INNERGEX

Q1

Quarterly Report

First Quarter - 2023

For the Period Ended March 31, 2023

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

For more than 30 years, 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.

KEY FIGURES

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

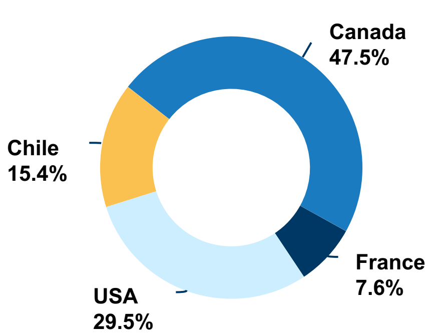
These indicators are not recognized measures under IFRS, have no standardized meaning prescribed by IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section for more information.

Production KPIs	Financial KPIs
Production in comparison with Long-Term Average ("LTA") in megawatt/hours ("MWh") and gigawatt/hours ("GWh")	Revenues and Production Tax Credits and Revenues and Production Tax Credits Proportionate
Production and Production Proportionate	Adjusted EBITDA and Adjusted EBITDA Proportionate
	Adjusted Net Earnings (Loss)
	Free Cash Flow
	Payout Ratio

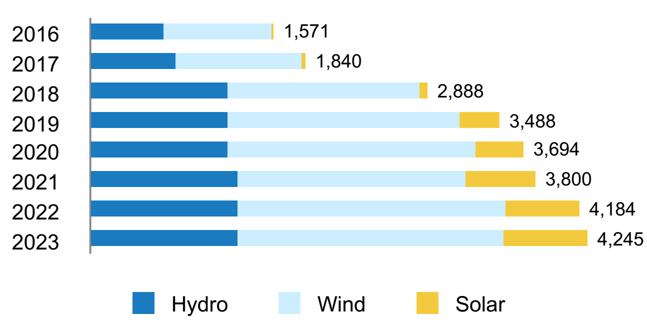
Operational Key Performance Indicators

As at May 9, 2023, the Corporation has four geographic segments and three operating segments.

Gross Installed Capacity by Country



Gross Installed Capacity by Source of Energy (MW)



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, 35 wind facilities, 11 solar facilities and 1 battery energy storage facility. The expertise and innovation developed by our skilled team in various energies and different locations can be leveraged and shared across the Corporation to maximize returns from our high-quality assets.

Progressing with the Strategic Plan 2020-2025

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 asset mix within its existing target markets

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.

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 May 9, 2023, the Corporation owns and operates 87 facilities in commercial operation (the “Operating Facilities”). Commissioned between 1986 and July 2022, the facilities have a weighted average age of approximately 10.1 years.

They mostly sell the generated power under long-term power purchase agreements, power hedge contracts[1] and short- and long-term industrial contracts (each, a “PPA”) to rated public utilities or other creditworthy counterparties, or on the open market. The PPAs have a weighted average remaining life of 13.0 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 power distribution companies and industrial customers, or on the open market. Please refer to the "Business Environment - Inflation" section of this MD&A for a discussion regarding inflation.

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

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

The table below outlines Operating Facilities and Development Projects as at May 9, 2023.

	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	3	324	52	324	45	—	—
United States	8	1	714	330	714	330	—	—
Chile	3	—	332	—	332	—	—	—
Subtotal	35	4	2,278	382	2,084	375	—	—
SOLAR								
Canada	4	—	90	—	90	—	—	—
United States	4	3	467	245	466	245	—	180 [5]
Chile	3	—	153	—	137	—	150 [4]	—
Subtotal	11	3	709	245	693	245	150	180
STORAGE								
France	1	—	—	—	—	—	9	—
Chile	—	2	—	—	—	—	—	425 [6]
Subtotal	1	2	—	—	—	—	9	425
Total	87	12	4,245	747	3,696	709	159	605

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 (30 MW/120 MWh (4 hours)) and Paeahu (15 MW/60 MWh (4 hours)) solar projects.
6. Salvador battery storage capacity of 50 MW/250 MWh (5 hours) and San Andrés battery storage capacity of 35 MW/175 MWh (5 hours).

More information on the Corporation's Prospective Projects is available in the "Prospective Projects" section of the Management's Discussion and Analysis.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") is a discussion of the operating results, cash flows and financial position of Innergex Renewable Energy Inc. ("Innergex" or the "Corporation") for the three months ended March 31, 2023, and reflects all material events up to May 9, 2023, the date on which this MD&A was approved by the Corporation's Board of Directors.

The MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements and the accompanying notes for the three months ended March 31, 2023.

The unaudited condensed interim consolidated financial statements attached to this MD&A and the accompanying notes for the three months ended March 31, 2023, along with the 2022 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 | First Quarter 2023 – Growth Initiatives

On January 18, 2023, Innergex reached another milestone in the development of its 330 MW Boswell Springs wind project. The conditions precedent to the thirty-year power purchase agreement with PacifiCorp were met. Total construction costs of the Boswell Springs wind project are expected to amount to US$544 million ($728.2 million). The financing and tax equity investment process is progressing well, and on-site construction activities will ramp up in Q2 2023.

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

On March 15, 2023, Innergex and Mi'gmawei Mawiomi Business Corporation announced that their 102 MW Mesgi'g Ugju's'n 2 ("MU2") wind project had been selected in Hydro-Québec's Request for Proposals. Its commissioning is scheduled for 2026, and the power purchase agreement, to be concluded with Hydro-Québec, is expected to be structured as a 30-year "take-or-pay" contract indexed to inflation. Project costs are estimated at approximately $277.4 million, which are expected to be financed with approximately 75% to 80% of long-term, non-recourse project debt. The remaining portion will be funded by sponsor equity to be shared equally among the partners.

1- HIGHLIGHTS | First Quarter 2023 – Selected Information

	Three months ended March 31	
	2023	2022
OPERATING RESULTS		
Production (MWh)	2,312,655	2,304,600
Revenues and Production Tax Credits	218,328	207,770
Operating Income	65,538	69,342
Adjusted EBITDA[1]	145,100	149,843
Net Loss	(13,036)	(34,930)
Adjusted Net Loss[1]	(13,914)	(2,336)
PROPORTIONATE		
Production Proportionate (MWh)[1]	2,359,970	2,358,027
Revenues and Production Tax Credits Proportionate[1]	224,455	216,116
Adjusted EBITDA Proportionate[1]	148,443	155,181
COMMON SHARES		
Dividends declared on Common Shares	36,749	36,733
Dividends declared on Series A Preferred Shares	689	689
Dividends declared on Series C Preferred Shares	719	719
Weighted Average Number of Common Shares (in 000s)	203,564	196,690

	Trailing twelve months ended March 31	
	2023	2022
CASH FLOW AND PAYOUT RATIO		
Cash Flow From Operating Activities[2]	398,690	290,386
Free Cash Flow[1,2]	135,686	155,046
Payout Ratio[1,2]	108 %	89 %

	As at	
FINANCIAL POSITION	March 31, 2023	December 31, 2022
Total Assets	8,795,375	8,602,427
Total Liabilities	7,397,779	7,116,000
Equity Attributable to Owners	1,239,824	1,316,195
Non-Controlling Interests	157,772	170,232

1. These measures are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Production and Production Proportionate are key performance indicators for the Corporation that cannot be reconciled with an IFRS measure. Please refer to Section 5- Non-IFRS Measures of this MD&A for more information.
2. For more information on the calculation and explanation, please refer to Section 4- CAPITAL AND LIQUIDITY | Free Cash Flow and Payout Ratio of this MD&A.

1- HIGHLIGHTS | First Quarter 2023 – Operating Performance

The Corporation was able to post revenues growth in the first quarter of 2023 despite exceptional unfavourable weather conditions impacting overall results and production mostly at hydro facilities in British Columbia and at the wind facilities in Quebec. Historical trends clearly demonstrate the singularity of the weather conditions experienced in the past few quarters in British Columbia, leading to the conclusion that better resource trends could be experienced again in the near future. In the meantime, the operations team continues to deploy initiatives to increase equipment availability and be more efficient in capturing all of the facilities' production potential. US and Quebec hydro facilities posted solid production in the quarter, as did the French and US wind facilities. Quarterly results were also positively impacted by the recent acquisition of three solar facilities in northern Ontario in Q1 2023, which added 60 MW of installed capacity to Innergex's portfolio, as well as from the acquisition of the Aela wind facilities completed in Q2 2022 in Chile. These acquisitions will support the Corporation towards the financial growth objectives laid in its Strategic Plan.

The Corporation's development activities continue to advance. In the United States, construction at the 330 MW Boswell Springs wind project in Wyoming progresses and the conditions precedent to its 30-year power purchase agreement were met in the quarter. The Ohio Power Siting Board Staff Report of Investigation approved the Certificate of Environmental Compatibility and Public Need for the Palomino solar project. Three other large projects in the United States are at an advanced stage with promising outcomes in the states of Colorado, Texas and Washington. In Hawaii, the Hale Kuawehi project is awaiting the approval of the revised PPA agreement by the Public Utility Commission and the prospective 20 MW Kahana solar and battery energy storage project was sold in the second quarter of 2023 allowing the Corporation to recoup its investment and potentially earning contingent payments should the project reach certain milestones in the future. This transaction allowed Innergex to refocus its resources on its other projects in development. In Canada, the outlook is very promising for the industry, especially with the Federal government's announcement to provide over $48 billion in support for clean electricity through investment tax credits ("ITCs"), options for low-cost financing and targeted investments and programs. The projects lined up by Innergex are strong and the teams are ready to submit them in future Request for Proposals ("RFPs") processes in Quebec and other provinces. During the quarter, the Mesgi'g Ugju's'n 2 ("MU2") wind project was selected by Hydro-Québec in a RFP and signature of the power purchase agreement is expected in Q2 2023. The Canadian market will remain a core market for Innergex in which it intends to maintain a leadership position. After a few years of active development work in France, nine projects for a total of 226 MW, are now at an advanced development stage with high achievement probability. Finally, the Chilean team is focused on integrating recent acquisitions and advancing two battery energy storage projects expected to be commissioned by the end of the year. Development opportunities are still sought after as Innergex solidifies its independent power producer leadership position in the market.

For the three months ended March 31, 2023, **Revenues and Production Tax Credits** were up 5% to $218.3 million compared with the same period last year. The **hydroelectric** power generation segment recorded a decrease in revenues mainly attributable to the exceptionally low production at the facilities in British Columbia due to drier weather and the BC Hydro Curtailment Payment received in the first quarter of 2022, partly offset by the higher generation at the Curtis Palmer facilities and the higher spot prices from the Chilean facilities. The increase in revenues in the **wind** power generation segment, compared with the same period last year, is mainly due to the acquisition of the Aela wind farms on June 9, 2022, higher production from the US facilities and the impact from higher production and the new PPAs in place at facilities in France. The increase was partly offset by lower production from the facilities in Quebec. The decrease in revenues from the **solar** power generation segment, compared with the same period last year, was mostly due to lower irradiation, economic curtailment and lower selling prices at the Phoebe, Salvador and San Andrés facilities, partly offset by the acquisition of the Sault Ste. Marie facilities on March 9, 2023. Revenues and Production Tax Credits Proportionate[1] were up 4% at $224.5 million compared with the same period last year.

For the three months ended March 31, 2023, **Operating, general, administrative and prospective projects expenses** were up 30% to $75.5 million compared with the same period last year. The **hydroelectric** power generation segment recorded a decrease in expenses due to lower maintenance costs at some facilities in British Columbia. In the **wind** power generation segment, these expenses increased due mainly to the acquisition of the Aela wind farms and the impact of the 2022 Supplementary Budget Act in France. The decrease in the **solar** power generation segment is mainly explained by lower operating expenses at the Chilean facilities due to the change in regulation consequently reducing the transmission toll expenses.

As a result of the factors explained above, Adjusted EBITDA[1] was 3% lower at $145.1 million for the three months ended March 31, 2023 and Adjusted EBITDA Proportionate[1] was 4% lower at $148.4 million, compared with the same period last year.

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[1] These measures are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the Section 5- Non-IFRS Measures of this MD&A for more information.

