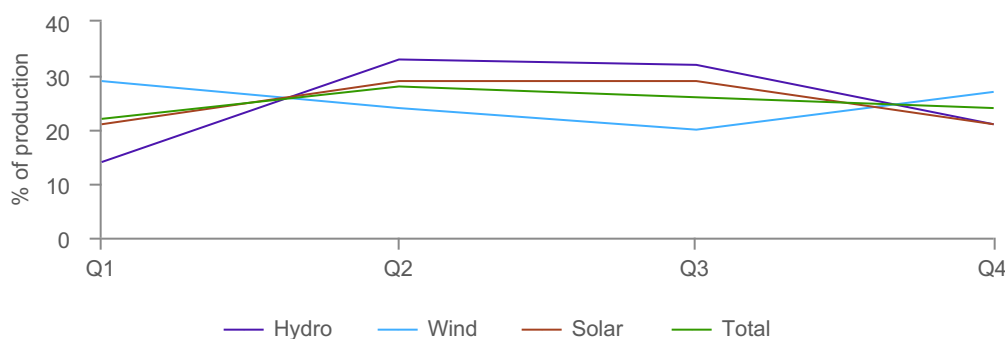
The Corporation aims to maintain a diversified portfolio of assets in terms of geography and sources of energy to alleviate any seasonal and production variations. The amount of electricity generated by the Operating Facilities is generally dependent on the availability of water flows, wind regimes and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

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

In GWh and %	Consolidated LTA and Quarterly Seasonality ¹									
	Q1		Q2		Q3		Q4		Total	
HYDRO	539	14 %	1,257	33 %	1,219	32 %	825	21 %	3,840	35 %
WIND	1,579	29 %	1,342	24 %	1,083	20 %	1,507	27 %	5,511	51 %
SOLAR	330	21 %	443	29 %	449	29 %	316	21 %	1,538	14 %
Total	2,448	22 %	3,042	28 %	2,751	26 %	2,648	24 %	10,889	100 %

1. The consolidated long-term average production is the annualized LTA for the facilities in operation as of February 23, 2022. The LTA is presented in accordance with revenue recognition accounting rules under IFRS and excludes production from facilities that are accounted for using the equity method. Production in comparison to the LTA is a key performance indicator for the Corporation. For more information, please refer to the "Key Figures" section.

Seasonality of Production by Energy Source



Global Climate Change

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

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

2- OVERVIEW OF OPERATIONS | Operating Facilities

Energy segment	Location	Three months ended December 31, 2021		Three months ended December 31, 2020		Three months Production % change	Year ended December 31, 2021		Year ended December 31, 2020		Twelve months Production % change
		Production (MWh)	Production as a % of LTA	Production (MWh)	Production as a % of LTA		Production (MWh)	Production as a % of LTA	Production (MWh)	Production as a % of LTA	
HYDRO	Quebec	170,605	94 %	216,240	119 %	(21)%	688,416	98 %	717,839	103 %	(4)%
	Ontario	25,643	121 %	22,043	104 %	16 %	75,105	101 %	67,957	91 %	11 %
	British Columbia	552,153	148 %	457,717	123 %	21 %	2,152,452	98 %	1,961,283	89 %	10 %
	United States ⁶	89,664	123 %	3,113	60 %	2,780 %	125,012	109 %	42,499	91 %	194 %
	Chile ⁵	105,232	67 %	—	— %	— %	215,843	70 %	—	— %	— %
	Subtotal	943,297	117 %	699,113	120 %	35 %	3,256,828	96 %	2,789,578	92 %	17 %
WIND	Quebec	586,484	89 %	663,591	100 %	(12)%	2,124,480	92 %	2,357,580	102 %	(10)%
	France	173,486	80 %	208,113	97 %	(17)%	646,208	86 %	711,114	96 %	(9)%
	United States ³	644,724	103 %	430,178	104 %	50 %	1,938,737	99 %	1,424,116	99 %	36 %
	Subtotal	1,404,694	93 %	1,301,882	101 %	8 %	4,709,425	94 %	4,492,810	100 %	5 %
SOLAR	Ontario	5,758	104 %	5,341	96 %	8 %	38,994	107 %	38,652	105 %	1 %
	United States	162,408	84 %	121,587	89 %	34 %	853,798	84 %	637,010	86 %	34 %
	Chile ^{4,5}	67,000	94 %	59,038	102 %	13 %	196,170	94 %	115,864	103 %	69 %
	Subtotal	235,166	87 %	185,966	93 %	26 %	1,088,962	87 %	791,526	89 %	38 %
TOTAL PRODUCTION¹		2,583,157	100 %	2,186,961	106 %	18 %	9,055,215	94 %	8,073,914	96 %	12 %
Innergex's share of production of joint venture and associates		93,000	106 %	386,397	108 %	(76)%	798,151	97 %	1,516,226	99 %	(47)%
PRODUCTION PROPORTIONATE^{1,2}		2,676,157	100 %	2,573,358	106 %	4 %	9,853,366	94 %	9,590,140	97 %	3 %

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

2. The results from the Flat Top and Shannon joint venture facilities from April 1, 2021, onward were excluded due to the projects' assets and liabilities being classified as disposal groups held for sale, following the February 2021 Texas Events.

3. The Mountain Air Acquisition was completed on July 15, 2020.

4. The Salvador Acquisition was completed on May 14, 2020.

5. The acquisition of the remaining 50% interest in Energía Llaima was completed on July 9, 2021, and the Licán Acquisition was completed on August 3, 2021.

6. The Curtis Palmer Acquisition was completed on October 25, 2021.

Production for the three-month period ended December 31, 2021, was 100% of LTA. The result is mostly explained by higher production at the facilities in British Columbia and by above-average wind regimes at the Griffin Trail and Foard City facilities in Texas. These items were partly offset by below-average wind regimes in Quebec and in France, below-average water flows in Chile and by the unfavourable impact of the intermittent curtailment required by the distribution network in Texas along with lower irradiation at the Phoebe solar facility. Innergex's share of production of joint ventures and associates was 106% of LTA, translating into a Production Proportionate at 100% of LTA.

Production for the year ended December 31, 2021, was 94% of LTA. The variation is mostly explained by below-average wind regimes at some Quebec facilities, in France and at the Foard City wind facility, by the unfavourable impact of the curtailment required by the distribution network in Texas along with lower irradiation at the Phoebe solar facility and by below-average water flows in Chile. These items were partly offset by above-average wind regimes at the Griffin Trail and Mountain Air facilities. Innergex's share of production of joint ventures and associates was 97% of LTA, translating into a Production Proportionate at 94% of LTA.

PPA Renewals

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

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

The PPA for the Portneuf facilities reached the end of their initial 25-year term in May 2021. The Corporation sent to Hydro-Québec its notice of automatic renewal for an additional 25-year term. Discussions on the renewal terms and conditions are underway, in accordance with the renewal process of the initial PPA.

During the year ended December 31, 2021, the Corporation completed the renewals of the 25-year term PPA for the Sainte-Marguerite and the Montmagny facilities.

2- OVERVIEW OF OPERATIONS | Corporate Development

Acquisition of remaining interests in Energía Llaima, in Chile

- On July 9, 2021, the Corporation became the sole owner of the Chilean renewable energy company Energía Llaima SpA by acquiring the remaining 50% interest for an aggregate consideration of US\$75.0 million (\$94.0 million), which includes a contingent consideration evaluated at US\$3.7 million (\$4.6 million).
- As a consideration for this transaction, Innergex has issued to Energía Llaima's shareholders 4,048,215 Innergex common shares for an aggregate value of US\$71.4 million (\$89.4 million) at a price per share equal to the 10-day volume weighted average price prior to the closing of the acquisition.
- Additionally, as part of the Investor Rights Agreement between Innergex and Hydro-Québec, Innergex issued, concurrently with the closing of the transaction described above, 1,148,050 common shares, for total proceeds of \$25.3 million, in order for Hydro-Québec to maintain its 19.9% ownership.
- Innergex's net installed capacity increased by 83.4 MW.
- Following the transaction, Innergex gained interests in and operated three hydro facilities in Chile with a gross installed capacity of 152 MW, a solar thermal facility with a gross installed capacity of 34 MW, as well as several projects in the development or prospective stages.
- The facilities are expected to generate annual revenues of US\$26.8 million (\$33.2 million) and operating, general and administrative expenses of US\$10.9 million (\$13.4 million) for the first five years. These estimates are comparable with the historical operating performance of the facilities.

Acquisition of a hydro facility in Chile

- On August 3, 2021, the Corporation acquired Licán, an 18 MW run-of-river hydro facility with a reservoir for daily regulation for up to 3.5 hours.
- The facility commissioned in 2011 is located on the Licán river, in the region of Los Rios in Chile. The facility is expected to produce a gross estimated long-term average of 77.8 GWh per year, selling its output on the merchant market.
- Licán was acquired for an aggregate consideration of US\$17.7 million (\$22.1 million), financed with cash held in Chile, to pay the shareholders and partially pay the existing debt and other costs.
- The facility is expected to generate annual revenues of US\$4.2 million (\$5.2 million) based on the expected long-term average of 77.8 GWh per year, and operating, general and administrative expenses of US\$2.1 million (\$2.6 million) for the first five years. These estimates are comparable with the historical operating performance of the facility.

Acquisition of a hydro portfolio in the State of New York

- On October 25, 2021, the Corporation and Hydro-Québec completed their first joint acquisition with the purchase of the 60 MW Curtis Palmer run-of-river hydroelectric portfolio.
- Innergex owns indirectly a 50% interest in the Facilities with Hydro-Québec indirectly owning the remaining 50% interest.
- The portfolio consists of the 12 MW Curtis Mills and 48 MW Palmer Falls facilities.
- The Curtis Palmer facilities have a PPA for energy, RECs and capacity with Niagara Mohawk Power Corporation (A3 / BBB+) that expires upon the earlier of either December 31, 2027, or the delivery of cumulative 10,000 GWh (which is expected in 2026).
- Following the expiry of the PPA, it is expected that the Curtis Palmer facilities will sell energy, RECs and capacity in the NYISO market.
- The Curtis Palmer facilities have an attractive cash flow profile and are expected to generate revenues of US\$49.3 million (\$61.6 million) and operating, general and administrative expenses of US\$6.8 million (\$8.5 million) on average per year, through the end of the PPA. These estimates are comparable with the historical operating performance of the facilities.
- Total consideration of US\$321.6 million (\$397.3 million), includes a contingent consideration of US\$3.2 million (\$3.9 million).
- On September 3, 2021, Innergex completed a \$201.3 million public offering of common shares and a \$50.1 million concurrent private placement of common shares to Hydro-Québec to fund the Curtis Palmer Acquisition, with the remainder of the net proceeds to be used toward general corporate purposes including future growth initiatives.

2- OVERVIEW OF OPERATIONS | Commissioning Activities

The table below outlines the projects commissioned since the beginning of 2021.

Name (Location)	Type	Ownership %	Gross installed capacity (MW)	Gross estimated LTA ¹ (GWh)	PPA term (years)	Total project cost		Expected first 5-year average			
						Estimated ¹ (\$M)	Revenues ¹ (\$M)	Operating, General and Administrative Expenses ¹	Adjusted EBITDA ^{1,2}	Revenues Proportionate ^{1,2} (\$M)	Adjusted EBITDA Proportionate ^{1,2} (\$M)
Hillcrest (Ohio, U.S.)	Solar	100	200.0	413.3	15	397.6 ³	21.6 ³	8.7 ³	12.9 ³	21.6 ³	12.9 ³
Griffin Trail (Texas, U.S.)	Wind	100	225.6	832.4	— ⁴	360.9 ⁵	21.3 ⁵	11.0 ⁵	10.3 ⁵	49.5 ⁵	38.5 ⁵
Yonne II (France)	Wind	69.55	6.9	11.0	20	15.9 ⁶	1.4 ⁶	0.3 ⁶	1.1 ⁶	1.4 ⁶	1.1 ⁶

1. This information is intended to inform readers of the projects' potential impact on the Corporation's results. It is based on estimates that do not have directly comparable historical data. Actual results may vary. These estimates are up-to-date as at the date of this MD&A.

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

3. Total Estimated Project Cost at US\$313.6 million, Expected Revenues at US\$17.0 million, Expected Operating, General and Administrative Expenses at US\$6.9 million and Expected Adjusted EBITDA at US\$10.2 million translated at a rate of 1.2678.

4. Power to be sold on the open market.

5. Total Estimated Project Cost at US\$284.7 million, Expected Revenues at US\$16.8 million, Expected Operating, General and Administrative Expenses at US\$8.7 million, Expected Adjusted EBITDA at US\$8.1 million, Expected Revenues Proportionate at US\$39.1 million, and Adjusted EBITDA Proportionate of US\$30.3 million translated at a rate of 1.2678.

6. Total Estimated Project Cost at €10.8 million, Expected Revenues at €1.0 million, Expected Operating, General and Administrative Expenses at €0.3 million and Expected Adjusted EBITDA at €0.8 million translated at a rate of 1.4391.

The following project had an updated status during the quarter:

Hillcrest:

- Reached substantial completion on October 31, 2021 and concluded the tax equity funding on November 17, 2021.

2- OVERVIEW OF OPERATIONS | Construction Activities

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

Name (Location)	Type	Ownership %	Gross installed capacity (MW)	Gross estimated LTA ¹ (GWh)	PPA term (years)	Expected COD
Hale Kuawehi (Hawaii, U.S.)	Solar	100	30.0 ²	87.4 ³	25	2023
Innavik (QC, Canada)	Hydro	50	7.5	54.7	40	2022
Tonnerre (France)	Storage	100	Note ⁴	—	— ⁵	2022

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

2. Solar project with a battery storage capacity of 120 MWh.

3. PPA is a fixed lump sum capacity payment for the availability of dispatchable energy.

4. Standalone battery storage capacity of 9 MWh.

5. The project has been awarded a 7-year Contract for Difference offering a fixed-price contract for capacity certificate. The French Energy Code sets forth a market-based premium regime. Under a Contract for Difference, the income of the producer relies on a price obtained on the market and an energy premium that corresponds to the difference between a reference tariff calculated on the basis of the average financing and operation costs for an efficient and representative installation and the average electricity and capacity market-based prices.

The following projects had an updated status during the quarter:

Hale Kuawehi:

- Construction started in January 2022
- Execution of all major supply and construction contracts completed.
- The blessing ceremony was held on site on January 4, 2022. Civil work commenced in January with construction of roads and laydown areas.

Innavik:

- Cofferdam installed and river flow now diverted through the diversion structure.
- Powerhouse superstructure completed at 95%, the envelope will be completed in Q2 2022.
- Some delays have been encountered due partly to the pandemic situation.

Tonnerre:

- Construction work at site is completed.
- Commissioning and testing works are ongoing and commissioning is expected to be achieved by the end of Q1 2022.

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

2- OVERVIEW OF OPERATIONS | Development Activities

Innergex owns a portfolio of Development Projects with a gross installed capacity of approximately 732.2 MW. The table below outlines their status as at the date of this MD&A.

Name (Location)	Type	Gross installed capacity (MW)	PPA term (years)	Expected COD
Frontera (Chile)	Hydro	109.0	— 1	—
Rucacura (Chile)	Hydro	3.0	— 1	2025
Lazenay (France)	Wind	9.0	— 1	2023
Auxy Bois Regnier (France)	Wind	29.4	20	2024
Boswell Springs (Wyoming, U.S.)	Wind	331.8	30 2	2024
Paeahu (Hawaii, U.S.)	Solar	15.0 3	25	2023
Kahana (Hawaii, U.S.)	Solar	20.0 3	25	2023
Barbers Point (Hawaii, U.S.)	Solar	15.0 3	25	2023
Palomino (Ohio, U.S.)	Solar	200.0	15	2024

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

2. The project has been selected to PacifiCorp's 2020 All-Source Request for Proposal final shortlist. Therefore, the project is currently negotiating the terms of a busbar take-or-pay 30-year PPA with PacifiCorp.

3. Solar project with a battery storage capacity of 60 MWh for Paeahu, 80 MWh for Kahana and 60 MWh for Barbers Point.

The following projects had an updated status during the quarter:

Frontera

- Construction contract and permitting are progressing slowly, awaiting decisions on financial items.
- Project schedule is under revision.

Paeahu

- The project has been delayed by an unfavourable decision at the circuit court regarding the county special use permit due to local opposition. The project will commence a new proceeding with the Maui County Planning Commission on the required permit in March 2022.
- Project forecasts to use the maximum 148 days extension allowed in the PPA to reach COD.
- Management is currently reassessing the project's long-term outlook in regards of the recent decision.

Kahana

- PPA was approved by the Hawaii public utilities commission on January 5, 2022.

Barbers Point

- Environmental studies are completed.

Boswell Springs

- PPA negotiations are underway, expected to be completed by Q3 2022.
- Equipment procurement and EPC contractor selection process in progress.
- Permitting is nearing completion.
- Construction expected to begin during Q2 2023.

Palomino

- Permitting application process and transmission line studies commenced.
- Construction expected to begin by Q3 2023.

Auxy Bois Regnier

- 20-year PPA with EDF-OA obtained on February 23, 2022.
- Interconnection request was made.
- Environmental approval given, but legal procedures against it were initiated.

2- OVERVIEW OF OPERATIONS | Prospective Projects

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

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

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

	Early Stage		Mid Stage		Advanced Stage		Total Capacity ¹ (in MW)	Total number of projects
	Capacity ¹ (in MW)	Number of projects	Capacity ¹ (in MW)	Number of projects	Capacity ¹ (in MW)	Number of projects		
CANADA								
Hydro	500	8	—	—	—	—	500	8
Solar	300	7	—	—	—	—	300	7
Wind	3,943	23	—	—	—	—	3,943	23
Subtotal	4,743	38	—	—	—	—	4,743	38
UNITED STATES								
Solar	639	7	730	4	—	—	1,369	11
Wind	400	1	—	—	—	—	400	1
Green hydrogen ²	5	1	—	—	—	—	5	1
Subtotal	1,044	9	730	4	—	—	1,774	13
FRANCE								
Solar	—	—	—	—	60	1	60	1
Wind	128	11	61	3	132	7	321	21
Subtotal	128	11	61	3	192	8	381	22
CHILE								
Hydro	29	2	—	—	154	1	183	3
Solar	32	1	—	—	—	—	32	1
Wind	9	1	—	—	—	—	9	1
Storage ³	—	—	—	—	—	1	—	1
Subtotal	70	4	—	—	154	2	224	6
Total	5,985	62	791	7	346	10	7,122	79

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

2. In this table, the electrolyser was attributed to the United States until additional progress is achieved. The production is estimated at 800,000 kg per year, which corresponds to approximately 5 MW based on current assumptions.

3. Battery storage capacity of 250 MWh.

Compared to the last quarter, the Boswell Springs wind project in the United States, the Palomino solar project in the United States and the Auxy Bois Regnier wind project in France moved from the advanced stage to development activities.

One hydro project in Chile moved from the early to the advanced stage and one solar project in France progressed from the mid to the advanced stage. Also, two new projects progressed to the early stage, a wind and a green hydrogen project, both in the United States. Finally, a new storage project in Chile entered into the advanced stage.

Strategic Alliance Pipeline

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

In the first year of the Strategic Alliance, both entities worked together to build a team responsible for identifying opportunities to invest. Many opportunities have been assessed while many others are still under review. Both teams are collaborating on a daily basis to identify and assess the best opportunities for the Strategic Alliance. The current COVID-19 pandemic has slowed down the market but opportunities still exist and the team is evaluating all of those that make sense for the Strategic Alliance. In addition, the entities are targeting standalone energy storage facilities with the battery technology developed by Hydro-Québec, such as Innergex's Tonnerre battery project, which is the first battery deployment for Hydro-Québec.

On October 25, 2021, the Corporation and HQI US Holding LLC, a subsidiary of Hydro-Québec, announced the completion of the 50-50 joint acquisition of the 60 MW Curtis Palmer hydroelectric portfolio in the state of New York. The Curtis Palmer facilities consist of two run-of-river hydroelectric facilities, Curtis Mills (12 MW) and Palmer Falls (48 MW). Curtis Palmer has a power purchase agreement for energy, RECs and capacity with Niagara Mohawk Power Corporation. The five employees of Curtis Palmer facilities joined the Innergex team. This joint acquisition is the first under the Strategic Alliance.

Since the Curtis Palmer Acquisition, the focus has been to continue the collaboration to identify and complete other potential transactions as part of the Strategic Alliance.

3- FINANCIAL PERFORMANCE AND OPERATING RESULTS

	Three months ended December 31				Year ended December 31					
	2021	2020	Change		2021	February 2021 Texas Events (9 days) ³	2021 Normalized	2020	Change	
Revenues	202,388	167,927	34,461	21 %	747,208	(54,967)	692,241	613,207	79,034	13 %
Operating expenses	42,555	36,510	6,045	17 %	149,106	—	149,106	131,442	17,664	13 %
General and administrative expenses	12,813	9,979	2,834	28 %	45,098	—	45,098	42,948	2,150	5 %
Prospective projects expenses	9,709	3,608	6,101	169 %	27,367	—	27,367	16,708	10,659	64 %
Adjusted EBITDA ¹	137,311	117,830	19,481	17 %	525,637	(54,967)	470,670	422,109	48,561	12 %
Adjusted EBITDA margin ¹	67.8 %	70.2 %			70.3 %	(2.3)%	68.0 %	68.8 %		
Finance costs	67,417	57,443	9,974	17 %	252,255	—	252,255	233,143	19,112	8 %
Other net income	(34,565)	(7,304)	(27,261)	373 %	(89,621)	—	(89,621)	(65,554)	(24,067)	37 %
Depreciation and amortization	77,748	58,465	19,283	33 %	255,640	—	255,640	228,526	27,114	12 %
Impairment of long-term assets	12	26,659	(26,647)	— %	36,986	—	36,986	26,659	10,327	— %
Share of (earnings) losses of joint ventures and associates: ²										
Share of (earnings) losses, before impairment charges	(791)	(13,874)	13,083	(94)%	77,280	(64,197)	13,083	7,524	5,559	74 %
Share of impairment charges	—	—	—	— %	112,609	—	112,609	—	112,609	— %
Change in fair value of financial instruments	(15,411)	(22,810)	7,399	(32)%	92,122	(72,060)	20,062	2,025	18,037	891 %
Income tax expense (recovery)	37,158	7,357	29,801	405 %	(26,240)	17,071	(9,169)	18,897	(28,066)	(149)%
Net earnings (loss)	5,743	11,894	(6,151)	(52)%	(185,394)	64,219	(121,175)	(29,111)	(92,064)	316 %
Net earnings (loss) attributable to:										
Owners of the parent	(2,348)	11,920	(14,268)	(120)%	(191,805)	64,219	(127,586)	(32,628)	(94,958)	291 %
Non-controlling interests	8,091	(26)	8,117	(31,219)%	6,411	—	6,411	3,517	2,894	82 %
	5,743	11,894	(6,151)	(52)%	(185,394)	64,219	(121,175)	(29,111)	(92,064)	316 %
Basic and diluted net (loss) earnings per share attributable to owners (\$)	(0.02)	0.06			(1.09)	0.35	(0.74)	(0.23)		

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

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

3. For the year ended December 31, 2021, the Financial Performance and Operating Results are normalized to exclude the impacts of the February 2021 Texas Events. Please refer to the "February 2021 Texas Events" section for more information.

3- FINANCIAL PERFORMANCE AND OPERATING RESULTS | Hydroelectric Segment

Hydroelectric Segment	Three months ended December 31			Year ended December 31		
	2021	2020	Change	2021	2020	Change
Production (MWh)	943,297	699,113	35 %	3,256,828	2,789,578	17 %
LTA (MWh)	806,256	580,908	39 %	3,392,026	3,017,166	12 %
Revenues (in \$M)	96,392	59,945	61 %	277,302	229,102	21 %
Operating, general and administrative expenses	24,019	16,445	46 %	64,866	55,233	17 %
Adjusted EBITDA (in \$M) ¹	72,373	43,500	66 %	212,436	173,869	22 %
Adjusted EBITDA Margin ¹	75.1 %	72.6 %		76.6 %	75.9 %	
PROPORTIONATE¹						
Production Proportionate (MWh)	999,294	828,189	21 %	3,738,333	3,372,316	11 %
Revenues Proportionate (in \$M)	103,899	74,358	40 %	327,849	293,497	12 %
Adjusted EBITDA Proportionate (in \$M)	77,402	53,854	44 %	250,983	223,695	12 %
Adjusted EBITDA Margin Proportionate	74.5 %	72.4 %		76.6 %	76.2 %	

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

For the three-month period ended December 31, 2021, the increase of 61% in Revenues in the hydroelectric segment compared with the same period last year is mainly explained by the Curtis Palmer Acquisition, completed on October 25, 2021, higher production at most of the facilities in British Columbia and at the Chilean facilities following the acquisition of the remaining 50% interest in Energía Llaima on July 9, 2021. This increase was partly offset by lower production at the facilities in Quebec. The increase of 46% in Operating, general and administrative expenses is explained by higher maintenance costs at some of the facilities in British Columbia, higher expenses following the Curtis Palmer Acquisition and from the Chilean facilities following the acquisition of the remaining 50% interest in Energía Llaima on July 9, 2021. As a result, the Adjusted EBITDA¹ increased by 66% to \$72.4 million. The Adjusted EBITDA Margin¹ was up from 72.6% to 75.1%, mainly explained by the Curtis Palmer Acquisition, for which margins are higher, and by higher average selling prices from recently acquired Chilean facilities.

For the three-month period ended December 31, 2021, the joint ventures' and associates' hydroelectric facilities' Revenues decreased compared to the same period last year explained by a lower contribution from the Chilean facilities since their results are now included in the Corporation's consolidated results, following the acquisition of the remaining 50% interest in Energía Llaima on July 9, 2021. Operating, general and administrative expenses decreased for the reason stated above. As a result, the Adjusted EBITDA Proportionate¹ increased by 44% to \$77.4 million.

For the year ended December 31, 2021, the increase of 21% in Revenues in the hydroelectric segment compared with the same period last year was mainly explained by a higher contribution from the facilities in British Columbia mostly attributable to higher revenues from higher production explained by lower 2020 figures that included the impact of the curtailment imposed by BC Hydro for five facilities. This increase is also explained by the contribution from the Chilean facilities following the acquisition of the remaining 50% interest in Energía Llaima on July 9, 2021, and to the Curtis Palmer Acquisition on October 25, 2021. This increase was partly offset by lower contribution

from some Quebec hydro facilities due to a combined effect of lower production and lower selling prices from the recently renewed PPAs. The increase of 17% in Operating, general and administrative expenses is mainly explained by higher operating expenses from the Chilean facilities following the acquisition of the remaining 50% interest of Energía Llama on July 9, 2021 and to the Curtis Palmer Acquisition on October 25, 2021. As a result, the Adjusted EBITDA¹ increased by 22% to \$212.4 million. The Adjusted EBITDA Margin¹ was up from 75.9% to 76.6%, which is mainly explained by the Curtis Palmer Acquisition for which margins are higher but partly offset by lower revenues from the Quebec facilities.

For the year ended December 31, 2021, the joint ventures' and associates' hydroelectric facilities Revenues decreased compared to the same period last year mostly explained by a lower contribution from the Chilean facilities since their results are now included in the Corporation's consolidated results, following the acquisition of the remaining 50% interest in Energía Llama on July 9, 2021, lower contribution from facilities in British Columbia due to lower average selling prices, partly offset by a higher contribution from the Jimmie Creek facility due to higher revenues from higher production explained by lower 2020 figures that included the impact of the curtailment imposed by BC Hydro. This decrease was also due to lower production at the facilities in Ontario. Operating, general and administrative expenses decreased mostly due to lower operating expenses from the Chilean facilities since their results are now included in the Corporation's consolidated results. As a result, the Adjusted EBITDA Proportionate¹ increased by 44% to \$77.4 million.

3- FINANCIAL PERFORMANCE AND OPERATING RESULTS | Wind Segment

	Three months ended December 31			Year ended December 31				
	2021	2020	Change	2021	February 2021 Texas Events (9 days) ²	2021 Normalized	2020	Change
Wind Segment								
Production (MWh)	1,404,694	1,301,882	8 %	4,709,425	—	4,709,425	4,492,810	5 %
LTA (MWh)	1,506,858	1,292,026	17 %	5,010,772	—	5,010,772	4,492,522	12 %
Revenues (in \$M)	90,280	98,470	(8)%	349,786	(16,801)	332,985	333,795	— %
Operating, general and administrative expenses	16,262	19,812	(18)%	72,927	—	72,927	69,850	4 %
Adjusted EBITDA (in \$M) ¹	74,018	78,658	(6)%	276,859	(16,801)	260,058	263,945	(1)%
Adjusted EBITDA Margin ¹	82.0 %	79.9 %		79.2 %	(7.8)%	78.1 %	79.1 %	
PROPORTIONATE¹								
Production Proportionate (MWh)	1,441,697	1,555,772	(7)%	5,020,531	—	5,020,531	5,413,583	(7)%
Revenues Proportionate (in \$M)	111,436	127,030	(12)%	464,293	(57,107)	407,186	435,784	(7)%
Adjusted EBITDA Proportionate (in \$M)	94,632	103,164	(8)%	385,866	(57,107)	328,759	351,262	(6)%
Adjusted EBITDA Margin Proportionate	84.9 %	81.2 %		83.1 %	(8.6)%	80.7 %	80.6 %	

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

2. For the year ended December 31, 2021, the Financial Performance and Operating Results are normalized to exclude the impacts of the February 2021 Texas Events. Please refer to the "February 2021 Texas Events" section for more information.

For the three-month period ended December 31, 2021, the decrease of 8% in Revenues in the wind power generation segment compared with the same period last year is mainly attributable to lower production from the facilities in Quebec and France and lower average selling prices at the Foad City facility. The decrease was partly offset by

the commissioning of the Griffin Trail facility on July 26, 2021. The decrease of 18% in Operating, general and administrative expenses is explained by lower maintenance expenses at some of the Quebec wind facilities, lower tax on production in France and lower operating expenses due to non-recurring expenses in 2020 at the Foard City facility. These items were partly offset by higher operating expenses following the commissioning of the Griffin Trail facility. As a result, the Adjusted EBITDA¹ decreased by 6% to \$74.0 million. The Adjusted EBITDA Margin¹ was up from 79.9% to 82.0% explained by the combined effect of higher revenues and lower expenses at the Mountain Air facilities, these items were partly offset by lower revenues at the France wind facilities and lower revenues despite lower operating expenses at the Foard City facility.

For the three-month period ended December 31, 2021, the joint ventures' and associates' wind farms' Revenues decrease compared to the same period last year is mostly explained by the exclusion of the results from the Flat Top and Shannon joint venture facilities, from April 1, 2021, onward, due to the projects' assets and liabilities being classified as disposal groups held for sale, following the February 2021 Texas Events (the Flat Top facility was since sold on December 28, 2021). Operating, general and administrative expenses decreased for the same reason stated above.

The PTCs generated by the wind farms, in the three-month period ended December 31, 2021, decreased due to the exclusion of the results from the Flat Top and Shannon joint venture facilities, from April 1, 2021, onward, due to the projects' assets and liabilities being classified as disposal groups held for sale, following the February 2021 Texas Events (the Flat Top facility was since sold on December 28, 2021) and to lower PTCs earned at the Foard City facility from lower production. This decrease was partly offset by the PTCs earned at the Griffin Trail facility following its commissioning on July 26, 2021.

As a result, the Adjusted EBITDA Proportionate¹ decreased by 8% to \$94.6 million.

For the year ended December 31, 2021, the Revenues in the wind power generation segment, on a normalized basis, excluding the February 2021 Texas Events, was stable at \$333.0 million, compared with the same period last year, mainly explained by lower contributions from the Quebec wind facilities from lower production, by lower production over higher average selling prices from the wind facilities in France and by the combined effect of lower average selling prices and lower production at the Foard City facility. These items were partly offset by the full year contribution of the Mountain Air Acquisition, completed on July 15, 2020, and the contribution from the Griffin Trail facility, following its commissioning on July 26, 2021. The increase of 4% in Operating, general and administrative expenses is mainly explained by the first full-year impact of operating expenses following the Mountain Air Acquisition and the commissioning of the Griffin Trail facility. These items were partly offset by lower operating expenses due to non-recurring expenses at the Foard City facility in the same period last year. As a result, the Adjusted EBITDA¹ decreased by 1% to \$260.1 million. The Adjusted EBITDA Margin¹, on a normalized basis, excluding the February 2021 Texas Events, was down from 79.1% to 78.1%. This decrease is explained by lower revenues from the facilities in Quebec and France.

For the year ended December 31, 2021, the joint ventures' and associates' wind farms' Revenues, excluding the February 2021 Texas Events, decreased compared with the same period last year. This decrease is mainly attributable to the exclusion of the results from the Flat Top and Shannon joint venture facilities, from April 1, 2021, onward, due to the projects' assets and liabilities being classified as disposal groups held for sale, following the February 2021 Texas Events (the Flat Top facility was since sold on December 28, 2021). Operating, general and administrative expenses decreased for the same reasons stated above.

The proportional PTCs generated by the wind farms contributed \$54.0 million for the year ended December 31, 2021, compared with a \$70.5 million contribution in the same period last year. This decrease is mainly attributable to the exclusion of the results from the Flat Top and Shannon joint venture facilities, from April 1, 2021, onward, due to the projects' assets and liabilities being classified as disposal groups held for sale, following the February 2021 Texas Events (the Flat Top facility was since sold on December 28, 2021) and to lower PTCs earned at the Foard City facility due to lower production. This decrease was partly offset by the PTCs earned at the Griffin Trail facility following its commissioning on July 26, 2021.

As a result, the Adjusted EBITDA Proportionate¹ decreased by 6% to \$328.8 million.

3- FINANCIAL PERFORMANCE AND OPERATING RESULTS | Solar Segment

Solar Segment	Three months ended December 31			Year ended December 31				
	2021	2020	Change	2021	February 2021 Texas Events (9 days) ²	2021 Normalized	2020	Change
Production (MWh)	235,166	185,966	26 %	1,088,962	—	1,088,962	791,526	38 %
LTA (MWh)	270,963	199,786	36 %	1,257,038	—	1,257,038	887,369	42 %
Revenues (in \$M)	15,716	9,512	65 %	120,120	(38,166)	81,954	50,310	63 %
Operating, general and administrative expenses	5,309	1,377	286 %	16,418	—	16,418	11,096	48 %
Adjusted EBITDA (In \$M) ¹	10,407	8,135	28 %	103,702	(38,166)	65,536	39,214	67 %
Adjusted EBITDA Margin ¹	66.2 %	85.5 %		86.3 %	(13.6)%	80.0 %	77.9 %	
PROPORTIONATE¹								
Production Proportionate (MWh)	235,166	189,397	24 %	1,094,502	—	1,094,502	804,241	36 %
Revenues Proportionate (In \$M)	15,716	9,967	58 %	121,005	(38,166)	82,839	52,185	59 %
Adjusted EBITDA Proportionate (In \$M)	10,407	8,375	24 %	104,256	(38,166)	66,090	40,290	64 %
Adjusted EBITDA Margin Proportionate	66.2 %	84.0 %		86.2 %	(13.5)%	79.8 %	77.2 %	

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

2. For the year ended December 31, 2021, the Financial Performance and Operating Results are normalized to exclude the impacts of the February 2021 Texas Events. Please refer to the "February 2021 Texas Events" section for more information.

