INNERGEX

Q2

Quarterly Report

Second Quarter - 2023

For the Period Ended June 30, 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

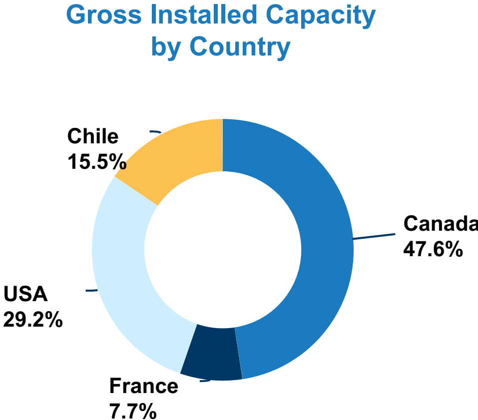
Innergex measures its performance using key performance indicators ("KPIs"). Innergex believes that these indicators are important, as they provide management and the reader with additional information about its production and cash-generating capabilities, its ability to pay dividends and fund its growth.

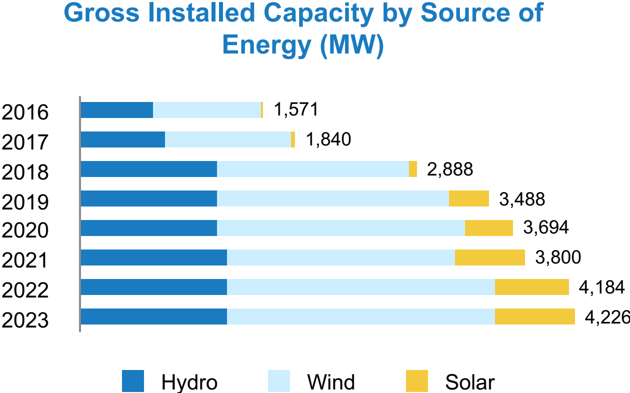
These indicators are not recognized measures under IFRS, have no standardized meaning prescribed by IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the "Non-IFRS Measures" section for more information.

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 August 8, 2023, the Corporation has four geographic segments and three operating segments.





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

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, 9 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

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 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, Innergex will 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 August 8, 2023, the Corporation owns and operates 85 facilities in commercial operation (the “Operating Facilities”). Commissioned between 1986 and July 2022, the facilities have a weighted average age of approximately 11.1 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 13.2 years (weighted average based on gross long-term average production).

For most Operating Facilities in Canada and in France, PPAs include a base price and, in some cases, a price adjustment depending on the month, day and hour of delivery. 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 August 8, 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	1	908	102	713	51	—	—
France	16	3	324	52	324	45	—	—
United States	8	1	714	330	714	330	—	—
Chile	3	—	332	—	332	—	—	—
Subtotal	35	5	2,278	484	2,083	426	—	—
SOLAR								
Canada	4	—	87	—	87	—	—	—
United States	2	3	450	245	450	245	—	180 [5]
Chile	3	—	153	—	137	—	150 [4]	—
Subtotal	9	3	689	245	674	245	150	180
STORAGE								
France	1	—	—	—	—	—	9	—
Chile	—	2	—	—	—	—	—	425 [6]
Subtotal	1	2	—	—	—	—	9	425
Total	85	13	4,226	849	3,676	760	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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") is a discussion of the operating results, cash flows and financial position of Innergex Renewable Energy Inc. ("Innergex" or the "Corporation") for the three and six months ended June 30, 2023, and reflects all material events up to August 8, 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 and six months ended June 30, 2023.

The unaudited condensed interim consolidated financial statements attached to this MD&A and the accompanying notes for the three and six months ended June 30, 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 | Second Quarter 2023 – Growth Initiatives

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

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

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

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

On May 31, 2023, Innergex entered into a 30-year "take-or-pay" power purchase agreement partially indexed to 30% inflation with Hydro-Québec for the electricity to be produced by the Mesgi'g Ugju's'n 2 ("MU2") wind project, which is owned in a 50-50 partnership with the Mi'gmawei Mawiomi Business Corporation ("MMBC"), an organization representing the three Mi'gmaq communities in Quebec.