Innergex recorded a net loss of $13.0 million ($0.08 net loss per share - basic and diluted) for the three months ended March 31, 2023, compared with a net loss of $34.9 million ($0.18 net loss per share - basic and diluted) for the corresponding period in 2022. In addition to the hydroelectric, wind and solar segments' respective operating performance previously discussed, the decrease in net loss is largely explained by a favourable $42.4 million change in the fair value of financial instruments, mainly related to the decrease in the merchant power curves for the Phoebe power hedge and by a $7.4 million increase in the recovery of income tax mainly due to deferred tax assets recorded in Chile and a decrease in tax attributes allocated to tax equity investors pertaining to ITCs. These items were partly offset by an $18.4 million increase in finance costs mainly related to the Aela Acquisition in the second quarter of 2022 and the subsequent refinancing of the non-recourse debt in Chile.

1- HIGHLIGHTS | First Quarter 2023 – Capital and Resources

The increase in total assets results largely from the assets acquired following the Sault Ste. Marie Acquisition and from the construction activities on the Hale Kuawehi, Boswell Springs and Salvador and San Andrés battery storage projects. These items were partly offset by depreciation and amortization and the safe harbor solar modules sale during the quarter.

The increase in total liabilities results largely from the increase in the long-term loans and borrowings stemming from the Sault Ste. Marie Acquisition and from drawing the remaining funds available from the Green Bonds to complete the construction of the Salvador battery energy storage project in Chile and the remaining availability on the Alterra loans' delayed-draw facility.

The decrease in equity attributable to owners results largely from the total comprehensive loss, the dividends declared on common and preferred shares and the distributions to non-controlling interests.

The decrease in cash flows from operating activities before changes in non-cash operating working capital items for the three months ended March 31, 2023, is mainly due to the increase in finance costs paid relative to the timing of interest payments for certain BC project debts in Q1 2023, and to the Aela Acquisition in Q2 2022 and the subsequent refinancing of the non-recourse debt in Chile in early Q3 2022. For the trailing twelve months ended March 31, 2023, Free Cash Flow[1] was impacted by a decrease in cash flows from operating activities before changes in non-cash operating working capital items stemming from the exceptionally low production in British Columbia in Q4 2022 and Q1 2023 due to drier weather, and the BC Hydro Curtailment Payment received in Q1 2022, an increase in the interest paid mainly stemming from the Aela Acquisition in Q2 2022 and the subsequent refinancing of the non-recourse debt in Chile in early Q3 2022, from the recent Sault Ste. Marie, Mountain Air and French acquisitions, and from the construction activities partly offset by a decrease in Free Cash Flow attributed to non-controlling interests.

1- HIGHLIGHTS | Subsequent Events

Financing of the San Andrés Battery Energy Storage project

On April 21, 2023, the Corporation announced the closing of a US$49.5 million ($66.7 million) non-recourse construction financing for the San Andrés battery energy storage project. The construction bridge loan is expected to be repaid with the proceeds from a future long-term non-recourse financing after the facility reaches commercial operation. The remaining US$12.4 million ($16.7 million) will be financed from Innergex's revolving credit facilities.

Termination of certain BESS supply agreements in Hawaii

On April 1, 2023, the battery energy storage systems ("BESS") supply agreements for the Paeahu, Kahana and Barbers Point Hawaiian solar energy and battery storage projects were terminated, while remaining in effect for the Hale Kuawehi project. As part of the settlement, Innergex will receive payments totalling US$13.3 million ($18.0 million) in the second quarter of 2023. No significant income or expense were recognized pursuant to this transaction.

Sale of the Kahana solar energy and battery storage project

On April 19, 2023, Innergex disposed of the Kahana solar energy and battery storage project for a nominal amount, thereby recouping its investment and potentially earning contingent payments should the project reach certain milestones in the future. No significant income or expense were recognized pursuant to this transaction.

Increase of the EDC letter of credit facility

On April 12, 2023, the Corporation increased its existing letter of credit facility guaranteed by Export Development Canada ("EDC") up to an amount of $200.0 million, an increase of $50.0 million from 2022.

[1] These measures are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the Section 5- Non-IFRS Measures of this MD&A for more information.

2- OVERVIEW OF OPERATIONS | Business Environment

Seasonality of Operations

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

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

	Consolidated LTA and Quarterly Seasonality[1]									
In GWh and %	Q1		Q2		Q3		Q4		Total	
HYDRO	538	14 %	1,256	33 %	1,219	32 %	824	21 %	3,837	32 %
WIND	1,792	28 %	1,569	24 %	1,355	21 %	1,766	27 %	6,482	54 %
SOLAR	340	21 %	469	29 %	472	29 %	322	20 %	1,603	13 %
Total	2,670	22 %	3,294	28 %	3,046	26 %	2,912	24 %	11,922	100 %

1. The consolidated long-term average production is the annualized LTA for the facilities in operation as at May 9, 2023. The LTA is presented in accordance with revenue recognition accounting rules under IFRS and excludes production from facilities that are accounted for using the equity method. Production in comparison to the LTA is a key performance indicator for the Corporation. For more information, please refer to the Key Figures section of this MD&A.

Inflation

In the wake of the global pandemic and the current geopolitical context, the geographic segments in which Innergex operates have been impacted by rising inflation pressure as a result of increased consumer spending, labour shortages and worldwide supply chain disruptions. The Corporation's operating facilities have shown resiliency toward inflation as most of its long-term PPAs contain partial or full indexation clauses that annually adjust for the effects of inflation. This also applies to Innergex's development and construction projects, except for certain projects for which PPA repricing discussions are currently taking place (please refer to the "Construction Activities" and "Development Activities" sections of this MD&A for more information). As such, inflation pressures on the Corporation's operating, general and administrative expenses and construction costs are generally absorbed by higher revenues.

Interest rate

Interest rate fluctuations are of particular concern to a capital-intensive industry such as the electric power business. The Corporation generally uses a high proportion of long-term loans and borrowings to finance the capital requirements of its facilities. The Corporation’s is exposed to interest rate risk principally through floating-rate long-term loans and borrowings. It mitigates this risk by entering into fixed-rate financing agreements or interest rate swap agreements concurrently with entering into floating-rate loan facilities, typically with matching notional and amortization periods. As at March 31, 2023, approximately 7.7% of the Corporation's total long-term loans and borrowings was exposed to interest rate fluctuations. The Corporation's long-term loans and borrowings have a weighted-average maturity of 12.9 years, therefore near-term fluctuations in interest rates have a limited effect on the Corporation's future cash flows.

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

2- OVERVIEW OF OPERATIONS | Operating Facilities

Energy segment	Location	Three months ended March 31, 2023		Three months ended March 31, 2022		Twelve months Production % change
		Production (MWh)	Production as a % of LTA	Production (MWh)	Production as a % of LTA	
HYDRO	Quebec	131,827	106 %	129,667	104 %	2 %
	Ontario	23,604	97 %	23,680	97 %	— %
	British Columbia	105,528	49 %	171,175	80 %	(38)%
	United States	118,506	118 %	99,932	99 %	19 %
	Chile	59,801	79 %	50,469	66 %	18 %
	Subtotal	**439,266**	**82 %**	**474,923**	**88 %**	**(8)%**
WIND	Quebec	519,748	75 %	704,246	102 %	(26)%
	France	239,022	103 %	207,857	90 %	15 %
	United States	721,756	110 %	650,958	100 %	11 %
	Chile[4]	157,347	74 %	—	— %	— %
	Subtotal	**1,637,873**	**91 %**	**1,563,061**	**99 %**	**5 %**
SOLAR	Ontario	12,540	94 %	6,030	87 %	108 %
	United States	149,296	67 %	183,401	82 %	(19)%
	Chile[3]	73,680	73 %	77,185	89 %	(5)%
	Subtotal	**235,516**	**70 %**	**266,616**	**84 %**	**(12)%**
TOTAL PRODUCTION[1]		**2,312,655**	**87 %**	**2,304,600**	**95 %**	**— %**
Innergex's share of production of joint venture and associates		47,315	98 %	53,427	111 %	(11)%
PRODUCTION PROPORTIONATE[1,2]		**2,359,970**	**87 %**	**2,358,027**	**95 %**	**— %**

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 Shannon joint venture facility from April 1, 2021, onward were excluded due to the project's assets and liabilities being classified as disposal group held for sale, until its sale on March 4, 2022.
3. The San Andrés Acquisition was completed on January 28, 2022.
4. The Aela Acquisition was completed on June 9, 2022.

Production for the three months ended March 31, 2023, was 87% of LTA. The result is mostly explained by exceptionally low water flows at the facilities in British Columbia combined with below-average wind regimes in Quebec and in Chile, lower irradiation and economic curtailment at the Phoebe facility in Texas and at the Salvador and San Andrés facilities in Chile. These items were partly offset by higher production from the Quebec and USA hydro facilities and the France and USA wind facilities. Innergex's share of production of joint ventures and associates was 98% of LTA, translating into a Production Proportionate at 87% of LTA.

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

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	2024
Innavik (QC, Canada)	Hydro	50	7.5	54.7	40	2023
Boswell Springs (Wyoming, U.S.)	Wind	100	329.8	1,262.0	30	2024
Salvador Battery Storage (Chile)	Storage	100	Note [4]	—	—	2023
San Andrés Battery Storage (Chile)	Storage	100	Note [5]	—	—	2023

1. This information is intended to inform readers of the projects' potential impact on the Corporation's results. Actual results may vary. These estimates are up-to-date as at the date of this MD&A.
2. Solar project with a battery storage capacity of 30 MW/120 MWh (4 hours).
3. PPA is a fixed lump sum capacity payment for the availability of dispatchable energy.
4. Battery storage capacity of 50 MW/250 MWh (5 hours).
5. Battery storage capacity of 35 MW/175 MWh (5 hours).

Updated status for the following projects:

Hale Kuawehi:
- Limited construction activities resumed and PPA repricing was agreed upon.
- Tesla BESS supply amendment executed, guaranteeing all components delivered by Q4 2023.
- An amendment to the PPA was executed with HECO, the local utility, and was submitted to the Public Utility Commission (PUC) for approval.
- Permits for substation and switchyard approved in Q4 2022. Permit for transmission line and photovoltaic ("PV") structural permit were approved in Q1 2023.
- Project COD expected in Q3 2024.

Innavik:
- Construction of the civil structures is almost completed, with the only remaining item to be completed being to close the derivation structure in order to raise the water level in the upstream headpond.
- Construction is expected to resume in early Q2 2023.
- The contractor has registered a legal hypothec in Q1 2023 claiming for payment of additional costs. The Corporation is disputing that claim but nevertheless, agreed to continue working to complete the project.
- Project COD expected in Q3 2023.

Boswell Springs
- PPA approval from Wyoming PUC was obtained and PPA with PacifiCorp is effective since January 2023.
- Engineering, Procurement and Construction Agreement signed in Q1 2023.
- Financial close is progressing and expected in Q2 2023.
- Project COD expected in Q4 2024.

Salvador Battery Storage
- Electrical works, interconnections, equipment delivery and installation will continue until Q2 2023.
- Mitsubishi will supply 6 additional containers at zero cost to the Corporation to supplement any potential shortfall in energy capacity due to the current supplier delay.
- Project COD expected in Q3 2023.

San Andrés Battery Storage
- Earthworks completed in Q1 2023.
- Precast foundations installation under way until Q2 2023.
- Switchgear received in Q1 2023.
- Equipment delivery and installation starting in Q2 2023.
- Financial close completed in early Q2 2023.
- Project COD expected in Q4 2023.

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

2- OVERVIEW OF OPERATIONS | Development Activities

Innergex owns a portfolio of projects in the development stage with a gross installed capacity of approximately 480.9 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]	— [3]
Rucacura (Chile)	Hydro	3.0	— [1]	2025
Lazenay (France)	Wind	9.0	— [1]	2024
Auxy Bois Régnier (France)	Wind	29.4	20	2025
Montjean 2 (France)	Wind	13.5	20	2028
Paeahu (Hawaii, U.S.)	Solar	15.0 [2]	25	— [3]
Palomino (Ohio, U.S.)	Solar	200.0	—	2025
Mesgi'g Ugju's'n 2 (Canada)	Wind	102.0	—	2026

1. Power to be sold on the open market or through PPAs yet to be signed.
2. Solar project with a battery storage capacity of 15 MW/60 MWh (4 hours).
3. Project schedule under revision.

Updated status from the previous quarter for the following projects:

Frontera
- Transmission line layout under review.

Rucacura
- Electromechanical equipment under negotiation with various suppliers.

Lazenay
- Easement contract signature underway, to be completed in Q3 2023.
- Wind turbine model has been selected and contract is under review.

Auxy Bois Régnier
- Appeal still in progress and interconnection expected for Q1 2025.