For the three-month period ended December 31, 2021, the increase of 65% in Revenues in the solar power generation segment compared with the same period last year is mainly attributable to the commissioning of the Hillcrest facility, the contribution of the Pampa Elvira facility following the acquisition of the remaining 50% interest in Energía Laima on July 9, 2021 and by higher selling prices at the Salvador facility. The increase of 286% in Operating, general and administrative expenses is explained by higher maintenance at the Phoebe facility, higher operating expenses at the Hillcrest facility from its commissioning and at the Pampa Elvira facility following its acquisition. These items were partly offset by lower maintenance expenses at the Salvador facility. As a result, the Adjusted EBITDA¹ increased by 28% to \$10.4 million. The Adjusted EBITDA Margin¹ was down from 85.5% to 66.2% mainly explained by the lower contribution of the Phoebe facility from higher expenses over revenues and the Hillcrest commissioning, for which margins are lower.

For the year ended December 31, 2021, the Revenues in the solar power generation segment, on a normalized basis, excluding the February 2021 Texas Events, increased by 63% compared with the same period last year. This increase is mainly explained by the liquidated damages due from the EPC contractor for loss of revenues caused by the delays in and the commissioning of the Hillcrest solar facility, higher selling prices at the Salvador facility combined with its first full year of contribution and to the contribution of the Pampa Elvira facility following the acquisition of the remaining 50% interest in Energía Llaima on July 9, 2021. These items were partly offset by lower revenues from the Phoebe facility explained by lower production from the higher curtailment required by the distribution network in Texas along with lower irradiation, despite higher average selling prices. The increase of 48% in Operating, general and administrative expenses is mainly explained by higher operating expenses following the commissioning of the Hillcrest solar facility and from the Salvador and the Pampa Elvira acquisitions. As a result, the Adjusted EBITDA¹ increased by 67% to \$65.5 million. The Adjusted EBITDA Margin¹, on a normalized basis, excluding the February 2021 Texas Events, was up from 77.9% to 80.0% mainly explained by the contribution of the Hillcrest facility and higher selling prices at the Salvador facility.

3- FINANCIAL PERFORMANCE AND OPERATING RESULTS | Consolidated Margin

Innergex believes these indicators are important, as they provide management and the reader with additional information about Innergex's operating performance. For more information, please refer to the Non-IFRS Measures section of this MD&A.

For the three-month period ended on December 31, 2021, on a consolidated basis, the Adjusted EBITDA¹, was up 17% from \$117.8 million to \$137.3 million stemming from the increase in the cumulative segmented Adjusted EBITDA¹ as explained in the previous sections, partly offset by higher prospective expenses to support the Corporation's growth. The Adjusted EBITDA Margin^{1,2} was down from 70.2% to 67.8%. This decrease is mainly explained by higher prospective expenses to support the Corporation's growth and by the increased weight of the solar facilities in the United States and in Chile, for which margins are lower. This decrease is partly offset by the Curtis Palmer Acquisition, for which margins are higher.

For the three-month period ended on December 31, 2021, on a consolidated basis, Adjusted EBITDA Proportionate Margin¹ was down from 72.4% to 70.5%. This decrease is explained by a lower Adjusted EBITDA margin^{1,2} and by lower PTCs due to the exclusion of the results from the Flat Top and Shannon joint venture facilities, from April 1, 2021, onward, due to the projects' assets and liabilities being classified as disposal groups held for sale, following the February 2021 Texas Events (the Flat Top facility was since sold on December 28, 2021) and to lower PTCs earned at the Foard City wind facility due to lower production. This decrease was partly offset by the PTCs earned at the Griffin Trail wind facility following its commissioning on July 26, 2021.

For the year ended December 31, 2021, on a consolidated basis, excluding the February 2021 Texas Events, the Adjusted EBITDA¹ was up 12% from \$422.1 million to \$470.7 million stemming from the increase in the cumulative segmented Adjusted EBITDA¹ as explained in the previous sections, partly offset by higher prospective expenses to support the Corporation's growth. The Adjusted EBITDA Margin^{1,2} was down from 68.8% to 68.0%. The decrease is explained by higher prospective expenses to support the Corporation's growth and lower revenues at the Quebec wind facilities. This decrease was partly offset by the Curtis Palmer Acquisition, for which margins are higher, and by higher revenues from the hydro facilities in British Columbia.

For the year ended December 31, 2021, on a consolidated basis, excluding the February 2021 Texas Events, the Adjusted EBITDA Proportionate Margin¹ was down from 71.7% to 70.7%. The decrease is explained by a lower Adjusted EBITDA margin^{1,2} and by lower PTCs due to the exclusion of the results from the Flat Top and Shannon joint venture facilities, from April 1, 2021, onward, due to the projects' assets and liabilities being classified as disposal groups held for sale, following the February 2021 Texas Events (the Flat Top facility was since sold on December 28, 2021) and to lower PTCs earned at the Foard City wind facility due to lower production. This decrease was partly offset by the PTCs earned at the Griffin Trail wind facility following its commissioning on July 26, 2021.

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

² The Adjusted EBITDA Margin is a measure of Adjusted EBITDA as a percentage of revenues.

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

Net earnings of \$5.7 million (\$0.02 earnings per share - basic and diluted) for the three-month period ended December 31, 2021, compared with net earnings of \$11.9 million (\$0.06 earnings per share - basic and diluted) for the corresponding period in 2020.

In addition to the hydroelectric, wind and solar segments' respective operating performance previously explained and the increase in prospective projects expenses, the \$6.2 million decrease in net earnings mainly stems from:

- a \$29.8 million increase in income tax expense mainly due to tax attributes being allocated to tax equity investors of the Griffin Trail and Hillcrest facilities commissioned in 2021;
- a \$19.3 million increase in depreciation and amortization, mainly attributable to the Energía Llaima and Curtis Palmer acquisitions and the Griffin Trail and Hillcrest commissioning in 2021;
- a \$13.1 million decrease in the share of earnings of joint ventures and associates, mainly related to the Flat Top and Shannon mark-to-market gain in 2020, compared to nil in 2021;
- a \$10.0 million increase in finance costs mainly related to the Griffin Trail and Hillcrest facilities, the Energía Llaima Acquisition, and an increase in inflation compensation interests on the Harrison Hydro real return bonds; and
- an unfavourable \$5.4 million unrealized change in the fair value of financial instruments, mainly related to the increase in merchant power curves for the Phoebe power hedge, partly offset by a favourable change in foreign exchange forward curves, compared with the same period in 2020.

These items were partly offset by:

- a \$27.3 million increase in other income mainly related to the production tax credits and tax attributes allocated to the tax equity investors at the Griffin Trail wind facility, following its commissioning during the third quarter; and
- The recognition of a \$26.6 million impairment charge on the investment in Energía Llaima in 2020, compared with no impairment charge for the same period in 2021.

Net loss of \$185.4 million (\$1.09 loss per share - basic and diluted) for the year ended December 31, 2021, compared with a net loss of \$29.1 million (\$0.23 loss per share - basic and diluted) for the corresponding period in 2020.

In addition to the hydroelectric, wind and solar segments' respective operating performance previously explained and the increase in prospective projects expenses, the \$156.3 million increase in net loss mainly stems from:

- the February 2021 Texas Events, resulting in a net unfavourable impact of \$81.3 million (refer to the "February 2021 Texas Events" section of this MD&A for more information);
- the recognition of an aggregate \$112.6 million in impairment charges through the Corporation's share of loss of the Flat Top and Shannon joint venture facilities, at \$53.8 million and \$58.8 million, respectively;
- a \$27.1 million increase in depreciation and amortization, mainly attributable to the Energía Llaima and Curtis Palmer acquisitions, the full year impact of Mountain Air and Salvador acquired in 2020, and the Griffin Trail and Hillcrest commissioning in 2021;
- an unfavourable \$26.8 million unrealized change in fair value of financial instruments, mainly related to the increase in merchant power curves for the Phoebe power hedge, partly offset by a favourable change in foreign exchange forward curves, compared with the same period in 2020;
- a \$19.1 million increase in finance costs mainly related to the Griffin Trail and Hillcrest facilities, the Energía Llaima Acquisition, and an increase in inflation compensation interests on the Harrison Hydro real return bonds; and
- the recognition of impairment charges related to the Phoebe solar facility in Texas reflecting an outlook of higher than expected congestion charges, to the previously owned Energía Llaima investment in light of the purchase price for the remaining interests, and to a minority equity investment in France, totalling \$24.7 million, \$6.3 million, and \$5.9 million, respectively, compared with a \$26.6 million impairment charge on the investment in Energía Llaima in 2020.

These items were partly offset by:

- a favourable \$8.8 million movement in the realized portion of financial instruments, mainly related to the Phoebe basis hedge, compared with the same period in 2020;
- a \$24.1 million increase in other income mainly related to the production tax credits and tax attributes allocated to the tax equity investors at the Griffin Trail wind facility, following its commissioning during the third quarter; and
- a \$45.1 million increase in recovery of income tax, mainly related to the impacts of the February 2021 Texas Events and the reversal of deferred tax liabilities related to the Flat Top and Shannon joint venture facilities, due to the projects' assets and liabilities being classified as disposal groups held for sale, partly offset by the tax attributes being allocated to tax equity investors of the Griffin Trail and Hillcrest facilities commissioned in 2021.

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

The Adjusted Net (Loss) Earnings¹ seeks to provide a measure that eliminates the earnings impacts of certain derivative financial instruments and non-recurring events, which do not represent the Corporation's operating performance. Adjusted Net (Loss) Earnings¹ is not a recognized measure under IFRS, has no standardized meaning prescribed by IFRS and therefore may not be comparable with measures presented by other issuers. Please refer to the "Non-IFRS Measures" section for more information.

References to "Adjusted Net (Loss) Earnings¹" are to net earnings or losses of the Corporation, to which the following elements are added (subtracted): unrealized portion of the change in fair value of financial instruments; realized portion of the Phoebe basis hedge, realized loss on the termination of interest rate swaps, realized gain on foreign exchange forward contracts, impairment charges, specific unusual or non-recurring events such as the February 2021 Texas Events, the net income tax expense (recovery) related to these items, and the share of losses of joint ventures and associates related to the above items, net of related tax.

The table below shows a summary statement of Adjusted Net (Loss) Earnings¹ (Please refer to the "Non-IFRS Measures" for a reconciliation to the Consolidated Statements of Earnings):

	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
Revenues	202,388	167,927	692,241	613,207
Expenses:				
Operating expenses	42,555	36,510	149,106	131,442
General and administrative expenses	12,813	9,979	45,098	42,948
Prospective project expenses	9,709	3,608	27,367	16,708
Adjusted EBITDA ¹	137,311	117,830	470,670	422,109
Finance costs	67,417	57,443	252,255	233,143
Other net income	(32,372)	(7,154)	(85,547)	(63,824)
Depreciation and amortization	77,748	58,465	255,640	228,526
Share of losses of joint ventures and associates	(272)	(3,646)	(12,423)	(12,465)
Realized losses (gains) on power hedges	1,672	(1,818)	2,902	(9,232)
Income tax expense	33,092	1,550	64,794	23,650
Adjusted Net (Loss) Earnings ¹	(9,974)	12,990	(6,951)	22,311

1. Adjusted Net Loss (Earnings) and Adjusted EBITDA 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.

Adjusted Net Loss¹ of \$10.0 million for the three-month period ended December 31, 2021, compared with an Adjusted Net Earnings¹ of \$13.0 million for the corresponding period in 2020.

The \$23.0 million increase in Adjusted Net Loss¹ mainly stems from:

- a \$31.5 million increase in income tax expense mainly due to tax attributes being allocated to tax equity investors;
- a \$19.3 million increase in depreciation and amortization, mainly attributable to the Energía Llaima and Curtis Palmer acquisitions and the Griffin Trail and Hillcrest commissioning in 2021; and
- a \$10.0 million increase in finance costs mainly related to the Griffin Trail and Hillcrest facilities, the Energía Llaima Acquisition, and an increase in inflation compensation interests on the Harrison Hydro real return bonds.

This item was partly offset by:

- the hydroelectric, wind and solar segments' respective operating performance previously explained; and
- a \$25.2 million increase in other income mainly related to the PTCs and tax attributes allocated to the tax equity investors at the Griffin Trail wind facility recognized primarily in the year of the commissioning.

Adjusted Net Loss¹ of \$7.0 million for the year ended December 31, 2021, compared with an Adjusted Net Earnings¹ of \$22.3 million for the corresponding period in 2020.

The \$29.3 million increase in Adjusted Net Loss¹ mainly stems from:

- a \$41.4 million increase in income tax expense mainly due to tax attributes being allocated to tax equity investors of the Griffin Trail and Hillcrest facilities commissioned in 2021;
- a \$27.1 million increase in depreciation and amortization, mainly attributable to the Energía Llaima and Curtis Palmer acquisitions, the full year impact of Mountain Air and Salvador acquired in 2020, and the Griffin Trail and Hillcrest commissioning in 2021;
- a \$19.1 million increase in finance costs mainly related to the Griffin Trail and Hillcrest facilities, the Energía Llaima Acquisition, and an increase in inflation compensation interests on the Harrison Hydro real return bonds; and
- an unfavourable \$12.1 million movement in the realized portion of the power hedges, compared with the same period in 2020.

These items were partly offset by:

- the hydroelectric, wind and solar segments' respective operating performance previously explained; and
- a \$21.7 million increase in other income mainly related to an increase in the PTCs and tax attributes allocated to the tax equity investors at the Griffin Trail wind facility, following its commissioning during the third quarter, partly offset by a decrease in the tax attributes allocated to the tax equity investors at the Phoebe solar facility, largely related to a decrease in the tax depreciation, which was recognized primarily during the first two years of operations.

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

Attribution of earnings of \$8.1 million to non-controlling interests for the three-month period ended December 31, 2021, compared with an attribution of nil for the corresponding period in 2020

The \$8.1 million increase in earnings attributed to non-controlling interests for the three-month period ended December 31, 2021, is mainly due to:

- a favourable unrealized change in the fair value of derivative financial instruments in Innergex Europe;
- a higher allocation of earnings to the non-controlling interests of Kwoiek, largely due to a higher production;
- the earnings allocated to the non-controlling interests in Innergex HQI USA following the Curtis Palmer acquisition in the fourth quarter of 2021; and
- a contractual increase in the percentage of allocation to the non-controlling interests of Mesgi'g Ugju's'n.

Attribution of earnings of \$6.4 million to non-controlling interests for the year ended December 31, 2021, compared with an attribution of earnings of \$3.5 million for the corresponding period in 2020

The \$2.9 million increase in earnings attributed to non-controlling interests for the year ended December 31, 2021, is mainly due to:

- a favourable unrealized change in the fair value of derivative financial instruments in Innergex Europe;
- a contractual increase in the percentage of allocation to the non-controlling interests of Mesgi'g Ugju's'n;
- the earnings allocated to the non-controlling interests in Innergex HQI USA following the Curtis Palmer acquisition in the fourth quarter of 2021; and
- the full year of earnings allocated to the non-controlling interests in Mountain Air.

These items were partly offset by:

- a higher allocation of losses to the non-controlling interests of Harrison Hydro, largely due to an increase in the inflation compensation interest on the real return bonds, compared with the same period last year; and
- the temporary shutdown at the Kwoiek Creek facility due to the wildfire that damaged the facility's transmission line.

4- CAPITAL AND LIQUIDITY | Capital Structure

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

	As at December 31, 2021	As at December 31, 2020
Equity¹		
Common shares ²	3,580,388	4,778,325
Preferred shares ³	109,080	99,364
Non-controlling interests	267,568	62,078
	3,957,036	4,939,767
Long-term loans and borrowings¹		
Corporate revolving credit facility	398,758	182,996
Other corporate debt	295,000	266,627
Project-level debt	3,562,380	3,839,799
Tax Equity financing	455,967	315,958
Convertible debentures	280,258	280,075
Deferred financing costs	(67,928)	(71,574)
	4,924,435	4,813,881
	8,881,471	9,753,648

1. Common and preferred shares are presented at their market value as at December 31, 2021, and December 31, 2020, while non-controlling interests and long-term loans and borrowings are presented at their respective book value.

2. Consists of the number of common shares outstanding as at December 31, 2021, and December 31, 2020, multiplied by the prevailing share price of \$18.60 (2020 - \$27.37) at the close of markets.

3. Consists of the number of preferred shares outstanding as at December 31, 2021, and December 31, 2020, multiplied by the prevailing share price of \$17.20 and \$25.30 (2020 - \$14.46 and \$25.10), for the Series A and Series C preferred shares, respectively, at the close of markets.

Innergex's strategy in managing its capital is: (i) to develop or acquire high-quality renewable power production facilities that generate sustainable and stable cash flows, with the objective of achieving a high return on invested capital, and (ii) to distribute a stable dividend.

Innergex determines the amount of capital required, and its allocation between debt and equity, for the acquisition and development of new electricity-generating facilities by considering the specific characteristics of stability and growth of each facility. This determination is made in order to distribute a stable dividend while maintaining an acceptable level of indebtedness. Generally, equity is the primary source of financing for the development of projects, while long-term loans and borrowings are used to finance the construction projects. The Corporation expects to finance 70% to 85% of its construction costs mostly through non-recourse long-term debt financing or tax equity financing for qualifying projects in the United States.

The fair value of common shares was impacted mainly by a net unfavourable change in the share prices, partly offset by the shares issued related to the Energía Llama Acquisition, the public offering and the concurrent Hydro-Québec private placements (refer to the "Information on Capital Stock" section of this MD&A for more information). The preferred shares structure remained consistent compared to December 31, 2020. The fair value was therefore impacted mainly by a net favourable change in the preferred shares prices. The increase in non-controlling interests stems mainly from the investment made by HQI US Holding LLC, a subsidiary of Hydro-Québec, in the Curtis Palmer Acquisition. The long-term loans and borrowings remained consistent compared to December 31, 2020.

The effective all-in interest rate on the Corporation's long-term loans and borrowings was 4.62% as at December 31, 2021 (4.50% as at December 31, 2020).

Credit Agreements – Material Financial and Non-Financial Conditions

As at December 31, 2021, 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. When they are not met, certain financial and non-financial covenants included in the credit agreements, trust indentures and PPAs entered into by various subsidiaries of the Corporation could limit the capacity of these subsidiaries to transfer funds to the Corporation. These restrictions could have a negative impact on the Corporation's ability to meet its obligations.

The Beaumont and Vallottes facilities were not meeting their respective targeted ratios, which triggered a breach under their respective credit agreement. The aggregate amount of €17.9 million (\$25.8 million) that would otherwise be classified as long-term was reclassified to the current portion of long-term loans and borrowings. Negotiations are currently underway to resolve this situation.

The Phoebe solar facility was in breach of its credit agreement due to a non respect of a specific requirement of the insurance clause. The US\$100.3 million (\$127.2 million) portion of the loan that would otherwise be classified as long-term was reclassified to the current portion of long-term loans and borrowings. Ongoing dialogue and reporting are provided to the facility lenders until this situation is resolved.

The Duquenco facility was in breach of its credit agreement following the acquisition of the remaining 50% interest in Energía Laima since the former Chilean equity investors ceased to jointly hold direct ownership of fifty percent of the company's shares. The US\$110.7 million (\$140.4 million) portion of the loan that would otherwise be classified as long-term was reclassified to the current portion of long-term loans and borrowings. Negotiations are currently underway to resolve this situation.

4- CAPITAL AND LIQUIDITY | Tax Equity Investment

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

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

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

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

Production Tax Credit Program (“PTC”)

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

	Commercial Operation Date	Expected TEI Flip Point ⁵	TEI Investment (M\$)	Expected Annual PTC Generation ³ (M\$)	Expected Annual Pay-go Contribution ⁴ (M\$)	TEI Allocation of Taxable Income (Loss) and PTCs (Pre-Flip Point)	TEI Allocation of Cash Distributions (Pre-Flip Point)
Foard City ^{1,2}	2019	2029	372.7	41.3	4.4	99.00 %	5.00 %
Griffin Trail ^{1,2}	2021	2031	210.6	26.4	4.7	82.50 %	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 TEI or a change to the Flip Point. Figures provided are for 2021.
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 TEIs 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 1.2678. 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 1.2678. Pay-go Contributions will be earned on actual production in excess of a specified annual threshold, subject to a contractual cumulative maximum.
5. Represents the expected TEI Flip Point as estimated at the date of final funding from the TEI. Actual Flip Point may differ, subject to the facilities' respective operating performance.

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 decreases to 26% for facilities that began construction in 2021 and 2022, 22% in 2023 and 10% thereafter.

	Commercial Operation Date	Expected TEI Flip Point ⁷	TEI Investment (M\$)	TEI Allocation of Taxable Income (Loss) and ITC (Pre-Flip Point)	TEI Preferred Allocation of Cash (Pre-Flip Point)
Phoebe ^{1,2,3,7}	2019	2026	244.3	67.00 %	10.62% in excess of priority distribution
Hillcrest ^{1,4,5,6}	2021	2028	142.2	99.00 %	4.23% in excess of priority distribution

1. TEIs in U.S. projects generally require certain sponsor guarantees as a condition for their investment. To support the tax equity investments at Phoebe, Alterra, a subsidiary of Innergex, executed a guarantee indemnifying the TEIs against certain breaches of project-level representations, warranties and covenants. The Corporation believes these indemnifications cover matters that are substantially within its control, and are very unlikely to occur.
2. Phoebe's cash distribution amounts to the TEI are fixed and defined within the TEI partnership agreement. All amounts of distributable cash in excess of these fixed and defined distributions are distributed at the rate of 10.62% to the TEI, until the Flip Point date.
3. TEI Allocation of taxable income (loss) and ITC are 67.00% until December 31, 2024, and up to 99.00% thereafter, until TEI Flip Point.
4. Hillcrest Solar Partners received US\$22.4 million (\$29.8 million) from the TEI in return for its Class A membership interest, representing 20% of the TEI's total investment. The remaining funding of US\$90.4 million (\$114.6 million) is to be received upon commissioning of the project.
5. Hillcrest allocation of taxable income (loss) and ITCs is 99.00% to the TEI. From January 1, 2025, to December 31, 2025, allocation of taxable income (loss) to the TEI will be 67.00%, and 5.00% thereafter.
6. Hillcrest's cash distribution amounts to the TEI are fixed and defined within the TEI partnership agreement. All amounts of distributable cash in excess of these fixed and defined distributions are distributed at the rate of 4.23% to the TEI, until the Flip Point date.
7. Represents the expected TEI Flip Point as estimated at the date of final funding from the TEI. Actual Flip Point may differ, subject to the facilities' respective operating performance.

4- CAPITAL AND LIQUIDITY | Financial Position

As at	December 31, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	166,266	161,465
Restricted cash	61,659	67,477
Investment tax credits recoverable	1,200	106,353
Other current assets	159,552	117,157
Total current assets	388,677	452,452
Non-current assets		
Property, plant and equipment	5,513,392	5,053,125
Intangible assets	1,043,994	919,323
Investments in joint ventures and associates	133,398	446,837
Goodwill	60,858	63,298
Other non-current assets	255,749	206,563
Total non-current assets	7,007,391	6,689,146
Total assets	7,396,068	7,141,598
LIABILITIES		
Current liabilities		
	733,527	1,036,730
Non-current liabilities		
Long-term loans and borrowings	4,411,239	4,046,714
Other non-current liabilities	890,622	987,222
Total non-current liabilities	5,301,861	5,033,936
Total liabilities	6,035,388	6,070,666
SHAREHOLDERS' EQUITY		
Equity attributable to owners	1,093,112	1,008,854
Non-controlling interests	267,568	62,078
Total shareholders' equity	1,360,680	1,070,932
	7,396,068	7,141,598

Working Capital Items

As at December 31, 2021, working capital¹ was negative at \$344.9 million, from negative \$584.3 million in 2020, mainly explained by:

- Current assets amounted to \$388.7 million as at December 31, 2021, a decrease of \$63.8 million compared with December 31, 2020, mainly due to a \$105.2 million decrease in the investment tax credit recoverable following Hillcrest commissioning and the allocation of the tax credits recoverable to the TEI. The decrease was partly offset by a \$25.2 million increase in accounts receivable mainly from business acquisitions.
- Current liabilities amounted to \$733.5 million as at December 31, 2021, a decrease of \$303.2 million compared with December 31, 2020, mainly due to a \$255.6 million decrease in the current portion of long-term loans and borrowings which primarily relates to the allocation of the investment tax credits recoverable to the Hillcrest TEI and the resolution of breaches under the Mesgi'g Ugnu's'n, Mountain Air, Montjean and Theil-Rabier project loans, partly offset by the classification of the Beaumont, Vallottes, Phoebe and Duqueco project loans as current following the breach of their respective credit agreement as at December 31, 2021.
- Derivative financial instruments also contributed favourably to the working capital balance (please refer to the "Financial Position – Derivative Financial Instruments and Risk Management" subsection below for more information).

The Corporation considers its current level of working capital¹ to be sufficient to meet its needs, considering that a total amount of \$293.4 million that would otherwise be classified as long-term was reclassified to the current portion of long-term loans and borrowings (see the "Capital Structure" section of this MD&A for more information). As at December 31, 2021, the Corporation had \$700.0 million in revolving term credit facilities and had drawn \$398.8 million as cash advances, while \$48.3 million had been used to issue letters of credit, leaving \$253.0 million available.

Non-Current Assets

Non-current assets amounted to \$7,007.4 million as at December 31, 2021, an increase of \$318.2 million compared with December 31, 2020. The increase is mainly due to the Energía Llaima, Licán and Curtis Palmer acquisitions in the second half of 2021. Moreover, the construction activities, mainly related to the Hillcrest and Griffin Trail facilities, contributed to increasing property, plant and equipment by an aggregate amount of \$201.3 million, net of the ITC recoverable recognized against the Hillcrest construction costs. In addition, other non-current assets increased following proceeds received from a \$19.6 million letter of credit that the Corporation availed itself of following the bankruptcy of the service provider under the turbine supply agreement at Mesgi'g Ugnu's'n. The proceeds are to be used in the future to remediate the unfulfilled performance obligations under the turbine supply agreement.

These items were partly offset by a \$24.7 million impairment charge related to the Phoebe solar facility in Texas, reflecting an outlook of higher than expected congestion charges, by the depreciation and amortization of \$255.6 million, by the strengthening of the Canadian dollar against the Euro and by the decrease in investments in joint ventures and associates. The decrease in investments in joint ventures and associates is related mainly to the impacts of the February 2021 Texas Events on the Flat Top and Shannon joint ventures, aggregating to a share of losses of \$64.2 million for Innergex, impairment charges of \$53.8 million and \$58.8 million for Flat Top and Shannon, respectively, and to the acquisition of the remaining interests in Energía Llaima, which was previously presented as an equity accounted investment.

Non-Current Liabilities

Non-current liabilities amounted to \$5,301.9 million as at December 31, 2021, an increase of \$267.9 million compared with December 31, 2020. The increase is mainly due to the Energía Llaima and Licán acquisitions in the third quarter of 2021. Moreover, the reclassification of project loans as non-current following the resolution of breaches of the Mesgi'g Ugnu's'n, Mountain Air, and Montjean and Theil-Rabier credit agreements contributed to increasing the non-current portion of long-term loans and borrowings, as well as the net draws made toward the construction of the Hillcrest and Griffin Trail facilities, including the tax equity financing thereof, and the Curtis Palmer purchase price, partly offset by the proceeds received from the public offering of common shares and the Hydro-Québec private placements applied against the revolving credit facility. In addition, other liabilities increased following proceeds received from a \$19.6 million letter of credit that the Corporation availed itself of following the bankruptcy of the service provider under the turbine supply agreement at Mesgi'g Ugnu's'n.

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

These increases were partly offset by the strengthening of the Canadian dollar against the Euro, scheduled principal repayments, the classification of the Beaumont, Vallottes, Phoebe and Duquenco facilities project loans as current (see the "Capital Structure" section of this MD&A for more information), and the proceeds received from the public offering of common shares and the Hydro-Québec private placements applied against the revolving credit facility.

Shareholders' Equity

As at December 31, 2021, Shareholders' equity increased by \$289.7 million compared with December 31, 2020, mainly attributable to the shares issued related to the Energía Llaima Acquisition, the public offering and the concurrent Hydro-Québec private placements (refer to the "Information on Capital Stock" section of this MD&A for more information), and the investment made by HQI US Holding LLC, a subsidiary of Hydro-Québec, in the Curtis Palmer Acquisition, partly offset by the total comprehensive loss of \$116.2 million, the dividends declared on common and preferred shares totalling \$137.9 million, and \$14.8 million in distributions to non-controlling interests.

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 December 31, 2021	Currency	Current Notional		Fair Value After Credit Adjustment	
		Currency of origin	CAD	Currency of origin	CAD
Interest rate swaps	CAD	963,624	963,624	(58,396)	(58,396)
Interest rate swaps	USD	312,179	395,780	(6,260)	(7,936)
Interest rate swaps	EUR	127,591	183,617	(8,443)	(12,150)
Foreign exchange forward contracts	EUR-CAD	290,716	500,612	2,485	2,485
Power hedges	USD	N/A	N/A	13,061	16,559
				(57,553)	(59,438)

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

The aggregate fair value of derivative financial instruments amounted to a net liability of \$59.4 million as at December 31, 2021, from a net liability of \$151.0 million as at December 31, 2020. The favourable unrealized change in fair value relates mainly to the interest hedging derivatives, favourably impacted by an upward shift in interest rate curves, the Phoebe basis hedge, which matured on December 31, 2021, and the foreign exchange forward contracts, favourably impacted by a general downward shift in the Euro-Cad forward curve. These items were partly offset by the unfavourable change in the Phoebe power hedge, following an increase in the merchant price curves.

Contractual obligation

As at December 31, 2021, the expected schedule of commitment payments is as follows:

Year of expected payment	Under 1 year	1 to 5 years	Thereafter	Total
Long-term loans and borrowings	154,995	1,737,191	2,417,411	4,309,597
Interest on long-term loans and borrowings	171,816	602,404	1,918,222	2,692,442
Lease liabilities	10,178	42,087	202,781	255,046
Other liabilities	1,783	9,266	31,210	42,259
Purchase obligations	26,560	125,722	229,520	381,802
Variable payments on lease contracts	8,838	41,800	4,214	54,852
Total	374,170	2,558,470	4,803,358	7,735,998

Contingencies

BC Hydro Curtailment Notices

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

BC Hydro cited 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 was allegedly unable to accept or purchase energy under the EPAs. The notices to Innergex followed public statements by BC Hydro regarding measures it was 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, seeking to enforce its rights under the EPAs on the basis described above. For the period from May 22, 2020, to July 20, 2020, actual eligible energy revenue that would have been produced at the facilities in the absence of the curtailment amounts to \$12.5 million (\$14.2 million on a Revenues Proportionate² basis). The dispute is expected to conclude in 2022.

Harrison Hydro L.P. Water Rights

On March 23, 2017, the Comptroller of the Water Rights issued adjusted rental statements to the Harrison Hydro L.P. and its subsidiaries for the years 2011 and 2012 for an amount of \$3.2 million in aggregate regarding water rental rates to be charged under the Water Act. The amount claimed was paid under protest and Harrison Hydro L.P. and its subsidiaries filed a notice of appeal of the decision to the Environmental Appeal Board.

On July 26, 2019, the Environmental Appeal Board of British Columbia rendered a decision granting the appeal and ordering the Comptroller of Water Rights to reimburse to each of the Limited Partnerships its proportionate share of the adjusted water rental amounts of \$3.2 million overcharged to Harrison Hydro L.P. and its subsidiaries for the years 2011 and 2012. On November 22, 2019, the Environmental Appeal Board of British Columbia rendered another decision confirming that the sum will accrue interest starting June 28, 2017, until the date it is refunded. On January 20, 2020, the Comptroller of Water Rights filed with the Supreme Court of British Columbia a petition for judicial review of the Environmental Appeal Board's order to return the amount in water rental fees to Harrison Hydro L.P. and its subsidiaries, with interest. On January 31, 2020, the Comptroller of Water Rights transferred an amount of \$3.3 million, representing the principal of \$3.2 million with interest

² 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.

accrued between June 28, 2017, and January 31, 2020, to a trust account established by Harrison Hydro L.P. and its subsidiaries' external legal counsel, bearing interest in favour of the Appellants. The Limited Partnerships filed their response to petition on April 14, 2020. The hearing took place in Victoria in the last week of September 2020. A decision was rendered on February 9, 2021, by the Supreme Court of British Columbia, which concluded that the Environmental Appeal Board's decision was reasonable, and dismissed the Comptroller of Water Rights' petition accordingly. The Comptroller of Water Rights subsequently appealed the decision of the Supreme Court of British Columbia, which was unanimously dismissed by the British Columbia Court of Appeal on January 7, 2022. The Corporation recognized the amount of \$3.2 million in the consolidated statements of earnings (loss) during the year ended December 31, 2019. A total amount of \$3.4 million, including interests, is receivable as at December 31, 2021.

February 2021 Texas Events

In February 2021, unprecedented extreme winter weather conditions and related electricity market failure paralyzed the state of Texas, United States. These unprecedented extreme winter weather events pushed the Texas Government to declare a disaster and the US Government to declare a state of emergency. The storm disturbed production, transmission and distribution of power, severely impacting prices. Because of the disturbance, wholesale electricity prices in the Electric Reliability Council of Texas (ERCOT) reached their cap of US\$9,000 per MWh and remained at such a level for a prolonged period of time. The February 2021 Texas Events lasted from February 11 to February 19, 2021. The combined effect of supply interruptions, abnormal market pricing conditions and contractual obligations to supply a predetermined daily generation under the power hedges, have had a net unfavourable impact at the Corporation's Phoebe solar facility located in Winkler County, Flat Top wind facility in Mills County, and Shannon wind facility in Clay County.

Phoebe

As a consequence of the February 2021 Texas Events, a claim of Force Majeure was notified to the counterparty of the power hedge of the Phoebe facility in February, which was rejected by the recipient.

On July 19, 2021, Innergex reached an agreement to settle the amounts that remained unpaid by the Phoebe solar facility following the February 2021 Texas Events. The aggregate cash disbursement of US\$24.0 million (\$29.7 million) comprised the agreed-upon settlement payment for the amounts disputed following the February 2021 Texas Events, and a payment on the project's tracking account balance, net of unpaid energy sold by the project during the negotiation process.