1- HIGHLIGHTS | Second Quarter 2023 – Selected Information

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
OPERATING RESULTS				
Production (MWh)	2,951,098	2,855,891	5,263,754	5,160,494
Revenues and Production Tax Credits	269,541	238,513	487,869	446,283
Operating Income	93,322	92,526	156,291	161,868
Adjusted EBITDA[1]	186,989	159,310	332,089	309,153
Net Earnings (Loss)	24,805	(24,590)	11,769	(59,520)
Adjusted Net Loss[1]	11,260	(1,546)	(85)	(3,882)
PROPORTIONATE				
Production Proportionate (MWh)[1]	3,123,901	2,991,550	5,483,869	5,349,579
Revenues and Production Tax Credits Proportionate[1]	285,127	251,457	509,582	467,571
Adjusted EBITDA Proportionate[1]	199,194	168,750	347,637	323,930
COMMON SHARES				
Dividends declared on Common Shares	36,759	36,739	73,508	73,472
Dividends declared on Series A Preferred Shares	689	689	1,379	1,379
Dividends declared on Series C Preferred Shares	718	718	1,437	1,437
Weighted Average Number of Common Shares (in 000s)	203,492	203,558	203,527	200,123

	Trailing twelve months ended June 30	
	2023	2022
CASH FLOW AND PAYOUT RATIO		
Cash Flow From Operating Activities[2]	392,250	308,384
Free Cash Flow[1,2]	115,342	173,640
Payout Ratio[1,2]	127 %	82 %

	As at	
FINANCIAL POSITION	June 30, 2023	December 31, 2022
Total Assets	8,738,185	8,602,427
Total Liabilities	7,370,546	7,116,000
Equity Attributable to Owners	1,222,508	1,316,195
Non-Controlling Interests	145,131	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 | Second Quarter 2023 – Operating Performance

The second quarter benefited from the contribution of the acquisitions recently executed, namely the three solar facilities in Sault Ste. Marie, Ontario, completed in Q1 2023 and the three Aela wind farms in Chile completed in Q2 2022, the higher production and revenues from the French wind facilities and increased production and revenues from the hydro facilities in British Columbia. Quarterly production was below the long-term average but compensated by higher prices.

The Corporation is pleased with the progress made at its five construction projects, three of which to be commissioned in 2023 as planned. During the second quarter, the official ground-breaking ceremony was held for the Boswell Springs project in Wyoming, USA, and the contractor is mobilized on-site. The commissioning is anticipated in the fourth quarter of 2024. The amendment to the power purchase agreement ("PPA") to increase the selling prices by 56% for the Hale Kuawehi solar and battery storage project was approved by the Public Utilities Commission in Hawaii and limited construction activities resumed on site. The Corporation also made significant advancements with its projects under development, including signing a 30-year PPA for the Mesg'ig Ugju's'n 2 ("MU2") wind project in Quebec, Canada, owned in a 50-50 partnership, and successfully replaced its PPA for the Auxy Bois Régnier wind project in France at more favourable pricing conditions in July 2023.

For the three months ended June 30, 2023, **Revenues and Production Tax Credits** were up 13% to $269.5 million compared with the same period last year. The increase is mainly explained by the Aela and Sault Ste. Marie acquisitions, the higher production at hydro facilities in British Columbia and at the Curtis Palmer facilities in the United States, higher wind regimes and revenues from new PPAs at wind facilities in France, favourable pricing at the Foard City facility; and higher production and selling prices at the wind facilities in Quebec. The increase is partly offset by lower production and nodal prices at the Griffin Trail facility and lower selling prices at the Phoebe facility.Revenues and Production Tax Credits Proportionate[1] were up 13% at $285.1 million compared with the same period last year.

For the three months ended June 30, 2023, **Operating, general, administrative and prospective projects expenses** were up 19% to $79.3 million compared with the same period last year. The higher expenses are mainly explained by the Aela and Sault Ste. Marie acquisitions, extraordinary maintenance at several wind facilities in Quebec and the impact of the 2022 Supplementary Budget Act in France on French facilities. The increase is partly offset by lower maintenance costs at some hydro facilities in British Columbia and lower operating expenses at the solar Chilean facilities due to the change in regulation consequently reducing the transmission toll expenses.