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

Paeahu
- The Corporation will be submitting a PPA price increase and an updated construction schedule to the utility for consideration, pending a positive ruling on the contested case for the PUC.

Palomino
- Commercial discussions are ongoing with multiple interested offtakers.
- Interconnection study continues and is expected to be completed in Q2 2023.
- Certificate of Environmental Compatibility and Public Need obtained.

Mesgi'g Ugju's'n 2 (MU2)
- Signature of PPA with Hydro-Québec expected in Q2 2023.
- Negotiations are under way with turbine manufacturers.
- Environmental impact study has been submitted for approval.

San Andrés Battery Storage
- Project has moved from project under development to project under construction.

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

2- OVERVIEW OF OPERATIONS | Prospective Projects

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

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

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

	Early Stage		Mid Stage		Advanced Stage		Total Capacity[1] (in MW)	Total number of projects
	Capacity[1] (in MW)	Number of projects	Capacity[1] (in MW)	Number of projects	Capacity[1] (in MW)	Number of projects		
CANADA								
Hydro	500	15	—	—	—	—	500	15
Solar	280	5	—	—	—	—	280	5
Wind	2,623	11	2,550	7	—	—	5,173	18
Storage	111	1	—	—	—	—	111	1
Subtotal	3,514	32	2,550	7	—	—	6,064	39
UNITED STATES								
Solar	572	6	300	1	685	4	1,557	11
Wind	—	—	400	1	—	—	400	1
Green hydrogen[2]	5	1	—	—	—	—	5	1
Subtotal	577	7	700	2	685	4	1,962	13
FRANCE								
Solar	34	3	—	—	85	1	119	4
Wind	21	1	116	7	141	8	278	16
Subtotal	55	4	116	7	226	9	397	20
CHILE								
Hydro	29	2	—	—	154	1	183	3
Solar	32	1	—	—	—	—	32	1
Wind	245	2	—	—	—	—	245	2
Subtotal	306	5	—	—	154	1	460	6
Total	4,452	48	3,366	16	1,065	14	8,883	78
Change from Q4 2022	+52	(2)	+158	+2	(28)	(1)	+182	(1)

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.

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

Compared to Q4 2022, one new project in France was added to the Early Stage and one project was abandoned. Two existing projects in the Early Stage, one in Canada and one Chile, saw an increase in capacity and one project, in France, saw a decrease in capacity. One project in Canada was moved from Early Stage to Mid Stage and one from Early Stage to Project Under Development (MU2). One new project in France was added in the Mid Stage. Two projects in France saw their capacity reduced in Advanced Stage. One project in the Advanced Stage in the United States has been sold (the Kahana solar energy and battery storage project).

3- FINANCIAL PERFORMANCE AND OPERATING RESULTS

	Three months ended March 31			
	2023	2022	Change	
Revenues	197,399	188,723	8,676	5 %
Production Tax Credits	20,929	19,047	1,882	10 %
Revenues and Production Tax Credits	218,328	207,770	10,558	5 %
Operating expenses	51,246	40,038	11,208	28 %
General and administrative expenses	19,709	14,139	5,570	39 %
Prospective projects expenses	4,498	4,020	478	12 %
Depreciation and amortization	77,337	80,231	(2,894)	(4)%
Operating Income	65,538	69,342	(3,804)	(5)%
Finance costs	84,802	66,401	18,401	28 %
Other net (income) expenses	2,129	(1,082)	3,211	297 %
Share of (earnings) loss of joint ventures and associates[1]	4,673	2,208	2,465	112 %
Change in fair value of financial instruments	(1,881)	40,515	(42,396)	(105)%
Recovery of income tax	(11,149)	(3,770)	(7,379)	(196)%
Net earnings (loss)	(13,036)	(34,930)	21,894	63 %
(Net loss) earnings attributable to:				
Owners of the parent	(14,336)	(34,402)	20,066	58 %
Non-controlling interests	1,300	(528)	1,828	346 %
	(13,036)	(34,930)	21,894	63 %
Basic and diluted net loss per share from continuing operations attributable to owners ($)	(0.08)	(0.18)		

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

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

3- FINANCIAL PERFORMANCE AND OPERATING RESULTS | Hydroelectric Segment

	Three months ended March 31		
Hydroelectric Segment	2023	2022	Change
Production (MWh)	439,266	474,923	(8)%
LTA (MWh)	538,420	538,432	— %
LTA (%)	82 %	88 %	(8)%
Revenues	58,829	65,911	(11)%
Operating, general and administrative expenses	18,093	19,281	(6)%
Adjusted EBITDA[1]	40,736	46,630	(13)%
PROPORTIONATE[1]			
Production Proportionate (MWh)	454,750	489,568	(7)%
LTA Proportionate (%)	82 %	88 %	(7)%
Revenues Proportionate	60,461	69,142	(13)%
Adjusted EBITDA Proportionate	40,481	47,771	(15)%

1. These measures are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Production and Production Proportionate are key performance indicators for the Corporation that cannot be reconciled with an IFRS measure. Please refer to the Section 5- Non-IFRS Measures of this MD&A for more information.

For the three months ended March 31, 2023, the decrease of 11% in Revenues in the hydroelectric segment compared with the same period last year is mainly explained by exceptionally low production at the facilities in British Columbia from drier weather and the BC Hydro Curtailment Payment received in the first quarter of 2022 partly offset by the higher production at Curtis Palmer and the higher spot prices from the Chilean facilities. The decrease of 6% in Operating, general and administrative expenses is explained by lower maintenance costs at some facilities in British Columbia. As a result, Adjusted EBITDA[1] decreased by 13% to $40.7 million.

For the three months ended March 31, 2023, the decrease of 13% in Revenues Proportionate[1] in the hydroelectric segment mainly stems from the decrease in consolidated revenues and revenues from the joint ventures and associates due to exceptionally low production at the facilities in British Columbia from drier weather and the BC Hydro Curtailment Payment received in the first quarter of 2022. There were no significant impacts from joint ventures and associates on Operating, general and administrative expenses compared with the same period last year. As a result, Adjusted EBITDA Proportionate[1] decreased by 15% to $40.5 million.

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

3- FINANCIAL PERFORMANCE AND OPERATING RESULTS | Wind Segment

	Three months ended March 31		
Wind Segment	2023	2022	Change
Production (MWh)	1,637,873	1,563,061	5 %
LTA (MWh)	1,796,898	1,578,983	14 %
LTA (%)	91 %	99 %	5 %
Revenues and production tax credits	143,587	124,944	15 %
Operating, general and administrative expenses	30,106	16,421	83 %
Adjusted EBITDA[1]	113,481	108,523	5 %
PROPORTIONATE[1]			
Production Proportionate (MWh)	1,669,704	1,601,843	4 %
Revenues and Production Tax Credits Proportionate	148,082	130,059	14 %
LTA Proportionate (%)	91 %	99 %	4 %
Adjusted EBITDA Proportionate	117,079	112,720	4 %

1. These measures are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Production and Production Proportionate are key performance indicators for the Corporation that cannot be reconciled with an IFRS measure. Please refer to the Section 5- Non-IFRS Measures of this MD&A for more information.

For the three months ended March 31, 2023, Revenues increased by 15% in the wind power generation segment compared with the same period last year, mainly due to the Aela Acquisition on June 9, 2022, above-average wind regime from the United States facilities, and higher production and increased revenues from new PPAs in place at facilities in France. The increase was partly offset by lower production from the facilities in Quebec. The increase of 83% in Operating, general and administrative expenses is mainly explained by higher expenses following the Aela Acquisition and by the impact of the 2022 Supplementary Budget Act in France on French facilities. As a result, Adjusted EBITDA[1] increased by 5% to $113.5 million, compared with the same period last year.

For the three months ended March 31, 2023, the increase of 14% in Revenues Proportionate[1] mainly stems from the increase in consolidated revenues and from the joint ventures' and associates' Revenues, which increased compared to the same period last year due to higher production. There were no significant impacts from joint ventures and associates on Operating, general and administrative expenses compared with the same period last year. As a result, Adjusted EBITDA Proportionate[1] increased by 4% to $117.1 million.

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

3- FINANCIAL PERFORMANCE AND OPERATING RESULTS | Solar Segment

	Three months ended March 31		
Solar Segment	2023	2022	Change
Production (MWh)	235,516	266,616	(12)%
LTA (MWh)	335,632	316,715	6 %
LTA (%)	70 %	84 %	(12)%
Revenues	15,912	16,915	(6)%
Operating, general and administrative expenses	4,253	5,605	(24)%
Realized gain on power hedges	(2,225)	(270)	724 %
Adjusted EBITDA[1]	13,884	11,580	20 %
PROPORTIONATE[1]			
No proportionate measures for the solar segment			

1. These measures are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Production and Production Proportionate are key performance indicators for the Corporation that cannot be reconciled with an IFRS measure. Please refer to the Section 5- Non-IFRS Measures of this MD&A for more information.

For the three months ended March 31, 2023, Revenues decreased by 6% in the solar power generation segment compared with the same period last year, due mainly to lower irradiation, economic curtailment and lower selling prices at the Phoebe, Salvador and San Andrés facilities, partly offset by the Sault Ste. Marie Acquisition on March 9, 2023. The decrease of 24% in Operating, general and administrative expenses is explained mainly by lower operating expenses at the Chilean facilities due to the change in regulation consequently reducing the transmission toll expenses. As a result, Adjusted EBITDA[1] increased by 20% to $13.9 million, compared with the same period last year.

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

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

Net loss of $13.0 million ($0.08 net loss per share - basic and diluted) for the three months ended March 31, 2023, compared with net loss of $34.9 million ($0.18 net loss per share - basic and diluted) for the corresponding period in 2022.

In addition to the hydroelectric, wind and solar segments' respective operating performance previously discussed, the $21.9 million decrease in net loss mainly stems from:

- a favourable $42.4 million change in the fair value of financial instruments, mainly related to the decrease in the merchant power curves for the Phoebe power hedge; and
- a $7.4 million increase in the recovery of income tax mainly due to deferred tax assets recorded in Chile, and a decrease in tax attributes allocated to tax equity investors pertaining to ITCs.

These items were partly offset by:

- an $18.4 million increase in finance costs mainly related to the Aela Acquisition in the second quarter of 2022 and the subsequent refinancing of the non-recourse debt in Chile.

3- FINANCIAL PERFORMANCE ON OPERATING RESULTS | Adjusted Net Loss

The Adjusted Net Loss[1] seeks to provide a measure that eliminates the earnings impacts of certain derivative financial instruments and non-recurring events, which do not represent the Corporation's operating performance. Adjusted Net Loss[1] is not a recognized measure under IFRS, has no standardized meaning prescribed by IFRS and therefore may not be comparable with measures presented by other issuers. Please refer to the "Non-IFRS Measures" section for more information.

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

The table below shows a summary statement of Adjusted Net (Loss) Earnings[1] (Please refer to the Section 5- Non-IFRS Measures for a reconciliation to the Consolidated Statements of Earnings (Loss):

	Three months ended March 31	
	2023	2022
Revenues and production tax credits	218,328	207,770
Expenses:		
Operating	51,246	40,038
General and administrative	19,709	14,139
Prospective projects	4,498	4,020
Depreciation and amortization	77,337	80,231
Operating Income	65,538	69,342
Finance costs	84,802	66,401
Other net expenses (income)	2,162	(595)
Share of losses of joint ventures and associates	4,750	2,630
Realized gain on power hedges	(2,225)	(270)
Income tax (recovery) expense	(10,037)	3,512
Adjusted Net Loss[1]	(13,914)	(2,336)

1. Adjusted Net Loss is a not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the Section 5- Non-IFRS Measures for more information.

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

Adjusted Net Loss[1] of $13.9 million for the three months ended March 31, 2023, compared with an Adjusted Net Loss[1] of $2.3 million for the corresponding period in 2022.

The $11.6 million increase in Adjusted Net Loss[1] mainly stems from:

- an $18.4 million increase in finance costs mainly related to the Aela Acquisition in the second quarter of 2022 and the subsequent refinancing of the non-recourse debt in Chile.

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

- a $13.5 million increase in income tax recovery due mainly to deferred tax assets recorded in Chile, a decrease in the tax attributes being allocated to tax equity investors pertaining to ITCs, as well as higher expenses over additional revenues.

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

Attribution of earnings of $1.3 million to non-controlling interests for the three months ended March 31, 2023, compared with an attribution of loss of $0.5 million for the corresponding period in 2022.