Flat Top and Shannon

As a consequence of the February 2021 Texas Events, a claim of Force Majeure was notified to the counterparty of the power hedges of the Flat Top and Shannon facilities in February, which was rejected by the recipient. To preserve the Corporation's and its partners' rights with regard to the Flat Top and Shannon facilities, court proceedings were initiated on April 21, 2021. On May 20, 2021, the District Court of Harris County, Texas denied the temporary injunction application, directing the counterparty to the power hedges for the Flat Top and Shannon wind facilities to suspend all remedies against the projects, including foreclosure, arising from an alleged default of payment that was formally disputed by the Innergex, following the February 2021 Texas Events.

The carrying amount of the Flat Top and Shannon investments was decreased to nil following the \$53.8 million and \$58.8 million respective impairment charges recognized by the Corporation through its share of loss of joint ventures and associates in March 31, 2021. During the period ended June 30, 2021, the underlying assets and liabilities of the Flat Top and Shannon investments were classified as disposal groups held for sale. In addition, following the classification as held for sale, the deferred tax liabilities related to the Corporation's equity investments in Flat Top and Shannon were decreased to nil, with \$24.4 million and \$15.1 million deferred tax recoveries, respectively.

On December 28, 2021, the Corporation completed the sale of its 51% interest in Flat Top for a nominal amount. The underlying assets and liabilities of the Shannon investment remain held for sale as at December 31, 2021, as the carrying amount of its Class B shares will be recovered principally through a sale transaction. As required, the disposal groups are measured at the lower of their respective carrying amounts and fair values less costs to sell, which is estimated to be nil, on a net basis, as at December 31, 2021. On the basis that the project is non-recourse to the Corporation, the financial exposure of the Corporation is limited to the non-cash impacts on the reversal of exchange differences in accumulated other comprehensive income related to the project.

Off-Balance-Sheet Arrangements

As at December 31, 2021, the Corporation had issued letters of credit totaling \$207.1 million, including \$48.3 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 \$41.2 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, Foard City, Phoebe, Hillcrest, Griffin Trail and Mountain Air, Alterra Power Corp, a subsidiary of Innergex, has executed guaranties effective on funding of the tax equity investments indemnifying the tax equity investors against certain breaches of project-level representations, warranties and covenants and other events. The Corporation believes these indemnifications cover matters that are substantially under its control and are very unlikely to occur. With respect to the Phoebe facility, Alterra has also provided a guarantee in favour of the project, which will become effective only in the unlikely event that the Phoebe tax equity investors call upon their guarantee.

4- CAPITAL AND LIQUIDITY | Cash Flows

	Three months ended December 31		Year ended December 31			
	2021	2020	2021	February 2021 Texas Events (9 days) ¹	2021 Normalized	2020
OPERATING ACTIVITIES						
Cash flows from operating activities	75,837	77,692	265,498	17,093	282,591	235,108
FINANCING ACTIVITIES						
Cash flows from financing activities	366,228	97,981	414,077	—	414,077	492,478
INVESTING ACTIVITIES						
Cash flows used in investing activities	(446,083)	(169,803)	(667,054)	—	(667,054)	(725,608)
Effects of exchange rate changes on cash and cash equivalents	(4,766)	(765)	(7,720)	—	(7,720)	3,263
Net change in cash and cash equivalents	(8,784)	5,105	4,801	17,093	21,894	5,241
Cash and cash equivalents, beginning of period	175,050	156,360	161,465	—	161,465	156,224
Cash and cash equivalents, end of period	166,266	161,465	166,266	17,093	183,359	161,465

1. Please refer to the "February 2021 Texas Events" section for more information.

Cash Flows from Operating Activities

For the three-month period ended December 31, 2021, cash flows from operating activities totaled \$75.8 million, compared with \$77.7 million in the same period last year. The decrease relates primarily to an unfavourable change in non-cash operating working capital items, partly offset by the contribution to operating cash flows from the Energía Llaima, Licán and Curtis Palmer acquisitions during the third and fourth quarters of 2021, as well as the commissioning of the Hillcrest solar and the Griffin Trail wind facilities.

For the year ended December 31, 2021, cash flows from operating activities totaled \$265.5 million, compared with \$235.1 million in the same period last year. The increase relates primarily to the contribution from the Energía Llaima, Licán and Curtis Palmer acquisitions in second half of 2021, the Hillcrest and Griffin Trail facilities commissioned in 2021, and the full year impact of the Mountain Air and Salvador acquisitions of 2020, a favourable \$20.9 million change in the realized loss on the Phoebe basis hedge, an increase in revenues from the hydroelectric facilities in British Columbia explained by the lower 2020 figures that included the impact of the curtailment imposed by BC Hydro for five facilities, and an increase in distributions

from joint ventures and associates, primarily due to a distribution received from Energía Llaima in the second quarter of 2021. The increase was partially offset by the February 2021 Texas Events, which contributed to a \$17.1 million decrease in cash flows from operating activities.

Cash Flows from Financing Activities

For the three-month period ended December 31, 2021, cash flows from financing activities totaled \$366.2 million, compared with \$98.0 million in the same period last year. The increase stems mainly from the net increase in long-term loans and borrowings, totalling \$217.1 million in 2021, mainly draws made on the corporate revolving credit facility toward the Curtis Palmer Acquisition. This compares with net draws of \$143.8 million in 2020, mainly related to the construction of the Hillcrest facility. The increase was also attributable to the \$196.7 million investment made by HQI US Holding LLC, a subsidiary of Hydro-Québec, in the Curtis Palmer Acquisition.

For the year ended December 31, 2021, cash flows from financing activities totaled \$414.1 million, compared with \$492.5 million in the same period last year. The decrease stems partly from the \$658.4 million cash inflow last year from the Hydro-Québec Private Placement compared with \$267.8 million cash inflow in 2021 from shares issued related to the public offering and the Hydro-Québec private placements. The decrease was partly offset by net draws on long-term loans and borrowings, totaling \$118.0 million in 2021, mainly related to the construction of the Hillcrest solar and the Griffin Trail wind facilities, and to the Curtis Palmer purchase price. The increase was also attributable to the \$196.7 million investment made by HQI US Holding LLC, a subsidiary of Hydro-Québec, in the Curtis Palmer Acquisition.

Cash Flows Used in Investing Activities

For the three-month period ended December 31, 2021, cash flows used in investing activities totaled \$446.1 million, compared with \$169.8 million in the same period last year. The increase is mainly due to the consideration paid toward the Curtis Palmer acquisition in 2021. This was partly offset by a decrease in additions to property, plant and equipment and project development costs.

For the year ended December 31, 2021, cash flows used in investing activities totaled \$667.1 million, compared with \$725.6 million in the same period last year. The decrease is mainly due to a decrease in additions to property, plant and equipment and project development costs, and to the release of the restricted cash account upon final funding received in November 2021 for the Hillcrest solar facility. This was partly offset by the higher consideration paid toward the Curtis Palmer and Licán acquisitions in 2021, while the Energía Llaima Acquisition was entirely financed through equity, compared with the Salvador and Mountain Air acquisitions in 2020.

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

Free Cash Flow and Payout Ratio calculation ¹	Year ended December 31				
	2021	February 2021 Texas Events (9 days) ⁶	2021 Normalized	2020	2019
Cash flows from operating activities	265,498	17,093	282,591	235,108	240,065
<i>Add (Subtract) the following items:</i>					
Changes in non-cash operating working capital items	21,455	—	21,455	7,765	(25,634)
Maintenance capital expenditures, net of proceeds from disposals	(8,029)	—	(8,029)	(2,828)	(8,752)
Scheduled debt principal payments	(160,973)	—	(160,973)	(151,623)	(128,691)
Free Cash Flow attributed to non-controlling interests ²	(25,076)	—	(25,076)	(13,491)	(12,679)
Dividends declared on Preferred shares	(5,632)	—	(5,632)	(5,942)	(5,942)
<i>Add (subtract) the following non-recurring elements³:</i>					
Realized loss on contingent considerations	547	—	547	3,021	—
Realized loss on termination of interest rate swaps	2,508	—	2,508	—	4,145
Transaction costs related to realized acquisitions	4,563	—	4,563	1,664	266
Realized (gain) loss on the Phoebe basis hedge ⁴	(2,546)	(1,304)	(3,850)	19,586	11,697
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 ⁵	—	—	—	—	8,242
Free Cash Flow⁶	92,315	15,789	108,104	93,260	93,311
Dividends declared on common shares	132,229	—	132,229	125,543	95,046
Payout Ratio⁶	143 %	(20)%	122 %	135 %	102 %
<i>Adjust for the following items:</i>					
Prospective projects expenses			27,367	16,708	12,905
Adjusted Free Cash Flow			135,471	109,968	106,216
Adjusted Payout Ratio			98 %	114 %	89 %

- 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.
- 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.
- Non-recurring elements, such as one-time transaction costs related to acquisitions, refinancing activities, or fiscal strategies, incurred for the purpose of improving the long-term cash generating capacity of Innergex, are excluded from Free Cash Flow, as they are deemed not to represent the long-term cash-generating capacity of Innergex.
- Due to their limited occurrence (maturity attained on December 31, 2021), gains and losses on the Phoebe basis hedge are deemed not to represent the long-term cash-generating capacity of Innergex.
- 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.
- For the year ended December 31, 2021, the Free Cash Flow and Payout Ratio are normalized to exclude the impacts of the February 2021 Texas Events. Please refer to the "February 2021 Texas Events" section for more information.

Free Cash Flow

For the year ended December 31, 2021, the Corporation generated Free Cash Flow¹ of \$92.3 million. Excluding the impacts from the February 2021 Texas Events (refer to the "February 2021 Texas Events" section of this MD&A for more information), the Corporation generated Normalized Free Cash Flow of \$108.1 million, compared with \$93.3 million for the corresponding period last year.

Normalized Free Cash Flow¹ increased \$14.8 million compared with the comparative period, mainly due to:

- the contribution to cash flows from operating activities before changes in non-cash operating working capital items from the Energía Llaima, Licán and Curtis Palmer acquisitions in second half of 2021, the Hillcrest and Griffin Trail facilities commissioned in 2021, and the full year impact of the Mountain Air and Salvador acquisitions of 2020;
- an increase in revenues from the facilities affected by the BC Hydro-imposed curtailment, citing the COVID-19 pandemic, which mainly impacted the second quarter of 2020; and
- an increase in distributions from joint ventures and associates, primarily due to a distribution received from Energía Llaima in the second quarter of 2021.

These items were partly offset by:

- an increase in debt principal payments stemming from the Energía Llaima Acquisition in the third quarter of 2021 and the beginning of debt principal repayment for the Upper Lillooet/Boulder Creek project loan;
- an increase in Free Cash Flow attributed to non-controlling interests, stemming mainly from the Curtis Palmer Acquisition and the full year impact of the Mountain Air Acquisition realized in 2020; and
- a decrease in cash flows from operating activities before changes in non-cash operating working capital items from the Phoebe facility, due mostly to an unfavourable difference between sales at the Phoebe node and purchases at the ERCOT South hub, compared with a favourable difference in the comparative period.

Payout Ratio

For the year ended December 31, 2021, the dividends on common shares declared by the Corporation amounted to 143% of Free Cash Flow¹. Excluding the impacts from the February 2021 Texas Events (refer to the "February 2021 Texas Events" section of this MD&A for more information), the dividends on common shares declared by the Corporation amounted to 122% of Normalized Free Cash Flow¹, compared with 135% for the corresponding period last year.

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

4- CAPITAL AND LIQUIDITY | Information on Capital Stock

The Corporation's Equity Securities

	As at		
	February 22, 2022	December 31, 2021	December 31, 2020
Number of common shares	204,071,907	192,493,999	174,582,586
Number of 4.75% convertible debentures	148,023	148,023	148,635
Number of 4.65% convertible debentures	142,056	142,056	143,750
Number of Series A Preferred Shares	3,400,000	3,400,000	3,400,000
Number of Series C Preferred Shares	2,000,000	2,000,000	2,000,000
Number of stock options outstanding	265,570	265,570	233,539

As at the closing of the market on February 22, 2022, and since December 31, 2021, the increase in the number of common shares of the Corporation is attributable mainly to the following:

- the issuance of 9,718,650 common shares following the public offering;
- the concurrent issuance of 2,100,000 common shares to Hydro-Québec;
- Also, the issuance of 12,939 common shares related to the Corporation's Dividend Reinvestment Plan ("DRIP").

These items were partly offset by:

- the 253,681 common shares purchased and cancelled by the Corporation under the Normal Course Issuer Bid at an average price of \$17.40 for a total cash consideration of \$4.4 million.

As at December 31, 2021, the increase in the number of common shares since December 31, 2020, was mainly due to the following:

- the issuance of 4,048,215 common shares following the acquisition of Energía Llama on July 9, 2021. Concurrently, with the closing of the acquisition, the Corporation issued 1,148,050 common shares, in order for Hydro-Québec to maintain its 19.9% ownership;
- the issuance of 10,374,150 common shares following the agreement with a syndicate of underwriters on August 23, 2021. Concurrently with this agreement, the Corporation issued 2,581,000 common shares, in order for Hydro-Québec to maintain its 19.9% ownership;
- the conversion of a portion of the 4.65% Convertible Debentures into 73,969 common shares and the conversion of a portion of the 4.75% Convertible Debentures into 30,600 common shares;
- the issuance of 146,621 common shares related to the DRIP.

These items were partly offset by:

- the 180,602 common shares purchased and cancelled by the Corporation under the Normal Course Issuer Bid terminated on May 23, 2021, at an average price of \$18.90 per share for a total cash consideration of \$3.4 million.
- the 310,590 common shares purchased and cancelled by the Corporation under the Normal Course Issuer Bid renewed on May 24, 2021, (the "New Bid") at an average price of \$17.98 per share for a total cash consideration of \$5.6 million.

Normal Course Issuer Bid renewal

The Corporation received approval from the Toronto Stock Exchange ("TSX") to proceed with a normal course issuer bid on its common shares. 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 174,692,091 issued and outstanding common shares of the Corporation as at May 11, 2021. The New Bid commenced on May 24, 2021 and will terminate on May 23, 2022.

4- CAPITAL AND LIQUIDITY | Dividends

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

The following dividends were declared by the Corporation:

	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
Dividends declared on common shares ¹	34,649	31,425	132,229	125,543
Dividends declared on common shares (\$/share)	0.180	0.180	0.720	0.720
Dividends declared on Series A Preferred Shares	689	767	2,757	3,067
Dividends declared on Series A Preferred Shares (\$/share)	0.202750	0.225500	0.8110	0.9020
Dividends declared on Series C Preferred Shares	719	719	2,875	2,875
Dividends declared on Series C Preferred Shares (\$/share)	0.359375	0.359375	1.4375	1.4375

1. The increase in dividends declared on common shares was attributable to the issuances of common shares upon acquisitions, public offering, Hydro-Québec private placements, and to the issuance of common shares under the DRIP.

The following dividends will be paid by the Corporation on April 15, 2022:

Date of announcement	Record date	Payment date	Dividend per common share	Dividend per Series A Preferred Share	Dividend per Series C Preferred Share
February 23, 2022	March 31, 2022	April 15, 2022	\$0.180	\$0.202750	\$0.359375

The Board of Directors has decided to maintain the annual dividend at \$0.72 per common share for 2022, in light of the foreseeable growth plan both in terms of acquisitions and greenfield development.

5- OUTLOOK | 2021 Guidance Achievements

In 2021, the Corporation exceeded its 2021 Growth Targets, except being 3 percentage points lower in terms of Production.

	2021		2020	
	Actual	Normalized ³	Target ⁴	Actual ¹
Production (GWh) ²	9,055	+12 %	+15 %	8,074
Revenues	692,241	+13 %	+10 %	613,207
Adjusted EBITDA ²	470,670	+12 %	+10 %	422,109
Adjusted EBITDA Proportionate ²	578,472	+3 %	+2 %	560,328
Number of facilities in operation	79			75
Net installed capacity (MW)	3,101			2,742

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 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 the year ended December 31, 2021, the Financial Performance and Operating Results are normalized to exclude the impacts of the February 2021 Texas Events. Please refer to the "February 2021 Texas Events" section for more information.

4. Target revised in November 2021. Please refer to the MD&A for the period ended September 30, 2021 filed on November 9, 2021.

The financial targets were exceeded mainly due to the following factors:

- Acquisitions achieved in 2021 (Energía Llaima, Curtis Palmer and Licán); and
- Higher than anticipated contribution from the recently commissioned facilities (Yonne II, Hillcrest, Griffin Trail).

The Production target was not met mainly due to:

- Lower average wind regimes in France and Quebec;
- Lower average water flows in British Columbia; and
- Other weather-related events.

5- OUTLOOK | 2022 Growth Targets

	2022		2021
	Target		Actual Normalized ³
Production (GWh) ²	≈ +18 %		9,055
Revenues	≈ +16 %		692,241
Operating, general, administrative and prospective projects expenses	≈ +18 %		221,571
Adjusted EBITDA ²	≈ +15 %		470,670
Adjusted EBITDA Proportionate ²	≈ +14 %		578,472
Number of facilities in operation	82		79
Net installed capacity (MW)	3,156		3,101

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 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 the year ended December 31, 2021, the Financial Performance and Operating Results are normalized to exclude the impacts of the February 2021 Texas Events. Please refer to the "February 2021 Texas Events" section for more information.

The Corporation now presents its 2022 growth targets for which it used certain assumptions to provide readers with an indication of its business activities and operating performance. These assumptions include:

- Full-year contribution of the acquisitions completed in 2021 (Energía Llaima, Curtis Palmer and Licán);
- Full-year contribution of the facilities commissioned in 2021 (Yonne II, Hillcrest, Griffin Trail);
- Success in commissioning the Innavik hydro facility (Q4 2022) and Tonnerre battery project (Q1 2022);
- Average hydrology, wind regimes and solar irradiation projections leading to a 100% LTA target for all facilities;
- Availability of capital resources and timely performance by third parties of contractual obligations;
- No significant event occurring outside the ordinary course of business such as a natural disaster, pandemic or other;
- Average merchant spot prices consistent with external price curves and internal forecasts;
- No material changes in the assumed U.S. dollar to Canadian dollar and Euro to Canadian dollar exchange rate;
- No significant variability in interest rates;
- An average inflation rate based on historical trend; and
- An increase in salaries based on market average assumptions.

The 2022 growth targets do not take into consideration potential acquisitions that could be achieved in 2022 nor the potential impact of future waves of COVID-19. The 2022 growth targets exclude the impact of the Aela Acquisition as well as the shares issued to finance this future transaction. The guidance will be revised upon closing of the Aela Acquisition.

These assumptions are based on information currently available to the Corporation and this list of assumptions is not exhaustive. These assumptions, although considered reasonable by the Corporation on February 23, 2022, may prove to be inaccurate. Important risks and uncertainties may cause actual results or performance to be materially different from the Corporation's expectations as set forth in this section. The risks and uncertainties are referred to in the "Risks and Uncertainties" section of this MD&A.

5 - OUTLOOK | Strategic Plan 2020-2025

Innergex has adopted a Strategic Plan for the period from 2020 to 2025. The success of this Strategic Plan will be evaluated based on a set of qualitative and quantitative criteria. Success will not be measured in terms of MW but on the Corporation's ability to increase shareholder return while efficiently managing its high-quality assets and successfully pursuing its growth.



Grow responsibly

Focus growth on current markets and target opportunities in neighbouring ones



Build expertise

Become an expert in deploying energy storage technologies



Optimize operations

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



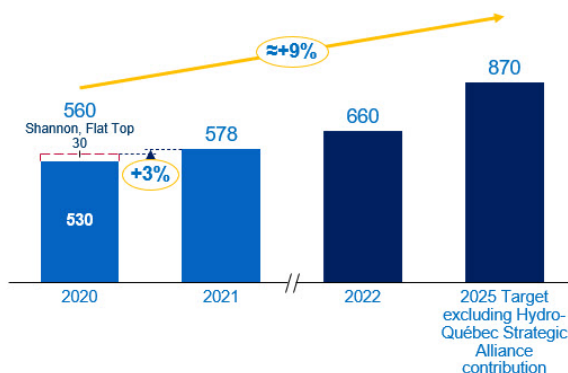
Diversify activities

Increase diversification of the Corporation's activities and assets

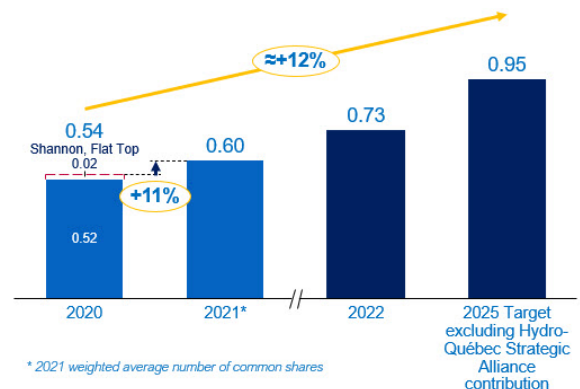
The targets provided in the MD&A for the period ended September 30, 2021, are expected to remain substantially the same despite lower financial results for 2021. The Adjusted EBITDA Proportionate¹ is expected to achieve a compound annual growth rate of approximately 9% by 2025 to \$870 million and the Free Cash Flow¹ per Share is expected to achieve a compound annual growth rate of approximately 12% by 2025 to \$0.95.

The following graphs present the targets for 2022 and 2025.

Adjusted EBITDA Proportionate Target



Free Cash Flow per Share Target



¹ Adjusted EBITDA Proportionate and Free Cash Flow 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.

Innergex's continued growth will come from a balanced strategy of developing greenfield projects with a deferred cash contribution profile and strategic acquisitions in current markets with nearer-term cash contributions. The projected figures above do not take into consideration potential transactions or projects that could be achieved or developed as part of the Strategic Alliance with Hydro-Québec.

The Corporation presents the outlook for the 2020-2025 Strategic Plan to provide readers with an indication of its business activities and operating performance. This outlook for the 2020-2025 Strategic Plan presented in this section is based on certain assumptions, which include:

- The realization of the growth plan to reach 5,000 MW of gross installed capacity based on a strategic mix of development activities and acquisitions of operating assets;
- Average hydrology, wind regimes and solar irradiation projections leading to a 100% LTA target for all facilities;
- Successful renewal of PPAs taking into consideration potential pressure on pricing;
- Escalation on contractual PPAs;
- Increase in the investment in prospective expenses to meet growth plan;
- No material changes in the industry's market conditions and financial opportunities;
- No material adverse impacts to the long-term investment and credit markets;
- Sufficient human resources to deliver service and execute the capital plan;
- Favourable market conditions for share issuance to support growth financing;
- No significant variability in interest rates;
- Average merchant spot prices consistent with external price curves and internal forecasts;
- No severe and prolonged economic downturn;
- Continued maintenance of information technology infrastructure and no material breach of cybersecurity;
- No significant event occurring outside the ordinary course of business such as a natural disaster, pandemic or other calamity;
- No material changes in the assumed U.S. dollar to Canadian dollar and Euro to Canadian dollar exchange rate;
- An average inflation rate based on historical trend; and
- An increase in salaries based on market average assumptions.

These assumptions are based on information currently available to the Corporation and this list of assumptions is not exhaustive. These assumptions, although considered reasonable by the Corporation on February 23, 2022, may prove to be inaccurate. Important risks and uncertainties may cause actual results or performance to be materially different from the Corporation's expectations as set forth in this section. The risks and uncertainties are referred to in the "Risks and Uncertainties" section of the Annual Report.

6- NON-IFRS MEASURES

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

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

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

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

References in this document to "Adjusted EBITDA" are to net earnings (loss), to which are added (deducted) income tax expense (recovery), finance costs, depreciation and amortization, impairment charges, other net income, share of (earnings) loss of joint ventures and associates, and change in fair value of financial instruments. References in this document to "Innergex's share of Adjusted EBITDA of joint ventures and associates" are to Innergex's equity interest in the joint ventures' and associates' Adjusted EBITDA. References in this document to "Adjusted EBITDA Proportionate" are to Adjusted EBITDA, plus Innergex's share of Adjusted EBITDA of the joint ventures and associates, other income related to PTCs, and Innergex's share of other income related to PTCs of the joint ventures and associates.

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

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

	Three months ended December 31						Year ended December 31					
	2021			2020			2021			2020		
	Production (MWh)	Revenues	Adjusted EBITDA	Production (MWh)	Revenues	Adjusted EBITDA	Production (MWh)	Revenues	Adjusted EBITDA	Production (MWh)	Revenues	Adjusted EBITDA
Consolidated ¹	2,583,157	202,388	137,311	2,186,961	167,927	117,830	9,055,215	747,208	525,637	8,073,914	613,207	422,109
Innergex's share of joint ventures and associates:												
Hydro ³	55,997	7,507	5,029	129,076	14,413	10,354	481,505	50,547	38,547	582,738	64,395	49,826
Wind ²	37,003	4,752	4,210	253,890	8,915	4,861	311,106	60,489	54,989	920,773	31,512	16,840
Solar ³	—	—	—	3,431	455	240	5,540	885	554	12,715	1,875	1,076
	93,000	12,259	9,239	386,397	23,783	15,455	798,151	111,921	94,090	1,516,226	97,782	67,742
PTCs and Innergex's share of PTCs generated:												
Foard City		10,522	10,522		12,569	12,569		38,645	38,645		43,850	43,850
Griffin Trail		5,882	5,882		—	—		9,339	9,339		—	—
Shannon (50%) ²		—	—		3,130	3,130		2,767	2,767		11,616	11,616
Flat Top (51%) ²		—	—		3,946	3,946		3,267	3,267		15,011	15,011
		16,404	16,404		19,645	19,645		54,018	54,018		70,477	70,477
Proportionate	2,676,157	231,051	162,954	2,573,358	211,355	152,930	9,853,366	913,147	673,745	9,590,140	781,466	560,328
Adjusted EBITDA Margin			67.8 %			70.2 %			70.3 %			68.8 %
Adjusted EBITDA Margin Proportionate			70.5 %			72.4 %			73.8 %			71.7 %

- Some facilities are treated as joint ventures and associates and accounted for using the equity method; their revenues are not included in the Corporation's consolidated revenues and, for consistency, their electricity production figures have been excluded from production and included in production proportionate.
- The results from the Flat Top and Shannon joint venture facilities from April 1, 2021, onward were excluded due to the projects' assets and liabilities being classified as disposal groups held for sale, following the February 2021 Texas Events.
- Innergex has acquired, effective July 9, 2021, the remaining 50% interest in Energía Llaima; therefore gaining control over the investee, which triggered consolidation and therefore results are excluded from share of joint ventures.

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

	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
Revenues	202,388	167,927	747,208	613,207
Innergex's share of revenues of joint ventures and associates	12,259	23,783	111,921	97,782
PTCs and Innergex's share of PTCs generated	16,404	19,645	54,018	70,477
Revenues Proportionate	231,051	211,355	913,147	781,466
Net earnings (loss)	5,743	11,894	(185,394)	(29,111)
Income tax expense (recovery)	37,158	7,357	(26,240)	18,897
Finance costs	67,417	57,443	252,255	233,143
Depreciation and amortization	77,748	58,465	255,640	228,526
Impairment of long-term assets	12	26,659	36,986	26,659
EBITDA	188,078	161,818	333,247	478,114
Other net income	(34,565)	(7,304)	(89,621)	(65,554)
Share of (earnings) losses of joint ventures and associates	(791)	(13,874)	189,889	7,524
Change in fair value of financial instruments	(15,411)	(22,810)	92,122	2,025
Adjusted EBITDA	137,311	117,830	525,637	422,109
Innergex's share of Adjusted EBITDA of joint ventures and associates	9,239	15,455	94,090	67,742
PTCs and Innergex's share of PTCs generated	16,404	19,645	54,018	70,477
Adjusted EBITDA Proportionate	162,954	152,930	673,745	560,328
Adjusted EBITDA Margin	67.8 %	70.2 %	70.3 %	68.8 %
Adjusted EBITDA Margin Proportionate	70.5 %	72.4 %	73.8 %	71.7 %

Adjusted Net (Loss) Earnings

References to "Adjusted Net (Loss) Earnings" are to net earnings or losses of the Corporation, to which the following elements are added (subtracted): unrealized portion of the change in fair value of financial instruments; realized portion of the Phoebe basis hedge, realized loss on the termination of interest rate swaps, realized gain on foreign exchange forward contracts, impairment charges, specific unusual or non-recurring events such as the February 2021 Texas Events, the net income tax expense (recovery) related to these items, and the share of loss (income) of joint ventures and associates related to the above items, net of related income tax.

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

Innergex believes that the presentation of this measure enhances the understanding of the Corporation's operating performance. Readers are cautioned that Adjusted Net (Loss) Earnings¹ 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 (Loss) Earnings.

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

	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
Net earnings (loss)	5,743	11,894	(185,394)	(29,111)
<i>Add (Subtract):</i>				
February 2021 Texas Events:				
Revenues	—	—	(54,967)	—
Power hedge	—	—	70,756	—
Share of loss of Flat Top and Shannon	—	—	64,197	—
Share of impairment of Flat Top and Shannon	—	—	112,609	—
Share of unrealized portion of the change in fair value of financial instruments of joint ventures and associates, net of related income tax	(377)	(7,935)	20,226	15,722
Unrealized portion of the change in fair value of financial instruments	(15,751)	(21,125)	18,502	(8,329)
Impairment of long-term assets	12	26,659	36,986	26,659
Realized (gain) loss on termination of interest rate swaps	(377)	—	2,508	—
Realized (gain) loss on the Phoebe basis hedge	(955)	133	(2,546)	19,586
Realized gain on foreign exchange forward contracts	(2,193)	(150)	(4,074)	(1,730)
Income tax expense (recovery) related to above items	3,924	3,514	(85,754)	(486)
Adjusted Net (Loss) Earnings	(9,974)	12,990	(6,951)	22,311

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

	Three months ended December 31						Year ended December 31					
	2021			2020			2021			2020		
	IFRS	Adj.	Non-IFRS	IFRS	Adj.	Non-IFRS	IFRS	Adj.	Non-IFRS	IFRS	Adj.	Non-IFRS
Revenues	202,388	—	202,388	167,927	—	167,927	747,208	(54,967)	692,241	613,207	—	613,207
Operating expenses	42,555	—	42,555	36,510	—	36,510	149,106	—	149,106	131,442	—	131,442
General and administrative expenses	12,813	—	12,813	9,979	—	9,979	45,098	—	45,098	42,948	—	42,948
Prospective projects expenses	9,709	—	9,709	3,608	—	3,608	27,367	—	27,367	16,708	—	16,708
Adjusted EBITDA	137,311	—	137,311	117,830	—	117,830	525,637	(54,967)	470,670	422,109	—	422,109
Finance costs	67,417	—	67,417	57,443	—	57,443	252,255	—	252,255	233,143	—	233,143
Other net income	(34,565)	2,193	(32,372)	(7,304)	150	(7,154)	(89,621)	4,074	(85,547)	(65,554)	1,730	(63,824)
Depreciation and amortization	77,748	—	77,748	58,465	—	58,465	255,640	—	255,640	228,526	—	228,526
Impairment of long-term assets	12	(12)	—	26,659	(26,659)	—	36,986	(36,986)	—	26,659	(26,659)	—
Share of (earnings) losses of joint ventures and associates	(791)	519	(272)	(13,874)	10,228	(3,646)	189,889	(202,312)	(12,423)	7,524	(19,989)	(12,465)
Change in fair value of financial instruments	(15,411)	17,083	1,672	(22,810)	20,992	(1,818)	92,122	(89,220)	2,902	2,025	(11,257)	(9,232)
Income tax expense (recovery)	37,158	(4,066)	33,092	7,357	(5,807)	1,550	(26,240)	91,034	64,794	18,897	4,753	23,650
Net earnings (loss)	5,743	(15,717)	(9,974)	11,894	1,096	12,990	(185,394)	178,443	(6,951)	(29,111)	51,422	22,311

Free Cash Flow and Payout Ratio

References to "Free Cash Flow" are to cash flows from operating activities before changes in non-cash operating working capital items, less maintenance capital expenditures net of proceeds from disposals, scheduled debt principal payments, the portion of Free Cash Flow attributed to non-controlling interests, and preferred share dividends declared, plus or minus other elements that are not representative of the Corporation's long-term cash-generating capacity, such as gains and losses on the Phoebe basis hedge due to their limited occurrence, realized gains and losses on contingent considerations related to past business acquisitions, transaction costs related to realized acquisitions, realized losses or gains on derivative financial instruments used to hedge the interest rate on project-level debt or the exchange rate on equipment purchases.

The Payout Ratio is a measure of the Corporation's ability to sustain current dividends as well as its ability to fund its growth. The Payout Ratio level reflects the Corporation's decision to invest yearly in advancing the development of its Prospective Projects, for which investments must be expensed as incurred. The Corporation considers such investments essential to its long-term growth and success, as it believes that the greenfield development of renewable energy projects offers the greatest potential internal rates of return and represents the most efficient use of management's expertise and value-added skills. Innergex believes that the presentation of this measure enhances the understanding of the Corporation's cash generation capabilities, its ability to sustain current dividends and its ability to fund its growth. Readers are cautioned that Free Cash Flow should not be construed as an alternative to cash flows from operating activities, as determined in accordance with IFRS. Please refer to the "Free Cash Flow and Payout Ratio" section for the reconciliation of Free Cash Flow.

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

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

References to "Adjusted Payout Ratio" are to dividends declared on common shares divided by Adjusted Free Cash Flow.

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

	As at	
	December 31, 2021	December 31, 2020
Non-current assets, excluding derivative financial instruments and deferred tax assets¹		
Canada	3,390,029	3,504,403
United States	2,301,353	1,978,363
France	801,752	922,330
Chile	423,856	166,881
	6,916,990	6,571,977

1. Includes the investments in joint ventures and associates.

7- ADDITIONAL CONSOLIDATED INFORMATION | Geographic Segments – Revenues

	Year ended December 31	
	2021	2020
Revenues		
Canada	433,192	439,224
United States	187,332	73,802
France	88,593	95,485
Chile	38,091	4,696
	747,208	613,207

7- ADDITIONAL CONSOLIDATED INFORMATION | Related Party Transactions

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

Transactions with partners

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

- Common shares issued to Hydro-Québec in 2020 and 2021 (please refer to the "Capital and Liquidity | Information on Capital Stock" section of this MD&A for more information)
- Curtis Palmer Acquisition in a 50-50 partnership with Hydro-Québec (see "Highlights | Financial Year 2021- Growth Initiatives" section of this MD&A)
- Sales made under PPAs with Hydro-Québec
- Battery storage project with EVLO, a subsidiary of Hydro-Québec (below)

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

7- ADDITIONAL CONSOLIDATED INFORMATION | Historical Quarterly Financial Information

<i>(in millions of dollars, unless otherwise stated)</i>	Three months ended							
	Dec 31, 2021	Sept 30, 2021	June 30, 2021	March 31, 2021	Dec 31, 2020	Sept 30, 2020	June 30, 2020	March 31, 2020
Production (MWh)	2,583,157	2,290,086	2,396,027	1,785,947	2,186,961	2,021,559	2,185,793	1,679,598
Revenues	202.4	184.6	170.6	189.7	167.9	162.7	150.5	132.1
Operating, general and administrative and prospective projects expenses	65.1	62.1	47.9	46.6	50.1	54.2	45.2	41.7
Adjusted EBITDA ¹	137.3	122.5	122.7	143.1	117.8	108.5	105.3	90.4
Net earnings (loss)	5.7	(23.5)	50.2	(217.9)	11.9	7.5	(1.6)	(46.9)
Net (loss) earnings from continuing operations attributable to owners of the parent	(2.3)	(16.4)	41.1	(214.2)	11.9	11.7	(2.5)	(53.7)
Net (loss) earnings from continuing operations attributable to owners of the parent (\$ per share – basic and diluted)	(0.02)	(0.10)	0.23	(1.24)	0.06	0.06	(0.02)	(0.35)
Net (loss) earnings attributable to owners of the parent	(2.3)	(16.4)	41.1	(214.2)	11.9	11.7	(2.5)	(53.7)
Net (loss) earnings attributable to owners of the parent (\$ per share – basic and diluted)	(0.02)	(0.10)	0.23	(1.24)	0.06	0.06	(0.02)	(0.35)
Dividends declared on common shares	34.6	34.7	31.4	31.4	31.4	31.4	31.4	31.3
Dividends declared on common shares, \$ per share	0.180	0.180	0.180	0.180	0.180	0.180	0.180	0.180

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

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

FEBRUARY 2021 TEXAS EVENTS – SUPPLEMENTAL INFORMATION

All amounts are in thousands of Canadian dollars, unless otherwise indicated.