As a result of the factors explained above, Adjusted EBITDA1 was 17% higher at $187.0 million for the three months ended June 30, 2023, and Adjusted EBITDA Proportionate1 was 18% higher at $199.2 million, compared with the same period last year.

Innergex recorded net earnings of $24.8 million ($0.10 and $0.09 net earnings per share, on a basic and diluted basis, respectively) for the three months ended June 30, 2023, compared with a net loss of $24.6 million ($0.13 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 increase in net earnings is largely explained by a favourable $57.3 million change in the fair value of financial instruments, mainly related to the decrease in the merchant power curves for the Phoebe power hedge. This item was partly offset by a $14.5 million increase in depreciation and amortization, mainly attributable to the Aela and Sault Ste. Marie acquisitions, a $13.4 million increase in finance costs mainly related to the refinancing of the non-recourse debt in Chile in Q3 2022 following the Aela Acquisition, and a increase in general and administrative expenses stremming mainly from reduced capitalized expenses on projects under construction, the Aela Acquisition and increased salaries from additional employees to support company's development and growth.

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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.

1- HIGHLIGHTS | Second Quarter 2023 – Capital and Resources

The increase in total assets compared with December 31, 2022 results largely from the assets acquired following the Sault Ste. Marie Acquisition, from the construction activities on Hale Kuawehi, Boswell Springs, Salvador and San Andrés battery storage projects and from an increase in accounts receivable mainly due to the higher revenues from higher production from the hydroelectric facilities in the spring. These items were partly offset by depreciation and amortization and by the difference between the safe harbor solar modules, classified as held for sale in 2022 and sold during Q1 2023, and the Kokomo and Spartan solar facilities' assets classified as held for sale during Q2 2023.

The increase in total liabilities compared with December 31, 2022 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. During the Q2 2023, the Corporation also closed a 2-year non-recourse construction bridge loan for the San Andrés Battery Energy Storage project in Chile.

The decrease in equity attributable to owners compared with December 31, 2022 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 June 30, 2023, is mainly due to the increase in finance costs paid relative to the refinancing of the non-recourse debt in Chile in Q3 2022 following the Aela Acquisition, partly offset by the contribution to cash flows from operating activities stemming from the Aela and Sault Ste. Marie acquisitions, and by the decrease in the realized loss on the Phoebe power hedge mainly related to the decrease in the merchant power curves. For the trailing twelve months ended June 30, 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, and an increase in the interest paid stemming from the acquisitions and construction activities, partly offset by the contribution to cash flows from operating activities from the acquisitions, and a decrease in Free Cash Flow attributed to non-controlling interests.

[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.

1- HIGHLIGHTS | Subsequent Events

Long-term partnership agreement for a minority interest in Innergex's portfolio in France

On August 7, 2023, the Corporation entered into an agreement to form a long-term partnership with Crédit Agricole Assurances, in connection with Crédit Agricole Centre-Est, for a 30% minority interest in Innergex's portfolio in France, representing a €128.0 million ($188.4 million) investment, subject to customary closing adjustments. The proceeds will be used to immediately reduce Innergex's revolving credit facilities at closing and to fund the Corporation's development activities over the coming years. The transaction is expected to close in the second half of 2023.

Boswell Springs financing

On July 14, 2023, the Corporation closed the construction financing of the Boswell Springs wind project totalling US$533.6 million ($703.8 million) bearing interest at 1-month SOFR + 1% maturing in 2025, which includes a construction loan of US$207.0 million ($273.0 million) and a tax equity bridge loan of US$326.6 million ($430.8 million), and a US$49.2 million ($64.9 million) letter of credit facility bearing interest at 1.31%. The construction loan will be repaid by a US$203.3 million ($268.1 million) 10-year non-recourse loan bearing interest at SOFR 180 days + 1.375% and it is expected that the tax equity bridge loan will be repaid with the proceeds from a Tax Equity Investor.