The $1.8 million increase in earnings attributed to non-controlling interests is mainly due to:

- an increase in revenues mainly attributable to a higher production at Curtis Palmer; and
- a lower allocation of losses to the non-controlling interests of Harrison Hydro, largely due to a decrease in the inflation compensation interest on the real return bonds, compared with the same period last year.

These items were partly offset by:

- a decrease in revenues mainly attributable to exceptionally low production at the Kwoiek Creek and Mesgi'g Ugju's'n facilities due to weather conditions and maintenance; and
- no allocation of revenues to the non-controlling interests in Innergex Europe and Mountain Air in the first quarter of 2023 due to their acquisition in the fourth quarter of 2022.

4- CAPITAL AND LIQUIDITY | Capital Structure

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

As at	March 31, 2023	December 31, 2022
Equity[1]		
Common shares[2]	2,997,078	3,306,952
Preferred shares[3]	92,450	87,640
Non-controlling interests	157,772	170,232
	3,247,300	3,564,824
Long-term loans and borrowings[1]		
Corporate revolving credit facility	776,771	718,232
Other corporate debt	325,000	305,000
Project-level debt	4,291,868	4,088,456
Tax Equity financing	432,986	443,147
Convertible debentures	283,262	282,678
Deferred financing costs	(75,071)	(78,303)
	6,034,816	5,759,210
	9,282,116	9,324,034

1. Common and preferred shares are presented at their fair value as at March 31, 2023, and December 31, 2022, while non-controlling interests and long-term loans and borrowings are presented at their respective book value.
2. Consists of the number of common shares outstanding as at March 31, 2023, and December 31, 2022, multiplied by the prevailing share price of $14.68 (2022 - $16.20) at the close of markets.
3. Consists of the number of preferred shares outstanding as at March 31, 2023, and December 31, 2022, multiplied by the prevailing share price of $14.25 and $22.00 (2022 - $13.40 and $21.04), for the Series A and Series C preferred shares, respectively, at the close of markets.

Innergex's strategy in managing its capital is: (i) to develop or acquire high-quality renewable power production 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 lower share price. The preferred shares structure remained consistent compared to December 31, 2022 and the fair value was impacted by a higher preferred shares price. The decrease in non-controlling interests stems mainly from the distributions allocated to the non-controlling interests during the quarter.

The increase in long-term loans and borrowings is mainly due to the Sault Ste.Marie Acquisition, the net draws of the remaining funds available from the Chile Green Bonds to complete the construction of the Salvador battery energy storage project in Chile, and the net draws of the remaining availability on the Alterra loans' delayed-draw facility.

The effective all-in interest rate on the Corporation's long-term loans and borrowings was 5.17% as at March 31, 2023 (5.06% as at December 31, 2022).

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

Credit Agreements – Material Financial and Non-Financial Conditions

As at March 31, 2023, 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 Fitzsimmons Creek hydroelectric facility was in breach of its credit agreement. The $15.6 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 being provided to the facility lenders until this situation is resolved.

The Rutherford Creek hydroelectric facility was in breach of its credit agreement. The $1.6 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 being provided to the facility lenders until this situation is resolved.

4- CAPITAL AND LIQUIDITY | Tax Equity Financing

The Corporation owns equity interests in some facilities that are eligible for tax incentives available for renewable energy facilities in the United States. With its current portfolio of renewable energy facilities, Innergex cannot fully monetize such tax incentives. To take full advantage of these incentives, the Corporation partners with Tax Equity Investors ("TEI") who invest in these facilities in exchange for a share of the tax credits. The TEIs are allocated a portion of the renewable energy facilites' taxable income (losses), PTCs/ITCs produced and a portion of the cash generated by the facility until they achieve an agreed-upon after-tax investment return ("Flip Point"). After the Flip Point, TEIs will retain a lesser portion of the cash and the taxable income (losses) generated by the facility.

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

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

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

Inflation Reduction Act of 2022 (“IRA”)

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

As at March 31, 2023, facilities benefiting from the PTC program earn US$26/MWh generated, subject to annual CPI inflation adjustment. In addition, the current ITC rates represent 30% of allowable capital costs.

4- CAPITAL AND LIQUIDITY | Financial Position

As at	March 31, 2023	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	157,225	162,971
Restricted cash	73,023	54,670
Other current assets	269,615	250,301
Assets held for sale	—	59,217
Total current assets	499,863	527,159
Non-current assets		
Property, plant and equipment	6,389,915	6,212,371
Intangible assets	1,320,837	1,268,960
Investments in joint ventures and associates	124,362	135,786
Goodwill	157,192	139,676
Other non-current assets	303,206	318,475
Total non-current assets	8,295,512	8,075,268
Total assets	8,795,375	8,602,427
LIABILITIES		
Current liabilities	514,216	650,824
Non-current liabilities		
Long-term loans and borrowings	5,777,012	5,384,813
Other non-current liabilities	1,106,551	1,080,363
Total non-current liabilities	6,883,563	6,465,176
Total liabilities	7,397,779	7,116,000
SHAREHOLDERS' EQUITY		
Equity attributable to owners	1,239,824	1,316,195
Non-controlling interests	157,772	170,232
Total shareholders’ equity	1,397,596	1,486,427
	8,795,375	8,602,427

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

Working Capital Items

As at March 31, 2023, working capital[1] was negative at $14.4 million, from negative $123.7 million in 2022, mainly explained by:

- Current assets amounted to $499.9 million as at March 31, 2023, a decrease of $27.3 million compared with December 31, 2022, mainly due to the safe harbor solar modules, classified as held for sale in 2022, which were sold during the quarter, partly offset by an $18.4 million increase in restricted cash, attributable primarily to the increase in the debt service payment accounts of the Chilean facilities, and by the assets acquired as part of the Sault Ste. Marie Acquisition.

- Current liabilities amounted to $514.2 million as at March 31, 2023, a decrease of $136.6 million compared with December 31, 2022, mainly due to a $114.2 million decrease in the current portion of long-term loans and borrowings, which primarily relates to the classification of the $150.0 million subordinated unsecured term loan as non-current following its refinancing, partly offset by the classification of project loans as non-current following covenant breaches under the Fitzsimmons and Rutherford credit agreements and by the current portion of the debt assumed in the Sault Ste. Marie Acquisition. The decrease in current liabilities was also explained by a $13.8 million decrease in accounts payable mainly due to the timing of payment of fixed assets related to the construction of the Salvador and San Andrés Battery Storage projects.

- 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).

As at March 31, 2023, the Corporation had $950.0 million in revolving term credit facility and had drawn $776.8 million as cash advances, while $58.4 million had been used to issue letters of credit, leaving $114.8 million available. The Corporation considers its current level of working capital[1] and revolving term credit facility availability to be sufficient to meet its needs.

Non-Current Assets

Non-current assets amounted to $8,295.5 million as at March 31, 2023, an increase of $220.2 million compared with December 31, 2022. The increase is mainly due to an aggregate addition of $197.7 million to property, plant and equipment and intangible assets as part of the Sault Ste. Marie acquisition. Moreover, the construction and development activities also contributed to an increase in property, plant and equipment and project development costs by an aggregate amount of $84.5 million. In addition, the increase is also explained by a downward shift in interest rate curves, which contributed to the increase of the asset retirement obligations included in property, plant and equipment and by a weakening of the Canadian dollar against the United States dollar and the Euro.

These items were partly offset by depreciation and amortization of $77.3 million and by an unfavourable impact of Derivative financial instruments on non-current assets (please refer to the "Financial Position – Derivative Financial Instruments and Risk Management" subsection below for more information).

Non-Current Liabilities

Non-current liabilities amounted to $6,883.6 million as at March 31, 2023, an increase of $418.4 million compared with December 31, 2022. The increase is mainly due to a $392.2 million increase in the non-current portion of long-term loans and borrowings, stemming from the Sault Ste. Marie Acquisition, the classification of the $150.0 million subordinated unsecured term loan as non-current following its refinancing, and from drawing the remaining funds available from the Green Bonds to complete the construction of the Salvador Battery Energy Storage project in Chile and the remaining availability on the Alterra loans' delayed-draw facility. A downward shift in interest rate curves also contributed to the increase of the asset retirement obligations.

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

These items were partly offset by the classification of project loans as current following the breaches under the Fitzsimmons and Rutherford credit agreements and the scheduled principal repayments of long-term loans and borrowings.

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

Shareholders' Equity

As at March 31, 2023, Shareholders' equity decreased by $88.8 million compared with December 31, 2022, mainly attributable to the total comprehensive loss of $37.9 million, to the dividends declared on common and preferred shares totalling $38.2 million and to the distributions to non-controlling interests totalling $13.4 million.

Derivative Financial Instruments and Risk Management

The Corporation uses derivative financial instruments ("derivatives") to manage its exposure to the risk of increasing interest rates on its debt financing, to manage its exposure to exchange rate fluctuations on the future repatriation of cash flows from its French operations, and to reduce exposure to the risk of decreasing power prices.

The aggregate fair value of derivative financial instruments amounted to a net asset of $0.7 million as at March 31, 2023, from a net asset of $25.3 million as at December 31, 2022. The unfavourable change relates mainly to the interest hedging derivatives, unfavourably impacted by a downward shift in the interest rate curves.

Off-Balance-Sheet Arrangements

As at March 31, 2023, the Corporation had issued letters of credit totalling $402.9 million, including $58.4 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 $55.9 million in corporate guarantees used mainly to guarantee certain activities of prospective projects. The corporate guarantees were also used to support the long-term currency hedging instruments of its operations in France, payment security related to its development activities in Hawaii, 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 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 | Contingencies

Innavik EPC Agreement

On January 25, 2023, a legal hypothec was registered by the contractor against the Innavik hydroelectric project ("Innavik" or "the project"), a joint venture company, in the amount of $57.8 million, representing the contractor's claim for payment of additional costs under the engineering, procurement and construction ("EPC") Agreement with Innavik. The Corporation disputes that claim in good faith and has taken legal action to cause the legal hypothec to be removed from title. As at December 31, 2022, while continuing to dispute the claim, the project recognized a provision for construction cost overruns, estimated based on a range of possible outcomes that are materially lower than the amounts claimed by the contractor.

4- CAPITAL AND LIQUIDITY | Cash Flows

	Three months ended March 31	
	2023	2022
OPERATING ACTIVITIES		
Cash flows from operating activities	53,305	84,858
FINANCING ACTIVITIES		
Cash flows from financing activities	60,586	3,918
INVESTING ACTIVITIES		
Cash flows used in investing activities	(120,498)	(50,270)
Effects of exchange rate changes on cash and cash equivalents	861	(3,235)
Net change in cash and cash equivalents	(5,746)	35,271
Cash and cash equivalents, beginning of period	162,971	166,266
Cash and cash equivalents, end of period	157,225	201,537

Cash Flows from Operating Activities

For the three months ended March 31, 2023, cash flows from operating activities totalled $53.3 million, compared with $84.9 million in the same period last year. In addition to the hydroelectric, wind and solar segments' respective operating performance previously discussed, the decrease relates primarily to the increase in finance costs paid relative to the timing of interest payments for certain BC project debts in Q1 2023, and to the Aela Acquisition in Q2 2022 and the subsequent refinancing of the non-recourse debt in Chile in early Q3 2022. The decrease was partly offset by the contribution to cash flows from operating activities stemming from the Aela and Sault Ste. Marie acquisitions.

Cash Flows from Financing Activities

For the three months ended March 31, 2023, cash flows from financing activities totalled $60.6 million, compared with $3.9 million in the same period last year. The increase stems mainly from net draws of $115.7 million in 2023, mainly explained by net draws of the remaining funds available from the Green Bonds to complete the construction of the Salvador Battery Energy Storage project in Chile, the Sault Ste. Marie Acquisition and the net draws of the remaining availability on the Alterra loans' delayed-draw facility. This compares to the net $147.4 million repayment of long-term loans and borrowings in 2022, mainly explained by the repayment of the revolving credit facility following the public offering and private placement, partly offset by the San Andrés Acquisition and the additions to property, plant and equipment. The increase was partly offset by the issuance of common shares as part of the public offering and the concurrent private placement to Hydro-Québec in February 2022 for a total amount of $202.2 million.