Innergex's Presence in Texas

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

1. TEXAS EVENTS DESCRIPTION

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

1.1 Summary Impacts per Facility

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

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

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

2. FINANCIAL IMPACTS AND NORMALIZED FINANCIAL INFORMATION

2.1 Impacts to Consolidated Statement of Earnings

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

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

	Year ended December 31, 2021		
	As presented	Impacts from the February 2021 Texas Events (9 days)	Normalized
1 Revenues	747,208	(54,967)	692,241
Adjusted EBITDA ¹	525,637	(54,967)	470,670
2 Change in fair value of financial instruments	(92,122)	72,060	(20,062)
3 Share of losses (earnings) of joint ventures and associates	(189,889)	64,197	(125,692)
(Loss) Earnings before income tax	(211,634)	81,290	(130,344)

1. 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.

- (1) Although power generation was depressed by the weather, **revenues at the Foard City and Phoebe facilities were favourably impacted by the events**, with revenues of \$16.8 million and \$38.2 million, respectively, for an aggregate impact of \$55.0 million, as a result of the unprecedented increase in market prices prevailing at the point of delivery on the grid ("Node").
- (2) Conversely, the change in fair value of financial instruments was unfavourably impacted by a \$70.8 million **realized loss on the Phoebe power hedge**, and \$1.3 million on the Phoebe basis hedge, for an aggregate impact of \$72.1 million, resulting from the unprecedented increase in market prices prevailing at the point of withdrawal on the grid ("Hub"), for the committed power hedge hourly volumes.
- (3) The Flat Top and Shannon joint ventures were similarly impacted by an increase in their respective revenues and realized losses on their respective power hedges, resulting in a share of losses of joint ventures and associates of \$50.1 million and \$14.1 million for Flat Top and Shannon, respectively, aggregating to a net \$64.2 million **unfavourable impact on the share of losses of joint ventures and associates**.

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

	Year ended December 31, 2021				Total
	Hydro	Wind	Solar	Unallocated	
Revenues	277,302	349,786	120,120	—	747,208
Impacts from the February 2021 Texas Events	—	(16,801)	(38,166)	—	(54,967)
Normalized Revenues	277,302	332,985	81,954	—	692,241
Revenues Proportionate ¹	327,849	464,293	121,005	—	913,147
Impacts from the February 2021 Texas Events	—	(57,107)	(38,166)	—	(95,273)
Normalized Revenues Proportionate	327,849	407,186	82,839	—	817,874
Adjusted EBITDA ¹	212,436	276,859	103,702	(67,360)	525,637
Impacts from the February 2021 Texas Events	—	(16,801)	(38,166)	—	(54,967)
Normalized Adjusted EBITDA	212,436	260,058	65,536	(67,360)	470,670
Adjusted EBITDA Proportionate ¹	250,983	385,866	104,256	(67,360)	673,745
Impacts from the February 2021 Texas Events	—	(57,107)	(38,166)	—	(95,273)
Normalized Adjusted EBITDA Proportionate	250,983	328,759	66,090	(67,360)	578,472

1. These measures are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section for more information.

2.2 Impacts to Free Cash Flow and Payout Ratio

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

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

For the year ended December 31, 2021, the February 2021 Texas Events, whose cash impacts are detailed above, have impacted the Free Cash Flow¹ and Payout Ratio¹ as follows:

		Year ended December 31, 2021		
		As presented	Impacts from the February 2021 Texas Events (9 days)	Normalized
1	Cash flows from operating activities before changes in non-cash operating working capital items	286,953	17,093	304,046
2	Realized loss on the Phoebe basis hedge	(2,546)	(1,304)	(3,850)
	Free Cash Flow¹	92,315	15,789	108,104
	Dividends declared on common shares	132,229	—	132,229
	Payout Ratio¹	143 %	(21)%	122 %

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

- (1) Cash flows from operating activities before changes in non-cash operating working capital items were impacted by a net unfavourable amount of \$17.1 million, representing the February 2021 Texas Events' realized losses on the Phoebe power and basis hedges, partly offset by the favourable impact to the consolidated revenues. The \$64.2 million non-cash share of losses of joint ventures and associates does not directly impact cash flows from operating activities before changes in non-cash operating working capital items. It will, however, affect the joint ventures' future capacity to distribute cash to the Corporation.
- (2) In the Free Cash Flow¹ and Payout Ratio¹ calculation, Innergex reverses the impacts of the Phoebe basis hedge due to its limited occurrence (over the remaining contractual period of nine months), which are deemed not to represent the long-term cash-generating capacity of Innergex. As such, \$1.3 million is reversed from the recurring adjustment, representing the February 2021 Texas Events' related realized loss on the basis hedge.

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

3. IMPAIRMENT

Following the February 2021 Texas Events, which caused significant losses for facilities under power hedge contracts, a general increase in the assessed risk has been observed throughout the industry for facilities subject to shape risk² in this region. While the other key assumptions remained largely consistent as compared to December 31, 2020, the above factors contributed to increased discount rates to reflect higher risk premiums. On March 31, 2021, the Flat Top and Shannon joint ventures, each identified as separate cash generating units ("CGU"), recognized impairment charges of US\$83.0 million (\$105.4 million) and US\$92.7 million (\$117.7 million), respectively. The impairment charges were recognized by the Corporation through its share of loss of joint ventures and associates, at \$53.8 million and \$58.8 million, for Flat Top and Shannon, respectively.

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

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

4. MANAGEMENT'S STRATEGIES

4.1 Procedures Initiated

Phoebe

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

Flat Top and Shannon

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

4.2 Decisions and Actions

Phoebe

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

Flat Top and Shannon

- The carrying amount of the Flat Top and Shannon investments was decreased to nil following the aggregate \$112.6 million non-cash impairment charges on these facilities as at March 31, 2021.
- During the period ended June 30, 2021, the underlying assets and liabilities of the Flat Top and Shannon investments were classified as disposal groups held for sale.
- In addition, as at December 31, 2021, the deferred tax liabilities related to the Corporation's equity investments in Flat Top and Shannon were nil following the aggregate \$39.5 million deferred tax recovery upon reclassification of the projects' assets and liabilities as disposal groups held for sale during the period ended June 30, 2021.
- On December 28, 2021, the Corporation completed the sale of its 51% interest in Flat Top for a nominal amount. The underlying assets and liabilities of the Shannon investment remain held for sale as at December 31, 2021, as the carrying amount of its Class B shares will be recovered principally through a sale transaction. Management does not consider the Shannon facility to be viable in the long term in its current configuration.
- As required, the disposal groups are measured at the lower of their respective carrying amounts and fair values less costs to sell, which is estimated to be nil, on a net basis, as at December 31, 2021.
- On the basis that the project is non-recourse to the Corporation, the financial exposure of the Corporation is limited to the non-cash impacts on the reversal of exchange differences in accumulated other comprehensive income related to the project.
- The impact of the sale of the Flat Top facility and potential foreclosure of the Shannon facility on the Corporation's Free Cash Flow¹, based on the facilities' respective 2020 contribution, represents a loss of approximately \$4.2 million annually.
- The sale of the Flat Top facility and the potential foreclosure of the Shannon facility also represent an avoided cash outflow of US\$60.2 million (\$75.7 million), representing the share of the invoiced amounts attributable to the Corporation, which Innergex would have funded through an equity contribution in the facilities.

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

8- JUDGMENTS AND ESTIMATES, ACCOUNTING POLICIES AND DISCLOSURE CONTROLS | Critical Judgments and Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. During the reporting periods, management made a number of estimates and assumptions pertaining primarily to the determination of control, joint control or significant influence over an investee, fair value calculation of the assets acquired and liabilities assumed in business acquisitions, useful lives, impairment of assets, asset retirement obligations, fair value of financial assets and liabilities including derivatives, tax equity financing and effectiveness of hedging relationships. These estimates and assumptions are based on current market conditions, management's planned course of action and assumptions about future business and economic conditions. Changes in the underlying assumptions and estimates could have a material impact on the reported amounts. These estimates are reviewed periodically. If adjustments prove necessary, they are recognized in earnings in the period in which they are made.

Determining control, joint control or significant influence of an investee

The determination of whether the Corporation has control, joint control or significant influence over an investee requires the Corporation to make assumptions and judgments in evaluating the classification requirements. In particular, the Corporation exercises judgement in determining whether non-wholly owned subsidiaries are controlled by the Corporation, which involves assessing: (i) how the decisions about the relevant activities of the investee are made; (ii) whether the rights of other co-investors are protective or substantive in nature; and (iii) the Corporation's ability to influence the returns of the investee.

Business acquisition fair value

The Corporation makes a number of estimates when determining the acquisition date fair values of consideration transferred, assets acquired and liabilities assumed in a business acquisition. Fair values are estimated using valuation techniques based on discounted future cash flows. Future cash flows may be influenced by a number of assumptions such as electricity production, duration of the projects, selling prices, costs to operate, capital expenditures, growth rate and the discount rate. The likelihood of being able to develop future projects is also assessed in respect of the competitive business environment and the willingness expressed by the governmental authorities to procure additional sources of energy.

Useful lives of property, plant and equipment and intangible assets

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

Impairment of non-financial assets

The Corporation makes a number of estimates when determining the recoverable amount of an asset or a cash-generating unit using value in use calculations based on discounted future cash flows. Future cash flows may be influenced by a number of assumptions such as electricity production, duration of the projects, selling prices, costs to operate, capital expenditures, growth rate and the discount rate.

Asset retirement obligations

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

Financial instruments measured at fair value

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

Tax equity financing

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

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

Hedging

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

Specifically, the Corporation may, from time to time, enter into long-term power hedge agreements. As part of determining fair value, the Corporation makes certain assumptions, estimates and judgments regarding future events. Unobservable forecast future power prices are inherently subjective and impact the change in fair value recognized in the consolidated statements of earnings (loss).

8- ACCOUNTING POLICIES AND DISCLOSURE CONTROLS | Significant Accounting Policies

New Accounting Standards and Interpretations Adopted During the Year

On January 1, 2021, the Corporation adopted the following new standards and interpretations:

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, and IFRS 16)

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

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

The amendments are effective for annual periods beginning on or after January 1, 2021.

Definition of Accounting Estimates (Amendments to IAS 8)

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8).

The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The Corporation early adopted the amendments on January 1, 2021, with no impact to the consolidated financial statements.

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

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

- Disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the President and Chief Executive Officer and the Chief Financial Officer by others, particularly during the period in which the annual filings are being prepared; and (ii) the information required to be disclosed by the Corporation in its annual filings, interim filings and other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.
- Internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The President and Chief Executive Officer and the Chief Financial Officer of the Corporation have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Corporation's DC&P and ICFR as at December 31, 2021, and have concluded that they were effective at the financial year-end. During the period from October 1, 2021, to December 31, 2021, there was no change to the ICFR that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR.

The President and Chief Executive Officer and the Chief Financial Officer have also limited the scope of the Corporation's design of DC&P and ICFR to exclude the controls, policies and procedures of the Curtis/Palmer Hydroelectric Company LP and Energía Llama SpA (collectively "entities excluded from the Corporation's control policies and procedures"). The evaluation of the design and the operating effectiveness of the DC&P and ICFR for these entities will be completed in the 12 months following their dates of acquisition. A summary of the financial information about the entities excluded is presented in the "Entities Excluded from The Corporation's Control Policies and Procedures" section of this MD&A.

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

As stated in the "Disclosure Controls and Procedures" section of this MD&A, the scope of the Corporation's design of DC&P and ICFR exclude the controls, policies and procedures of the Curtis/Palmer Hydroelectric Company LP and Energía Llaima SpA. The following tables present a summary of the entities excluded from the Corporation's control policies and procedures:

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

	For the period ended December 31, 2021 ¹
Revenues	35,219
Net earnings	6,963
Other comprehensive income	863
Total comprehensive income	7,826

1. Includes the combined results of Curtis/Palmer Hydroelectric Company LP and Energía Llaima SpA for a 67-day and a 175-day period ended December 31, 2021, respectively.

Summary Statement of Financial Position

	As at December 31, 2021
Current assets	72,701
Non-current assets	793,975
	866,676
Current liabilities	174,858
Non-current liabilities	77,047
Equity	614,771
	866,676

9- RISKS AND UNCERTAINTIES

Corporate Risk Management and Board Oversight

The Corporation is committed to proactive strong risk governance and oversight practices supported by the Board of Directors and members of the management.

The Board of Directors is responsible to review and assess material risks associated with the Corporation's business, which may adversely affect it, its activities, its financial condition or reputation. More specifically, the Board of Directors ensures that the Corporation has implemented systems to effectively identify, manage and monitor the principal risks associated with its business and to mitigate or reduce their potential negative impacts. The Board of Directors receives updates on specific risks and risk mitigation activities from management and each of the relevant committee.

Responsibility for risk management is shared across the organization from each segment of activities. A Risk Oversight Committee, which is comprised of senior management members, reviews all existing and emerging risks and assesses appropriate mitigation measures. Moreover, the Investment Committee supervises, among others, the management of risks inherent to investment management. Risk oversight also occurs at the level of operating subsidiaries of the Corporation, to ensure that risks are efficiently managed at every level of its corporate structure. New risks or important risks are identified and reported together with mitigation plans and discussed across all levels of the Corporation's corporate structure. The risks that have been identified, which may affect certain aspects of the activities of the Corporation or which are encountered in decision-making process, are presented to the Board of Directors at each meeting, either by its committees or the officers of the Corporation. Such risks are presented in relation to conjuncture, strategy and in relation to any proposed transactions presented to the Board of Directors. The Board of Directors takes an active role discussing risk management with its committees to ensure that risks are properly identified, assessed and effectively managed at all levels of the Corporation's activities. Internal audit is an additional tool to validate the effectiveness and efficiency of risk management across all aspects of the Corporation's business.

The Corporation maintains policies and a Code of conduct, applicable to all directors, officers and employees of the Corporation and those of its subsidiaries, as well as any consultant or other person when representing the Corporation. Such policies and Code of conduct are reviewed at least annually by the Board of Directors. These policies and the Code of conduct aim to promote sound risk management throughout the Corporation, to delegate authority appropriately among its officers and to set limits for authorizations required to approve and execute certain business transactions. As part of such policies, the officers of the Corporation are responsible for maintaining effective communication with the Board of Directors and the employees of the Corporation, to implement and promote a culture of efficient risk management throughout the Corporation's activities. Through strategic planning approved by the Board of Directors, the officers are also responsible to assess the risk management activities. The Board of Directors' risk management oversight aims to ensure that risks are identified, reduced and mitigated, where possible. However, these risks cannot always be identified or be completely eliminated from the Corporation's activities.

The Corporation is exposed to various risks and uncertainties and has outlined below those that it considers material. There may also exist additional risks and uncertainties that are not currently known to the Corporation or that are now believed to be immaterial that may adversely affect the Corporation's business. Those risks could have a material adverse effect on the Corporation's business, operations, financial condition and results.

Risks Related to Operations

Performance of Major Counterparties

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

Equipment Supply

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

Delays and Cost Overruns in the Design and Construction of Projects

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

Health, Safety and Environmental Risks

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

Equipment Failure or Unexpected Operations and Maintenance Activity

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

Variability of Installation Performance and Related Penalties

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

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

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

Availability and Reliability of Transmission Systems

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

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

The strength and consistency of the water, wind and solar resources at power facilities of the Corporation may vary from what the Corporation anticipates. Electricity production estimates of the Corporation are based on assumptions and factors that are inherently uncertain, which may result in actual electricity production being different from the estimates of the Corporation, including (i) the extent to which the limited time period of the site-specific hydrological, wind or solar data accurately reflects long-term water flows, wind speeds and solar irradiation; (ii) the extent to which historical data accurately reflects the strength and consistency of the water, wind and solar resources in the future; (iii) the strength of the correlation between the site-specific water, wind and solar data and the longer-term regional data; (iv) the potential impact of climatic factors and climate change; (v) the accuracy of assumptions on a variety of factors, including but not limited to weather, ice build-up on wind turbines and snow accumulation and soiling on solar panels, site access, wake and transmission losses and wind shear; (vi) the accuracy with which anemometers measure wind speed, and the difference between the hub height of the wind turbines and the height of the meteorological towers used for data collection; (vii) the potential impact of topographical variations, turbine placement and local conditions, including vegetation; (viii) the inherent uncertainty associated with the specific methodologies and related models, in particular future-orientated models, used to project the water, wind and solar resource; and (ix) the potential for electricity losses to occur before delivery.

Global Climate Change

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

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

Variability in Hydrology, Wind Regimes and Solar Irradiation

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

Preparedness to Facing Natural Disasters and Force Majeure

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

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

Pandemics, Epidemics or Other Public Health Emergencies

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

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

Cybersecurity

The Corporation is dependent on various information technologies to carry out multiple business activities. A successful cyber intrusion, such as, and not limited to, unauthorized access, personal information and confidential information leak (or identity theft), malicious software or other violations on the system that controls generation and transmission at any of our offices or facilities could severely disrupt or otherwise affect business operations. Such attacks on our data information base systems through theft, alteration or destruction and the inability to recover promptly could impact individuals, business partners, our operation capabilities, generate unexpected expenses impacting profitability, damage the Corporation's reputation and result in additional liabilities (e.g. investigation, litigation, fines, remedial action).

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

Reliance on Shared Transmission and Interconnection Infrastructure

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

Risks Related to Corporate Strategy

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

The Corporation's strategy for building shareholder value is to acquire or develop high-quality renewable power production facilities that generate sustainable cash flows and provide an attractive risk-adjusted return on invested capital, and to distribute a stable dividend. However, there is no certainty that the Corporation will be able to acquire or develop high-quality renewable power production facilities at attractive prices to supplement its growth. Furthermore, this strategy may require the divestiture by the Corporation of certain assets, to pursue new opportunities, to support or realize the benefits of completed or future acquisitions, raise additional capital and/or lower the debts of the Corporation.

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

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

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

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

Inability to Secure New PPAs or Renew Any PPA

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

Reliance on Various Forms of PPAs

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

Volatility of Supply and Demand in the Energy Market

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

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

Fluctuations Affecting Prospective Power Prices

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

The market price of power in individual jurisdictions can be volatile and may be incapable of being controlled. If the price of electricity should drop significantly during such time the Corporation is forced to sell electrical power generated at market price, or increase significantly, when the Corporation is forced to purchase third party power at merchant prices, the economic prospects of the operating facilities that rely, in whole or in part, on merchant prices, such as the Foard City Wind Farm, the Phoebe Solar Farm, the Salvador Solar Farm, the Griffin Trail Wind Farm, the Licàn Hydro Facility, the Miller Creek Facility or development projects in which the Corporation has an interest, could be significantly reduced or rendered uneconomic. A material reduction or increase in such prices, as applicable, or a non-material reduction in such prices coupled with the impact of the aggregate risks described above, could have a material adverse effect on the Corporation's financial condition, in particular, with respect to the Phoebe Solar Farm.

Uncertainties Surrounding Development of New Facilities

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

Obtainment of Permits

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

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

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

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

Inability to Realize the Anticipated Benefits of Completed and Future Acquisitions

The Corporation believes that completed and future acquisitions will provide benefits for the Corporation. However, there is a risk that some or all the expected benefits will fail to materialize or may not occur within the time periods anticipated by the management of the Corporation. The realization of such benefits may be affected by many factors, many of which are beyond the control of the Corporation.

Integration of the Completed and Future Acquisitions

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

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

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

Regulatory and Political Risks

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

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

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

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

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

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

Other government actions could be taken that could, directly or indirectly, inhibit the Corporation's ability to raise tax equity financing. For example, following the tax reform enacted in late-2017, lower corporate tax rates in the U.S. may impact the

amount of available tax equity investment for specific projects or generally in the market, impeding our ability to obtain enough amounts of tax equity investment on terms and at rates beneficial to the Corporation and its projects.

Exposure to Many Different Forms of Taxation in Various Jurisdictions

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

Social Acceptance of Renewable Energy Projects

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

Relationships with Stakeholders

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

Inability to Secure Appropriate Land

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

Foreign Market Growth and Development Risks

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

Risks Related to Financing

Liquidity Risks Related to Derivative Financial Instruments

Derivative financial instruments are entered into with major financial institutions and their effectiveness is dependent on the performance of these institutions. Failure by one of them to perform its obligations could involve a liquidity risk. Liquidity risks related to derivative financial instruments also include the settlement of bond forward contracts on their maturity dates and the early termination option included in some interest rate swap contracts and foreign exchange contracts.

The occurrence of any of the foregoing could have a material adverse effect on the Corporation's business, financial condition and results of operations. The Corporation uses derivative financial instruments to manage its exposure to the risk of an increase in interest rates on its debt financing, of foreign currency variation or of electricity market price variation. The Corporation does not own or issue financial instruments for speculation purposes.

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

Interest Rate Fluctuations and Refinancing

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

Financial Leverage and Restrictive Covenants Governing Current and Future Indebtedness

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

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

Changes in General Economic Conditions

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

Foreign Exchange Fluctuations

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

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

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

Other Risks

Possibility that the Corporation May Not Declare or Pay a Dividend

Holders of Common Shares, Series A Shares and Series C Shares do not have a right to dividends on such shares unless declared by the Board of Directors. The Corporation does not face any restrictions that would prevent it from paying out dividends or distributions. The declaration of dividends is at the discretion of the Board of Directors even if the Corporation has enough funds, net of its liabilities, to pay such dividends.

The Corporation may not declare or pay a dividend if the Corporation's cash available for distribution is not sufficient or if there are reasonable grounds for believing that (i) the Corporation is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realizable value of the Corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of its outstanding shares. No assurance can be given as to whether the Corporation will in the future pay dividends, or the frequency or amounts of any such dividends.

Insufficiency of Insurance Coverage

While the Corporation maintains insurance coverage it believes would be maintained by a prudent owner/operator of similar facilities or projects, there is no certainty that such insurance will continue to be offered on an economically feasible basis, nor that all events that could give rise to a loss or liability are insurable or insured, nor that the amounts of insurance will be sufficient to cover each and every loss or claim that may occur involving our activities or assets. Insurance coverage of project assets and facilities may be prescribed by project financing agreements and/or PPAs. In addition, the Corporation may undertake construction or pursue acquisitions where obtaining insurance may be difficult, not economically feasible or otherwise insufficient to cover each and every loss or claim that may occur involving the new assets or activities. There are certain elements of the Corporation's business which are not insured, either as is customary in the industry, or where the cost of coverage is not economically viable. Insurance policies are generally subject to annual review by the respective insurers and there is no certainty that equivalent or more favourable terms will be offered upon each renewal. A significant loss, that is uninsured or significantly exceeding the limits of insurance policies, or the failure to renew insurance policies on equivalent or more favourable terms could materially affect the Corporation's business, including results of operations and cash flows, and its reputation with customers, investors, lenders, regulators, governments and financial markets.

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

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

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

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

Litigation

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

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

The credit ratings applied to the Corporation, the Cumulative Rate Reset Preferred Shares, Series A and Cumulative Redeemable Fixed Rate Preferred Shares, Series C (the "Credit Ratings") are an assessment, by the rating agencies, of the Corporation's ability to pay its obligations. The Credit Ratings are based on certain assumptions about the future performance and capital structure of the Corporation that may or may not reflect the actual performance or capital structure of the

Corporation. Changes in the Credit Ratings in the future may affect the market price or value and the liquidity of the securities of the Corporation. There is no assurance that any Credit Ratings will remain in effect for any given period or that any rating will not be lowered or withdrawn entirely by the rating agencies.

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

Because the prices for electricity purchased from certain Operating Facilities vary based on the market price for electricity, revenues from such facilities on the electricity market or under the applicable power purchase agreement will vary. An increase in the volatility of spot price would add uncertainty to the determination of potential revenues and adjusted EBITDA and could have an adverse impact on the Corporation's results.

Host Country Economic, Social and Political Conditions

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

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

Adverse Claims to Property Title

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

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

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

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

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

Reputational Risks Arising from Misconduct of Representatives of the Corporation

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

10- FORWARD-LOOKING INFORMATION

To inform readers of the Corporation's future prospects, this MD&A contains forward-looking information within the meaning of applicable securities laws ("Forward-Looking Information"), including the Corporation's growth targets, power production, prospective projects, successful development, construction and financing (including tax equity funding) of the projects under construction and the advanced-stage prospective projects, sources and impact of funding, project acquisitions, execution of non-recourse project-level financing (including the timing and amount thereof), and strategic, operational and financial benefits and accretion expected to result from such acquisitions, business strategy, future development and growth prospects (including expected growth opportunities under the Strategic Alliance with Hydro-Québec), business integration, governance, business outlook, objectives, plans and strategic priorities, and other statements that are not historical facts. Forward-Looking Information can generally be identified by the use of words such as "approximately", "may", "will", "could", "believes", "expects", "intends", "should", "would", "plans", "potential", "project", "anticipates", "estimates", "scheduled" or "forecasts", or other comparable terms that state that certain events will or will not occur. It represents the projections and expectations of the Corporation relating to future events or results as of the date of this MD&A.

Future-oriented financial information: Forward-Looking Information includes future-oriented financial information or financial outlook within the meaning of securities laws, including information regarding the Corporation's targeted production, the estimated targeted revenues, targeted Revenues Proportionate, targeted Adjusted EBITDA and targeted Adjusted EBITDA Proportionate, targeted Free Cash Flow, targeted Free Cash Flow per Share and intention to pay dividend quarterly, the estimated project size, costs and schedule, including obtainment of permits, start of construction, work conducted and start of commercial operation for Development Projects and Prospective Projects, the Corporation's intent to submit projects under Requests for Proposals, the qualification of U.S. projects for PTCs and ITCs and other statements that are not historical facts. Such information is intended to inform readers of the potential financial impact of expected results, of the expected commissioning of Development Projects, of the potential financial impact of completed and future acquisitions and of the Corporation's ability to 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, acquisitions and commissioned projects; project performance; availability of capital resources and timely performance by third parties of contractual obligations; favourable market conditions for share issuance to support growth financing; favourable economic and financial market conditions; the Corporation's success in developing and constructing new facilities; successful renewal of PPAs; sufficient human resources to deliver service and execute the capital plan; no significant event occurring outside the ordinary course of business such as a natural disaster, pandemic or other calamity; continued maintenance of information technology infrastructure and no material breach of cybersecurity. Please refer to Section 5 - Outlook of this MD&A for details regarding the assumptions used with respect to the 2022 growth targets and outlook for the 2020-2025 Strategic Plan.

Risks and Uncertainties: Forward-Looking Information involves risks and uncertainties that may cause actual results or performance to be materially different from those expressed, implied or presented by the Forward-Looking Information. These are referred to in the "Risks and Uncertainties" section of the Annual Report and include, without limitation: performance of major counterparties; equipment supply; delays and cost overruns in the design and construction of projects; health, safety and environmental risks; equipment failure or unexpected operations and maintenance activity; variability of installation performance and related penalties; increase in water rental cost or changes to regulations applicable to water use; availability and reliability of transmission systems; assessment of water, wind and solar resources and associated electricity production; global climate change; variability in hydrology, wind regimes and solar irradiation; preparedness to facing natural disasters and force majeure; pandemics, epidemics or other public health emergencies; cybersecurity; reliance on shared transmission and interconnection infrastructure; inability of the Corporation to execute its strategy for building shareholder value; inability to raise additional capital and the state of the capital market; inability to secure new PPAs or renew any PPA; reliance on various forms of PPAs; volatility of supply and demand in the energy market; fluctuations affecting prospective power prices; uncertainties

surrounding development of new facilities; obtainment of permits; inability to realize the anticipated benefits of completed and future acquisitions; integration of the completed and future acquisitions; changes in governmental support to increase electricity to be generated from renewable sources by independent power producers; regulatory and political risks; risks related to U.S. production and investment tax credits, changes in U.S. corporate tax rates and availability of tax equity financing; exposure to many different forms of taxation in various jurisdictions; social acceptance of renewable energy projects; relationships with stakeholders; inability to secure appropriate land; foreign market growth and development risks; liquidity risks related to derivative financial instruments; interest rate fluctuations and refinancing; financial leverage and restrictive covenants governing current and future indebtedness; changes in general economic conditions; foreign exchange fluctuations; possibility that the Corporation may not declare or pay a dividend; insufficiency of insurance coverage; ability to attract new talent or to retain officers or key employees; litigation; credit rating may not reflect actual performance of the Corporation or a lowering (downgrade) of the credit rating; revenues from certain facilities will vary based on the market (or spot) price of electricity; host country economic, social and political conditions; adverse claims to property title; reliance on intellectual property and confidential agreements to protect the Corporation's rights and confidential information; and reputational risks arising from misconduct of representatives of the Corporation.

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

Responsibility for Financial Reporting

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

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

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

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

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

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

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

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

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

Innergex Renewable Energy Inc.

Longueuil, Canada, February 23, 2022



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Innergex Renewable Energy Inc.

Opinion

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

- the consolidated statements of financial position as at December 31, 2021 and December 31, 2020;
- the consolidated statements of earnings (loss) for the years then ended;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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



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

Description of the matter

We draw attention to Notes 2, 3 and 4 to the financial statements. On July 9, 2021, the Entity acquired the remaining 50% interest in Energía Llama SpA ("Energía Llama"), a renewable energy company based in Chile, of which Innergex already owned 50%, for an aggregate consideration of \$94,012.

On October 25, 2021, the Entity and HQI US Holding LLC, a subsidiary of Hydro-Québec, acquired Curtis Palmer, a 60 MW run-of-river hydroelectric portfolio located in Corinth, New York, for a total consideration of \$397,347. The Entity owns a 50% interest in Curtis Palmer with Hydro-Québec indirectly owning the remaining 50% interest.

In connection with these transactions, the Entity recorded intangible assets of \$43,930 and \$161,087 respectively, and property, plant and equipment of \$254,051 and \$ 224,875 respectively.

The fair value of the intangible assets of Energía Llama and Curtis Palmer related to power purchase agreements has been established using a with-or-without approach by calculating the excess of the power purchase agreement prices over the merchant prices for the generation that would have otherwise been sold in the market. The fair value of the intangible assets related to operating licenses and permits, was calculated using a discounted cash flow approach. The fair value of property, plant and equipment was established using a discounted cash flow approach.

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

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

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

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

- Comparing the estimated future electricity production assumption to historical electricity production. We took into account changes in conditions and events affecting the intangible assets and property, plant and equipment to assess the adjustments, or lack of adjustments, made by the Entity in arriving at future electricity production.
- Comparing the future selling price assumption to long-term power purchase agreements and forecasts specific to the regions.



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

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

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

Description of the matter

We draw attention to Notes 2, 3 and 14 to the financial statements. The Entity has property, plant and equipment of \$5,513,392, intangible assets of \$1,043,994 and investments in joint ventures and associates of \$133,398. A portion of these non-financial assets are related to facilities that are subject to market price risk exposure.

At the end of each reporting period, the Entity reviews the carrying amounts of its non-financial assets, other than goodwill, to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. If the recoverable amount of an asset or cash- generating unit ("CGU") is lower than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognized immediately in earnings (loss).

Recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted by the Entity to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Future cash flows may be influenced by a number of assumptions such as selling prices.

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

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

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



Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2021 Annual Report".