On July 17, 2023, the Corporation concluded three interest rate swaps to hedge a US$152.5 million ($201.9 million) portion of the construction financing that is subject to variable interest rates, for a total hedged notional of US$265.8 million ($351.9 million), including the interest rate swaps previously entered into.

Disposition of the Kokomo and Spartan Solar projects

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

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	1,779	28 %	1,553	24 %	1,334	21 %	1,756	27 %	6,422	54 %
SOLAR	336	21 %	461	29 %	465	29 %	319	20 %	1,581	13 %
Total	2,653	22 %	3,270	28 %	3,018	25 %	2,899	24 %	11,840	100 %

1. The consolidated long-term average production is the annualized LTA for the facilities in operation as at August 8, 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 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 June 30, 2023, approximately 8.2% 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 12.7 years, therefore near-term fluctuations in interest rates have a limited effect on the Corporation's future cash flows.

2- OVERVIEW OF OPERATIONS | Operating Facilities

Energy segment	Location	Three months ended June 30, 2023		Three months ended June 30, 2022		Three months Production % change	Six months ended June 30, 2023		Six months ended June 30, 2022		Six months Production % change
		Production (MWh)	Production as a % of LTA	Production (MWh)	Production as a % of LTA		Production (MWh)	Production as a % of LTA	Production (MWh)	Production as a % of LTA	
HYDRO	Quebec	200,088	93 %	211,514	99 %	(5)%	331,915	98 %	341,181	101 %	(3)%
	Ontario	18,439	89 %	21,617	104 %	(15)%	42,043	93 %	45,298	100 %	(7)%
	British Columbia	774,051	95 %	684,025	84 %	13 %	879,579	86 %	855,200	83 %	3 %
	United States	105,087	94 %	105,440	95 %	— %	223,594	105 %	205,371	97 %	9 %
	Chile	80,897	83 %	105,470	109 %	(23)%	140,698	81 %	155,939	90 %	(10)%
	Subtotal	**1,178,562**	**94 %**	**1,128,066**	**90 %**	**4 %**	**1,617,829**	**90 %**	**1,602,989**	**89 %**	**1 %**
WIND	Quebec	532,749	105 %	516,371	102 %	3 %	1,052,497	88 %	1,220,618	102 %	(14)%
	France	145,788	102 %	129,957	82 %	12 %	384,810	106 %	337,815	86 %	14 %
	United States	500,036	74 %	649,218	96 %	(23)%	1,221,792	91 %	1,300,176	98 %	(6)%
	Chile[4]	199,214	89 %	57,906	97 %	244 %	356,561	82 %	57,906	97 %	516 %
	Subtotal	**1,377,787**	**89 %**	**1,353,452**	**97 %**	**2 %**	**3,015,660**	**90 %**	**2,916,515**	**98 %**	**3 %**
SOLAR	Ontario	39,091	94 %	12,860	108 %	204 %	51,631	94 %	18,891	101 %	173 %
	United States	302,417	84 %	307,237	85 %	(2)%	451,713	77 %	490,638	84 %	(8)%
	Chile[3]	53,241	80 %	54,276	81 %	(2)%	126,921	76 %	131,461	86 %	(3)%
	Subtotal	**394,749**	**84 %**	**374,373**	**85 %**	**5 %**	**630,265**	**78 %**	**640,990**	**84 %**	**(2)%**
TOTAL PRODUCTION[1]		**2,951,098**	**90 %**	**2,855,891**	**92 %**	**3 %**	**5,263,754**	**89 %**	**5,160,494**	**93 %**	**2 %**
Innergex's share of production of joint ventures and associates		172,803	110 %	135,659	86 %	27 %	220,115	107 %	189,085	92 %	16 %
PRODUCTION PROPORTIONATE[1,2]		**3,123,901**	**91 %**	**2,991,550**	**92 %**	**4 %**	**5,483,869**	**89 %**	**5,349,579**	**93 %**	**3 %**

1. Some facilities are treated as joint ventures and associates and accounted for using the equity method; their revenues are not included in the Corporation's consolidated revenues and, for consistency, their electricity production figures have been excluded from production and included in production proportionate.
2. The results from the 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 June 30, 2023 was 90% of LTA. The result is mostly explained by low water flows in all regions combined with below-average wind regimes in the United States, France and 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 wind facilities. Innergex's share of production of joint ventures and associates was 110% of LTA, translating into a Production Proportionate at 91% of LTA.