Cash Flows Used in Investing Activities

For the three months ended March 31, 2023, cash flows used in investing activities totalled $120.5 million, compared with $50.3 million in the same period last year. This increase is mainly explained by the additions to property, plant and equipment made toward the Boswell Springs and the Salvador and San Andrés Battery Energy Storage projects in 2023 and by an increase in restricted cash attributable primarily to an increase in the debt service payment accounts of the Chilean facilities. The consideration paid toward the Sault Ste. Marie Acquisition in 2023 compared to the consideration paid toward the San Andrés Acquisition in 2022 also contributed to the increase in cash flows used in investing activities. The increase was partly offset by the proceeds obtained on the safe harbor solar modules' sale during the quarter.

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

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

On January 1, 2023, the Corporation revised the calculation of its Free Cash Flow and Payout Ratio measures to exclude the prospective project expenses. The comparative figures have been adjusted to conform with the revised measures. The amendments are aimed at increasing relevance of the measure, allowing investors to understand how the operations contribute to funding the Corporation's growth and its dividend, while the legacy measure focused exclusively on demonstrating how the operations contributed to funding the Corporation's dividend, after the decision to invest in its growth through advancing the development of its prospective projects. The revised measure also enhances comparability with current industry practices.

	Trailing twelve months ended March 31	
Free Cash Flow and Payout Ratio[1]	2023	2022
Cash flows from operating activities[2]	398,690	290,386
Add (Subtract) the following items:		
Changes in non-cash operating working capital items	6,807	47,411
Prospective projects expenses	25,218	25,598
Maintenance capital expenditures, net of proceeds from disposals	(15,688)	(7,719)
Scheduled debt principal payments	(158,412)	(163,323)
Free Cash Flow attributed to non-controlling interests[3]	(26,489)	(34,297)
Dividends declared on Preferred shares	(5,632)	(5,632)
Chile portfolio refinancing - hedging impact[4]	3,660	—
Add (subtract) the following specific items[5]*:*		
Realized gain on termination of interest rate swaps[4]	(71,735)	(377)
Realized gain on termination of foreign exchange forwards[6]	(43,458)	—
Principal and interest paid related to pre-acquisition period	1,312	—
Acquisition and integration costs	21,413	6,744
Realized gain on the Phoebe basis hedge	—	(3,745)
Free Cash Flow[1]	135,686	155,046
Dividends declared on common shares	146,973	137,517
Payout Ratio[1]	108 %	89 %

1. Free Cash Flow and Payout Ratio are not recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to Section 5- Non-IFRS Measures for more information.
2. Cash flows from operating activities for the trailing twelve months ended March 31, 2022 include the one-time BC Hydro Curtailment Payment received during the first quarter of 2022.
3. The portion of Free Cash Flow attributed to non-controlling interests is subtracted, regardless of whether an actual distribution to non-controlling interests is made, in order to reflect the fact that such distributions may not occur in the period they are generated.
4. The Free Cash Flow for the trailing twelve months ended March 31, 2023 excludes the $71.7 million realized gain on settlement of the interest rate hedges entered into to manage the Corporation's exposure to the risk of increasing interest rates during the negotiations surrounding the refinancing of the non-recourse debt assumed in the Aela Acquisition and at Innergex's existing Chilean projects. Instead, the gain is amortized in the Free Cash Flow using the effective interest rate method over the period covered by the unwound hedging instruments.
5. These items are excluded from the Free Cash Flow and Payout Ratio calculations as they are deemed not representative of the Corporation's long-term cash-generating capacity, and include items such as gains and losses on the Phoebe basis hedge due to their limited occurrence (maturity attained on December 31, 2021), realized gains and losses on contingent considerations related to past business acquisitions, transaction costs related to realized acquisitions, realized losses or gains on refinancing of certain borrowings or derivative financial instruments used to hedge the interest rate on certain borrowings or the exchange rate on equipment purchases, and tax payments related to fiscal strategies for the purpose of improving the long-term cash generating capacity of Innergex.
6. The Free Cash Flow for the trailing twelve months ended March 31, 2023 excludes the $43.5 million realized gain on settlement of the foreign exchange forward contracts concurrent with the closing of the French Acquisition.

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

Free Cash Flow

For the trailing twelve months ended March 31, 2023, the Corporation generated Free Cash Flow[1] of $135.7 million, compared with $155.0 million for the corresponding period last year.

Free Cash Flow[1] decreased $19.4 million compared with Free Cash Flow[1] in the comparative period, mainly due to:
- a decrease in cash flows from operating activities before changes in non-cash operating working capital items stemming from the exceptionally low production in British Columbia in Q4 2022 and Q1 2023 due to drier weather, and the BC Hydro Curtailment Payment received in Q1 2022;
- an increase in the interest paid mainly stemming from the Aela Acquisition in Q2 2022 and the subsequent refinancing of the non-recourse debt in Chile in early Q3 2022, from the recent Sault Ste. Marie, Mountain Air and French acquisitions, and from the construction activities;
- an increase in maintenance capital expenditures mainly stemming from the recent acquisitions and from the recent weather-related damages at the Foard City facility; 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.

These items were partly offset by:
- the contribution to cash flows from operating activities before changes in non-cash operating working capital items from the Aela, Curtis Palmer and Sault Ste. Marie acquisitions;
- the increase in merchant prices on certain USA and Chilean facilities;
- a decrease in Free Cash Flow attributed to non-controlling interests of the British Columbia hydro facilities, following exceptionally low production in British Columbia in Q4 2022 and Q1 2023, partly offset by an increase attributed to the Curtis Palmer Acquisition; and
- a decrease in scheduled debt principal payments stemming from the Pay-go contribution from the TEI at Griffin Trail.

Payout Ratio

For the trailing twelve months ended March 31, 2023, the dividends on common shares declared by the Corporation amounted to 108% of Free Cash Flow[1], compared with 89% for the corresponding period last year.

Scheduled debt principal payments

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

	As at March 31, 2023			
	Long-term loans and borrowings, before deferred financing costs	Remaining years to debt Maturity[1]	Remaining years to PPA Maturity[1]	Remaining useful life[1]
Corporate debt and convertible debentures	1,385,033	4.1	5.1	34.4
Project-level debt:				
Chile green bonds	960,843	13.2	10.3	35.6
Hydro	1,648,794	26.4	22.6	64.9
Wind	1,199,357	10.0	9.6	21.4
Solar	482,874	4.4	8.4	27.8
Tax equity financing	432,986	6.6	9.4	27.7
	6,109,887	12.9	13.0	39.4

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

Assuming debt amortization schedules were aligned with the useful lives of the assets, the Free Cash Flow and Payout Ratio for the trailing twelve months ended March 31, 2023 would have been $163.7 million and 90%, respectively ($203.2 million and 68%, respectively for the same 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 Section 5- Non-IFRS Measures for more information.

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

4- CAPITAL AND LIQUIDITY | Information on Capital Stock

The Corporation's Equity Securities

	As at		
	May 8, 2023	March 31, 2023	December 31, 2022
Number of common shares	204,216,044	204,160,610	204,132,833
Number of 4.75% convertible debentures[1]	148,023	148,023	148,023
Number of 4.65% convertible debentures[1]	142,056	142,056	142,056
Number of Series A Preferred Shares	3,400,000	3,400,000	3,400,000
Number of Series C Preferred Shares	2,000,000	2,000,000	2,000,000
Number of stock options outstanding	345,642	345,642	284,769

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

As at the closing of the market on May 8, 2023, and since March 31, 2023, the increase in the number of common shares of the Corporation is attributable to the issuance of 55,434 common shares related to the Corporation's Dividend Reinvestment Plan ("DRIP").

As at March 31, 2023, the increase in the number of common shares since December 31, 2022, was due to the issuance of 27,777 common shares related to the DRIP.

4- CAPITAL AND LIQUIDITY | Dividends

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

The following dividends were declared by the Corporation:

	Three months ended March 31			
	2023		2022	
	($/share)	Total	($/share)	Total
Dividends declared on common shares[1]	0.180	36,749	0.180	36,733
Dividends declared on Series A Preferred Shares	0.2028	689	0.2028	689
Dividends declared on Series C Preferred Shares	0.3594	719	0.3594	719

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

The following dividends will be paid by the Corporation on July 17, 2023:

Date of announcement	Record date	Payment date	Dividend per common share	Dividend per Series A Preferred Share	Dividend per Series C Preferred Share
May 9, 2023	June 30, 2023	July 17, 2023	$0.180	$0.2028	$0.3594

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

5- 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. Revenues and Production Tax Credits Proportionate, Adjusted EBITDA, Adjusted EBITDA Proportionate, Adjusted Net Loss, Free Cash Flow, Adjusted Free Cash Flow and Payout Ratio are not measures recognized by IFRS and have no standardized meaning prescribed by IFRS.

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

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

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

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

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

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

Description of the measures

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

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

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

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

	Three months ended March 31, 2023			Three months ended March 31, 2022		
	Consolidation	Share of joint ventures	Proportionate	Consolidation	Share of joint ventures	Proportionate
Revenues	197,399	6,127	203,526	188,723	8,346	197,069
Production tax credits	20,929	—	20,929	19,047	—	19,047
Revenues and Production Tax Credits	218,328	6,127	224,455	207,770	8,346	216,116
Operating income	65,538	(774)	64,764	69,342	1,143	70,485
Depreciation and amortization	77,337	4,117	81,454	80,231	4,195	84,426
Realized gain on power hedges	2,225	—	2,225	270	—	270
Adjusted EBITDA	145,100	3,343	148,443	149,843	5,338	155,181

Adjusted Net Loss

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

The Adjusted Net Loss seeks to provide a measure that eliminates the earnings impacts of certain derivative financial instruments and other items that are outside of the normal course of the Corporation's cash generating operations, which do not represent the Corporation's operating performance. Innergex uses derivative financial instruments to hedge its exposure to various risks. Accounting for derivatives requires that all derivatives 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 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. Adjusted Net Loss is used by investors to evaluate and compare Innergex's profitability before the impacts of the unrealized portion of the change in fair value of derivative financial instruments and other items that are outside of the normal course of the Corporation's cash generating operations. Readers are cautioned that Adjusted Net Loss should not be construed as an alternative to net earnings, as determined in accordance with IFRS. Please refer to Section 3- Adjusted Net Loss for more information.

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

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

	Three months ended March 31	
	2023	2022
Net earnings (loss)	(13,036)	(34,930)
Add (Subtract):		
Share of unrealized portion of the change in fair value of financial instruments of joint ventures and associates, net of related income tax	(124)	(660)
Unrealized portion of the change in fair value of financial instruments	344	40,785
Realized gain on foreign exchange forward contracts	(33)	(487)
Income tax recovery related to above items	(1,065)	(7,044)
Adjusted Net loss	(13,914)	(2,336)

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

	Three months ended March 31, 2023			Three months ended March 31, 2022		
	IFRS	Adj.	Non-IFRS	IFRS	Adj.	Non-IFRS
Revenues	197,399	—	197,399	188,723	—	188,723
Production Tax Credits	20,929	—	20,929	19,047	—	19,047
Operating expenses	51,246	—	51,246	40,038	—	40,038
General and administrative expenses	19,709	—	19,709	14,139	—	14,139
Prospective projects expenses	4,498	—	4,498	4,020	—	4,020
Depreciation and amortization	77,337	—	77,337	80,231	—	80,231
Operating Income	65,538	—	65,538	69,342	—	69,342
Finance costs	84,802	—	84,802	66,401	—	66,401
Other net (income) expenses	2,129	33	2,162	(1,082)	487	(595)
Share of (earnings) losses of joint ventures and associates	4,673	77	4,750	2,208	422	2,630
Change in fair value of financial instruments	(1,881)	(344)	(2,225)	40,515	(40,785)	(270)
Income tax (recovery) expense	(11,149)	1,112	(10,037)	(3,770)	7,282	3,512
Net earnings (loss)	(13,036)	(878)	(13,914)	(34,930)	32,594	(2,336)

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

Free Cash Flow and Payout Ratio

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

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

The amendments are aimed at increasing relevance of the measure, allowing investors to understand how the operations contribute to funding the Corporation’s growth and its dividend, while the legacy measure focused exclusively on demonstrating how the operations contributed to funding the Corporation’s dividend, after the decision to invest in its growth through advancing the development of its prospective projects. The revised measure also enhances comparability with current industry practices.

Description of the measures

References to “Free Cash Flow” are to cash flows from operating activities before changes in non-cash operating working capital items, less prospective projects expenses, maintenance capital expenditures net of proceeds from 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, expenses related to the implementation of a cloud-based Enterprise Resource Planning solution, realized losses or gains on refinancing of certain borrowings or derivative financial instruments used to hedge the interest rate on certain borrowings or the exchange rate on equipment purchases, and tax payments related to fiscal strategies for the purpose of improving the long-term cash generating capacity of Innergex.