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

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

We obtained the information included in the 2021 Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and the information, other than the financial statements and the auditors' report thereon, included in the "2021 Annual Report" as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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



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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

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

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

Montréal, Canada
February 23, 2022

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

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

	Notes	Year ended December 31	
		2021	2020
Revenues		747,208	613,207
Expenses			
Operating	5	149,106	131,442
General and administrative	5	45,098	42,948
Prospective projects	5	27,367	16,708
Earnings before the following:		525,637	422,109
Depreciation	14	188,854	178,440
Amortization	15	66,786	50,086
Impairment of long term assets	8,14,18	36,986	26,659
Earnings before the following:		233,011	166,924
Finance costs	6	252,255	233,143
Other net income	7	(89,621)	(65,554)
Share of losses of joint ventures and associates:			
Share of losses, before impairment charges	8	77,280	7,524
Share of impairment charges	8	112,609	—
Change in fair value of financial instruments	9 b)	92,122	2,025
Loss before income tax		(211,634)	(10,214)
Income tax (recovery) expense	10	(26,240)	18,897
Net loss		(185,394)	(29,111)
Net loss attributable to:			
Owners of the parent		(191,805)	(32,628)
Non-controlling interests	25	6,411	3,517
		(185,394)	(29,111)
Loss per share attributable to owners:			
Basic net loss per share (\$)	11	(1.09)	(0.23)
Diluted net loss per share (\$)	11	(1.09)	(0.23)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Notes	Year ended December 31	
		2021	2020
Net loss		(185,394)	(29,111)
Items of comprehensive income (loss) that will be subsequently reclassified to earnings:			
Foreign currency translation differences for foreign operations	23	778	(27,032)
Change in fair value of financial instruments designated as net investment hedges	9,23	7,773	(2,128)
Change in fair value of financial instruments designated as cash flow hedges	9,23	78,652	(89,549)
Change in fair value of financial instruments of joint ventures and associates designated as cash flow hedges	8,23	5,303	(5,148)
Related deferred income tax (expense) recovery	23	(23,277)	23,142
Other comprehensive income (loss)		69,229	(100,715)
Total comprehensive loss		(116,165)	(129,826)
Total comprehensive loss attributable to:			
Owners of the parent		(130,733)	(129,093)
Non-controlling interests		14,568	(733)
		(116,165)	(129,826)

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at		December 31, 2021	December 31, 2020
	Notes		(Note 33)
ASSETS			
Current assets			
Cash and cash equivalents		166,266	161,465
Restricted cash	12	61,659	67,477
Accounts receivable	13	117,906	92,746
Derivative financial instruments	9	17,024	9,039
Investment tax credits recoverable	14	1,200	106,353
Prepaid and other		24,622	15,372
Total current assets		388,677	452,452
Non-current assets			
Property, plant and equipment	14	5,513,392	5,053,125
Intangible assets	15	1,043,994	919,323
Project development costs	16	70,829	14,092
Investments in joint ventures and associates	8	133,398	446,837
Derivative financial instruments	9	39,917	92,040
Deferred tax assets	10	50,484	25,129
Goodwill	17	60,858	63,298
Other long-term assets	18	94,519	75,302
Total non-current assets		7,007,391	6,689,146
Total assets		7,396,068	7,141,598
LIABILITIES			
Current liabilities			
Accounts payable and other payables	19	174,364	190,333
Derivative financial instruments	9	41,315	72,958
Current portion of long-term loans and borrowings and other liabilities	20,21	517,848	773,439
Total current liabilities		733,527	1,036,730
Non-current liabilities			
Derivative financial instruments	9	75,064	179,154
Long-term loans and borrowings	20	4,411,239	4,046,714
Other liabilities	21	414,343	397,513
Deferred tax liabilities	10	401,215	410,555
Total non-current liabilities		5,301,861	5,033,936
Total liabilities		6,035,388	6,070,666
SHAREHOLDERS' EQUITY			
Equity attributable to owners		1,093,112	1,008,854
Non-controlling interests	25	267,568	62,078
Total shareholders' equity		1,360,680	1,070,932
Total liabilities and shareholders' equity		7,396,068	7,141,598

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2021	Equity attributable to owners						Total	Non-controlling interests	Total shareholders' equity
	Common share capital account	Contributed surplus	Preferred shares	Convertible debentures	Deficit	Accumulated other comprehensive loss			
Balance January 1, 2021	4,185	2,026,415	131,069	2,843	(1,043,962)	(111,696)	1,008,854	62,078	1,070,932
Net (loss) earnings	—	—	—	—	(191,805)	—	(191,805)	6,411	(185,394)
Other comprehensive income	—	—	—	—	—	61,072	61,072	8,157	69,229
Total comprehensive (loss) income	—	—	—	—	(191,805)	61,072	(130,733)	14,568	(116,165)
Common shares issued on July 9, 2021: upon acquisition (Note 4)	89,437	—	—	—	—	—	89,437	—	89,437
Issuance fees (net of \$47 of deferred income tax)	(129)	—	—	—	—	—	(129)	—	(129)
Common shares issued on Sept 3, 2021 : public offering (Note 22)	201,259	—	—	—	—	—	201,259	—	201,259
Issuance fees (net of \$2,282 of deferred income tax)	(6,334)	—	—	—	—	—	(6,334)	—	(6,334)
Common shares issued on private placements (Note 22)	75,396	—	—	—	—	—	75,396	—	75,396
Issuance fees (net of \$25 of deferred income tax)	(70)	—	—	—	—	—	(70)	—	(70)
Business acquisition (Note 4c)	—	—	—	—	—	—	—	8,989	8,989
Common shares issued through dividend reinvestment plan	3,312	—	—	—	—	—	3,312	—	3,312
Buyback of common shares	(9,002)	—	—	—	—	—	(9,002)	—	(9,002)
Share-based payments and Performance Share Plan	—	2,073	—	—	—	—	2,073	—	2,073
Convertible debentures converted into common shares and redemption	2,330	—	—	(24)	—	—	2,306	—	2,306
Shares vested - Performance Share Plan	3,174	(6,320)	—	—	—	—	(3,146)	—	(3,146)
Shares purchased - Performance Share Plan	(2,622)	372	—	—	—	—	(2,250)	—	(2,250)
Investments from non-controlling interests (Note 25)	—	—	—	—	—	—	—	196,704	196,704
Dividends declared on common shares (Note 22)	—	—	—	—	(132,229)	—	(132,229)	—	(132,229)
Dividends declared on preferred shares (Note 22)	—	—	—	—	(5,632)	—	(5,632)	—	(5,632)
Distributions to non-controlling interests (Note 25)	—	—	—	—	—	—	—	(14,771)	(14,771)
Balance December 31, 2021	360,936	2,022,540	131,069	2,819	(1,373,628)	(50,624)	1,093,112	267,568	1,360,680

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2020	Equity attributable to owners						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, 2020	97,215	1,268,311	131,069	2,869	(879,849)	(15,231)	604,384	10,942	615,326
Reclassification of Performance Share Plan (Note 2)	—	6,340	—	—	—	—	6,340	—	6,340
Adjusted balance January 1, 2020	97,215	1,274,651	131,069	2,869	(879,849)	(15,231)	610,724	10,942	621,666
Net (loss) earnings	—	—	—	—	(32,628)	—	(32,628)	3,517	(29,111)
Other comprehensive loss	—	—	—	—	—	(96,465)	(96,465)	(4,250)	(100,715)
Total comprehensive loss	—	—	—	—	(32,628)	(96,465)	(129,093)	(733)	(129,826)
Common shares issued on February 6, 2020:									
Private Placement (Note 22)	660,870	—	—	—	—	—	660,870	—	660,870
Issuance fees (net of \$672 of deferred income tax)	(1,842)	—	—	—	—	—	(1,842)	—	(1,842)
Business acquisition	—	—	—	—	—	—	—	63,169	63,169
Common shares issued through dividend reinvestment plan	5,474	—	—	—	—	—	5,474	—	5,474
Reduction of capital on common shares (Note 22)	(754,355)	754,355	—	—	—	—	—	—	—
Share-based payments and Performance Share Plan	—	1,900	—	—	—	—	1,900	—	1,900
Stock options exercised	394	(2,343)	—	—	—	—	(1,949)	—	(1,949)
Convertible debentures converted into common shares and redemption	1,391	—	—	(26)	—	—	1,365	—	1,365
Shares vested - Performance Share Plan	1,046	(2,148)	—	—	—	—	(1,102)	—	(1,102)
Shares purchased - Performance Share Plan	(6,008)	—	—	—	—	—	(6,008)	—	(6,008)
Dividends declared on common shares (Note 22)	—	—	—	—	(125,543)	—	(125,543)	—	(125,543)
Dividends declared on preferred shares (Note 22)	—	—	—	—	(5,942)	—	(5,942)	—	(5,942)
Distributions to non-controlling interests (Note 25)	—	—	—	—	—	—	—	(11,300)	(11,300)
Balance December 31, 2020	4,185	2,026,415	131,069	2,843	(1,043,962)	(111,696)	1,008,854	62,078	1,070,932

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31	
		2021	2020
OPERATING ACTIVITIES			
	Notes		
Net loss		(185,394)	(29,111)
Items not affecting cash:			
Depreciation and amortization	14, 15	255,640	228,526
Impairment of long-term assets	8, 14, 18	36,986	26,659
Share of losses of joint ventures and associates	8	189,889	7,524
Unrealized portion of change in fair value of financial instruments	9	18,502	(8,329)
Production tax credits and tax attributes allocated to tax equity investors	7	(91,275)	(64,900)
Other		4,502	717
Finance costs	6	252,255	233,143
Finance costs paid	24 b)	(189,857)	(185,720)
Distributions received from joint ventures and associates	8	26,072	21,504
Income tax (recovery) expense	10	(26,240)	18,897
Income tax paid		(5,870)	(9,277)
Effect of exchange rate fluctuations		1,743	3,240
		286,953	242,873
Changes in non-cash operating working capital items	24 a)	(21,455)	(7,765)
		265,498	235,108
FINANCING ACTIVITIES			
Dividends paid on common and preferred shares		(131,411)	(118,982)
Distributions to non-controlling interests		(14,771)	(11,300)
Investments from non-controlling interests		196,704	—
Increase in long-term debt, net of deferred financing costs	24 c)	1,682,752	983,168
Repayment of long-term debt	24 c)	(1,568,183)	(1,005,864)
Payment of other liabilities	21	(4,384)	(3,841)
Net proceeds from issuance of common shares		267,768	658,356
Repurchase of common shares		(11,252)	(6,008)
Payment of payroll withholding on exercise of stock options and Performance Share Plan		(3,146)	(3,051)
		414,077	492,478
INVESTING ACTIVITIES			
Business acquisitions, net of cash acquired	4	(387,434)	(161,792)
Change in restricted cash		7,886	(22,756)
Additions to property, plant and equipment, net		(250,621)	(518,602)
Additions to project development costs		(38,554)	(32,127)
Investments in joint ventures and associates		—	(277)
Change in other long-term assets		1,669	9,946
		(667,054)	(725,608)
Effects of exchange rate changes on cash and cash equivalents		(7,720)	3,263
Net change in cash and cash equivalents		4,801	5,241
Cash and cash equivalents, beginning of year		161,465	156,224
Cash and cash equivalents, end of year		166,266	161,465

Additional information is presented in Note 24.

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

DESCRIPTION OF BUSINESS

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

These consolidated financial statements were approved by the Board of Directors on February 23, 2022.

1. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The Corporation’s significant accounting policies are described in Note 2. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments and assets and liabilities acquired in business combinations that are measured at fair value.

Functional Currency and Presentation Currency

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

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

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

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

Name of subsidiaries	Principal activity	Place of creation and operation	Proportion of ownership interest and voting rights held by the Corporation
Harrison Hydro L.P., and its subsidiaries	Own and operate hydroelectric facilities	Canada	50.01%
Kwoiek Creek Resources L.P. ¹	Own and operate a hydroelectric facility	Canada	50.00%
Upper Lillooet Limited Partnership	Own and operate a hydroelectric facility	Canada	100.00%
Innergex Inc.	Own and operate hydroelectric and wind facilities	Canada	100.00%
Big Silver Creek Power Limited Partnership	Own and operate a hydroelectric facility	Canada	100.00%
Innergex Europe (2015) Limited Partnership, and its subsidiaries	Own and operate wind facilities	Canada/Europe	69.55%
Innergex Cartier Energy LP	Own and operate wind facilities	Canada	100.00%
Mountain Air Alternatives LLC, and its subsidiaries	Own and operate wind facilities	United States	62.25%
Mesgi'g Ugnu's'n (MU) Wind Farm L.P. ¹	Own and operate a wind facility	Canada	50.00%
Foard City Holdings, LLC	Own and operate a wind facility	United States	100.00%
Phoebe Energy Project, LLC	Own and operate a solar facility	United States	100.00%
Hillcrest Solar I, LLC	Own and operate a solar facility	United States	100.00%
Griffin Trail Wind, LLC	Own and operate a wind facility	United States	100.00%
Innergex HQI USA LLC ¹	Own and operate hydroelectric facilities	United States	50.00%
Duquenco SpA	Own and operate hydroelectric facilities	Chile	100.00%

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

Investments in joint ventures and associates

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

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

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

The earnings, and assets and liabilities of joint ventures and associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture or an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Corporation's share of the earnings (loss) and other comprehensive income (loss) of the joint venture or

associate. When the Corporation's share of losses of a joint venture or an associate exceeds the Corporation's interest in that joint venture or associate (which includes any long-term interest that, in substance, forms part of the Corporation's net investment in the joint venture), the Corporation discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Corporation has incurred legal or constructive obligations or made payments on behalf of the joint venture or the associate.

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

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

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

Business combinations

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

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

Cash and cash equivalents

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

Restricted cash and short-term investments

The Corporation holds restricted cash and short-term investments as required under some of its project financings. The availability of funds in the restricted cash and short-term investments accounts are restricted by various agreements.

Property, plant and equipment

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

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

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

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

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

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

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

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

Type of property, plant and equipment	Useful life for the depreciation period
Hydroelectric facilities	8 to 75 years
Wind farm facilities	14 to 30 years
Solar facilities	15 to 35 years
Other equipments	3 to 10 years

Leases

Nature of leasing activities

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

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

(i) Lease liabilities

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

- fixed payments, including in-substance fixed payments, less any lease incentives receivable; and
- variable lease payments that are based on an index or a rate;

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

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

(ii) Right-of-use assets

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

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

Intangible assets

Intangible assets consist of various power purchase agreements, permits, licenses and agreements. Intangible assets are amortized using the straight-line method over a period ending on the maturity date of the power purchase agreements, permits, licenses or agreements of each facility. They are recorded at cost less accumulated amortization and accumulated impairment losses. Amortization starts when the related facility becomes ready for its intended use.

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

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

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

The useful lives used to calculate amortization are as follows:

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

Project development costs

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

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

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

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

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

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

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

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

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

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

Goodwill

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

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

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

Other long-term assets

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

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

The reserve accounts are currently invested in cash or in short-term investments having maturities of a year or less as well as in government-backed securities. The availability of funds in the reserve accounts may be restricted by credit agreements.

Discontinued operations

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

Provisions and asset retirement obligations

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

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

Financial instruments

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

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

(i) Financial assets measured at amortized cost

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

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

The Corporation currently classifies its cash and cash equivalents, restricted cash, accounts receivable, investment tax credits recoverable and reserve accounts recognized in other long-term assets as financial assets measured at amortized cost.

(ii) Financial assets measured at fair value

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

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

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

Financial liabilities are classified into the following categories:

(i) Financial liabilities measured at amortized cost

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

The Corporation currently classifies its accounts payable and other payables, long-term loans and borrowings, the lease obligations recognized in other long-term liabilities and its tax equity liabilities as liabilities measured at amortized cost.

Tax equity liabilities

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

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

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

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

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

(ii) Financial liabilities measured at fair value

Financial liabilities at fair value are initially recognized at fair value and are re-measured at each reporting date with any changes therein recognized in net earnings unless hedge accounting is used in which case the changes are recognized in other comprehensive income.

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

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

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments are classified in fair value hierarchy levels as follows:

- Level 1: valuation based on quoted prices (unadjusted) in active markets to which the entity has access at the evaluation date for identical assets or liabilities;
- Level 2: valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The Corporation recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Impairment of financial assets

The Corporation estimates the expected credit losses associated with the financial assets accounted for at amortized cost. The impairment methodology used depends on whether there is a significant increase in the credit risk or not. For trade receivables, the Corporation measures loss allowances at an amount equal to the lifetime expected credit loss (ECL) as allowed by IFRS 9 under the simplified method. The Corporation recognizes in earnings (loss), as an impairment gain or

loss, the amount of expected credit losses (or reversal thereof) that is required to adjust the loss allowance at the reporting date to the required amount.

Hedging relationships

The Corporation enters into derivative financial instruments to hedge its market risk exposures. On initial designation of new hedges, the Corporation formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Corporation makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated.

For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net earnings.

Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in net earnings as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect net earnings, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in accumulated other comprehensive income as part of equity. The amount recognized in other comprehensive income is removed and included in net earnings under the same line item in the consolidated statements of earnings (loss) as the hedged item, in the same period that the hedged cash flows affect net earnings. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in net earnings. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income remains in accumulated other comprehensive income until the forecasted transaction affects net earnings. If the forecasted transaction is no longer expected to occur, then the balance in accumulated other comprehensive income is recognized immediately in net earnings.

Net investment in foreign operation hedges

The Corporation applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Corporation's functional currency (Canadian dollars).

Foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the accumulated other comprehensive income. Any ineffective portion of changes in the hedging instruments is recognized directly in net earnings. When the hedged part of a net investment is disposed of, the relevant amount in accumulated other comprehensive income is transferred to the statement of earnings (loss) as part of the profit or loss on disposal.

Embedded derivatives

Derivatives embedded in non-derivative financial liabilities or non-financial host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss. Derivatives embedded in non-derivative financial assets are not bifurcated.

Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Corporation's equity therein. The interest of non-controlling shareholders may be initially measured either at fair value of the consideration received or receivable, or at the non-controlling interest's proportionate share in the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition by acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the acquisition.

Revenue recognition

Revenue is recognized as the Corporation satisfies its performance obligation which occurs, upon delivery of electricity at rates provided for under the PPAs entered into with the purchasing utilities, on the merchant market or upon compensations from insurance or suppliers for loss of revenues when it is virtually certain that the claim will be received. Penalties for non-production of electricity are recorded at the time when it is highly probable that the amount will be payable as a reduction of revenues over the remaining term of the energy sales contract.

Government assistance

Government assistance in the form of subsidies or refundable investment tax credits are recorded in the consolidated financial statements when there is reasonable assurance that the Corporation complied with all conditions necessary to obtain the assistance.

The Corporation incurs renewable energy development expenditures, which are eligible for refundable investment tax credits. The recorded investment tax credits are based on management's estimates of amounts expected to be recovered and are subject to an audit by the taxation authorities. Investment tax credits for renewable energy development expenditures are reflected as a reduction in the cost of the assets or expenses to which they relate.

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

Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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

Equity-settled share-based payment

Stock option plan

The Corporation measures equity-settled stock option awards using the fair value method. Expense is measured at the grant date at the fair value of the award and is recognized over the vesting period based on the Corporation's estimate of the number of options that will eventually vest. Each equity-settled stock option award that vests in installments is accounted for as a separate award with its own distinct fair value measurement. The fair value of options is amortized to earnings over the vesting period with an offset to share-based payment in equity. For options that are forfeited before vesting, the compensation expense that had previously been recognized and the offset to share-based payment in equity are reversed. When options are exercised, the corresponding share-based payment in equity and the proceeds received by the Corporation are credited to share capital.

Performance share plan ("PSP")

The Corporation measures equity-settled awards using the fair value method. The expense is measured at the grant date at the fair value of the award, based on the Corporation's estimate of the number of performance share rights that will eventually vest. It is the Corporation's practice to have the fiduciary purchase that same number of shares on the secondary market at the grant date. The corresponding fair value is debited to common shares capital. The share-based payment expense is subsequently recognized over the vesting period with a corresponding amount to contributed surplus. For shares that are forfeited before vesting, the expense that had previously been recognized is reversed. On the vesting date, each performance share right entitles its holder to one common share of the Corporation with all the reinvested dividends accrued thereon from the grant date.

Cash settled share-based payment

Under the Corporation's Deferred Share Unit Plan (the "DSU Plan"), Directors and officers may elect to receive all or any portion of their compensation in DSUs in lieu of cash compensation. The Corporation's cash-settled share-based payments are measured at fair value at the grant date with a corresponding liability. Until the liability is settled, the fair

value of the liability is remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in earnings (loss). DSUs cannot be redeemed for cash until the Director leaves the Board of Directors or the officer leaves the Corporation.

Foreign currency translation

The Corporation and its subsidiaries each determine their functional currency based on the currency of the primary economic environment in which they operate. Transactions denominated in a currency other than the functional currency of an entity are translated at the exchange rate in effect on the transaction date. The resulting exchange gains and losses are included in each entity's net earnings in the period in which they arise.

The Corporation's foreign operations are translated to the Corporation's presentation currency, for inclusion in the consolidated financial statements. Foreign-denominated monetary and non-monetary assets and liabilities of foreign operations are translated at exchange rates in effect at the end of the reporting period and revenue and expenses are translated at exchange rates in effect at the transaction date. The resulting translation gains and losses are included in other comprehensive income (loss) with the cumulative gain or loss reported in accumulated other comprehensive income (loss). Amounts previously recognized in accumulated other comprehensive income are recognized in earnings when there is a reduction in the net investment.

The Corporation designates a portion of its foreign exchange forwards to hedge its investment in its Euro functional currency foreign operations. Translation gains or losses on the portion of the foreign exchange forwards designated as hedges are included in other comprehensive income with the cumulative gain or loss reported in accumulated other comprehensive income. The gain or loss relating to the portion of the foreign exchange forwards in excess of the investment in the foreign subsidiaries is recognized immediately in earnings. Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to earnings in the same way as exchange differences relating to the foreign operations. The Corporation formally documents these hedges. On a quarterly basis, the Corporation reviews the hedges to ensure that they effectively offset the translation gains or losses arising from its investment in its Euro functional currency foreign operations.

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

	Exchange rates as at		Average exchange rates for year	
	December 31, 2021	December 31, 2020	2021	2020
Euro	1.4391	1.5608	1.4336	1.5537
US dollar	1.2678	1.2732	1.2570	1.3030

Income taxes

Current and deferred income taxes are recognized in earnings except to the extent that they relate to a business combination, or to items recognized directly in equity or in other comprehensive income (loss).

Current income taxes are the expected taxes on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax is not recognized in respect of subsidiaries for the temporary differences between the carrying amounts of the investments and the tax basis, unless such differences are expected to reverse in the foreseeable future.

Deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Earnings (loss) per share

The Corporation presents basic and diluted earnings per share data for its common shares. Basic earnings (loss) per share is calculated by dividing net earnings attributable to common shareholders of the Corporation by the weighted average number of shares outstanding during the period as adjusted by the number of common shares held in trust under the PSP plan.

The Corporation uses the treasury stock method for calculating diluted earnings (loss) per share. Diluted earnings (loss) per share is calculated similarly to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares from the assumed conversion of convertible debentures and the exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that convertible debentures were converted and that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire shares at the average market price during the year.

Performance Share Plan

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

Changes in accounting policies

On January 1, 2021, the Corporation adopted the following new standards and interpretations which did not have a significant impact on these consolidated financial statements:

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, and IFRS 16)

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

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

The amendments are effective for annual periods beginning on or after January 1, 2021.

Definition of Accounting Estimates (Amendments to IAS 8)

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8).

The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The Corporation early adopted the amendments on January 1, 2021, with no impact to the consolidated financial statements.

New accounting standards and interpretations issued but not yet effective

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

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

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

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

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

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

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

The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.

3. USE OF JUDGMENTS AND ESTIMATES

Significant estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. During the reporting periods, management made a number of estimates and assumptions pertaining primarily to the determination of control, joint control or significant influence over an investee, fair value calculation of the assets acquired and liabilities assumed in business acquisitions, useful lives, impairment of assets, asset retirement obligations, fair value of financial assets and liabilities including derivatives, tax equity financing and effectiveness of hedging relationships. These estimates and assumptions are based on current market conditions, management's planned course of action and assumptions about future business and economic conditions. Changes in the underlying assumptions and estimates could have a material impact on the reported amounts. These estimates are reviewed periodically. If adjustments prove necessary, they are recognized in earnings in the period in which they are made.

Critical judgments and estimates

Determining control, joint control or significant influence of an investee

The determination of whether the Corporation has control, joint control or significant influence over an investee requires the Corporation to make assumptions and judgments in evaluating the classification requirements. In particular, the Corporation exercises judgement in determining whether non-wholly owned subsidiaries are controlled by the Corporation, which involves assessing: (i) how the decisions about the relevant activities of the investee are made; (ii) whether the rights of other co-investors are protective or substantive in nature; and (iii) the Corporation's ability to influence the returns of the investee.

Business acquisition fair value

The Corporation makes a number of estimates when determining the acquisition date fair values of consideration transferred, assets acquired and liabilities assumed in a business acquisition. Fair values are estimated using valuation techniques based on discounted future cash flows. Future cash flows may be influenced by a number of assumptions such as electricity production, duration of the projects, selling prices, costs to operate, capital expenditures, growth rate and the discount rate. The likelihood of being able to develop future projects is also assessed in respect of the competitive business environment and the willingness expressed by the governmental authorities to procure additional sources of energy.

Useful lives of property, plant and equipment and intangible assets

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

Impairment of non-financial assets

The Corporation makes a number of estimates when determining the recoverable amount of an asset or a cash-generating unit using value in use calculations based on discounted future cash flows. Future cash flows may be influenced by a number of assumptions such as electricity production, duration of the projects, selling prices, costs to operate, capital expenditures, growth rate and the discount rate.

Asset retirement obligations

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

Financial instruments measured at fair value

In measuring financial instruments at fair value, the Corporation makes estimates and assumptions, including estimates and assumptions about forward electricity prices, interest rates, credit spreads and exchange rates. See Note 27 – Financial Risk Management and Fair Value Disclosures for further details.

Tax equity financing

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

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

Hedging

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

Specifically, the Corporation may, from time to time, enter into long-term power hedge agreements. As part of determining fair value, the Corporation makes certain assumptions, estimates and judgments regarding future events. Unobservable forecast future power prices are inherently subjective and impact the change in fair value recognized in the consolidated statements of earnings (loss).

4. BUSINESS ACQUISITIONS

a. Acquisition of Curtis Palmer

On October 25, 2021 Innergex and HQI US Holding LLC, a subsidiary of Hydro-Québec, have acquired Curtis Palmer, a 60 MW run-of-river hydroelectric portfolio located in Corinth, New York, consisting of the 12 MW Curtis Mills and 48 MW Palmer Falls facilities for a total consideration of US\$321,556 (\$397,347). In addition, the acquisition is subject to an earn-out provision based on the evolution of the New York Independent System Operator ("NYISO") market pricing during calendar years 2023 and 2024, limited to US\$30,000. Upon closing, the Corporation owns a 50% interest in the Facilities with Hydro-Québec indirectly owning the remaining 50% interest. This acquisition was financed with the proceeds of the September 2021 share issuances described in Note 22.

The purchase price has been calculated as follows:

	US\$	CA\$
Cash consideration	318,369	393,409
Working capital adjustment	18	22
Contingent consideration	3,169	3,916
	321,556	397,347

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

	Acquisition accounting	
	US\$	CA\$
Cash and cash equivalents	3,820	4,720
Accounts receivable	3,584	4,429
Prepaid and other	1,870	2,311
Property, plant and equipment	181,982	224,875
Intangible assets	130,361	161,087
Accounts payable and other payables	(61)	(75)
Total net assets	321,556	397,347
Investment by a non-controlling interest	159,184	196,704
Net assets acquired	162,372	200,643

The fair value of the intangible assets related to power purchase agreements has been established using a with-or-without approach by calculating the excess of the power purchase agreement prices over the merchant prices for the power generation that would have otherwise been sold in the market. The fair value of the intangible assets related to operating licenses and permits, was calculated using a discounted cash flow approach. The fair value of property, plant and equipment was established using a discounted cash flow approach. The fair value of the non-controlling interest represents the cash consideration assumed by HQI US Holding LLC.

The acquisition gave rise to transaction costs of \$4,190 which were expensed as incurred in other net income in the consolidated statements of earnings (loss).

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

The investment was accounted for as a business combination and the results have been included in the consolidated statements of earnings (loss) since the date of the acquisition. The revenues and net earnings included in the consolidated statements of earnings (loss) are \$15,678 and \$6,276, respectively for the 67-day period ended December 31, 2021. Had the acquisition taken place on January 1, 2021, revenues and net earnings for the period from January 1, 2021 to December 31, 2021 would have been \$46,600 and \$2,452 higher, respectively.

b. Acquisition of Licán

The Corporation acquired an 18 MW run-of-river hydro facility in Chile (“Licán”), on August 3, 2021, for an aggregate consideration of US\$17,655 (\$22,148).

The purchase price has been calculated as follows:

	US\$	CA\$
Cash consideration	16,563	20,778
Working capital adjustment	92	115
Contingent consideration	1,000	1,255
	17,655	22,148

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

	Acquisition accounting	
	US\$	CA\$
Cash and cash equivalents	342	429
Restricted cash	274	344
Accounts receivable	1,196	1,500
Prepaid and other	5	6
Property, plant and equipment	37,076	46,512
Intangible assets	1,093	1,371
Deferred tax assets	4,491	5,634
Accounts payable and other payables	(474)	(594)
Long-term debt	(26,000)	(32,617)
Deferred tax liability	(348)	(437)
Net assets acquired	17,655	22,148

The acquisition gave rise to transaction costs of \$88 which were expensed as incurred in other net income in the consolidated statements of earnings (loss).

The investment was accounted for as a business combination and the results have been included in the consolidated statements of earnings (loss) since the date of the acquisition. The revenues and net earnings included in the consolidated statements of earnings (loss) are \$4,435 and \$2,230, respectively for the 150-day period ended December 31, 2021. Had the acquisition taken place on January 1, 2021, revenues and net earnings for the period from January 1, 2021 to December 31, 2021 would have been \$4,073 and \$855 higher, respectively.

c. Acquisition of remaining interests in Energía Llaima

Innergex has entered into a stock purchase agreement pursuant to which it has acquired, effective July 9, 2021, the remaining 50% interest in Energía Llaima SpA (“Energía Llaima”), a renewable energy company based in Chile, of which Innergex already owned 50%, for an aggregate consideration of US\$75,000 (\$94,012), which includes a contingent consideration of US\$3,650 (\$4,575).

As a consideration for this transaction, Innergex has issued to Energía Llaima’s shareholders the number of Innergex common shares for an aggregate value of US\$71,350 (\$89,437) at a price per share equal to the 10-day volume weighted average price prior to the closing of the acquisition, for a total of 4,048,215 shares issued.

Concurrently with the closing of the financing, the corporation issued 1,148,050 common shares, for total proceeds of \$25,325, in order for Hydro-Québec to maintain its 19.9% ownership.

The purchase price has been calculated as follows:

	US\$	CA\$
Shares issued	71,350	89,437
Contingent consideration	3,650	4,575
	75,000	94,012

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

	Acquisition accounting	
	US\$	CA\$
Cash and cash equivalents	17,344	21,741
Restricted cash	1,156	1,449
Accounts receivable	10,331	12,950
Prepaid and other	494	619
Property, plant and equipment	202,673	254,051
Intangible assets	35,046	43,930
Project development costs	13,097	16,417
Derivative financial instruments	2,184	2,738
Deferred tax assets	21,924	27,482
Other long-term asset	7,076	8,870
Accounts payable and other payables	(10,143)	(12,714)
Long-term loans and borrowings	(130,744)	(163,888)
Other liabilities	(1,619)	(2,030)
Deferred tax liabilities	(11,648)	(14,601)
Non-controlling interests	(7,171)	(8,989)
Total net assets	150,000	188,025
Previously held equity interest	75,000	94,013
Net assets acquired	75,000	94,012

The fair value of the intangible assets related to power purchase agreements has been established using a with-or-without approach by calculating the excess of the power purchase agreement prices over the merchant prices for the generation that would have otherwise been sold in the market. The fair value of the intangible assets related to operating licenses and permits, was calculated using a discounted cash flow approach. The fair value of property, plant and equipment was established using a discounted cash flow approach.

The acquisition gave rise to transaction costs of \$265 which were expensed as incurred in other net income in the consolidated statements of earnings (loss).

The investment was accounted for as a business combination and the results have been included in the consolidated statements of earnings (loss) since the date of the acquisition. The revenues and net loss included in the consolidated statements of earnings (loss) are \$18,260 and \$309, respectively for the 175-day period ended December 31, 2021. Had the acquisition taken place on January 1, 2021, revenues and net loss for the period from January 1, 2021 to December 31, 2021 would have been \$12,472 and \$3,415 higher, respectively.

5. EXPENSES BY NATURE

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

	Year ended December 31	
	2021	2020
Operation and maintenance	85,243	72,733
Salaries and benefits	46,163	39,615
Property taxes and royalties	41,301	41,764
Prospective expenses	17,028	8,844
Insurance	13,076	10,503
Professional fees	8,560	8,889
Other expenses	8,338	6,711
Administrative expenses	1,862	2,039
Total of Operating, General and Administrative and Prospective Projects	221,571	191,098

6. FINANCE COSTS

	Year ended December 31	
	2021	2020
Interest expense on long-term corporate and project loans	176,945	171,877
Interest expense on tax equity financing	27,020	25,169
Interest expense on convertible debentures	13,642	13,800
Inflation compensation interest	12,504	1,797
Amortization of financing fees	8,308	9,453
Accretion expenses on other liabilities	5,479	5,112
Interest on lease liabilities	4,371	4,040
Other	4,275	5,377
Accretion of long-term loans and borrowings	344	1,493
Interest income on preferred shares of equity-accounted investees	(633)	(4,975)
	252,255	233,143

7. OTHER NET INCOME

	Year ended December 31	
	2021	2020
Production tax credits income	(47,985)	(43,850)
Tax attributes allocated to tax equity investors income	(43,290)	(21,050)
Liquidated damages income	(1,819)	(5,762)
Transaction costs related to business acquisitions	4,543	1,664
Professional and other fees - February 2021 Texas Events	1,348	—
Loss on repayment of loans	1,317	—
Realized loss on contingent considerations	547	3,021
Restructuring costs	—	1,157
Other income, net	(4,282)	(734)
	(89,621)	(65,554)

Professional and other fees - February 2021 Texas Events

During February 2021, the Corporation's facilities in Texas experienced unprecedented extreme winter weather conditions, which had an impact on their ability to produce electricity. While some power generation continued throughout the events, the combined effect of supply interruptions, abnormal market pricing conditions and contractual obligations to supply a predetermined hourly generation under the power hedges, had a net unfavourable impact at the Corporation's Flat Top wind facility in Mills County, the Shannon wind facility in Clay County, and the Phoebe solar facility located in Winkler County.

The professional and other fees represent mainly legal fees incurred following the February 2021 Texas Events for the year ended December 31, 2021.

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

8.1 Details of material joint ventures and associates

Joint ventures and associates	Principal activity	Place of creation and principal place of operation	Proportion of ownership interest and voting rights held by the Corporation	
			December 31, 2021	December 31, 2020
Energía Llama ²	Own and operate three hydroelectric facilities and a solar facility	Chile	100% ²	50 %
Toba Montrose	Own and operate two hydroelectric facilities	British Columbia	40 %	40 %
Shannon	Own and operate a wind facility	Texas	50 %	50 %
Flat Top ^{1,3}	Own and operate a wind facility	Texas	—	51 %
Dokie	Own and operate a wind facility	British Columbia	25.5 %	25.5 %
Jimmie Creek ¹	Own and operate a hydroelectric facility	British Columbia	50.99 %	50.99 %
Umbata Falls	Own and operate a hydroelectric facility	Ontario	49 %	49 %
Viger-Denonville	Own and operate a wind facility	Quebec	50 %	50 %
Innavik	Develop and construct a hydroelectric facility	Quebec	50 %	50 %

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

2. The Corporation has acquired, effective July 9, 2021 the remaining 50% interest in Energía Llama. Please refer to Note 4 - Business acquisitions.