Production for the six months ended June 30, 2023 was 89% of LTA. The result is mostly explained by low water flows in British Columbia and Chile combined with below-average wind regimes in Quebec, lower wind regimes at Foard City and Griffin Trail Facilities in the United States, lower wind regimes and economic curtailment at Sarco and Aurora 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 Curtis Palmer hydro facilities in the United States. Innergex's share of production of joint ventures and associates was 107% of LTA, translating into a Production Proportionate at 89% of LTA.

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
Innavik (QC, Canada)	Hydro	50	7.5	54.7	40	2023
Salvador Battery Storage (Chile)	Storage	100	Note [4]	—	—	2023
San Andrés Battery Storage (Chile)	Storage	100	Note [5]	—	—	2023
Hale Kuawehi (Hawaii, U.S.)	Solar	100	30.0 [2]	87.4 [3]	25	2024
Boswell Springs (Wyoming, U.S.)	Wind	100	329.8	1,262.0	30	2024

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

Updated status for the following projects:

Innavik:
- Construction is now almost completed with the closure of the diversion achieved this summer.
- Earthwork and site reclamation continued and should last throughout summer.
- Electromechanical contractors have started to undertake dry commissioning which should be completed in Q3 2023.
- Wet commissioning will follow and on-load commissioning with Hydro-Québec will take place during Q3 2023.
- The contractor has registered a legal hypothec in Q1 2023 claiming payment of additional costs. The Corporation is disputing that claim but nevertheless, the contractor has agreed to continue working to complete the project.
- Project COD expected in Q3 2023.

Salvador Battery Storage
- Electrical works, interconnections, equipment delivery and installation underway.
- Commissioning in process.
- Project COD expected in Q3 2023.

San Andrés Battery Storage
- Precast foundations installed.
- Transformers and inverters installed.
- Equipment delivery and installation started in Q2 2023.
- Project COD expected in Q4 2023.

Hale Kuawehi:
- Limited construction activities resumed on site
- An amendment to the PPA was executed with HECO, the local utility, and was approved by the Public Utility Commission (PUC).
- Project COD expected in Q3 2024.

Boswell Springs
- Contractor is mobilized on-site since Q2 2023.
- Generation-tie line is progressing well with more than 40% completed
- Concrete foundations work for the turbines have started.
- Construction financing closed in July 2023.
- Tax equity investors expected to be committed in Q3 2023.
- Project COD expected in Q4 2024.

2- OVERVIEW OF OPERATIONS | Development Activities

Innergex owns a portfolio of projects in the development stage with a gross installed capacity of approximately 481.1 MW. The table below outlines their status as at the date of this MD&A.

Name (Location)	Type	Gross installed capacity (MW)	PPA term (years)	Expected COD
Mesgi'g Ugju's'n 2 (Canada)	Wind	102.2	30	2026
Paeahu (Hawaii, U.S.)	Solar	15.0 [2]	25	— [3]
Palomino (Ohio, U.S.)	Solar	200.0	—	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
Frontera (Chile)	Hydro	109.0	— [1]	2028
Rucacura (Chile)	Hydro	3.0	— [1]	2025

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

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

Paeahu
- Waiting for positive ruling on contested case.

Palomino
- Commercial discussions are ongoing with multiple interested offtakers.
- Interconnection study continues and is expected to be completed in Q3 2023.
- Certificate of Environmental Compatibility and Public Need obtained.

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 is still in progress and interconnection is expected for Q1 2025.
- Interconnection agreements have been signed.
- The project successfully replaced its PPA at more favourable pricing conditions in the latest request for proposals for onshore wind in France.

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

Frontera
- Transmission line point of connection and layout under review.