Free Cash Flow is a measure of the Corporation's ability to sustain current dividends as well as its ability to fund its growth from its cash generating operations, in the normal course of business.

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. Free Cash Flow is used by investors in this regard. Readers are cautioned that Free Cash Flow should not be construed as an alternative to cash flows from operating activities, as determined in accordance with IFRS. Please refer to Section 4- Free Cash Flow and Payout Ratio for the reconciliation of Free Cash Flow.

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

6- ADDITIONAL CONSOLIDATED INFORMATION | Geographic Segments – Revenues

	Three months ended March 31	
	2023	2022
Revenues and Production Tax Credits		
Canada	73,953	105,007
United States	73,459	62,360
Chile	33,624	13,007
France	37,292	27,396
	218,328	207,770

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

	As at	
	March 31, 2023	December 31, 2022
Non-current assets, excluding derivative financial instruments and deferred tax assets[1]		
Canada	3,410,243	3,246,979
United States	2,361,611	2,364,160
Chile	1,603,334	1,549,679
France	760,612	753,161
	8,135,800	7,913,979

1. Includes the investments in joint ventures and associates.

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

6- ADDITIONAL CONSOLIDATED INFORMATION | Historical Quarterly Financial Information

(in millions of dollars, unless otherwise stated)	Three months ended							
	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021
Production (MWh)	2,312,655	2,357,039	2,736,471	2,855,891	2,304,600	2,583,157	2,290,086	2,396,027
Revenues and Production Tax Credits	218.3	220.2	268.7	238.5	207.7	218.8	195.3	180.1
Operating income	65.5	(4.7)	108.5	92.5	69.3	76.0	42.7	66.7
Adjusted EBITDA[1]	145.1	135.4	167.6	159.3	149.8	152.0	132.1	128.4
Net (loss) earnings	(13.0)	(52.6)	21.0	(24.6)	(34.9)	5.7	(23.5)	50.2
Net (loss) earnings attributable to owners of the parent	(14.3)	(45.3)	23.3	(25.2)	(34.4)	(2.3)	(16.4)	41.1
Net (loss) earnings attributable to owners of the parent ($ per share – basic and diluted)	(0.08)	(0.23)	0.11	(0.13)	(0.18)	(0.02)	(0.10)	0.23
Dividends declared on common shares	36.7	36.7	36.7	36.7	36.7	34.6	34.7	31.4
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 measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the Section 5- Non-IFRS Measures for more information.

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

On January 1, 2023, the Corporation amended the presentation of its consolidated statements of earnings (refer to Section 7- Significant Accounting Policies for more information). Concurrently, certain Non-IFRS measures have been amended (refer to Section 5- Non-IFRS Measures for more information). The following table provides a summary of the amendments to the historical financial information:

(in millions of dollars, unless otherwise stated)	Three months ended						
	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021
Previously reported Revenues	203.6	258.4	219.7	188.7	202.4	184.6	170.6
Production Tax Credits	16.6	10.3	18.8	19.0	16.4	10.7	9.5
Revenues and Production Tax Credits	220.2	268.7	238.5	207.7	218.8	195.3	180.1
Previously reported Adjusted EBITDA[1]	120.4	181.2	152.9	130.5	137.3	122.5	122.7
Production Tax Credits	16.6	10.3	18.8	19.0	16.4	10.7	9.5
Realized (loss) gain on power hedges	(1.6)	(23.9)	(12.3)	0.3	(1.7)	(1.1)	(3.7)
Adjusted EBITDA[1]	135.4	167.6	159.3	149.8	152.0	132.1	128.4

1. Adjusted EBITDA is not a recognized measures under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the Section 5- Non-IFRS Measures for more information.

7- ACCOUNTING POLICIES AND INTERNAL CONTROLS | Significant Accounting Policies

Changes in presentation

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

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

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

The table below presents a summary of the reclassifications:

	Three months ended March 31, 2022		
	Legacy presentation	Adjustment	Amended presentation
Revenues	188,723	—	188,723
Production tax credits	—	19,047	19,047
Revenues and production tax credits	N/A	N/A	207,770
Expenses			
Operating	40,038	—	40,038
General and administrative	14,139	—	14,139
Prospective projects	4,020	—	4,020
Depreciation and amortization	80,231	—	80,231
Operating income	N/A	N/A	69,342
Finance costs	66,401	—	66,401
Other net (income) expenses	(20,129)	19,047	(1,082)
Share of losses of joint ventures and associates	2,208	—	2,208
Change in fair value of financial instruments	40,515	—	40,515
Loss before income tax	(38,700)	—	(38,700)
Recovery of income tax	(3,770)	—	(3,770)
Net loss	(34,930)	—	(34,930)

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

7- ACCOUNTING POLICIES AND INTERNAL CONTROLS | Internal Controls

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

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

During the period beginning on January 1, 2023, and ended on March 31, 2023, there was no change to the ICFR that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR.

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

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

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

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

	Three months ended March 31, 2023
Revenues	2,625
Net earnings	1,187
Total comprehensive income	1,187

Summary Statement of Financial Position

	As at March 31, 2023
Current assets	14,769
Non-current assets	201,632
	216,401
Current liabilities	18,103
Non-current liabilities	147,410
Equity	50,888
	216,401

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

8- 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.

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 a dividend or may reduce the amount of the dividend; insufficiency of insurance coverage; ability to attract new talent or to retain officers or key employees; litigation; credit rating may not reflect actual performance of the Corporation or a lowering (downgrade) of the credit rating; revenues from certain facilities will vary based on the market (or spot) price of electricity; host country economic, social and political conditions; adverse claims to property title; reliance on intellectual property and confidential agreements to protect the Corporation's rights and confidential information; and reputational risks arising from misconduct of representatives of the Corporation.

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

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

	Notes	Three months ended March 31 2023	2022 (Note 2)
Revenues		197,399	188,723
Production tax credits		20,929	19,047
Revenues and production tax credits		218,328	207,770
Expenses			
Operating		51,246	40,038
General and administrative		19,709	14,139
Prospective projects		4,498	4,020
Depreciation and amortization		77,337	80,231
Operating income		65,538	69,342
Finance costs	4	84,802	66,401
Other net expenses (income)	5	2,129	(1,082)
Share of losses of joint ventures and associates		4,673	2,208
Change in fair value of financial instruments	6 b)	(1,881)	40,515
Loss before income tax		(24,185)	(38,700)
Recovery of income tax		(11,149)	(3,770)
Net loss		(13,036)	(34,930)
(Net loss) earnings attributable to:			
Owners of the parent		(14,336)	(34,402)
Non-controlling interests		1,300	(528)
		(13,036)	(34,930)
Loss per share attributable to owners:			
Basic net loss per share ($)	7	(0.08)	(0.18)
Diluted net loss per share ($)	7	(0.08)	(0.18)

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Notes	Three months ended March 31 2023	2022
Net loss		(13,036)	(34,930)
Items of comprehensive income (loss) that will be subsequently reclassified to earnings:			
Foreign currency translation differences for foreign operations		3,311	(22,667)
Change in fair value of financial instruments designated as net investment hedges	6	770	(225)
Change in fair value of financial instruments designated as cash flow hedges	6	(36,086)	97,802
Change in fair value of financial instruments of joint ventures and associates designated as cash flow hedges		(1,837)	5,295
Related deferred income tax		8,975	(25,463)
Other comprehensive (loss) income		(24,867)	54,742
Total comprehensive (loss) income		(37,903)	19,812
Total comprehensive (loss) income attributable to:			
Owners of the parent		(38,797)	21,341
Non-controlling interests		894	(1,529)
		(37,903)	19,812

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

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	Notes	March 31, 2023	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents		157,225	162,971
Restricted cash		73,023	54,670
Accounts receivable		185,414	179,299
Derivative financial instruments	6	37,912	33,833
Prepaid and other		46,289	37,169
Assets held for sale	8	—	59,217
Total current assets		499,863	527,159
Non-current assets			
Property, plant and equipment	8	6,389,915	6,212,371
Intangible assets		1,320,837	1,268,960
Project development costs		45,075	41,151
Investments in joint ventures and associates		124,362	135,786
Derivative financial instruments	6	73,198	92,504
Deferred tax assets		69,435	68,785
Goodwill		157,192	139,676
Other long-term assets		115,498	116,035
Total non-current assets		8,295,512	8,075,268
Total assets		8,795,375	8,602,427
LIABILITIES			
Current liabilities			
Accounts payable and other payables		234,862	248,659
Derivative financial instruments	6	13,380	22,018
Current portion of long-term loans and borrowings and other liabilities		265,974	380,147
Total current liabilities		514,216	650,824
Non-current liabilities			
Derivative financial instruments	6	97,012	79,069
Long-term loans and borrowings		5,777,012	5,384,813
Other liabilities		475,670	463,863
Deferred tax liabilities		533,869	537,431
Total non-current liabilities		6,883,563	6,465,176
Total liabilities		7,397,779	7,116,000
SHAREHOLDERS' EQUITY			
Equity attributable to owners		1,239,824	1,316,195
Non-controlling interests		157,772	170,232
Total shareholders’ equity		1,397,596	1,486,427
Total liabilities and shareholders’ equity		8,795,375	8,602,427

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Three months ended March 31, 2023	Equity attributable to owners								
	Common share capital account	Contributed surplus	Preferred shares	Convertible debentures	Deficit	Accumulated other comprehensive Income	Total	Non-controlling interests	Total shareholders' equity
Balance January 1, 2023	485	2,581,173	131,069	2,819	(1,596,021)	196,670	1,316,195	170,232	1,486,427
Net (loss) earnings	—	—	—	—	(14,336)	—	(14,336)	1,300	(13,036)
Other comprehensive loss	—	—	—	—	—	(24,461)	(24,461)	(406)	(24,867)
Total comprehensive (loss) income	—	—	—	—	(14,336)	(24,461)	(38,797)	894	(37,903)
Common shares issued through dividend reinvestment plan	448	—	—	—	—	—	448	—	448
Share-based payments and Performance Share Plan	—	1,032	—	—	—	—	1,032	—	1,032
Shares vested - Performance Share Plan	1,991	(2,995)	—	—	—	—	(1,004)	—	(1,004)
Shares purchased - Performance Share Plan	—	107	—	—	—	—	107	—	107
Dividends declared on common shares (Note 10)	—	—	—	—	(36,749)	—	(36,749)	—	(36,749)
Dividends declared on preferred shares (Note 10)	—	—	—	—	(1,408)	—	(1,408)	—	(1,408)
Distributions to non-controlling interests	—	—	—	—	—	—	—	(13,354)	(13,354)
Balance March 31, 2023	2,924	2,579,317	131,069	2,819	(1,648,514)	172,209	1,239,824	157,772	1,397,596

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Equity attributable to owners								
Three months ended March 31, 2022	Common shares capital account	Contributed surplus	Preferred shares	Convertible debentures	Deficit	Accumulated other comprehensive (loss) income	Total	Non-controlling interests	Total shareholders' equity
Balance January 1, 2022	360,936	2,022,540	131,069	2,819	(1,373,628)	(50,624)	1,093,112	267,568	1,360,680
Net loss	—	—	—	—	(34,402)	—	(34,402)	(528)	(34,930)
Other comprehensive income (loss)	—	—	—	—	—	55,743	55,743	(1,001)	54,742
Total comprehensive (loss) income	—	—	—	—	(34,402)	55,743	21,341	(1,529)	19,812
Common shares issued on public offering	172,506	—	—	—	—	—	172,506	—	172,506
Issuance fees (net of $2,032 of deferred income tax)	(5,580)	—	—	—	—	—	(5,580)	—	(5,580)
Common shares issued on private placement	37,275	—	—	—	—	—	37,275	—	37,275
Common shares issued through dividend reinvestment plan	223	—	—	—	—	—	223	—	223
Buyback of common shares	(4,417)	—	—	—	—	—	(4,417)	—	(4,417)
Share-based payments and Performance Share Plan		887	—	—	—	—	887	—	887
Shares vested - Performance Share Plan	2,114	(4,883)	—	—	—	—	(2,769)	—	(2,769)
Shares purchased - Performance Share Plan	—	97	—	—	—	—	97	—	97
Dividends declared on common shares	—	—	—	—	(36,733)	—	(36,733)	—	(36,733)
Dividends declared on preferred shares	—	—	—	—	(1,408)	—	(1,408)	—	(1,408)
Distributions to non-controlling interests	—	—	—	—	—	—	—	(6,164)	(6,164)
Balance March 31, 2022	563,057	2,018,641	131,069	2,819	(1,446,171)	5,119	1,274,534	259,875	1,534,409