3. Effective December 28, 2021, the Corporation disposed of its ownership interests in Flat Top.

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

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

	Year ended December 31, 2021								
	Energía Llama (189-day period)	Toba Montrose	Shannon (90-day period)	Flat Top (90-day period)	Dokie	Jimmie Creek	Umbata Falls	Viger- Denonville	Total
Revenues	14,123	72,287	68,908	20,271	40,809	23,457	5,921	10,583	256,359
Operating, general and administrative expenses	5,828	16,399	2,770	2,174	9,369	3,620	2,012	1,236	43,408
Finance costs	8,295	55,888	66,138	18,097	31,440	19,837	3,909	9,347	212,951
Production tax credits	3,248	22,887	3,459	3,734	6,367	9,302	2,434	2,890	54,321
Tax attributes allocated to tax equity investors	—	—	(5,533)	(6,406)	—	—	—	—	(11,939)
Other net expenses (income)	—	—	745	186	—	—	—	—	931
Depreciation and amortization	760	(98)	506	448	(725)	17	96	43	1,047
Impairment of property, plant and equipment	6,064	19,852	3,257	3,628	14,031	4,289	4,003	2,751	57,875
Unrealized portion of change in fair value of financial instruments	—	—	117,702	105,408	—	—	—	—	223,110
Realized portion of change in fair value of financial instruments	—	697	—	—	—	—	(2,755)	(629)	(2,687)
Income tax recovery	—	—	114,615	143,380	—	—	—	—	257,995
Net (loss) earnings	(145)	—	—	—	—	—	—	—	(145)
Other comprehensive income	(1,632)	12,550	(168,613)	(232,281)	11,767	6,229	131	4,292	(367,557)
Total comprehensive (loss) income	—	10,872	—	—	—	—	—	1,909	12,781
Net (loss) earnings attributable to Innergex	(1,632)	23,422	(168,613)	(232,281)	11,767	6,229	131	6,201	(354,776)
Other comprehensive income attributable to Innergex	(522)	5,018	(84,306)	(118,463)	3,000	3,176	65	2,143	(189,889)
Total	—	4,348	—	—	—	—	—	955	5,303
	(522)	9,366	(84,306)	(118,463)	3,000	3,176	65	3,098	(184,586)

1. For the 189-day period ended July 8, 2021, net loss attributable to the owners of Energía Llama was \$1,043 (\$9,345 in 2020) and net loss attributable to non-controlling interests was \$589 (\$2,126 in 2020).

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

	Year ended December 31, 2020									
	Energía Llaima	Toba Montrose	Shannon	Flat Top	Dokie	Jimmie Creek	Umbata Falls	Viger-Denonville	Innavik	Total
Revenues	46,524	77,602	12,808	16,620	42,569	20,133	7,834	11,554	—	235,644
Operating, general and administrative expenses	15,956	17,371	11,419	11,302	9,258	3,401	1,677	1,675	730	72,789
	30,568	60,231	1,389	5,318	33,311	16,732	6,157	9,879	(730)	162,855
Finance costs	10,037	23,268	14,562	16,599	6,831	9,342	1,949	3,107	—	85,695
Production tax credits	—	—	(23,231)	(29,433)	—	—	—	—	—	(52,664)
Tax attributes allocated to tax equity investors	—	—	392	462	—	—	—	—	(25)	829
Other net expenses (income)	8,482	(158)	1,315	(4)	(295)	(25)	444	(38)	—	9,721
Depreciation and amortization	14,874	20,799	13,250	15,971	14,270	4,176	3,991	2,730	—	90,061
Change in fair value of financial instruments	—	44	5,118	24,680	—	—	2,931	(422)	1,685	34,036
Income tax expense	8,646	—	—	—	—	—	—	—	—	8,646
Net (loss) earnings	(11,471)	16,278	(10,017)	(22,957)	12,505	3,239	(3,158)	4,502	(2,390)	(13,469)
Other comprehensive loss	—	(9,537)	—	—	—	—	—	(2,666)	—	(12,203)
Total comprehensive (loss) income	(11,471)	6,741	(10,017)	(22,957)	12,505	3,239	(3,158)	1,836	(2,390)	(25,672)
Net (loss) earnings attributable to Innergex	(4,673)	6,511	(5,009)	(11,708)	3,189	1,652	(1,547)	2,251	1,810	(7,524)
Other comprehensive income attributable to Innergex	—	(3,815)	—	—	—	—	—	(1,333)	—	(5,148)
Total	(4,673)	2,696	(5,009)	(11,708)	3,189	1,652	(1,547)	918	1,810	(12,672)

Summary Statements of Financial Position

As at December 31, 2021						
	Toba Montrose	Dokie	Jimmie Creek	Umbata Falls	Viger-Denonville	Innavik
Current assets	31,338	14,767	9,995	1,300	3,810	15,963
Non-current assets	691,581	199,962	219,012	44,912	48,276	101,631
	722,919	214,729	229,007	46,212	52,086	117,594
Current liabilities	418,462	112,269	169,279	5,663	5,640	20,607
Non-current liabilities	120,700	15,456	165	30,316	42,680	102,888
Partner's equity interest (deficit)	183,757	87,004	59,563	10,233	3,766	(5,901)
	722,919	214,729	229,007	46,212	52,086	117,594

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

For the year ended December 31, 2021											
	Energía Llaima	Toba Montrose	Shannon	Flat Top	Dokie	Jimmie Creek	Umbata Falls	Viger-Denonville	Innavik ¹	Others	Total
Balance January 1, 2021	108,977	72,533	84,490	118,651	23,900	32,572	4,950	381	—	383	446,837
Business acquisition (Note 4)	(94,013)	—	—	—	—	—	—	—	—	—	(94,013)
Share of (loss) earnings	(522)	5,018	(84,306)	(118,463)	3,000	3,176	65	2,143	—	—	(189,889)
Share of other comprehensive income	—	4,348	—	—	—	—	—	955	—	—	5,303
Impairment of equity accounted investment	(6,314)	—	—	—	—	—	—	—	—	—	(6,314)
Foreign currency translation differences	(2,065)	—	(184)	(188)	—	—	—	—	—	(17)	(2,454)
Distributions received	(6,063)	(8,400)	—	—	(4,654)	(5,355)	—	(1,600)	—	—	(26,072)
Balance December 31, 2021	—	73,499	—	—	22,246	30,393	5,015	1,879	—	366	133,398

1. Unrecognized share of loss of \$2,951 in Innavik for the year ended December 31, 2021.

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

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

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

Flat Top and Shannon

In February 2021, unprecedented extreme winter weather conditions and related electricity market failure paralyzed the State of Texas, United States (the "February 2021 Texas Events"). The storm disturbed production, transmission and distribution of power, severely impacting prices. Because of the disturbance, wholesale electricity prices in the Electric Reliability Council of Texas ("ERCOT") reached their cap of US\$9,000 per MWh and remained at such level for a prolonged period of time. The February 2021 Texas Events lasted from February 11 to February 19, 2021. Depressed power generation, combined with the unprecedented increase in merchant market prices, yielded important losses, due to the committed hourly volumes under the projects' respective power hedges.

i) Impairment

Following the February 2021 Texas Events, which caused important losses for facilities under power hedge contracts, a general increase in the assessed risk has been observed throughout the industry for facilities subject to shape risk¹ in this region. These factors contributed to increase discount rates to reflect higher risk premiums. During the first quarter ended March 31, 2021, the Flat Top and Shannon joint ventures, each identified as separate cash generating units ("CGU"), recognized impairment charges of US\$83,005 (\$105,408) and US\$92,686 (\$117,702), respectively. The impairment charges were recognized by the Corporation through its share of loss of joint ventures and associates, at USD\$42,333 (\$53,758) and USD\$46,343 (\$58,851), for Flat Top and Shannon, respectively.

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

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

- the discount rate considers the weighted average between the consolidated cost of debt and the consolidated cost of equity, adjusted with alpha factors specific to the operating segment and country in which the facility operates;
- the expected selling price of electricity once the power purchase agreements and power hedges are renewed, or on the spot market;
- a cash-generating unit is an individual facility; and
- the future expected cash flows are based on the budgets before debt service and income tax of each cash-generating unit. The budgets have been built using long-term averages of expected production. These long-term averages are expected to approximate actual results.

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

ii) Classification as held for sale and disposition of Flat Top

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

During the year ended December 31, 2021, the underlying assets and liabilities of the Flat Top and Shannon investments were classified as disposal groups held for sale. On December 28, 2021, the Corporation completed the sale of its 51% interest in Flat Top for a non-material purchase price. The underlying assets and liabilities of the Shannon investment remain held for sale as at December 31, 2021, as the carrying amount of its Class B shares will be recovered principally through a sale transaction. As required, the disposal groups are measured at the lower of their respective carrying amounts and fair values less costs to sell, which is estimated to be nil, on a net basis, as at December 31, 2021.

Energia Llaima

The Corporation has acquired, effective July 9, 2021 the remaining 50% interest in Energía Llaima. Please refer to Note 4 - Business acquisitions. As required in business a combination achieved in stages, the previously held interest in the acquiree held immediately before obtaining control was remeasured to fair value at the date of acquisition. As such, the Corporation recognized an impairment charge of US\$5,207 (\$6,314).

Toba Montrose, Dokie and Jimmie Creek

The Toba Montrose, Dokie and Jimmie Creek facilities were in breach of their respective credit agreements due to a non respect of a specific requirement of the insurance clause. The portion of the project loans that would otherwise be classified as long-term was reclassified to the current portion of long-term loans and borrowings. Ongoing dialogue and reporting are provided to the facility lenders until this situation is resolved.

8.2 Commitments of joint ventures and associates

As at December 31, 2021, the Corporation's share of the expected schedule of commitment payments for joint ventures and associates are as follows:

Year of expected payment	Under 1 year	1 to 5 years	Thereafter	Total
Purchase obligations	5,893	30,987	89,898	126,778

9. 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 27 – Financial risk management and fair value disclosures for details about key inputs, judgements, assumptions and estimates involved in calculating fair values):

Financial assets (liabilities)	Foreign exchange forwards (Level 2)	Interests hedging derivatives (Level 2)	Power hedges (Level 3)	Currency translation of intragroup loans ¹	Total
As at January 1, 2021	(37,113)	(168,002)	54,082	—	(151,033)
Business acquisitions (Note 4)	—	2,738	—	—	2,738
Unrealized portion of change in fair value recognized in earnings (loss) ²	31,825	3,488	(36,412)	(17,403)	(18,502)
Change in fair value recognized in other comprehensive income (loss)	7,773	81,989	(3,337)	—	86,425
Amortization of accumulated other comprehensive income recognized in revenue	—	—	3,337	—	3,337
Net foreign exchange differences	—	1,305	(1,111)	17,403	17,597
As at December 31, 2021	2,485	(78,482)	16,559	—	(59,438)

1. A loss of \$17,403 results from the revaluation, into Canadian dollars, of foreign currency-denominated intragroup loans. On consolidation, although the intragroup loans are eliminated from the consolidated statement of financial position, the foreign subsidiaries' financial positions, including their loan balances towards the Corporation, are converted into Canadian dollars, with currency translation differences being recorded within other comprehensive income (loss), therefore not eliminating the loss recognized in earnings (loss).

2. Refer to Note 9 b) for a reconciliation to the change in fair value recognized in earnings (loss).

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

No transfer between level 2 and level 3 during the years ended December 31, 2021 and December 31, 2020.

Reported in the consolidated statements of financial position:

As at	December 31, 2021	December 31, 2020
Current assets	17,024	9,039
Non-current assets	39,917	92,040
Current liabilities	(41,315)	(72,958)
Non-current liabilities	(75,064)	(179,154)
	(59,438)	(151,033)

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

Recognized in the consolidated statements of earnings (loss):

	Year ended December 31	
	2021	2020
Unrealized portion of change in fair value of financial instruments	18,502	(8,329)
Realized portion of financial instruments:		
Realized loss on the interest rate swaps	2,508	—
Realized loss (gain) on the power hedges	73,658	(9,232)
Realized (gain) loss on Phoebe basis hedge	(2,546)	19,586
Change in fair value of financial instruments	92,122	2,025

10. PROVISION FOR INCOME TAXES

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

The following table summarizes the reconciliation of the income tax expense calculated at the Canadian statutory income tax rate and the income tax expense recognized in the consolidated statements of earnings (loss):

	December 31, 2021	December 31, 2020
Loss before income taxes	(211,634)	(10,214)
Canadian statutory income tax rate	26.6 %	26.6 %
Income tax expense calculated at the statutory rate	(56,295)	(2,717)
Items affecting the statutory rate:		
Non-taxable income	(23,037)	(329)
Change in classification of assets held for sale	(50,391)	—
Deferred tax asset not recognized on impairment of investment	1,525	7,091
Effect of previously unrecognized tax losses balances used in the year	(1,501)	(344)
Amounts attributable to Tax Equity Investors	75,444	20,141
Change in deferred tax assets not recognized	13,558	(192)
Income taxable at a different rate than the Canadian statutory rate	11,037	(1,317)
Decrease in deferred income tax rates	(2,943)	(314)
(Decrease) increase in taxable temporary differences in relation to investments in subsidiaries and in joint ventures	2,416	(568)
Tax on dividends on preferred shares	147	35
Adjustments recognized in the current year in relation to the current tax of prior years	742	(306)
Adjustments recognized in the current year in relation to the deferred tax of prior years	5,082	(938)
Income tax on earnings allocated to minority interests on non-taxable entities	(4,342)	(2,149)
Others	2,318	804
Provision for income taxes recognized in the current year	(26,240)	18,897
Current income taxes	3,776	7,326
Deferred income taxes	(30,016)	11,571

The tax rate used for 2021 and 2020 reconciliations above is the average combined corporate tax rate payable by corporate entities in Canada on taxable profits under federal and provincial tax laws.

b. Deferred income tax balances

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

	December 31, 2021	December 31, 2020
Assets	50,484	25,129
Liabilities	(401,215)	(410,555)
	(350,731)	(385,426)

	As at January 1, 2021	Recognized in statement of earnings	Recognized in other comprehensive loss	Acquired in business acquisition	Recognized directly in equity	Net exchange differences	As at December 31, 2021
Deferred income tax assets (liabilities) in relation to:							
Property, plant and equipment	(349,713)	(112,491)	—	5,630	—	1,930	(454,644)
Intangible assets	(165,727)	8,122	—	—	—	6,407	(151,198)
Project development costs	27,438	3,255	—	—	—	(24)	30,669
Investments into subsidiaries and in joint ventures and associates	(117,827)	50,429	(1,394)	—	—	712	(68,080)
Derivative financial instruments	65,827	2,244	(21,883)	—	—	(417)	45,771
Long-term loans and borrowings	7,232	(7,312)	—	—	—	162	82
Capitalized investment tax credits	12,273	11,363	—	—	—	22	23,658
Convertible debentures	(661)	591	—	—	—	—	(70)
Other liabilities	4,634	1,809	—	(436)	—	(7)	6,000
Financing fees	(5,432)	(1,792)	—	—	2,354	33	(4,837)
Share-based payment	2,563	(773)	—	—	—	—	1,790
Disallowed interest carried forward	1,112	1,949	—	—	—	12	3,073
Others	3	(2,206)	—	—	—	(29)	(2,232)
	(518,278)	(44,812)	(23,277)	5,194	2,354	8,801	(570,018)
Tax losses carried forward	132,852	74,828	—	12,884	—	(1,277)	219,287
	(385,426)	30,016	(23,277)	18,078	2,354	7,524	(350,731)

As at December 31, 2021, the Corporation, its subsidiaries and joint ventures and associates have non-capital losses totaling approximately \$881,000 that may be applied against future taxable income. The non-capital losses in Canada and losses incurred before 2018 in the United-States expire gradually between 2022 and 2041. The non-capital losses in France are subject to restrictions over time but have no expiration date. The non-capital losses in Chile and losses incurred after 2017 in United States have no expiration date.

The Corporation recognized a deferred income tax asset on non-capital losses because it is probable that sufficient taxable profit and taxable capital gains will be available from hydroelectric, solar and wind projects currently in operation.

	As at January 1, 2020	Recognized in statement of earnings	Recognized in other comprehensive loss	Acquired in business acquisition	Recognized directly in equity	Net exchange differences	As at December 31, 2020
Deferred income tax assets (liabilities) in relation to:				(Note 33)			
Property, plant and equipment	(324,083)	(39,983)	—	10,018	—	4,335	(349,713)
Intangible assets	(158,277)	10,241	—	(10,987)	—	(6,704)	(165,727)
Project development costs	23,029	4,432	—	—	—	(23)	27,438
Investments into subsidiaries and in joint ventures and associates	(121,612)	1,655	974	—	—	1,156	(117,827)
Non-repatriated income from foreign subsidiaries	(2,279)	967	—	—	—	1,312	—
Derivative financial instruments	53,593	(3,597)	22,168	(7,104)	—	767	65,827
Long-term loans and borrowings	1,178	(382)	—	6,755	—	(319)	7,232
Capitalized investment tax credits	13,872	(1,354)	—	—	—	(245)	12,273
Convertible debentures	(1,362)	699	—	—	—	2	(661)
Other liabilities	2,357	1,731	—	698	—	(152)	4,634
Financing fees	(7,023)	981	—	—	672	(62)	(5,432)
Share-based payment	1,961	601	—	—	—	1	2,563
Disallowed interest carried forward	1,131	—	—	—	—	(19)	1,112
Others	108	—	—	—	—	(105)	3
	(517,407)	(24,009)	23,142	(620)	672	(56)	(518,278)
Tax losses carried forward	118,878	12,438	—	—	—	1,536	132,852
	(398,529)	(11,571)	23,142	(620)	672	1,480	(385,426)

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

	December 31, 2021	December 31, 2020
Non-capital tax losses	136,853	138,429
Capital tax losses	23,581	927
Tax credits	24,117	—
Transaction costs	477	477
	<u>185,028</u>	<u>139,833</u>

The unrecognized tax losses will expire gradually between 2026 and 2041. The unrecognized tax credits will expire gradually between 2035 and 2041.

11. EARNINGS (LOSS) PER SHARE

Basic	Year ended December 31	
	2021	2020
Net loss attributable to owners of the parent	(191,805)	(32,628)
Dividends declared on preferred shares	(5,632)	(5,942)
Net loss attributable to common shareholders	(197,437)	(38,570)
Weighted average number of common shares	180,856,774	170,292,471
Basic net loss per share (\$)	(1.09)	(0.23)

Diluted	Year ended December 31	
	2021	2020
Net loss attributable to common shareholders	(197,437)	(38,570)
Diluted weighted average number of common shares	180,856,774	170,292,471
Diluted net loss per share (\$)	(1.09)	(0.23)

	Year ended December 31	
	2021	2020
Instruments that are excluded from the dilutive elements:		
Stock options	265,570	233,539
Shares held in trust related to the Performance Share Plan	541,261	557,091
Convertible debentures	13,604,473	13,709,043
	14,411,304	14,499,673

12. RESTRICTED CASH

As at	December 31, 2021	December 31, 2020
Restricted proceeds account	35,260	20,049
Restricted cash accounts	17,201	9,802
Debt service payment accounts	9,198	37,626
	61,659	67,477

As required under several projects' credit agreements, the Corporation maintains restricted cash accounts and restricted proceeds accounts. The unused portion of the loans proceeds are held in restricted proceeds accounts managed by the lenders and amounts are transferred from time to time into the restricted cash accounts to finance the construction of the projects. The restricted cash accounts are used to pay the current construction costs of the projects and to hold the construction holdback amounts that will be released at the end of the construction of the respective projects. The Corporation also maintains debt service payment accounts.

13. ACCOUNTS RECEIVABLE

As at	December 31, 2021	December 31, 2020
Trade	84,246	63,746
Interest receivable on preferred shares	5,687	4,975
Commodity taxes	4,056	3,445
Advances to related parties	3,678	9,463
Income taxes receivable	4,511	703
Other	15,728	10,414
	117,906	92,746

14. PROPERTY, PLANT AND EQUIPMENT

	Lands	Hydroelectric facilities	Wind farm facilities	Solar facilities	Facilities under construction	Other	Total
Cost							
As at January 1, 2021	176,831	2,091,345	2,596,633	516,989	529,484	33,970	5,945,252
Additions ¹	—	5,157	10,552	225	214,715	7,973	238,622
Investment tax credits ²	—	—	—	—	(14,070)	—	(14,070)
Business acquisitions (Note 4)	22,983	491,704	—	10,039	—	712	525,438
Transfer of assets upon commissioning	—	—	358,537	291,636	(650,217)	44	—
Transfer from project development costs	—	—	—	—	682	—	682
Reclassification	—	—	—	(644)	104	540	—
Dispositions	—	(2,227)	(2,957)	—	—	(267)	(5,451)
Other changes	(12,050)	9	(7,915)	(2,422)	—	2,273	(20,105)
Net foreign exchange differences	(2,664)	8,792	(62,886)	3,798	(7,821)	(181)	(60,962)
As at December 31, 2021	185,100	2,594,780	2,891,964	819,621	72,877	45,064	6,609,406
Accumulated depreciation							
As at January 1, 2021	(10,482)	(348,109)	(445,896)	(69,382)	—	(18,258)	(892,127)
Depreciation ³	(6,557)	(43,306)	(114,839)	(21,441)	—	(4,430)	(190,573)
Reclassification	—	—	—	249	—	(249)	—
Dispositions	—	352	332	—	—	298	982
Impairment charge	—	—	—	(24,729)	—	—	(24,729)
Net foreign exchange differences	238	(30)	10,423	(228)	—	30	10,433
As at December 31, 2021	(16,801)	(391,093)	(549,980)	(115,531)	—	(22,609)	(1,096,014)
Carrying amounts as at December 31, 2021	168,299	2,203,687	2,341,984	704,090	72,877	22,455	5,513,392

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 \$9,982 (\$9,426 in 2020) of capitalized financing costs incurred prior to commissioning.
- The Corporation accrued for US\$10,092 (\$14,070) in investment tax credits recoverable in relation to the construction of the Hillcrest solar project, which were recognized as a reduction in the cost of the Hillcrest property, plant and equipment. As at December 31, 2021, the balance of investments tax credits recoverable amounts to US\$947 (\$1,200).
- An amount of \$1,719 (\$1,374 in 2020) of the depreciation expense for the land leases is capitalized as a construction cost in facilities under construction.

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

Impairment of Phoebe

As at September 30, 2021, the carrying value of Phoebe solar facility, located in Texas, exceeded its estimated recoverable amount resulting in an impairment charge of US\$19,622 (\$24,729), reflecting an outlook of higher than expected congestion charges.

The Phoebe solar facility recoverable amount of \$260,521 as at September 30, 2021 was determined using VIU, which was calculated based on projected future cash flows utilizing the latest information available and Management's estimates, including; Energy production, revenues, operating costs, general and administrative costs, energy price forecasts and foreign exchange rates.

These projected cash flows were prepared using a 2% inflation estimate and discounted using a post-tax discount rate of 8.5% representing the estimated weighted average cost of capital.

Sensitivities

The projected cash flows and estimated VIU can be affected by any one or more changes in the estimates used. Changes in discount rate, energy price forecasts and inflation rate have the most substantial influence on Phoebe's valuation. A 1% change in inflation rate would change VIU by approximately \$26,100, while a 0.5% increment in the discount rate would change VIU by approximately \$11,700 and a change of one dollar in energy price would change the VIU by approximately \$8,300.

Right-of-use assets

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

	Land	Hydroelectric facilities	Other	Total
Cost				
As at January 1, 2021	173,670	109	9,166	182,945
Business acquisition	445	—	—	445
Dispositions	—	—	(176)	(176)
Other changes	(12,050)	9	2,274	(9,767)
Net foreign exchange differences	(2,926)	—	(117)	(3,043)
As at December 31, 2021	159,139	118	11,147	170,404
Accumulated depreciation				
As at January 1, 2021	(10,482)	(4)	(2,226)	(12,712)
Depreciation	(6,556)	(2)	(1,322)	(7,880)
Dispositions	—	—	176	176
Net foreign exchange differences	238	—	11	249
As at December 31, 2021	(16,800)	(6)	(3,361)	(20,167)
Carrying amounts as at December 31, 2021	142,339	112	7,786	150,237

	Land	Hydroelectric facilities	Other	Total
Cost				
As at January 1, 2020	117,660	116	8,252	126,028
Additions	71,542	—	—	71,542
Business acquisition	660	—	—	660
Other changes	(14,224)	(7)	916	(13,315)
Net foreign exchange differences	(1,968)	—	(2)	(1,970)
As at December 31, 2020	173,670	109	9,166	182,945
Accumulated depreciation				
As at January 1, 2020	(4,672)	(2)	(1,183)	(5,857)
Depreciation	(5,884)	(2)	(1,275)	(7,161)
Net foreign exchange differences	74	—	232	306
As at December 31, 2020	(10,482)	(4)	(2,226)	(12,712)
Carrying amounts as at December 31, 2020	163,188	105	6,940	170,233

15. INTANGIBLE ASSETS

	Hydroelectric facilities	Wind farm facilities	Solar facilities	Total
Cost				
As at January 1, 2021	575,536	667,832	15,009	1,258,377
Business acquisitions (Note 4)	206,388	—	—	206,388
Other changes	(6,190)	—	—	(6,190)
Net foreign exchange	4,688	(19,241)	(23)	(14,576)
As at December 31, 2021	780,422	648,591	14,986	1,443,999
Accumulated amortization				
As at January 1, 2021	(201,295)	(133,042)	(4,717)	(339,054)
Amortization	(22,892)	(40,847)	(3,047)	(66,786)
Net foreign exchange	(57)	5,928	(36)	5,835
As at December 31, 2021	(224,244)	(167,961)	(7,800)	(400,005)
Carrying amounts as at December 31, 2021	556,178	480,630	7,186	1,043,994

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

16. PROJECT DEVELOPMENT COSTS

As at	December 31, 2021	December 31, 2020
Cost		
Beginning of year	14,092	11,135
Business acquisitions (Note 4)	16,417	—
Additions	40,428	32,273
Transfer to property, plant and equipment	(682)	(28,110)
Net foreign exchange	574	(1,206)
End of year	70,829	14,092

17. GOODWILL

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

	Hydroelectric facilities	Wind farm facilities	Total
As at January 1, 2021	20,291	43,007	63,298
Net foreign exchange	—	(2,440)	(2,440)
As at December 31, 2021	20,291	40,567	60,858

	Hydroelectric facilities	Wind farm facilities	Total
As at January 1, 2020	20,291	40,375	60,666
Business acquisition	—	620	620
Net foreign exchange	—	2,012	2,012
As at December 31, 2020	20,291	43,007	63,298

(Note 33)

On December 31, 2021, the Corporation conducted its annual goodwill impairment tests. Based on the result of these tests, no impairment charge was required.

The recoverable amount of each CGU was determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a period extending to the lesser of 50 years or the period for which the Corporation owns its rights on the site and discount rates of 4.63% to 7.14% (4.22% to 8.75% in 2020).

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

- The discount rate considers the weighted average between the consolidated cost of debt and the consolidated cost of equity, adjusted with alpha factors specific to each operating segment and country in which the facility operates.
- The expected selling price of electricity once the power purchase agreements are renewed or on the spot market.
- A cash-generating unit is an individual facility.
- The future expected cash flows are based on the budgets before debt service and income tax of each cash-generating unit. The budgets have been built using long-term averages of expected production. These long-term averages are expected to approximate actual results.

18. OTHER LONG-TERM ASSETS

As at	December 31, 2021	December 31, 2020
Hydrology/ wind power reserve	49,001	53,757
Major maintenance reserve	9,784	8,125
Security deposits	7,391	5,929
Other	28,343	7,491
	94,519	75,302

The availability of \$ 58,785 (\$61,047 in 2020) in the reserve accounts is restricted by credit agreements.

As at December 31, 2021, the Corporation recognized an impairment charge related to a minority equity investment in France, totaling \$5,943.

19. ACCOUNTS PAYABLE AND OTHER PAYABLES

As at	December 31, 2021	December 31, 2020
Trade and other payables	71,887	84,796
Dividends payable to shareholders	36,048	32,910
Interest payable	30,906	24,326
Construction holdbacks	18,672	35,317
Salaries and benefits	7,814	6,589
Commodity taxes	5,318	3,995
Income taxes payable	3,719	2,400
	174,364	190,333

20. LONG-TERM LOANS AND BORROWINGS

	Currency	Interest rates	Maturity	December 31, 2021	December 31, 2020
Corporate indebtedness					
Revolving term credit facility	CAD/USD	1.46% - 2.80%	2023	398,758	182,996
Subordinated unsecured term loan	CAD	5.13 %	2023	150,000	150,000
Alterra loans	CAD	3.02 %	2028-2031	145,000	116,627
				693,758	449,623
Convertible debentures					
4.65% Convertible Debentures ³	CAD	4.65 %	2026	136,985	137,592
4.75% Convertible Debentures ⁴	CAD	4.75 %	2025	143,273	142,483
				280,258	280,075
Tax equity financing^{1,2}					
Wind segment					
Foard City	USD	7.50 %	2029 ⁵	240,696	259,498
Griffin Trail	USD	6.80 %	2031 ⁵	166,257	—
Solar Segment					
Hillcrest	USD	5.15 %	2028 ⁵	25,063	28,751
Phoebe	USD	7.14 %	2026 ⁵	23,080	26,575
Others	USD	8.00 %	2022-2023	871	1,134
				455,967	315,958
Project loans					
Hydroelectric segment					
Boulder Creek and Upper Lillooet	CAD	4.22%-4.46%	2042-2056	487,490	491,643
Harrison Operating Facilities	CAD	3.81%-5.56%	2049	442,474	440,054
Big Silver Creek	CAD	4.57%-4.76%	2041-2056	193,501	195,056
Kwoiek Creek	CAD	5.08%-10.07%	2052-2054	163,520	165,514
Tretheway Creek	CAD	4.99 %	2055	91,999	92,327
Ashlu Creek	CAD	1.99 %	2025	77,051	80,451
Northwest Stave River	CAD	5.30 %	2053	71,094	71,569
Sainte-Marguerite	CAD	7.40%-8.00%	2025-2064	55,080	58,222
Magpie	CAD	6.36%-15.5%	2025-2031	40,091	43,274
Rutherford Creek	CAD	6.88 %	2024	14,045	19,022
Fitzsimmons Creek	CAD	2.30 %	2026	18,311	18,829
Duquenco	USD	3.65 %	2033	141,798	—
Licán	USD	3.26 %	2026	32,963	—
Guayacán	USD	4.19 %	2032	11,601	—
Others	USD	3.20 %	2022	9,598	—
Wind segment					
Innergex Cartier Energie	CAD	2.02 %	2032	446,555	489,991
Mesgi'g Ugiu's'n	CAD	2.14% - 4.28%	2026-2036	223,113	232,088
Innergex Europe	CAD	8.00 %	2046	77,957	77,957
Yonne and Yonne II	EURO	1.30%-1.65%	2031-2039	95,236	103,226
Rougemont 2	EURO	0.86 %	2035	69,242	80,401
Vaite	EURO	0.86 %	2035	62,476	72,928
Rougemont 1	EURO	0.86 %	2035	60,585	70,469
Plan Fleury	EURO	1.65 %	2032-2034	40,491	48,037
Les Renardières	EURO	1.70 %	2032-2034	35,672	42,377
Beaumont	EURO	2.42%-3.78%	2027-2031	23,509	28,273
Montjean	EURO	1.15%-2.73%	2026-2031	17,746	21,299
Theil Rabier	EURO	1.15%-2.73%	2026-2031	17,746	21,299

<i>(continued)</i>	Currency	Interest rates	Maturity	December 31, 2021	December 31, 2020
Griffin Trail	USD	0.90 %	2021	—	204,436
Foard City	USD	1.97 %	2026	20,741	24,922
Mountain Air	USD	3.48%-6.00%	2029-2032	151,350	159,708
Others	EURO	1.48 %-4.75 %	2024-2030	54,178	67,449
Solar segment					
Hillcrest	USD	1.98 %	2028	89,214	187,212
Phoebe	USD	2.22 %	2026	132,161	137,688
Stardale	CAD	1.89 %	2032	75,256	77,430
Pampa Elvira	USD	2.89 %	2022	2,828	—
Others	USD	3.70 %	2024-2026	15,708	16,648
				3,562,380	3,839,799
Total long-term loans and borrowings				4,992,363	4,885,455
Deferred financing costs				(67,928)	(71,574)
				4,924,435	4,813,881
Current portion of long-term loans and borrowings				(513,196)	(767,167)
Long-term loans and borrowings				4,411,239	4,046,714

1. The interest rates reflect the internal rate of return required by the respective tax equity investors.
2. The maturity date of these obligations are driven by the dates on which the tax equity investor reaches the agreed upon target rate of return.
3. The 4.65% Convertible Debentures are convertible at the holder's option into common shares of the Corporation at a conversion price of \$22.90 per share.
4. The 4.75% Convertible Debentures are convertible at the holder's option into common shares of the Corporation at a conversion price of \$20.00 per share.
5. Represents the expected Flip Point date as estimated at the date of final funding from the tax equity investor. Actual Flip Point may differ, subject to the facilities' respective operating performance.

The carrying amount of assets pledged to secure the loans totalled \$5,044,788 (\$4,814,218 in 2020).

Letters of credit under revolving term credit facility and project loans amount to \$207,147 (\$223,474 in 2020).

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

As at December 31, 2021, the Corporation and its subsidiaries have met all material financial and non-financial conditions related to their credit agreements, except for the following:

- the Beaumont and Vallottes facilities were not meeting their respective targeted ratios, which triggered a breach under their respective credit agreement. The aggregate amount of €17,906 (\$25,769) that would otherwise be classified as long-term was reclassified to the current portion of long-term loans and borrowings. Negotiations are currently underway to resolve this situation.
- the Phoebe solar facility was in breach of its credit agreement due to a non respect of a specific requirement of the insurance clause. The US\$100,345 (\$127,217) portion of the loan that would otherwise be classified as long-term was reclassified to the current portion of long-term loans and borrowings. Ongoing dialogue and reporting are provided to the facility lenders until this situation is resolved.
- the Duquenco facility was in breach of its credit agreement following the acquisition of the remaining 50% interest in Energía Llaima since the former Chilean equity investors ceased to jointly hold direct ownership of fifty percent of the company's shares. The US\$110,748 (\$140,406) portion of the loan that would otherwise be classified as long-term was reclassified to the current portion of long-term loans and borrowings. Negotiations are currently underway to resolve this situation.

a. Corporate Indebtedness

Revolving Term Credit Facility

The Corporation has access to a revolving term credit facility maturing in 2023. The available facility amount is \$700,000 with an option, subject to the lender's consent, to increase to a total amount of up to \$900,000. The facility has covenants requiring a minimum interest coverage and a maximum debt coverage ratios. The applicable interest rate on this revolving credit facility is variable, based on the bank's prime rate, bankers' acceptance rates, US Base Rate, LIBOR or EURIBOR plus a spread which depends on leverage ratio. As of December 31, 2021, an amount of \$48,288 has been used to issue letters of credit.

Moreover, the Corporation has access to a letter of credit facility of an amount of up to \$90,000 guaranteed by Export Development Canada. As of December 31, 2021, letters of credit have been issued for an amount of \$38,143.

Subordinated Unsecured Term Loan

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

b. Financing of the Hillcrest Solar Project

On November 17, 2021, the construction loan, which principal amount then aggregated to US\$74,913 (\$94,975) was converted into a term loan carrying an interest rate of 3-month LIBOR +1.75% (approximately 1.885% fixed through an interest rate swap entered into in May 2020 and amended in November 2021 resulting in a fixed interest rate of 2.695% as at December 31, 2021). In addition, the tax equity bridge loan, which principal amount then aggregated to US\$109,784 (\$139,184), was reimbursed with the proceeds from the tax equity investor's contribution following the completion of commissioning activities.