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

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	480	6	—	—	—	—	480	6
Wind	3,431	15	2,550	7	—	—	5,981	22
Subtotal	4,411	36	2,550	7	—	—	6,961	43
UNITED STATES								
Solar	99	2	300	1	685	4	1,084	7
Wind	—	—	400	1	—	—	400	1
Green hydrogen[2]	5	1	—	—	—	—	5	1
Subtotal	104	3	700	2	685	4	1,489	9
FRANCE								
Solar	42	3	—	—	86	1	128	4
Wind	21	1	134	7	159	8	314	16
Subtotal	63	4	134	7	245	9	442	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	4,884	48	3,384	16	1,084	14	9,352	78
Change from Q1 2023	+432	—	+18	—	+19	—	+469	—

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

Compared to Q1 2023, five new projects in Canada were added to the Early Stage and five projects were abandoned, including four in the United States and one in Canada, for a net increase of 432 MW. Mid and Advanced stages projects also recorded a net increase of 37 MW.

3- FINANCIAL PERFORMANCE AND OPERATING RESULTS

	Three months ended June 30				Six months ended June 30			
	2023	2022	Change		2023	2022	Change	
Revenues	251,912	219,746	32,166	15 %	449,311	408,469	40,842	10 %
Production Tax Credits	17,629	18,767	(1,138)	(6)%	38,558	37,814	744	2 %
Revenues and Production Tax Credits	269,541	238,513	31,028	13 %	487,869	446,283	41,586	9 %
Operating expenses	55,789	50,546	5,243	10 %	107,035	90,584	16,451	18 %
General and administrative expenses	16,584	10,540	6,044	57 %	36,293	24,679	11,614	47 %
Prospective projects expenses	6,903	5,788	1,115	19 %	11,401	9,808	1,593	16 %
ERP implementation	3,349	—	3,349	— %	5,918	—	5,918	— %
Depreciation and amortization	93,594	79,113	14,481	18 %	170,931	159,344	11,587	7 %
Operating Income	93,322	92,526	796	1 %	156,291	161,868	(5,577)	(3)%
Finance costs	90,539	77,159	13,380	17 %	175,341	143,560	31,781	22 %
Other net income	(3,101)	(216)	(2,885)	(1,336)%	(3,541)	(1,298)	(2,243)	(173)%
Share of (earnings) loss of joint ventures and associates[1]	(4,384)	(1,222)	(3,162)	(259)%	289	986	(697)	(71)%
Change in fair value of financial instruments	(17,248)	40,041	(57,289)	(143)%	(19,129)	80,556	(99,685)	(124)%
Income tax expense (recovery)	2,711	1,354	1,357	100 %	(8,438)	(2,416)	(6,022)	(249)%
Net earnings (loss)	24,805	(24,590)	49,395	201 %	11,769	(59,520)	71,289	120 %
Net earnings (loss) attributable to:								
Owners of the parent	20,739	(25,185)	45,924	182 %	6,403	(59,587)	65,990	111 %
Non-controlling interests	4,066	595	3,471	583 %	5,366	67	5,299	7,909 %
	24,805	(24,590)	49,395	201 %	11,769	(59,520)	71,289	120 %
Basic net earnings (loss) per share attributable to owners ($)	0.10	(0.13)			0.02	(0.31)		
Diluted net earnings (loss) per share attributable to owners ($)	0.09	(0.13)			0.02	(0.31)		

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.

3- FINANCIAL PERFORMANCE AND OPERATING RESULTS | Hydroelectric Segment

Hydroelectric Segment	Three months ended June 30			Six months ended June 30		
	2023	2022	Change	2023	2022	Change
Production (MWh)	1,178,562	1,128,066	4 %	1,617,829	1,602,989	1 %
LTA (MWh)	1,256,392	1,256,499	— %	1,794,811	1,794,967	— %
LTA (%)	94 %	90 %	4 %	90 %	89 %	1 %
Revenues	108,125	100,119	8 %	166,954	166,030	1 %
Operating, general and administrative expenses	19,989	23,742	(16)%	38,082	43,023	(11)%
Adjusted EBITDA[1]	88,136	76,377	15 %	128,872	123,007	5 %
PROPORTIONATE[1]						
Production Proportionate (MWh)	1,328,047	1,243,834	7 %	1,782,796	1,733,403	3 %
LTA Proportionate (%)	96 %	89 %	7 %	92 %	89 %	3 %
Revenues Proportionate	120,750	110,506	9 %	181,211	179,647	1 %
Adjusted EBITDA Proportionate	98,219	84,192	17 %	138,700	131,962	5 %