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three months ended March 31	
		2023	2022
OPERATING ACTIVITIES	Notes		
Net loss		(13,036)	(34,930)
Items not affecting cash:			
Depreciation and amortization		77,337	80,231
Share of losses of joint ventures and associates		4,673	2,208
Unrealized portion of change in fair value of financial instruments	6	344	40,785
Production tax credits and tax attributes allocated to tax equity investors		(22,156)	(19,403)
Other		286	693
Finance costs	4	84,802	66,401
Finance costs paid	11 b)	(70,422)	(43,582)
Distributions received from joint ventures and associates		4,926	5,912
Recovery of income tax		(11,149)	(3,770)
Income tax paid		(1,363)	(2,801)
Effect of exchange rate fluctuations		(1,481)	281
		52,761	92,025
Changes in non-cash operating working capital items	11 a)	544	(7,167)
		53,305	84,858
FINANCING ACTIVITIES			
Dividends paid on common and preferred shares		(37,704)	(35,833)
Distributions to non-controlling interests		(13,354)	(6,164)
Increase in long-term debt, net of deferred financing costs	11 c)	379,519	115,813
Repayment of long-term debt	11 c)	(263,838)	(263,261)
Payment of other liabilities		(3,140)	(1,717)
Net proceeds from issuance of common shares		—	202,169
Payment for buyback of common shares		—	(4,417)
Purchase of common shares under the Performance Share Plan		107	97
Payment of payroll withholding on exercise of stock options and Performance Share Plan		(1,004)	(2,769)
		60,586	3,918
INVESTING ACTIVITIES			
Business acquisitions, net of cash acquired	3	(47,810)	(30,666)
Change in restricted cash		(15,326)	10,045
Additions to property, plant and equipment, net		(111,858)	(19,044)
Additions to intangible assets		(1,077)	(22)
Additions to project development costs		(4,378)	(12,415)
Proceeds from disposal of assets held for sale		59,426	—
Change in other long-term assets		525	1,832
		(120,498)	(50,270)
Effects of exchange rate changes on cash and cash equivalents		861	(3,235)
Net change in cash and cash equivalents		(5,746)	35,271
Cash and cash equivalents, beginning of period		162,971	166,266
Cash and cash equivalents, end of period		157,225	201,537

Additional information is presented in Note 11 – Additional Information to the Consolidated Statements of Cash Flows
The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

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

DESCRIPTION OF BUSINESS

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

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors on May 9, 2023.

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

1. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

Statement of Compliance

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

Basis of Measurement

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

Functional Currency and Presentation Currency

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

2. SIGNIFICANT ACCOUNTING POLICIES

Changes in presentation

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

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

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

The table below presents a summary of the reclassifications:

	Three months ended March 31, 2022		
	Legacy presentation	Adjustment	Amended presentation
Revenues	188,723	—	188,723
Production tax credits	—	19,047	19,047
Revenues and production tax credits	N/A	N/A	207,770
Expenses			
Operating	40,038	—	40,038
General and administrative	14,139	—	14,139
Prospective projects	4,020	—	4,020
Depreciation and amortization	80,231	—	80,231
Operating income	N/A	N/A	69,342
Finance costs	66,401	—	66,401
Other net (income) expenses	(20,129)	19,047	(1,082)
Share of losses of joint ventures and associates	2,208	—	2,208
Change in fair value of financial instruments	40,515	—	40,515
Loss before income tax	(38,700)	—	(38,700)
Recovery of income tax	(3,770)	—	(3,770)
Net loss	(34,930)	—	(34,930)

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

3. BUSINESS ACQUISITIONS

a) Acquisition of Sault Ste.Marie

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

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

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

	Acquisition accounting CA$
Cash and cash equivalents	3,460
Restricted cash	2,833
Accounts receivable	3,421
Prepaid and other	379
Property, plant and equipment	123,352
Intangible assets	74,300
Derivative financial instruments	10,242
Accounts payable and other payables	(992)
Long-term loans and borrowings (Note 9)	(164,262)
Other liabilities	(1,463)
Net assets acquired	51,270

The acquisition gave rise to transaction costs of $3,033 which were expensed as incurred in other net expenses (income) in the consolidated statements of earnings (loss).

The acquisition was accounted for as a business combination and the results have been included in the consolidated statements of earnings (loss) since the date of the acquisition. The revenues and net earnings included in the consolidated statements of earnings (loss) are $2,625 and $1,187, respectively for the 23-day period ended March 31, 2023. Had the acquisition taken place on January 1, 2023, revenues and net earnings included in the consolidated statements of earnings (loss) for the period from January 1, 2023 to March 31, 2023 would have been $2,805 higher and $1,193 lower, respectively.

b) Acquisition of Aela

On June 9, 2022, the Corporation acquired Aela Generación S.A. and Aela Energía SpA (together "Aela"). The purchase price for Aela consisted of a cash consideration of US$324,348 ($408,160). Subsequently, during 2023, the Corporation updated its acquisition accounting for Aela. The adjustments made resulted in a US$12,621 ($15,882) increase in the net deferred tax liability recognized on acquisition, with a corresponding adjustment to goodwill.

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

4. FINANCE COSTS

	Three months ended March 31	
	2023	2022
Interest expense on long-term corporate and project loans	63,221	45,956
Interest expense on tax equity financing	7,591	7,213
Interest expense on convertible debentures	3,390	3,390
Amortization of financing fees	3,318	3,049
Interest on lease liabilities	2,314	1,475
Accretion of long-term loans and borrowings and other liabilities	1,929	1,656
Accretion of long-term loans and borrowings	832	112
Inflation compensation interest	188	2,687
Other	2,019	863
	84,802	66,401

5. OTHER NET EXPENSES (INCOME)

	Three months ended March 31	
	2023	2022 (Note 2)
Gain on foreign exchange	(1,514)	(206)
Interest revenues	(1,260)	(1,006)
Tax attributes allocated to tax equity investors	(1,227)	(356)
Acquisition and integration costs	5,676	2,181
Other expense (income), net	454	(1,695)
	2,129	(1,082)

a) Acquisition and integration costs

The Corporation has incurred expenses related to the implementation of a cloud-based Enterprise Resource Planning ("ERP") solution. For the three months ended March 31, 2023, acquisition and integration costs include $2,569 related to ERP implementation costs.

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

6. DERIVATIVE FINANCIAL INSTRUMENTS

a) Financial position

The following table shows a reconciliation from the opening balances to the closing balances for the derivative financial instruments :

Financial assets (liabilities)	Foreign exchange forwards (Level 2)	Interests hedging derivatives (Level 2)	Power hedges (Level 3)	Total
As at January 1, 2023	(3,555)	98,138	(69,333)	25,250
Business acquisitions (Note 3)	—	10,242		10,242
Unrealized portion of change in fair value recognized in earnings (loss) [1]	(58)	337	(623)	(344)
Change in fair value recognized in other comprehensive income (loss)	770	(35,361)	(725)	(35,316)
Amortization of accumulated other comprehensive income recognized in revenue	—	—	725	725
Net foreign exchange differences	—	108	53	161
As at March 31, 2023	(2,843)	73,464	(69,903)	718

1. Refer to Note 6 b) – Derivative Financial Instruments for a reconciliation to the change in fair value recognized in earnings (loss).

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

	Three months ended March 31	
	2023	2022
Unrealized portion of change in fair value of financial instruments	344	40,785
Realized portion of change in fair value of financial instruments:		
Realized gain on the power hedges	(2,225)	(270)
Change in fair value of financial instruments	(1,881)	40,515

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

7. EARNING (LOSS) PER SHARE

	Three months ended March 31	
Basic	2023	2022
Net loss attributable to owners of the parent	(14,336)	(34,402)
Dividends declared on preferred shares	(1,408)	(1,408)
Net loss attributable to common shareholders	(15,744)	(35,810)
Weighted average number of common shares	203,564,172	196,689,642
Basic net loss per share ($)	(0.08)	(0.18)

	Three months ended March 31	
Diluted	2023	2022
Net loss attributable to common shareholders	(15,744)	(35,810)
Diluted weighted average number of common shares	203,564,172	196,689,642
Diluted net loss per share ($)	(0.08)	(0.18)

	Three months ended March 31	
Instruments that are excluded from the dilutive elements	2023	2022
Stock options	345,642	316,922
Shares held in trust related to the Performance Share Plan	528,322	413,660
Convertible debentures	13,604,473	13,604,473
	14,478,437	14,335,055

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

8. PROPERTY, PLANT AND EQUIPEMENT

	Lands	Hydroelectric facilities	Wind farm facilities	Solar facilities	Facilities under construction	Other	Total
Cost							
As at January 1, 2023	301,094	2,634,926	3,511,736	875,437	165,439	59,823	7,548,455
Additions[1]	—	1,031	2,608	400	80,598	2,549	87,186
Business acquisitions (Note 3)	6,941	—	—	116,324		87	123,352
Reclassification	—	—	—	(3,562)	—	3,562	—
Dispositions	—	—	—	—	—	(154)	(154)
Other changes[2]	1,015	—	8,102	1,009	—	—	10,126
Net foreign exchange differences	497	(445)	11,232	(578)	311	152	11,169
As at March 31, 2023	309,547	2,635,512	3,533,678	989,030	246,348	66,019	7,780,134
Accumulated depreciation							
As at January 1, 2023	(24,888)	(445,804)	(683,784)	(152,782)	—	(28,826)	(1,336,084)
Depreciation[3]	(2,304)	(13,339)	(27,199)	(6,636)	—	(1,774)	(51,252)
Dispositions	—	—	—	—	—	154	154
Net foreign exchange differences	(91)	7	(2,988)	56	—	(21)	(3,037)
As at March 31, 2023	(27,283)	(459,136)	(713,971)	(159,362)	—	(30,467)	(1,390,219)
Carrying amounts as at March 31, 2023	282,264	2,176,376	2,819,707	829,668	246,348	35,552	6,389,915

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

1. The financing costs related to a specific project financing are entirely capitalized to the specific property, plant and equipment. Financing costs related to the revolving credit facilities are capitalized for the portion of the financing used for a specific property, plant and equipment. Additions in the current period include $3,078 of capitalized financing costs incurred prior to commissioning.
2. Includes remeasurements of right-of-use assets and asset retirement obligations of $1,015 and $9,111, respectively.
3. An amount of $80 of the depreciation expense for the land leases is capitalized as a construction cost in facilities under construction.

Disposal of Safe Harbor Solar Modules

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

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

9. LONG-TERM LOANS AND BORROWINGS

As at March 31, 2023, the Corporation and its subsidiaries have met all material financial and non-financial conditions related to their credit agreements, except for the following:

- The Fitzsimmons Creek hydroelectric facility was in breach of its credit agreement. The $15,685 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 being provided to the facility lenders until this situation is resolved.

- The Rutherford Creek hydroelectric facility was in breach of its credit agreement. The $1,614 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 being provided to the facility lenders until this situation is resolved.

a) Corporate Indebtedness

Revolving Term credit facility

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

Subordinated Unsecured Term Loan

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

b) Chile Green Bonds

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

c) Acquisition of Sault Ste.Marie

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

d) Alterra loans

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

10. SHAREHOLDERS'S CAPITAL

Equity-based compensation

a) Stock option plan

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

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 during the period:

Risk-free interest rate	3.46 %
Expected annual dividend per common share	$ 0.72
Expected life of options	6
Expected volatility	27.94 %

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

A compensation expense of $21 was recorded during the three months ended March 31, 2023 with respect to the stock option plan.

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

Performance Share Plan

During the three months ended March 31, 2023, 135,115 performance share rights vested and 325,708 share rights were granted. The performance share rights granted during the period vest on December 31, 2025.

Deferred Share Unit Plan

During the three months ended March 31, 2023, 23,282 units were granted.

A compensation expense of $1,005 was recorded during the three months ended March 31, 2023 with respect to the PSP and DSU plans.