Tax equity financing

On November 17, 2021, the Hillcrest Solar Partners received US\$90,374 (\$114,576) from the tax equity investor in return for its Class A membership interest following the completion of commissioning activities, for an aggregate tax equity financing received of US\$112,748 (\$142,942). The interest in the Class A shares is accounted for as a debt instrument by the Corporation. The outstanding balance as at December 31, 2021 is US\$19,769 (\$25,063). The Corporation anticipates the Flip Point date of the Hillcrest tax equity financing to occur in 2028.

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

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

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

c. Refinancing of Alterra loans

On January 11, 2021, the Corporation reimbursed the outstanding balance of the Alterra term loans, which included a CAD and a USD tranche, for an amount of \$90,839 and US\$21,359 (\$26,725) of principal and accrued interests, respectively. A loss of \$1,317 was recognized in Other net income. Also, on the same day, two related interest rate swaps were unwound for a net cash outflow of \$3,154, comprising a realized loss of \$2,885 on the terminal value of the derivatives recognized in Change in fair value of financial instruments, and accrued interests.

On December 29, 2021, Innergex refinanced the Alterra project loan facilities with a non revolving term credit of \$175,000 of which was drawn \$145,000. Those loan facilities were refinanced into two new tranches:

- a \$32,500 loan bearing a variable interest rate at CDOR +2.50% to 3.00%, repayable at maturity in 2028;
- a \$112,500 loan bearing a variable interest rate at CDOR +2.50% to 3.00%, repayable at maturity in 2028; and
- a \$30,000 delayed draw facility, which remained undrawn as at December 31, 2021, bearing a variable interest rate at CDOR +2.50% to 3.00%, repayable at maturity in 2028.

d. Financing of the Griffin Trail Wind Project

The construction loan of US\$256,201 (\$318,970) was repaid on July 30, 2021 by a US\$169,155 (\$210,598) tax equity investment, while the Corporation contributed US\$115,512 (\$143,812) in sponsor equity. The excess contribution of the tax and sponsor equity funding will be used to fund construction related spending and for holdback amounts following the end of the construction activities.

Tax equity financing

The interest in the Class A shares is accounted for as a debt instrument by the Corporation. The Corporation anticipates the Flip Point date of the Griffin Trail tax equity financing to occur in 2031.

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

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

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

e. Acquisition of Licán

As part of the acquisition of Licán, the Corporation assumed the related loan facility for a total fair value of US\$26,000 (\$32,617). The term loan bears interest at Libor 180 days + 3.1% and matures in September 2026.

The outstanding balance as at December 31, 2021 is US\$26,000 (\$32,963).

f. Acquisition of Energía Llaima

As part of the acquisition of the remaining 50% interest in Energía Llaima, the Corporation assumed the related loan facilities for a total fair value of US\$130,744 (\$163,888) which are comprised mainly of:

- US\$110,502 (\$138,514) term loan bearing interest at Libor 180 days + 3.5% payable semi-annually and maturing in March 2033.
- US\$9,503 (\$11,912) term loan bearing interest at Libor 180 days + 3.9%
- US\$5,151 (\$6,457) term loan bearing interest at 3.2%
- US\$3,168 (\$3,971) term loan bearing interest at Libor 180 days + 2.65%
- US\$2,420 (\$3,034) term loan bearing interest at 3.2%

The outstanding balance as at December 31, 2021 is US\$130,798 (\$165,825).

21. OTHER LIABILITIES

	Contingent considerations	Asset retirement obligations	Interest payable on SM S.E.C. debenture	Future ownership rights	Deferred income	Lease liabilities	Total
As at January 1, 2021	1,861	162,625	26,461	40,031	—	172,807	403,785
Liabilities assumed as part of the business acquisitions (Note 4)	—	1,558	—	—	—	472	2,030
New obligations	9,746	8,447	—	—	19,642	—	37,835
Interest expense included in finance costs	—	—	4,749	—	—	—	4,749
Accretion expense included in finance costs	36	4,167	—	1,276	—	—	5,479
Remeasurement	—	(7,791)	—	(6,190)	—	(9,767)	(23,748)
Amortization	—	—	—	—	(940)	—	(940)
Payment of other liabilities	(761)	—	—	—	—	(3,623)	(4,384)
Impact of foreign exchange fluctuations	167	(3,198)	—	—	—	(2,780)	(5,811)
As at December 31, 2021	11,049	165,808	31,210	35,117	18,702	157,109	418,995
Current portion of other liabilities	(515)	—	—	—	—	(4,137)	(4,652)
Long-term portion of other liabilities	10,534	165,808	31,210	35,117	18,702	152,972	414,343

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

a. Asset retirement obligations

Asset retirement obligations primarily arise from obligations to retire wind farms and the solar facilities upon expiry of the site leases. The wind farms and solar facilities were constructed on sites held under leases expiring, after exercising its term renewal options, at least 25 years after the signing date.

The cash flows were discounted at rates between 0.99% and 4.87% as at December 31, 2021 (0.57% to 4.88% in 2020) to determine the obligations.

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

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

c. Future ownership rights

Other liabilities include various liabilities related to future ownership rights owned by First Nations for the Upper Lillooet River, Boulder Creek, Big Silver Creek and Tretheway Creek facilities, the counterpart of which is capitalized into the intangible assets.

d. Lease liabilities

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

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

During 2019, the service provider under the turbine supply agreement at Mesgi'g Ugju's'n filed for bankruptcy. Certain of the performance obligations under the turbine supply agreement were covered, subject to terms and conditions precedent, by a \$19,642 letter of credit. The Corporation availed itself of the full amount on April 27, 2021. The proceeds are subject to restrictions under the Mesgi'g Ugju's'n credit agreement and as such, have been recognized as other long-term assets and the associated obligation as other non-current liabilities. The proceeds are to be used in the future to remediate the unfulfilled performance obligations under the turbine supply agreement. During the year ended December 31, 2021, an amount of \$940 of the liability was amortized in relation to remediation work performed.

f. Contingent considerations

Innergex has entered into a stock purchase agreement pursuant to which it has acquired, effective July 9, 2021, the remaining 50% interest in Energía Llaima SpA ("Energía Llaima"). The purchase price includes a contingent consideration evaluated at US\$3,650 (\$4,575), calculated on the fair value of the lands owned by Inversiones La Frontera Sur SpA and Inversiones San Carlos SpA as of the closing Date. The contingent consideration is to be paid within five to six years following the closing of the acquisition.

On October 25, 2021, Innergex and HQI US Holding LLC, a subsidiary of Hydro-Québec, have acquired the Curtis Palmer hydroelectric portfolio located in Corinth, New York. The purchase price includes a contingent consideration provision evaluated at US\$3,169 (\$3,916), based on the evolution of the New York Independent System Operator ("NYISO") market pricing during calendar years 2023 and 2024, limited to US\$30,000.

On August 3, 2021, Innergex acquired Licán, an 18 MW run-of-river hydro facility in Chile. The purchase price includes a contingent consideration evaluated at US\$1,000 (\$1,255), based on the development of the Company's business between August 1, 2021 and July 30, 2022

22. SHAREHOLDERS' CAPITAL

Authorized

The authorized capital of the Corporation consists of an unlimited number of common shares and an unlimited number of preferred shares, non-voting, retractable and redeemable. This includes up to 3,400,000 Cumulative Rate Reset Preferred Shares, Series A (the "Series A Preferred Shares"), up to 3,400,000 Cumulative Floating Rate Preferred Shares, Series B (the "Series B Preferred Shares") and up to 2,000,000 Cumulative Redeemable Fixed Rate Preferred Shares, Series C (the "Series C Preferred Shares").

Issued and outstanding shares

As at	December 31, 2021	December 31, 2020
Number of common shares	192,493,999	174,582,586
Number of Series A Preferred Shares	3,400,000	3,400,000
Number of Series C Preferred Shares	2,000,000	2,000,000

a) Common shares

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

As at	December 31, 2021	December 31, 2020
Issued and fully paid		
Beginning of the year	174,582,586	139,405,832
Issued upon acquisition (Note 4)	4,048,215	—
Issued on public offering	10,374,150	—
Issued following the Strategic Alliance with Hydro-Québec	3,729,050	34,636,823
Issued through dividend reinvestment plan	146,621	279,648
Exercise of stock options	—	192,033
Conversion of debentures	104,569	68,250
Buybacks	(491,192)	—
End of year	192,493,999	174,582,586
Held in trust under the Performance Share Plan		
Beginning of the year	(557,091)	(300,724)
Purchased	(118,562)	(317,777)
Distributed	134,392	61,410
End of year	(541,261)	(557,091)
Common shares outstanding at end of the year	191,952,738	174,025,495

Issuance of common shares

As part of the Energía Lliama Acquisition on July 9, 2021, the Corporation issued 4,048,215 common shares at a price of \$22.09 for a value of \$89,437 (see Note 4c). Concurrently with the closing of the acquisition, the Corporation issued 1,148,050 common shares, for total proceeds of \$25,325, in order for Hydro-Québec to maintain its 19.9% ownership.

As part of the public offering in September 2021, the Corporation issued 10,374,150 common shares at a price of \$19.40 for cash proceeds of \$201,259. Concurrently with the closing of the public offering, Hydro-Québec subscribed 2,581,000 common shares of the common shares of the Corporation for cash proceeds of \$50,071, in order for Hydro-Québec to maintain its 19.9% ownership of the Corporation's common shares.

Normal course issuer bid renewal

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 174,692,091 issued and outstanding common shares of the Corporation as at May 11, 2021. The New Bid commenced on May 24, 2021 and will terminate on May 23, 2022.

Buyback of common shares

During the year ended December 31, 2021, 180,602 common shares have been purchased and cancelled under the normal course issuer bid terminated May 23, 2021, at an average price of \$18.90. In addition, during the year ended December 31, 2021, 310,590 common shares have been purchased and cancelled under the New Bid at an average price of \$17.98.

Strategic Alliance and Private Placement with Hydro-Québec

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

Contributed surplus from reduction of capital account on common shares

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

b) Preferred shares

Series A Preferred Shares

The holders of Series A Preferred Shares are entitled to receive fixed cumulative preferential cash dividends, as and when declared by the Board of Directors. The dividends are payable quarterly on the 15th day of January, April, July and October each year. The annual dividend rate for the five-year period starting January 15, 2021, equals \$0.8110 per share.

At its option, each holder of Series A Preferred Shares has the right to convert all or any of its Series A Preferred Shares into the Series B Preferred Shares of the Corporation on the basis of one Series B Preferred Share for each Series A Preferred Share converted, subject to certain conditions, on January 15, 2021, and every five years thereafter. In addition, the Corporation has the right to redeem all or any number of the outstanding Series A Preferred Shares on January 15, 2021, and every five years thereafter.

Series B Preferred Shares

The holders of Series B Preferred Shares will be entitled to receive floating rate cumulative preferential cash dividends as and when declared by the Board of Directors. The dividends will be payable quarterly in an annual amount per Series B Preferred Share equal to the Treasury Bill rate for the preceding quarterly period plus 2.79% per annum determined on the 30th day prior to the first day of the applicable quarterly floating rate period multiplied by \$25.00.

Series C Preferred Shares

The holders of Series C Preferred Shares are entitled to receive fixed cumulative preferential cash dividends, as and when declared by the Board of Directors. The dividends are payable quarterly on the 15th day of January, April, July and October each year at an annual rate equal to \$1.4375 per share. The Corporation has the right to redeem all or any number of the outstanding Series C Preferred Shares.

Equity-based compensation

a) Stock option plan

The Corporation has a stock option plan providing for the granting of options by the Board of Directors to employees, officers, directors and certain consultants of the Corporation and its subsidiaries to purchase common shares. Options granted under the stock option plan will have an exercise price of not less than the market price of the common shares at the date of grant of the option, calculated as the volume weighted average trading price of the common shares on the Toronto Stock Exchange for the five trading days immediately preceding the date of grant. The maximum number of common shares of the Corporation available for issuance pursuant to options granted under the share option plan is 4,064,123. Any common shares subject to an option that expires or terminates without having been fully exercised may be subject to a further option. The number of common shares issuable to non-executive directors of the Corporation under the stock option plan cannot at any time exceed 1% of the issued and outstanding common shares. Options must be exercised during a period established by the Board of Directors, which may not be greater than 10 years after the date of grant. Options granted under the stock option plan vest in equal amounts on a yearly basis over a period of four to five years following the grant date.

	December 31, 2021		December 31, 2020	
	Number of options	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
Outstanding - beginning of year	233,539	15.78	737,977	11.52
Granted during the year	32,031	24.49	51,895	20.52
Exercised during the year	—	—	(553,660)	10.53
Cancelled during the year	—	—	(2,673)	20.52
Outstanding - end of year	265,570	16.83	233,539	15.78
Options exercisable - end of year	159,936	15.00	129,286	14.56

The following options were outstanding as at December 31, 2021:

Year of granting	Number of options outstanding	Exercise price (\$)	Number of options exercisable	Year of maturity
2016	56,531	14.65	56,531	2023
2017	54,411	14.52	54,411	2024
2019	73,375	14.41	36,688	2026
2020	49,222	20.52	12,306	2027
2021	32,031	24.49	—	2028
	265,570		159,936	

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

A compensation expense of \$87 was recorded during the year ended December 31, 2021 with respect to the stock option plan (\$76 in 2020).

Granted

During the year ended December 31, 2021, 32,031 options were granted. The options granted vest in four equal tranches until March 2, 2024 and must be exercised before March 2, 2028 at an exercise price of \$24.49.

Fair value is determined at the date of the grant and each tranche is recognized on a graded-vesting basis over the period during which the options vest and is measured using the Black-Scholes pricing model taking into account the terms and conditions upon which the options were granted.

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

	December 31, 2021	December 31, 2020
Risk-free interest rate	0.97 %	1.14 %
Expected annual dividend per common share	\$ 0.72	\$ 0.72
Expected life of options	6	6
Expected volatility	26.03 %	19.84 %

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

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

Performance Share Plan

The goal of the PSP is to motivate the key employees and officers to create long-term economic value for the Corporation and its shareholders. This portion of the Equity-Based Incentive Plan focuses key employees and officers on delivering business performance over the next three years against the total shareholder value and relative to a peer group. The award is paid out at the end of the three years, depending on how well the Corporation performed against targets set at the beginning of the three-year period.

The vesting date of the performance share rights is determined on the grant date which shall not exceed three years thereafter. The fair value of the performance share rights is determined on the grant date, based on the Corporation's estimate of the number of performance share rights that will eventually vest. On the vesting date, each performance share right entitles its holder to one Common Share of the Corporation with all the reinvested dividends accrued thereon from the grant date, such dividend being either paid in cash, in shares or in a combination of both at the sole discretion of the Corporation.

From time to time, the Corporation provides instructions to a trustee under the terms of a Trust Agreement to purchase common shares of the Corporation in the open market in connection with the PSP. These shares are held in Trust for the benefit of the beneficiaries until the Performance share rights become vested or cancelled. The cost of these purchases has been deducted from share capital.

Deferred Share Unit Plan

Under the Corporation's DSU, directors receive a portion of their compensation in DSUs in lieu of cash compensation. Officers may elect to receive all or a portion of their bonus in DSU in lieu of cash compensation. A DSU is a unit that has a value based upon the value of one Common Share. When a dividend is paid on Common Shares, the director's and the officer's DSU account is credited with additional DSUs equivalent to the dividend paid.

DSUs cannot be redeemed for cash or shares until the director or the officer leaves the Corporation. DSUs are not shares, cannot be converted to shares, and do not carry voting rights. DSUs received by directors and officers in lieu of cash compensation and held by them represent an at-risk investment in the Corporation. The value of DSUs is based on the value of the Common Shares, and therefore is not guaranteed.

Summary

	December 31, 2021		December 31, 2020	
	PSP	DSU	PSP	DSU
Balance beginning of year	504,004	118,490	462,559	81,498
Granted during the year	177,435	45,573	152,994	35,513
Paid out during the year	(170,089)	(6,321)	(121,028)	(2,601)
Expired during the year	(5,742)	—	(7,393)	—
Dividend reinvestment during the year	20,911	4,770	16,872	4,080
Balance end of year	526,519	162,512	504,004	118,490

A compensation expense of \$1,966 was recorded during the year ended December 31, 2021 with respect to the PSP and DSU plans (\$3,268 in 2020).

Dividends

a) Dividend Reinvestment Plan ("DRIP")

The Corporation implemented a DRIP for its shareholders. The plan allows eligible common shareholders the opportunity to reinvest a portion or all of the dividends they receive to purchase additional common shares of the Corporation, without paying fees such as brokerage commissions and service charges. Shares will either be purchased on the open market or issued from treasury. During the year ended December 31, 2021, 146,621 shares (279,648 shares in 2020) were issued from treasury under the DRIP.

b) Dividend Declared

The following dividends were declared by the Corporation:

	Year ended December 31			
	2021		2020	
	(\$/share)	Total	(\$/share)	Total
Dividends declared on common shares	0.7200	132,229	0.7200	125,543
Dividends declared on Series A preferred shares	0.8110	2,757	0.9020	3,067
Dividends declared on Series C preferred shares	1.4375	2,875	1.4375	2,875

Dividend Declared not recognized at the end of the reporting period

The following dividends will be paid by the Corporation on April 15, 2022:

Date of announcement	Record date	Payment date	Dividend per common share	Dividend per Series A Preferred Share	Dividend per Series B Preferred Share	Dividend per Series C Preferred Share
February 23, 2022	March 31, 2022	April 15, 2022	\$ 0.1800	\$ 0.2028	\$ 0.181875	\$ 0.359375

c) Dividend Rates on Preferred Shares

The applicable dividend rates for the Corporation's Series A and Series B preferred shares were reset during the year ended December 31, 2021. For Series A preferred shares, the dividend rate for the five-year period commencing on January 15, 2021, to but excluding January 15, 2026, is 3.244% per annum, or \$0.202750 per share per quarter. For Series B shares, the dividend rate for each quarterly period commencing on January 15, 2021, is equal to the sum of the T-Bill Rate plus 2.79% per annum, calculated on a quarterly basis. As at December 31, 2021, there were no outstanding Series B Preferred Shares.

23. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Foreign currency translation differences for foreign operations	Changes in fair value of financial instruments designated as net investment hedges	Cash flow hedge - interest rate and power price risks	Share of cash flow hedge of joint ventures and associates - interest rate and power price risks	Total
Balance as at January 1, 2021	(32,294)	(4,809)	(67,352)	(7,241)	(111,696)
Exchange differences on translation of foreign operations	778	—	—	—	778
Hedging gain	—	7,773	78,652	5,303	91,728
Share of non-controlling interest	(3,044)	(2,367)	(2,746)	—	(8,157)
Related deferred tax expense	—	—	(21,883)	(1,394)	(23,277)
Balance as at December 31, 2021	(34,560)	597	(13,329)	(3,332)	(50,624)

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

24. ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

a) Changes in non-cash operating working capital items

	Year ended December 31	
	2021	2020
Accounts receivable	(3,984)	(6,977)
Prepays and other	(5,472)	(1,313)
Accounts payable and other payables	(11,999)	525
	(21,455)	(7,765)

b) Additional information

	Year ended December 31	
	2021	2020
Finance costs paid relative to operating activities before interest on leases	(185,324)	(182,960)
Interest on leases paid relative to operating activities	(4,533)	(2,760)
Capitalized interest relative to investing activities	(3,025)	(7,836)
Capitalized interest on leases relative to investing activities	(1,815)	(1,632)
Total finance costs paid	(194,697)	(195,188)
<i>Non-cash transactions:</i>		
Change in unpaid property, plant and equipment	(29,012)	10,756
Investment tax credits	14,070	114,341
Change in other long-term assets	—	12,892
Change in unpaid project development costs	1,874	146
Remeasurement of other liabilities	(23,748)	15,862
Initial measurement of other liabilities	8,447	80,140
New obligation under financing agreement	19,642	—
Common shares issued through the conversion of convertible debentures	2,306	1,365
Common shares issued through equity based compensation	3,174	1,440
Common shares issued through dividend reinvestment plan	3,312	5,474
Common shares issued upon acquisition	89,437	—

c) Changes in liabilities arising from financing activities

	Year ended December 31	
	2021	2020
Changes in long-term loans and borrowings		
Long-term debt at beginning of period	4,813,881	4,691,669
Increase in long-term debt	1,686,133	998,639
Repayment of long-term debt	(1,568,183)	(1,005,864)
Payment of deferred financing costs	(3,381)	(15,471)
Business acquisitions (Note 4)	196,505	172,252
Investment tax credits	(117,904)	—
Tax attributes	(43,290)	(21,050)
Production tax credits	(47,985)	(43,850)
Other non-cash finance costs	52,532	35,642
Convertible debentures converted into common shares	(2,306)	(1,365)
Accretion of convertible debentures	2,490	2,613
Net foreign exchange differences	(44,057)	666
Long-term loans and borrowings at end of period	4,924,435	4,813,881

25. NON-WHOLLY-OWNED SUBSIDIARIES

Name of subsidiaries	Place of creation and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Earnings (loss) allocated to non-controlling interests for the year ended		Non-controlling interests (deficit)	
		Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Harrison Hydro L.P. and its subsidiaries	Canada	49.99 %	49.99 %	(6,044)	(1,270)	37,921	43,965
Kwoiek Creek Resources, L.P. ^(1,2)	Canada	50.00 %	50.00 %	(1,471)	(443)	(14,884)	(13,413)
Mesgi'g Ugju's'n (MU) Wind Farm L.P. ^(1,2)	Canada	50.00 %	50.00 %	11,402	9,006	(6,189)	(8,671)
Innergex Sainte-Marguerite, S.E.C.	Canada	49.99 %	49.99 %	(1,750)	(2,673)	(15,691)	(13,941)
Innergex Europe (2015) Limited Partnership, and its subsidiaries	Canada/Europe	30.45 %	30.45 %	715	(2,001)	(2,244)	(5,035)
Mountain Air Alternatives LLC, and its subsidiaries	United States	37.75 %	37.75 %	2,446	1,063	57,537	59,804
Innergex HQI USA LLC, and its subsidiaries ⁽²⁾	United States	50.00 %	— %	1,319	—	203,189	—
Others	Various	Various	Various	(206)	(165)	7,929	(631)
				6,411	3,517	267,568	62,078

1. The Corporation owns more than 50% of the economic interest in the subsidiary.

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

Summarized financial information in respect of each of the Corporation's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	Year ended December 31, 2021						
	Harrison	Kwoiek	Mesgi'g Ugju's'n	Sainte-Marguerite	Innergex Europe	Mountain Air	Innergex HQI USA
Summary Statements of Earnings (Loss) and Comprehensive Income (Loss)							
Revenues	51,296	18,216	56,761	11,611	88,593	36,101	15,678
Expenses	63,386	21,158	25,363	15,111	86,245	29,609	13,040
Net (loss) earnings	(12,090)	(2,942)	31,398	(3,500)	2,348	6,492	2,638
Other comprehensive income (loss)	—	—	2,339	—	6,818	(258)	10,332
Total comprehensive (loss) income	(12,090)	(2,942)	33,737	(3,500)	9,166	6,234	12,970
Net (loss) earnings attributable to:							
Owners of the parent	(6,046)	(1,471)	19,996	(1,750)	1,633	4,046	1,319
Non-controlling interests	(6,044)	(1,471)	11,402	(1,750)	715	2,446	1,319
	(12,090)	(2,942)	31,398	(3,500)	2,348	6,492	2,638
Total comprehensive (loss) income attributable to:							
Owners of the parent	(6,046)	(1,471)	21,486	(1,750)	6,375	3,880	6,485
Non-controlling interests	(6,044)	(1,471)	12,251	(1,750)	2,791	2,354	6,485
	(12,090)	(2,942)	33,737	(3,500)	9,166	6,234	12,970
Summary Statements of Cash Flows							
Cash flows from operating activities	19,912	551	39,227	2,339	40,376	14,636	10,870
Cash flows used in financing activities	(12,295)	(1,996)	(40,337)	(2,637)	(35,642)	(14,002)	—
Cash flows used in investing activities	(1,885)	(2,115)	(356)	(2)	(2,961)	—	—
Effects on exchange rate changes on cash and cash equivalents	—	—	—	—	(4,125)	—	274
Net change in cash and cash equivalents	5,732	(3,560)	(1,466)	(300)	(2,352)	634	11,144
Distributions paid to non-controlling interests	—	—	9,769	—	—	4,617	—

Year ended December 31, 2020

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

	Harrison	Kwoiek	Mesgi'g Ugju's'n	Sainte-Marguerite	Innergex Europe	Mountain Air
Revenues	47,985	18,990	61,401	10,066	95,485	16,995
Expenses	50,526	19,875	28,806	15,413	102,057	14,180
Net (loss) earnings	(2,541)	(885)	32,595	(5,347)	(6,572)	2,815
Other comprehensive loss	—	—	(3,117)	—	154	(8,695)
Total comprehensive (loss) income	(2,541)	(885)	29,478	(5,347)	(6,418)	(5,880)

Net (loss) earnings attributable to:

Owners of the parent	(1,271)	(442)	23,589	(2,674)	(4,569)	1,752
Non-controlling interests	(1,270)	(443)	9,006	(2,673)	(2,001)	1,063
	(2,541)	(885)	32,595	(5,347)	(6,570)	2,815

Total comprehensive (loss) income attributable to:

Owners of the parent	(1,271)	(442)	21,333	(2,674)	(4,456)	(3,662)
Non-controlling interests	(1,270)	(443)	8,145	(2,673)	(1,955)	(2,218)
	(2,541)	(885)	29,478	(5,347)	(6,411)	(5,880)

Summary Statements of Cash Flows

Cash flows from (used in) operating activities	17,577	(2,746)	49,351	2,547	41,268	8,157
Cash flows used in financing activities	(11,564)	(1,742)	(45,254)	(2,384)	(35,406)	(8,971)
Cash flows used in investing activities	(832)	(127)	(4,805)	(167)	(3,810)	—
Effects on exchange rate changes on cash and cash equivalents	—	—	—	—	2,981	(441)
Net change in cash and cash equivalents	5,181	(4,615)	(708)	(4)	5,033	(1,255)
Distributions paid to non-controlling interests	—	—	10,153	—	—	1,147

Summary Statements of Financial Position

As at December 31, 2021							
	Harrison	Kwoiek	Mesgi'g Ugju's'n	Sainte-Marguerite	Innergex Europe	Mountain Air	Innergex HQI USA
Current assets	33,400	7,640	20,327	2,237	63,729	16,154	22,345
Non-current assets	550,515	164,945	272,273	118,392	802,868	300,334	388,646
	583,915	172,585	292,600	120,629	866,597	316,488	410,991
Current liabilities	29,661	12,139	16,188	8,759	142,878	7,151	587
Non-current liabilities	441,383	198,442	246,488	126,690	776,687	150,819	4,018
Equity (deficit) attributable to owners	74,950	(23,112)	36,113	871	(50,724)	100,981	203,197
Non-controlling interests (deficit)	37,921	(14,884)	(6,189)	(15,691)	(2,244)	57,537	203,189
	583,915	172,585	292,600	120,629	866,597	316,488	410,991

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

26. RELATED PARTY TRANSACTIONS

a) Key management personnel compensation

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

	Year ended December 31	
	2021	2020
Salaries and short-term benefits	7,188	6,258
Board of Directors' fees	1,072	1,026
Performance share plan	3,205	1,294
Share-based payments	87	76
	11,552	8,654

b) Transactions with partners

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

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

- Common shares issued to Hydro-Québec in 2020 and 2021 (see Note 22 - Shareholders' Capital)
- Curtis Palmer Acquisition in a 50-50 partnership with Hydro-Québec (see Note 4 - Business acquisitions)
- Sales made under PPAs with Hydro-Québec (see Note 32 - Major Customers)
- EVLO, a subsidiary of Hydro-Québec, to provide battery at the Tonnerre Energy storage project (see below)

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

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES

Fair value disclosures

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

	Fair value level	As at December 31, 2021		As at December 31, 2020	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial liabilities measured at amortized cost					
Long-term loans and borrowings	Level 2	4,924,435	5,027,286	4,813,881	5,289,788
Derivative financial instruments measured at fair value					
Interest rate swaps	Level 2	(78,482)	(78,482)	(168,002)	(168,002)
Foreign exchange forwards	Level 2	2,485	2,485	(37,113)	(37,113)
Power and basis hedges	Level 3	16,559	16,559	54,082	54,082

Other investments

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

Long-term loans and borrowings

The fair value of each debt instrument is estimated utilizing standard financial industry practices where future expected cash flows are discounted at discount rates based on the interest rate and credit conditions prevailing in the financial markets as of the valuation date. Notably, for fixed rate instruments, contractual cash flows are discounted at an appropriate yield to maturity. For floating rate instruments, future expected contractual interest payments represent the sum of future expected levels of the reference interest rate index and the instrument's quoted margin, whereas discount rates represent the sum of future expected levels of the reference index and an appropriate discount margin. Appropriate yields to maturity and discount margins are estimated utilizing the available quoted or indicative pricing of individual debt instruments or indices whose credit is deemed comparable to the debt instruments being evaluated.

Interest rate swaps

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

Foreign exchange forwards

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

Power hedges

The fair values of the power hedges are calculated using a discounted cash flow model. The fair value calculation of power hedges gives rise to measurement uncertainty as the power price curves are constructed using various methodologies and assumptions, which consider certain unobservable inputs. As at December 31, 2021, 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\$21.20 to US\$83.08 per MWh between January 1, 2022 and June 30, 2031.

With respect to the Salvador power hedges, Polpaico node future power prices are expected to be in a range of US \$4.09 to US\$73.21 per MWh between January 1, 2022 and December 31, 2030.

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

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

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

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

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

Interest rate benchmark reform

The Corporation holds interest rate swaps for risk management purposes that are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to either LIBOR, CDOR, or EURIBOR.

London Interbank Offered Rate ("LIBOR")

On March 5, 2021, the Financial Conduct Authority (UK), announced that all LIBOR settings for all currencies will either cease or no longer be representative after i) December 31, 2021, for Sterling, Euro, Swiss Franc and Japanese Yen LIBOR settings, and certain USD LIBOR tenors; and ii) June 30, 2023 for the USD LIBOR 1-month, 3-month, 6-month and 12-month tenors. The Corporation's LIBOR swaps and cash flow hedging relationships extend beyond the anticipated cessation date for LIBOR.

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

There is uncertainty about when and how replacement may occur with respect to the relevant hedged items and hedging instruments. Such uncertainty may impact the hedging relationship, which may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness. The Corporation has measured its hedging instruments indexed to LIBOR using available quoted market rates for LIBOR-based instruments of the same tenor and similar maturity and has measured the cumulative change in the present value of hedged cash flows attributable to changes in LIBOR on a similar basis. The Corporation's notional amount exposure to LIBOR designated in hedging relationships is US\$312,179 (\$395,780) as at December 31, 2021.

Canadian Dollar Offered Rate ("CDOR")

While CDOR is not anticipated to immediately be retired, the Bank of Canada expects its relevance to decline, like other credit-based benchmarks, as markets globally move to risk-free rates. While the 1-month, 2-month and 3-month tenors are not expected to be affected for the foreseeable future, the calculation and publication of the 6-month and 12-month CDOR tenors ceased from May 17, 2021 onwards, with no impact for the Corporation.

Euro Interbank Offered Rate ("EURIBOR")

In 2019, the EURIBOR has been authorized by the competent authority under the European Union Benchmarks Regulation. This allows market participants to continue to use EURIBOR for both existing and new contracts and the Corporation expects that EURIBOR will continue to exist as a benchmark rate for the foreseeable future.

Financial risk management

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

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

a. Market risk

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

(i) Interest rate risk

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

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

The Corporation has designated the following derivative financial instruments as cash flow hedges¹:

Project	Notional Currency ²	Variable rate	Swap Rate	Maturity	Early termination option	Notional Amounts	
						December 31, 2021	December 31, 2020
Corporate							
Innergex	CAD	CDOR	2.18%	2027	2023	20,000	20,000
Innergex	CAD	CDOR	2.33%	2028	2023	30,000	30,000
Innergex	CAD	CDOR	2.33%	2028	2023	52,600	52,600
Innergex	CAD	CDOR	2.33%	2024	None	20,000	20,000
Innergex	CAD	CDOR	2.30%	2024	None	20,000	20,000
Innergex	CAD	CDOR	4.25%	2031	2022	28,855	31,105
Innergex	CAD	CDOR	1.89%	2029	2023	20,000	20,000
Innergex	CAD	CDOR	1.92%	2029	2023	20,000	20,000
Innergex	CAD	CDOR	2.08%	2034	2029	20,000	20,000
Innergex	CAD	CDOR	2.12%	2034	2023	20,000	20,000
Innergex	CAD	CDOR	2.24%	2049	2029	20,000	20,000
Innergex	CAD	CDOR	2.19%	2049	2029	25,000	25,000
Alterra	CAD	CDOR	2.16%	2023	None	—	29,000
Alterra	CAD	CDOR	2.32%	2023	None	—	49,000
Hydroelectric segment							
Ashlu Creek	CAD	CDOR	4.70%	2035	2025	39,588	41,406
Ashlu Creek	CAD	CDOR	4.70%	2035	2025	39,588	41,406
Fitzsimmons Creek	CAD	CDOR	2.85%	2041	2022	16,821	17,244
Duquenco	USD	LIBOR	1.05%	2033	None	114,966	—
Coyanco	USD	LIBOR	1.01%	2031	None	7,621	—
Wind segment							
Rougemont 1	EUR	EURIBOR	1.30%	2032	None	53,645	62,240
Rougemont 2	EUR	EURIBOR	1.30%	2032	None	32,781	37,970
Rougemont 2	EUR	EURIBOR	1.48%	2032	None	29,758	34,469
Vaites	EUR	EURIBOR	1.28%	2032	None	57,046	66,423
Cartier	CAD	CDOR	2.83%	2032	None	445,905	489,216
Mesgi'g Ugnu's'n	CAD	CDOR	1.91%	2026	None	63,654	76,735
Cholletz	EUR	EURIBOR	2.64%	2030	None	10,387	12,433
Foard City	USD	LIBOR	2.07%	2029	2026	11,442	13,275
Foard City	USD	LIBOR	2.43%	2029	2026	9,299	11,647
Mountain Air	USD	LIBOR	2.03%	2029	None	19,311	20,821
Solar Segment							
Stardale	CAD	CDOR	3.60%	2032	None	66,613	69,125
Phoebe	USD	LIBOR	3.07%	2037	2026	125,968	129,939
Kokomo	USD	LIBOR	1.85%	2026	None	4,861	5,190
Spartan	USD	LIBOR	2.31%	2024	None	10,846	11,458
Hillcrest	USD	LIBOR	0.95%	2041	2028	89,214	93,999
Pampa Elvira	USD	LIBOR	1.90%	2022	None	2,252	—
						1,548,021	1,611,701

1. The Corporation applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, maturities and the notional amounts. The Corporation assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.
2. USD swaps are converted at a fixed rate of CAD 1.2678 and EURO swaps are converted at a fixed rate of CAD 1.4391.