Dividends

a) Dividend Declared

	Three months ended March 31			
	2023		2022	
	($/share)	Total	($/share)	Total
Dividends declared on common shares	0.1800	36,749	0.1800	36,733
Dividends declared on Series A preferred shares	0.2028	689	0.2028	689
Dividends declared on Series C preferred shares	0.3594	719	0.3594	719

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

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

The following dividends will be paid by the Corporation on July 17, 2023:

Date of announcement	Record date	Payment date	Dividend per common share	Dividend per Series A Preferred Share	Dividend per Series C Preferred Share
May 9, 2023	June 30, 2023	July 17, 2023	$ 0.1800	$ 0.202750	$ 0.359375

11. ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

a) Changes in non-cash operating working capital items

	Three months ended March 31	
	2023	2022
Accounts receivable	(2,292)	3,208
Prepaids and other	(5,296)	(5,539)
Accounts payable and other payables	8,132	(4,836)
	544	(7,167)

b) Additional information

	Three months ended March 31	
	2023	2022
Finance costs paid relative to operating activities before interest on leases	(65,895)	(39,049)
Interest on leases paid relative to operating activities	(4,527)	(4,533)
Capitalized interest relative to investing activities	(2,415)	(205)
Capitalized interest on leases relative to investing activities	(103)	—
Total finance costs paid	(72,940)	(43,787)
Non-cash transactions:		
Change in unpaid property, plant and equipment	(25,763)	2,066
Investment tax credits	—	8,535
Change in other long-term assets	(173)	84
Change in unpaid project development costs	(464)	(1,418)
Remeasurement of other liabilities	11,480	(40,536)
Initial measurement of other liabilities	433	8,331
Common shares issued through equity based compensation	1,991	2,114

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

c) Changes in liabilities arising from financing activities

	Three months ended March 31	
	2023	2022
Changes in long-term loans and borrowings		
Long-term debt at beginning of period	5,759,210	4,924,435
Increase in long-term debt	383,629	119,604
Repayment of long-term debt	(263,838)	(263,261)
Payment of deferred financing costs	(4,110)	(3,791)
Business acquisitions (Note 3)	164,262	—
Tax attributes	(1,227)	(356)
Production tax credits	(20,929)	(19,047)
Other non-cash finance costs	12,588	13,601
Net foreign exchange differences	5,231	(33,981)
Long-term loans and borrowings at end of period	6,034,816	4,737,204

12. FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES

Fair value disclosures

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.

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

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 March 31, 2023, 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$28.28 to US$84.25 per MWh between April 1, 2023 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 $0.19 to US$127.44 per MWh between April 1, 2023 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 available as of the valuation date depending on a combination of observable exchange prices and over-the-counter broker quotes obtained through June 2031.

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

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.

London Interbank Offered Rate ("LIBOR")

The Corporation currently holds interest rate swaps that have floating legs indexed to USD LIBOR. As at June 30, 2023 the remaining USD LIBOR 1-month, 3-month, 6-month and 12-month tenors will either cease or no longer be representative. The LIBOR administrator will continue to publish the 1-month, 3-month and 6-month tenors under an unrepresentative synthetic methodology until September 30, 2024. The Corporation’s USD 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.

The Corporation started the transition towards secured overnight financing rate ("SOFR") for some hedged items and hedging instruments. All instruments should be transitioned during Q2 2023. 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$193,092 ($261,312) as at March 31, 2023.

Financial risk management

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

13. CONTINGENCIES

The Corporation is subject to various claims that arise in the normal course of business. Management believes that adequate provisions have been made in the accounts where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies will not have an adverse effect on the financial position of the Corporation.

Innavik EPC Agreement

On January 25, 2023, a legal hypothec was registered by the contractor against the Innavik hydroelectric project ("Innavik" or "the project"), a joint venture company, in the amount of $57,768, representing the contractor's claim for payment of additional costs under the engineering, procurement and construction ("EPC") Agreement with Innavik. The Corporation disputes that claim in good faith and has taken legal action to cause the legal hypothec to be removed from title. As at December 31, 2022, while continuing to dispute the claim, the project recognized a provision for construction cost overruns, estimated based on a range of possible outcomes that are significantly lower than the amounts claimed by the contractor.

14. SEGMENT INFORMATION

Operating segments

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

"Revenues and Production Tax Credits Proportionate" are Revenues and Production Tax Credits plus Innergex's share of Revenues and Production Tax Credits of the operating joint ventures and associates. "Adjusted EBITDA" represents operating income, to which are added (deducted) depreciation and amortization, impairment charges and the realized portion of the change in fair value of power hedges. "Adjusted EBITDA Proportionate" represents Adjusted EBITDA plus Innergex's share of Adjusted EBITDA of the operating joint ventures and associates. Revenues and Production Tax Credits Proportionate, Adjusted EBITDA and Adjusted EBITDA Proportionate are not recognized measures under IFRS and have no standardized meaning prescribed by IFRS. They may therefore not be comparable to similar measures presented by other issuers. Readers are cautioned that these measures should not be construed as an alternative to net earnings (loss), as determined in accordance with IFRS.

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

	Three months ended March 31, 2023			
Operating segments	Hydroelectric	Wind	Solar	Segment results
Segment Revenues and Production Tax Credits	58,829	143,587	15,912	218,328
Segment Revenues and Production Tax Credits Proportionate	60,461	148,082	15,912	224,455
Segment Adjusted EBITDA	40,736	113,481	13,884	168,101
Segment Adjusted EBITDA Proportionate	40,481	117,079	13,884	171,444

	Three months ended March 31, 2023			
	Hydroelectric	Wind	Solar	Segment totals [1]
Property, plant and equipment acquired through business acquisitions	—	—	116,411	116,411
Acquisition of property, plant and equipment	1,051	2,910	400	4,361

1. Segment totals include only operating projects.

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

Operating segments	Three months ended March 31, 2022 Hydroelectric	Wind	Solar	Segment results
Segment Revenues and Production Tax Credits	65,911	124,944	16,915	207,770
Segment Revenues and Production Tax Credits Proportionate	69,142	130,059	16,915	216,116
Segment Adjusted EBITDA	46,630	108,523	11,580	166,733
Segment Adjusted EBITDA Proportionate	47,771	112,720	11,580	172,071

	Three months ended March 31, 2022 Hydroelectric	Wind	Solar	Segment totals [1]
Property, plant and equipment acquired through business acquisitions	—	—	38,707	38,707
Acquisition of property, plant and equipment during the year	341	188	292	821

1. Segment totals include only operating projects.

The following table presents a reconciliation of the non-IFRS measures to their closest IFRS measures:

	Three months ended March 31, 2023			Three months ended March 31, 2022		
	Consolidation	Share of joint ventures	Proportionate	Consolidation	Share of joint ventures	Proportionate
Revenues	197,399	6,127	203,526	188,723	8,346	197,069
Production tax credits	20,929	—	20,929	19,047	—	19,047
Revenues and production tax credits	218,328	6,127	224,455	207,770	8,346	216,116
Operating income	65,538	(774)	64,764	69,342	1,143	70,485
Depreciation and amortization	77,337	4,117	81,454	80,231	4,195	84,426
Realized gain on power hedges	2,225	—	2,225	270	—	270
Adjusted EBITDA	145,100	3,343	148,443	149,843	5,338	155,181
Unallocated expenses:						
General and administrative	18,503	—	18,503	12,870	—	12,870
Prospective projects	4,498	—	4,498	4,020	—	4,020
Segment Adjusted EBITDA	168,101	3,343	171,444	166,733	5,338	172,071

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

Geographic segments

As at March 31, 2023, excluding its investments in joint ventures and associates which are accounted for as equity method, the Corporation had interests in the following operating assets: 33 hydroelectric facilities, 8 wind farms and 4 solar farm in Canada, 16 wind farms and 1 storage facility in France, 3 hydroelectric facilities, 8 wind farms and 4 solar farms in the United States, and 4 hydroelectric facilities, 3 wind farms and 3 solar farms in Chile. The Corporation operates in four principal geographical areas, which are detailed below:

	Three months ended March 31	
	2023	2022
Revenues and production tax credits		
Canada	73,953	105,007
United States	73,459	62,360
France	37,292	27,396
Chile	33,624	13,007
	218,328	207,770

	As at	
	March 31, 2023	December 31, 2022
Non-current assets, excluding derivative financial instruments and deferred tax assets [1]		
Canada	3,410,243	3,246,979
United States	2,361,611	2,364,160
Chile	1,603,334	1,549,679
France	760,612	753,161
	8,135,800	7,913,979

1. Includes the investments in joint ventures and associates

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

15. SUBSEQUENT EVENTS

Financing of the San Andrés Battery Energy Storage project

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

Termination of certain BESS supply agreements in Hawaii

On April 1, 2023, the battery energy storage systems ("BESS") supply agreements for the Paeahu, Kahana and Barbers Point Hawaiian solar energy and battery storage projects were terminated, while remaining in effect for the Hale Kuawehi project. As part of the settlement, Innergex will receive payments totalling US$13,272 ($17,961) in the second quarter of 2023. No significant income or expense were recognized pursuant to this transaction.

Sale of the Kahana solar energy and battery storage project

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

Increase of the EDC letter of credit facility

On April 12, 2023, the Corporation increased its existing letter of credit facility guaranteed by Export Development Canada ("EDC") up to an amount of $200,000, an increase of $50,000 from 2022.

SHAREHOLDER INFORMATION

Head Office

1225 St-Charles West, 10th floor Longueuil QC J4K 0B9 Tel. 450 928.2550 Fax 450 928.2544 innergex.com	***Investor Relations*** Jean Trudel Chief Financial Officer Tel. 450 928-2550 x1252 inverstorrelations@innergex.com

Transfer Agent and Registrar

For information concerning share certificates, dividend payments, a change of address, or electronic delivery of shareholder documents, please contact:	***Computershare Investor Services Inc.*** 1500 Robert-Bourassa Blvd, Suite 700 Montreal QC H3A 3S8 Tel. 1 800 564.6253 514 982.7555 service@computershare.com

Common Shares - TSX: INE

Innergex Renewable Energy Inc. had 204,160,610 common shares outstanding as at March 31, 2023, with a closing price of $14.68 per share.

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

Innergex Renewable Energy Inc. currently has 3,400,000 Series A preferred shares outstanding, with a nominal value of $25 and a fixed cumulative preferential annual cash dividend of $0.8110 per share, payable quarterly on the 15th day of January, April, July and October. Series A preferred shares are redeemable by the Corporation since January 15, 2021.

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

Innergex Renewable Energy Inc. currently has 2,000,000 Series C preferred shares outstanding, with a nominal value of $25 and a fixed-rate cumulative preferential annual cash dividend of $1.4375 per share, payable quarterly on the 15th day of January, April, July and October. Series C preferred shares are redeemable by the Corporation since January 15, 2018.

Convertible Debentures - TSX: INE.DB.B

Innergex Renewable Energy Inc. currently has convertible debentures outstanding for an aggregate principal amount of $148.0 million, bearing interest at a rate of 4.75% per annum, payable semi-annually on June 30 and December 31 of each year, commencing on December 31, 2018. The debentures are convertible at the holder's option into Innergex common shares at a conversion price of $20.00 per share, representing a conversion rate of 50 common shares per each thousand dollars of principal amount of debentures. The debentures will mature on June 30, 2025 and are redeemable since June 30, 2021.

Convertible Debentures - TSX: INE.DB.C

Innergex Renewable Energy Inc. currently has convertible debentures outstanding for an aggregate principal amount of $142.1 million, bearing interest at a rate of 4.65% per annum, payable semi-annually on October 31 and April 30 of each year, commencing on April 30, 2020. The debentures are convertible at the holder's option into Innergex common shares at a conversion price of $22.90 per share, representing a conversion rate of 43.6681 common shares per each thousand dollars of principal amount of debentures. The debentures will mature on October 31, 2026 and are redeemable since October 31, 2022.

Credit Rating by Fitch Rating

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

Dividend Reinvestment Plan (DRIP)

Innergex Renewable Energy Inc. offers a Dividend Reinvestment Plan (DRIP) for its shareholders of common shares. This plan enables eligible holders of common shares to acquire additional common shares of the Corporation by reinvesting all or part of their cash dividends. For more information about the Corporation's DRIP, please visit our website at innergex.com or contact the DRIP administrator: Computershare Trust Company of Canada. Please note that if you wish to enrol in the DRIP but own your shares indirectly through a broker or financial institution, you must contact this intermediary and ask them to enrol in the DRIP on your behalf.

Independent Auditor

KPMG LLP

Ce document est disponible en français.
Pour la version numérique, visitez innergex.com
Pour la version papier, écrivez-nous à info@innergex.com