Sensitivities

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

	Earnings (loss)		Other comprehensive income (loss)	
	10 bps increase	10 bps decrease	10 bps increase	10 bps decrease
December 31, 2021				
Interest rate swaps	150	(23)	8,568	(8,758)
December 31, 2020				
Interest rate swaps	51	(46)	10,795	(11,462)

(ii) Foreign exchange risk

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

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

The Corporation has subsidiaries in Europe for which the revenues, net of the expenses incurred, are repatriated to Canada. The Corporation's foreign exchange forwards are denominated in Euros. Repatriated funds that are not used to service the Euro denominated foreign exchange forwards are converted into Canadian dollars at the exchange rate in effect on the conversion date.

The Corporation has designated the following derivative financial instruments as net investment hedges¹:

Contracts	Maturity	Early termination option	Notional Amounts	
			December 31, 2021	December 31, 2020
Contracts used to hedge the foreign exchange risk				
Foreign exchange forwards amortizing until 2041, allowing conversion at a fixed rate of CAD 1.7220/Euro	2022	none	147,097	150,505
Foreign exchange forwards amortizing until 2042, allowing conversion at a fixed rate of CAD 1.7196/Euro	2022	none	42,817	44,353
Foreign exchange forwards amortizing until 2041, allowing conversion at a fixed rate of CAD 1.6650/Euro	2023	none	97,509	99,822
Foreign exchange forwards amortizing until 2043, allowing conversion at a fixed rate of CAD 1.7516/Euro	2023	none	143,753	149,247
Foreign exchange forwards amortizing until 2043, allowing conversion at a fixed rate of CAD 1.7698/Euro	2023	none	69,436	72,106
			500,612	516,033

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

Sensitivities

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

	Earnings (loss)		Other comprehensive income (loss)	
	1% increase	1% decrease	1% increase	1% decrease
December 31, 2021				
Foreign exchange forwards	(3,127)	3,126	(854)	855
December 31, 2020				
Foreign exchange forwards	(3,948)	3,997	(742)	695

(iii) Power price risk

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

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

Phoebe power hedge

The Corporation is subject, under the Phoebe solar project, to a 12-year power hedge, effective from July 1, 2019 to June 30, 2031. The power hedge was designated for hedge accounting purposes until September 30, 2019. In light of new information, Management revised, effective October 1, 2019, its methodology to derive forward node prices in order to more accurately reflect the basis differential risk, which resulted in the Phoebe power hedge no longer meeting the hedge effectiveness criteria. The Phoebe power hedge is accounted for at fair value, with changes recognized as changes in fair value of financial instruments. The unrealized net loss recognized as change in fair value of financial instruments amounts to a \$58,804 for the year ended December 31, 2021.

Sensitivities

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

	Earnings (loss)	
	10 % increase	10% decrease
December 31, 2021		
Power hedge	(25,672)	26,329
December 31, 2020		
Power hedge	(18,541)	18,541

Salvador power hedges

On May 14, 2020, the Corporation acquired, when it acquired Salvador, a portfolio of synthetic power purchase agreements ("PPA"), which act as power hedges. Salvador power hedges are accounted for at fair value, with subsequent changes being recognized as change in fair value of derivative financial instruments. The unrealized net gain recognized as change in fair value of financial instruments amounts to \$32 for the year ended December 31, 2021.

Sensitivities

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

	Earnings (loss)	
	10 % increase	10% decrease
December 31, 2021		
Power hedge	(1,312)	1,312
December 31, 2020		
Power hedge	(1,065)	1,065

(iv) Hedge accounting

All the hedging instruments are accounted for in the current or non-current portion of derivative financial instruments in the consolidated statements of financial position. As at December 31, 2021 the following items were designated as hedging instruments to mitigate the interest rate risk and the foreign exchange risk:

	Notional amount of the hedging instrument	Carrying amount of the hedging instrument	
		Assets	Liabilities
Cash-flow hedges:			
Interest rate risk			
Interest rate swaps	1,431,644	6,089	(83,850)
Net investment hedges:			
Foreign exchange risk			
Foreign exchange forwards	88,411	4,408	(1,688)

The following table summarizes the impact of hedge ineffectiveness and hedging gains (losses) as at December 31, 2021:

	Changes in fair value of the hedging instrument recognized in other comprehensive income	Hedge ineffectiveness recognized in profit or loss	Amount reclassified from the cash flow hedge reserve to profit or loss
Cash-flow hedge:			
Interest rate risk			
Interest rate swaps	80,569	735	(1,241)
Power price risk			
Power hedge ¹	—	—	3,337
Hedge of net investment in a foreign operation:			
Foreign exchange risk			
Foreign exchange forwards	(7,773)	—	—

1. The balance of cash flow hedge reserve relating to power price risk for which hedge accounting is no longer applied is \$29,433.

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

For the hedge relationships covering the interest rate risk and the foreign exchange risk, ineffectiveness can result from the credit valuation adjustment applied to the fair value of hedging derivatives as well as the designation of hedging derivatives with a non-zero fair value at the inception of a hedging relationship.

b. Credit risk

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

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

As at December 31, 2021, the Corporation was holding cash and cash equivalents, restricted cash (Note 12) and reserves included in other long-term assets (Note 18). The Corporation limits its counterparty credit risk on these assets by dealing with highly rated, large Canadian financial institutions and, to a lesser degree, at major U.S. and European financial institutions. The Corporation recorded no impairment on these financial assets.

(ii) Accounts receivable

Most of the Corporation's trade receivables relate to electricity sold to public utilities, including Hydro-Québec, British Columbia Hydro and Power Authority, Hydro One Inc. and its affiliates, Idaho Power Company and Électricité de France. These utility companies are highly rated by the various rating agencies.

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

As at December 31, 2021, \$5,434 (\$9,547 in 2020) of trade and other receivables were more than 90 days overdue and a total write-off of impaired receivables of \$nil (\$176 in 2020) was recorded during the year. Given that expected credit losses are minimal, the expected credit losses by trade accounts receivable aging have not been presented.

(iii) Derivatives

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

c. Liquidity risk

Liquidity risk relates to the capacity of the Corporation to meet liabilities as they become due. Certain covenants of long-term borrowing contracts could prevent the Corporation from repatriating funds from certain subsidiaries.

Some hedging instruments have embedded early termination options. The triggering of these options could pose a liquidity risk. Should the early termination option be triggered, a presumed realized loss would be offset by the savings realized on future expenses, as a negative value would be the result of an environment in which actual rates are more beneficial than the rates embedded in the swap.

The Corporation has a negative working capital of \$344,850 as at December 31, 2021 (negative working capital of \$584,278 in 2020). The Corporation considers its current level of working capital to be sufficient to meet its needs, considering that a total amount of \$293,392 that would otherwise be classified as long-term was reclassified to the current portion of long-term loans and borrowings (see Note 20). If necessary, the Corporation can use its revolving credit facilities of which \$252,954 was available as at December 31, 2021 (\$457,806 in 2020). In addition, in the event of lower revenue due to a decline in production or to a major equipment breakdown, the Corporation has available reserve accounts (as described in Note 18) and is covered by insurance plans.

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

	Less than 1 year	Between 1 year and 5 years	Over 5 years	Total
Non-derivative financial liabilities				
Accounts payable and other payables	174,364	—	—	174,364
Long-term loans and borrowings ¹	326,811	2,339,595	4,335,633	7,002,039
Other liabilities	1,783	9,266	31,210	42,259
Lease liabilities	10,178	42,087	202,781	255,046
Derivative financial liabilities				
Interests rate swaps	24,360	38,881	20,048	83,289
Power Hedge	7,937	11,070	(8,410)	10,597
Total	545,433	2,440,899	4,581,262	7,567,594

1. As disclosed in Note 20, certain long-term loans and borrowings are subject to financial and non-financial conditions which could result in certain contractual cash flows to be payable significantly earlier than indicated in the table above.

28. COMMITMENTS

a. Power Purchase Agreements

Quebec facilities

Under PPAs with terms varying from 20 to 25 years and expiring between 2024 and 2046, Hydro-Québec agreed to purchase all of the electrical energy produced by the facilities and wind farms located in the Province of Quebec. Certain facilities have an agreed maximum quantity of electricity and a minimum quantity of electricity to deliver during each of the consecutive 12-month periods. Expiring PPA's are being renegotiated under the renewal rights of the Corporation.

The PPA for the Ste-Marguerite facility reached the end of its initial 25-year term in December 2018. In 2021, the Corporation renewed for an additional 25-year term the initial PPA with Hydro-Québec.

The PPA for Montmagny reached the end of there inital 25-year term in may 2021. In 2021, the Corporation renewed for an additional 25-year term the initial PPA with Hydro-Québec.

The PPA for Portneuf reached the end of there inital 25-year term in May 2021. The Corporation sent to Hydro-Québec its notice of automatic renewal for an additional 25-year term. Discussions on the renewal terms and conditions are underway, in accordance with the renewal process of the initial PPA.

British Columbia facilities

Under PPAs with terms varying from 20 to 40 years and expiring between 2023 and 2057, British Columbia Hydro and Power Authority agreed to purchase all of the electrical energy produced by the facilities located in the Province of British Columbia.

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

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

Ontario facilities

Under PPAs with terms varying from 20 to 30 years and expiring between 2025 and 2032, Hydro One inc. and its affiliates agreed to purchase all of the electrical energy produced by the facilities located in Ontario.

Europe facilities

Under PPAs with terms of 15 years expiring between 2024 and 2032, Électricité de France and S.I.C.A.E Oise agreed to purchase all of the electrical energy produced by the facilities located in France.

USA facilities

Under a PPA with a 35-year term and expiring in 2030, Idaho Power Company agreed to purchase all of the electricity produced by Horseshoe Bend Hydroelectric Corporation.

Under PPAs with terms of 20 to 25 years expiring between 2036 and 2042, clients agreed to purchase all of the electricity produced by the Kokomo and Spartan solar facilities.

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

Under a PPA with a 20-year term and expiring in 2033, Idaho Power Company agreed to purchase all of the electricity produced by the Mountain Air wind farm facilities.

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

Chile facilities

Under a PPA with a 10-year term and expiring in 2023, Codelco, Gabriela Mistral Division agreed to purchase all of the electricity produced by the Pampa Elvira solar facility located in Chile. The management of the company is in a negotiation for the extension of the contract with Codelco Gabriela Mistral Division for a period of at least 7 years from the expiration of the current contract for the same services that are currently provided.

Under a PPA with terms varying from 4 to 8-years and expiring between 2022 and 2026 the clients agreed to purchase all of the electricity produced by the Peuchen and Mampil Hydro facilities located in the Bio-Bio region, Chile.

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

b. Other Commitments

(i) Hydroelectric facilities

The Corporation and its subsidiaries entered into royalties and other commitments related to surrounding municipalities, land owners and the operation of the hydroelectric facilities.

Ashlu Creek facility

The ownership of the assets of the project will be transferred to a First Nation in 2049 for a nominal financial consideration.

Boulder Creek facility

40% of the Corporation's ownership of the project will be transferred to the First Nation partner in 2057 for no financial consideration.

Big Silver facility

A 50% ownership of the assets of the project will be transferred to one of the First Nations partners in 2056 for no financial consideration.

Glen Miller facility

Glen Miller Power, Limited Partnership entered into a 30-year lease agreement, ending in December 2035, for the site that is in commercial operation. The lease has a 15-year extension option upon terms and conditions to be negotiated.

Glen Miller Power, Limited Partnership is committed to remit the facility to the lessor of the site, at the end of the lease agreement, for no consideration.

Harrison Hydro L.P.

The ownership of Douglas Creek Project L.P. and Tipella Creek Project L.P. will be transferred to a First Nation in 2069 for no financial consideration.

Kwoiek Creek facility

The Corporation's ownership of the project will be transferred to the First Nation partner in 2054 for no financial consideration.

Rutherford Creek facility

Rutherford L.P. agreed to make payments to the former owners, following the expiry of the Rutherford Creek PPA in 2024. This payment is based on the difference between the then selling price of electricity and the last selling price of electricity under the agreement, adjusted annually following the expiry of the agreement by 50% of the increase or decrease in the CPI over the previous 12 months. This amount will correspond to 35% of the gross revenues attributable to the difference for the 20-year period following the expiry of the power purchase agreement. After the 20-year period, that portion of the payment will correspond to 30% of the gross revenues attributable to the difference. This commitment is secured by the Rutherford L.P. facility but is subordinated to the term loan.

Tretheway facility

50% of the Corporation's ownership will be transferred to a First Nation in 2055 for no financial consideration.

Upper Lillooet facility

40% of the Corporation's ownership of the project will be transferred to the First Nation partner in 2057 for no financial consideration.

(ii) Wind farm facilities

The Corporation and its subsidiaries entered into royalties and other commitments related to amounts to set aside for the dismantling of wind farm components, commitments to surrounding municipalities and land owners and the operation of the wind farms.

Europe

The French subsidiaries entered into commitments related to land leases, maintenance and management contracts for the operations of the wind farms.

(iii) Solar facilities

Stardale Solar L.P. and Phoebe Energy Project LLC have entered into contracts for the operations and maintenance of the respective solar farms.

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

(iv) Storage facilities

Tonnerre Energie has entered into an engineering, procurement, and supply agreement to construct the storage project in France.

c. Summary of commitments

As at December 31, 2021, the expected schedule of commitment payments is as follows:

Year of expected payment	Under 1 year	1 to 5 years	Thereafter	Total
Purchase obligations	26,560	125,722	229,520	381,802
Variable payments on lease contracts	8,838	41,800	4,214	54,852
Total	35,398	167,522	233,734	436,654

29. CONTINGENCIES

The Corporation is subject to various claims that arise in the normal course of business. Management believes that adequate provisions have been made in the accounts where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies will not have an adverse effect on the financial position of the Corporation.

BC Hydro curtailment notices

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

BC Hydro cited 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 was allegedly unable to accept or purchase energy under the EPAs. The notices to Innergex followed public statements by BC Hydro regarding measures it was 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, seeking to enforce its rights under the EPAs on the basis described above. For the period from May 22, 2020 to July 20, 2020, actual eligible energy revenue that would have been produced at the facilities in the absence of the curtailment amounts to \$12,456 (\$14,183 on a Revenues Proportionate¹ basis), respectively. The dispute is expected to conclude in 2022.

Harrison Hydro L.P. Water Rights

On March 23, 2017, the Comptroller of the Water Rights issued adjusted rental statements to the Harrison Hydro L.P. and its subsidiaries for the years 2011 and 2012 for an amount of \$3,181 in aggregate regarding water rental rates to be charged under the Water Act. The amount claimed was paid under protest and Harrison Hydro L.P. and its subsidiaries filed a notice of appeal of the decision to the Environmental Appeal Board.

On July 26, 2019, the Environmental Appeal Board of British Columbia rendered a decision granting the appeal and ordering the Comptroller of Water Rights to reimburse to each of the Limited Partnerships its proportionate share of the adjusted water rental amounts of \$3,181 overcharged to Harrison Hydro L.P. and its subsidiaries for the years 2011 and 2012. On November 22, 2019, the Environmental Appeal Board of British Columbia rendered another decision confirming that the sum will accrue interest starting June 28, 2017 until the date it is refunded. On January 20, 2020, the Comptroller of Water Rights filed with the Supreme Court of British Columbia a petition for judicial review of the Environmental Appeal Board’s order to return the amount in water rental fees to Harrison Hydro L.P. and its subsidiaries, with interest. On January 31, 2020, the Comptroller of Water Rights transferred an amount of \$3,318, representing the principal of \$3,181 with interest accrued between June 28, 2017 and January 31, 2020, to a trust account established by Harrison Hydro L.P. and its subsidiaries’ external legal counsel, bearing interest in favor of the Appellants. The Limited Partnerships have filed their response to petition on April 14, 2020. The hearing took place in Victoria in the last week of September 2020. A decision was rendered on February 9, 2021 by the Supreme Court of British Columbia, which concluded that the Environmental Appeal Board’s decision was reasonable, and dismissed the Comptroller of Water Rights’ petition accordingly. The Comptroller of Water Rights subsequently appealed the decision of the Supreme Court of British Columbia, which was unanimously dismissed by the British Columbia Court of Appeal on January 7, 2022. The Corporation recognized the amount of \$3,181 in the consolidated statements of earnings (loss) during the year ended December 31, 2019. A total amount of \$3,384, including interests, is receivable as at December 31, 2021.

February 2021 Texas Events

In February 2021, unprecedented extreme winter weather conditions and related electricity market failure paralyzed the state of Texas, United States. These unprecedented extreme winter weather events pushed the Texas Government to declare disaster and the US Government to declare a state of emergency. The storm disturbed production, transmission and distribution of power, severely impacting prices. Because of the disturbance, wholesale electricity prices in the Electric Reliability Council of Texas (ERCOT) reached their cap of US\$9,000 per MWh and remained at such a level for a prolonged period of time. The February 2021 Texas Events lasted from February 11 to February 19, 2021. The combined effect of supply interruptions, abnormal market pricing conditions and contractual obligations to supply a predetermined daily generation under the power hedges, have had a net unfavourable impact at the Corporation’s Phoebe solar facility located in Winkler County, Flat Top wind facility in Mills County, and Shannon wind facility in Clay County.

Phoebe

As a consequence of the February 2021 Texas Events, a claim of Force Majeure was notified to the counterparty of the power hedge of the Phoebe facility in February, which was rejected by the recipient.

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 32, Segment Information, for more information.

On July 19, 2021, Innergex reached an agreement to settle the amounts that remained unpaid by the Phoebe solar facility following the February 2021 Texas Events. The aggregate cash disbursement of US\$23,956 (\$29,691) comprises the agreed-upon settlement payment for the amounts disputed following the February 2021 Texas Events, and a payment on the project's tracking account balance¹, net of unpaid energy sold by the project during the negotiation process.

1. Renewable energy projects selling energy under a power hedge structure are exposed to mismatch risk mainly driven by: (1) volume/shape risk, which represents the risk of a shortfall in the actual energy produced in comparison to the contractual hourly quantities; and (2) basis risk, which represents a price differential risk between hub and node per MWh of contracted energy. To cover for temporary unfavourable mismatches, counterparties provide projects with a tracking account; a working capital loan that is repaid with subsequent favourable mismatches or cash payments

Flat Top and Shannon

As a consequence of the February 2021 Texas Events, a claim of Force Majeure was notified to the counterparty of the power hedges of the Flat Top and Shannon facilities in February, which were rejected by the recipient. To preserve the Corporation's and its partners' rights with regard to the Flat Top and Shannon facilities, court proceedings were initiated on April 21, 2021. On May 20, 2021, the District Court of Harris County, Texas denied the temporary injunction application, directing the counterparty to the power hedges for the Flat Top and Shannon wind facilities to suspend all remedies against the projects, including foreclosure, arising from an alleged default of payment that was formally disputed by the Innergex, following the February 2021 Texas Events.

The carrying amount of the Flat Top and Shannon investments was decreased to nil following the \$53,758 and \$58,851 respective impairment charges recognized by the Corporation through its share of loss of joint ventures and associates in March 31, 2021. During the period ended June 30, 2021, the underlying assets and liabilities of the Flat Top and Shannon investments were classified as disposal groups held for sale. In addition, following the classification as held for sale, the deferred tax liabilities related to the Corporation's equity investments in Flat Top and Shannon were decreased to nil, with \$24,390 and \$15,101 deferred tax recoveries, respectively.

On December 28, 2021, the Corporation completed the sale of its 51% interest in Flat Top for nominal amount. The underlying assets and liabilities of the Shannon investment remain held for sale as at December 31, 2021, as the carrying amount of its Class B shares will be recovered principally through a sale transaction. As required, the disposal groups are measured at the lower of their respective carrying amounts and fair values less costs to sell, which is estimated to be nil, on a net basis, as at December 31, 2021. On the basis that the project is non-recourse to the Corporation, the financial exposure of the Corporation is limited to the non-cash impacts on the reversal of exchange differences in accumulated other comprehensive income related to the project.

30. COVID-19

To combat the spread of the COVID-19, authorities in all regions where the Corporation operates have put in place restrictive measures for businesses. However, with the exception of the curtailment notices received from BC Hydro, as described in Note 29, Contingencies, these measures have not impacted the Corporation in a material way to date, as electricity production has been deemed an essential service in every region where the Corporation operates. The renewable power production is sold mainly through power purchase agreements with public utilities and corporate entities with high credit ratings.

It is not excluded that current or future restrictive measures might have an adverse effect on the financial stability of the Corporation's suppliers and other partners, or on the Corporation's operating results, financial position, liquidity or capital expenditures. The issuance of permits and authorizations, negotiations and finalization of agreements with regard to development and acquisition projects, construction activities and procurement of equipment could be adversely impacted by the COVID-19 restrictive measures. The full potential impact of COVID-19 on the Corporation's business is unknown as it may continue for an extended period and will depend on future developments that are uncertain and cannot be predicted including, and without limitations, the duration and severity of the pandemic, the duration of government mitigation measures, the effectiveness of the actions taken to contain and treat the disease, and the length of time it takes for normal economic and operating conditions to resume.

31. CAPITAL MANAGEMENT

The Corporation's strategy in managing its capital is: (i) to develop or acquire high-quality renewable power production facilities that generate sustainable and stable cash flows, with the objective of achieving a high return on invested capital, and (ii) to distribute a stable dividend.

The Corporation seeks to achieve its objectives by:

- Maintaining the generating capacity and enhancing the operation of its hydroelectric facilities, wind farms and solar farms; and
- Acquiring and developing new renewable electricity generating facilities.

The Corporation maintains its generating capacity by investing the necessary funds to maintain and continually upgrade its equipment. The Corporation also invests amounts on an annual basis in major maintenance reserve in order to fund any major maintenance of hydroelectric facilities, wind farms or solar farms which may be required to preserve the Corporation's generating capacity.

The Corporation determines the amount of capital required, and its allocation between debt and equity, for the acquisition and development of new electricity-generating facilities by considering the specific characteristics of stability and growth of each facility. This determination is made in order to distribute a stable dividend while maintaining an acceptable level of indebtedness.

The Corporation has a hydrology/wind power reserve. This reserve could be used in the event that the net available cash for any given year is less than expected, due to normal changes in hydrology or wind conditions or other unpredictable factors.

The Corporation's capital is composed of long-term loans and borrowings and shareholders' equity. Total capital amounts to \$6,285,115 as at December 31, 2021.

The Corporation uses equity primarily to finance the development of projects. The Corporation uses long-term loans and borrowings to finance the construction of its facilities. The Corporation expects to finance 70% to 85% of its construction costs mostly through non-recourse long-term debt financing or, for qualifying projects in the United States, through tax equity financing.

Future development and construction of new facilities, development of projects, expenses on prospective projects and other capital expenditures will be financed out of cash generated from the Corporation's operating facilities, borrowings and/or issuance of additional equity. To the extent that external sources of capital, including issuance of additional securities of the Corporation, become limited or unavailable, the Corporation's ability to make necessary capital investment to construct new or maintain existing project facilities will be impaired. There is no certainty that sufficient capital will be available on acceptable terms to fund further development or expansion.

Under the terms of the Revolving credit facilities, the Corporation needs to maintain a leverage ratio and an interest coverage ratio. If the ratios are not met, the lender has the ability to recall the facility.

Regarding the respective non-recourse projects financing, some subsidiaries of the Corporation need to maintain minimum debt coverage ratios. If the ratios of a particular project financing are not met, the lenders could have the ability to recall the particular debt. Certain financial restrictive clauses could prevent the subsidiaries from making distributions to the Corporation.

All debt covenants are monitored on a regular basis by the Corporation. As at December 31, 2021, the Corporation and its subsidiaries have met all material financial and non-financial conditions, unless indicated below, related to their credit agreements, trust indentures and PPAs. Were they not met, certain financial and non-financial covenants included in the credit agreements, trust indentures, PPAs entered into by various subsidiaries of the Corporation could limit the capacity of these subsidiaries to transfer funds to the Corporation. These restrictions could have a negative impact on the Corporation's ability to meet its obligations. As at December 31, 2021, the Phoebe, Beaumont, Vallottes and Duquenco facilities were in breach of their credit agreements (See Note 20 – Long-term loans and other borrowings for details).

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

32. SEGMENT INFORMATION

Operating segments

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

"Revenues Proportionate" are Revenues plus Innergex's share of Revenues of the operating joint ventures and associates, other income related to PTCs, and Innergex's share of the operating joint ventures and associates' other income related to PTCs. "Adjusted EBITDA" represents net earnings (loss), to which are added (deducted) income tax expense (recovery), finance costs, depreciation and amortization, impairment charges, other net income, share of (earnings) loss of joint ventures and associates, and change in fair value of financial instruments. "Adjusted EBITDA Proportionate" represents Adjusted EBITDA plus Innergex's share of Adjusted EBITDA of the operating joint ventures and associates, other income related to PTCs, and Innergex's share of the operating joint ventures and associates' other income related to PTCs. Revenues Proportionate, Adjusted EBITDA and Adjusted EBITDA Proportionate are not recognized measures under IFRS and have no standardized meaning prescribed by IFRS. They may therefore not be comparable to similar measures presented by other issuers. Readers are cautioned that Revenues Proportionate, Adjusted EBITDA and Adjusted EBITDA Proportionate should not be construed as an alternative to net earnings (loss), as determined in accordance with IFRS.

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

The below segment results exclude results from the Shannon and Flat Top joint venture facilities, from April 1, 2021 onwards, as a result of the projects' assets and liabilities being classified as disposal groups held for sale.

Year ended December 31, 2021				
Operating segments	Hydroelectric	Wind	Solar	Segment results
Segment revenues	277,302	349,786	120,120	747,208
Innergex's share of revenues of joint ventures and associates	50,547	60,489	885	111,921
PTCs and Innergex's share of PTCs generated	—	54,018	—	54,018
Segment Revenues Proportionate	327,849	464,293	121,005	913,147
Segment Adjusted EBITDA	212,436	276,859	103,702	592,997
Innergex's share of Adjusted EBITDA of joint ventures and associates	38,547	54,989	554	94,090
PTCs and Innergex's share of PTCs generated	—	54,018	—	54,018
Segment Adjusted EBITDA Proportionate	250,983	385,866	104,256	741,105
Segment Adjusted EBITDA Margin	76.6 %	79.2 %	86.3 %	79.4 %

As at December 31, 2021	Hydroelectric	Wind	Solar	Segment totals ¹
Investments in joint ventures and associates	108,911	24,130	—	133,041
Property, plant and equipment acquired through business acquisitions	499,024	—	10,069	509,093
Transfer of assets upon commissioning	—	358,581	291,636	650,217
Acquisition of property, plant and equipment during the year	5,826	13,677	945	20,448

1. Segment totals include only operating projects.

Year ended December 31, 2020				
Operating segments	Hydroelectric	Wind	Solar	Segment results
Segment revenues	229,102	333,795	50,310	613,207
Innergex's share of revenues of joint ventures and associates	64,395	31,512	1,875	97,782
PTCs and Innergex's share of PTCs generated	—	70,477	—	70,477
Segment Revenues Proportionate	293,497	435,784	52,185	781,466
Segment Adjusted EBITDA	173,869	263,945	39,214	477,028
Innergex's share of Adjusted EBITDA of joint ventures and associates	49,826	16,840	1,076	67,742
PTCs and Innergex's share of PTCs generated	—	70,477	—	70,477
Segment Adjusted EBITDA Proportionate	223,695	351,262	40,290	615,247
Segment Adjusted EBITDA Margin	75.9 %	79.1 %	77.9 %	77.8 %

As at December 31, 2020	Hydroelectric	Wind	Solar	Segment totals ¹
Investments in joint ventures and associates	150,009	227,422	12,732	390,163
Property, plant and equipment acquired through business acquisitions	—	22,614	61,022	83,636
Acquisition of property, plant and equipment during the year	637	1,347	1,620	3,604

1. Segment totals include only operating projects.

The following table presents a reconciliation of the non-IFRS measures to their closest IFRS measures:

	Year ended December 31	
	2021	2020
Revenues	747,208	613,207
Innergex's share of revenues of joint ventures and associates	111,921	97,782
PTCs and Innergex's share of PTCs generated	54,018	70,477
Revenues Proportionate	913,147	781,466
Net loss	(185,394)	(29,111)
Income tax (recovery) expense	(26,240)	18,897
Finance costs	252,255	233,143
Depreciation and amortization	255,640	228,526
Impairment of long-term assets	36,986	26,659
EBITDA	333,247	478,114
Other net income	(89,621)	(65,554)
Share of losses of joint ventures and associates	189,889	7,524
Change in fair value of financial instruments	92,122	2,025
Adjusted EBITDA	525,637	422,109
Unallocated expenses:		
General and administrative	39,993	38,211
Prospective projects	27,367	16,708
Segment Adjusted EBITDA	592,997	477,028
Innergex's share of Adjusted EBITDA of joint ventures and associates	94,090	67,742
PTCs and Innergex's share of PTCs generated	54,018	70,477
Segment Adjusted EBITDA Proportionate	741,105	615,247
Segment Adjusted EBITDA Margin	79.4 %	77.8 %

Geographic segments

As at December 31, 2021, excluding its investments in joint ventures and associates which are accounted for as equity method, the Corporation had interests in the following operating assets: 33 hydroelectric facilities, 8 wind farms and 1 solar farm in Canada, 16 wind farms in France, and 3 hydroelectric facility, 8 wind farms and 4 solar farms in the United States, and 4 hydroelectric facilities and 3 solar farm in Chile. The Corporation operates in four principal geographical areas, which are detailed below:

	Year ended December 31	
	2021	2020
Revenues		
Canada	433,192	439,224
United States	187,332	73,802
France	88,593	95,485
Chile	38,091	4,696
	747,208	613,207

As at	December 31, 2021	December 31, 2020
Non-current assets, excluding derivative financial instruments and deferred tax assets¹		
Canada	3,390,029	3,504,403
United States	2,301,353	1,978,363
France	801,752	922,330
Chile	423,856	166,881
	6,916,990	6,571,977

1. Includes the investments in joint ventures and associates

Major Customers

A major customer is defined as an external customer whose transactions with the Corporation amount to 10% or more of the Corporation's annual revenues. The Corporation has identified three major customers. The sales of the Corporation to these major customers are the following:

Major customer	Segment	Year ended December 31	
		2021	2020
Hydro-Québec	Hydroelectric and wind	219,942	244,505
British Columbia Hydro and Power authority	Hydroelectric generation	187,973	172,722
Électricité de France	Wind	88,593	92,261
		496,508	509,488

33. COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's consolidated financial statements.

During the year ended December 31, 2021, the deferred tax liabilities recognized related to the acquisition of Mountain Air Alternatives, LLC on July 15, 2020, and the corresponding goodwill which arose from the recognition of the deferred tax liabilities, were revised downward by an amount of \$12,634. As a result, these line items have been amended in the statement of financial position and the related notes to the financial statements.

34. SUBSEQUENT EVENTS

Acquisition of San Andrés SpA

Innergex has completed on January, 28, 2022 the acquisition of the 50.6 MW San Andrés solar farm in Chile ("San Andrés"). The facility, commissioned in 2014, is located in the Atacama Desert in northern Chile. San Andrés was acquired for a total consideration of US\$25,772 (\$32,730), net of cash acquired. The facility is expected to produce a gross long-term average of approximately 118.9 GWh per year.

Acquisition of Aela Generación S.A. and Aela Energía SpA

On February 3, 2022, Innergex has entered into an agreement to acquire 100% of the ordinary shares of Aela Generación S.A. and Aela Energía SpA (together "Aela"), a 332 MW portfolio of three newly-built operating wind assets in Chile, for a purchase price of US\$685,528 (\$870,621), including the assumption of US\$385,528 (\$489,621) of existing debt, subject to customary closing adjustments. This acquisition is expected to be completed in Q2 2022.

On February 10, 2022, Innergex has entered into two foreign exchange forward contracts with an aggregate notional amount of US\$100,000 (\$126,805) to manage its exposure to exchange rate fluctuations related to the purchase price. In addition, in order to manage its exposure to the risk of increasing interest rates on a portion of the expected refinancing of the non-recourse debt assumed in the acquisition and at Innergex's existing Chilean projects, Innergex has entered into two forward start interest rate swaps on February 17 and February 18, 2022, respectively, with an aggregate notional amount of US\$172,824 (\$219,106).

Closing of equity offering

As part of the public offering closed on February 22, 2022 the Corporation issued 9,718,650 common shares at a price of \$17.75 for cash proceeds of \$172,506. Concurrently with the closing of the public offering, Hydro-Québec subscribed 2,100,000 common shares of the Corporation for cash proceeds of \$37,275.

SHAREHOLDER INFORMATION

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Common Shares - TSX: INE

Innergex Renewable Energy Inc. had 192,493,999 common shares outstanding as at December 31, 2021, with a closing price of \$18.60 per share.

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

Innergex Renewable Energy Inc. currently has 3,400,000 Series A preferred shares outstanding, with a nominal value of \$25 and a fixed cumulative preferential annual cash dividend of \$0.8110 per share, payable quarterly on the 15th day of January, April, July and October. Series A preferred shares are redeemable by the Corporation since January 15, 2021.

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

Innergex Renewable Energy Inc. currently has 2,000,000 Series C preferred shares outstanding, with a nominal value of \$25 and a fixed-rate cumulative preferential annual cash dividend of \$1.4375 per share, payable quarterly on the 15th day of January, April, July and October. Series C preferred shares are redeemable by the Corporation since January 15, 2018.

Convertible Debentures - TSX: INE.DB.B

Innergex Renewable Energy Inc. currently has convertible debentures outstanding for an aggregate principal amount of \$148.0 million, bearing interest at a rate of 4.75% per annum, payable semi-annually on June 30 and December 31 of each year, commencing on December 31, 2018. The debentures are convertible at the holder's option into Innergex common shares at a conversion price of \$20.00 per share, representing a conversion rate of 50 common shares per each thousand dollars of principal amount of debentures. The debentures will mature on June 30, 2025 and are redeemable since June 30, 2021.

Convertible Debentures - TSX: INE.DB.C

Innergex Renewable Energy Inc. currently has convertible debentures outstanding for an aggregate principal amount of \$142.1 million, bearing interest at a rate of 4.65% per annum, payable semi-annually on October 31 and April 30 of each year, commencing on April 30, 2020. The debentures are convertible at the holder's option into Innergex common shares at a conversion price of \$22.90 per share, representing a conversion rate of 43.6681 common shares per each thousand dollars of principal amount of debentures. The debentures will mature on October 31, 2026 and will not be redeemable before October 31, 2022.

Credit Rating by Fitch Rating

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

Dividend Reinvestment Plan (DRIP)

Innergex Renewable Energy Inc. offers a Dividend Reinvestment Plan (DRIP) for its shareholders of common shares. This plan enables eligible holders of common shares to acquire additional common shares of the Corporation by reinvesting all or part of their cash dividends. For more information about the Corporation's DRIP, please visit our website at innergex.com or contact the DRIP administrator: Computershare Trust Company of Canada. Please note that if you wish to enrol in the DRIP but own your shares indirectly through a broker or financial institution, you must contact this intermediary and ask them to enrol in the DRIP on your behalf.

Independent Auditor

KPMG LLP

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