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 June 30, 2023, the increase of 8% in Revenues in the hydroelectric segment compared with the same period last year is mainly explained by a higher production at the facilities in British Columbia and at the Curtis Palmer facilities and the higher spot prices at the Chilean facilities. The decrease of 16% in Operating, general and administrative expenses is explained by lower maintenance costs at some facilities in British Columbia. As a result, Adjusted EBITDA[1] increased by 15% to $88.1 million.

For the three months ended June 30, 2023, the increase of 9% in Revenues Proportionate[1] in the hydroelectric segment mainly stems from the increase in consolidated revenues and revenues from the joint ventures and associates due to a higher production at the facilities in British Columbia. There were no significant impacts from joint ventures and associates on Operating, general and administrative expenses compared with the same period last year. As a result, Adjusted EBITDA Proportionate[1] increased by 17% to $98.2 million.

For the six months ended June 30, 2023, the increase of 1% in Revenues in the hydroelectric segment compared with the same period last year is mainly explained by the higher production at the Curtis Palmer facilities and the higher spot prices at the Chilean facilities partly offset by the BC Hydro Curtailment Payment received in the first quarter of 2022. The decrease of 11% in Operating, general and administrative expenses is explained by lower maintenance costs at some facilities in British Columbia. As a result, Adjusted EBITDA[1] increased by 5% to $128.9 million.

For the six months ended June 30, 2023, the increase of 1% in Revenues Proportionate[1] in the hydroelectric segment mainly stems from the increase in consolidated revenues and revenues from the joint ventures and associates due to higher production at the Umbata Falls facility and the facilities in British Columbia. There were no significant impacts from joint ventures and associates on Operating, general and administrative expenses compared with the same period last year. As a result, Adjusted EBITDA Proportionate[1] increased by 5% to $138.7 million.

3- FINANCIAL PERFORMANCE AND OPERATING RESULTS | Wind Segment

	Three months ended June 30			Six months ended June 30		
Wind Segment	2023	2022	Change	2023	2022	Change
Production (MWh)	1,377,787	1,353,452	2 %	3,015,660	2,916,515	3 %
LTA (MWh)	1,554,159	1,401,788	11 %	3,338,233	2,980,770	12 %
LTA (%)	89 %	97 %	(8)%	90 %	98 %	(8)%
Revenues and production tax credits	118,800	104,405	14 %	262,387	229,349	14 %
Operating, general and administrative expenses	32,709	22,220	47 %	62,815	38,641	63 %
Adjusted EBITDA[1]	86,091	82,185	5 %	199,572	190,708	5 %
PROPORTIONATE[1]						
Production Proportionate (MWh)	1,401,105	1,373,343	2 %	3,070,808	2,975,186	3 %
Revenues and Production Tax Credits Proportionate	121,761	106,962	14 %	269,843	237,020	14 %
LTA Proportionate (%)	89 %	96 %	(7)%	90 %	98 %	(8)%
Adjusted EBITDA Proportionate	88,213	83,810	5 %	205,292	196,530	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 June 30, 2023, Revenues and production tax credits increased by 14% in the wind power generation segment compared with the same period last year, mainly due to the Aela Acquisition on June 9, 2022, increased wind regime and revenues from new PPAs in place at facilities in France, favourable pricing at the Foard City facility and higher production from the facilities in Quebec. The increase was partly offset by lower production and nodal prices at the Griffin Trail facility. The increase of 47% in Operating, general and administrative expenses is mainly explained by extraordinary maintenance expenses at several facilities in Quebec, 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 $86.1 million, compared with the same period last year.

For the three months ended June 30, 2023, the increase of 14% in Revenues and Production Tax Credits 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 5% to $88.2 million.

For the six months ended June 30, 2023, Revenues and production tax credits increased by 14% in the wind power generation segment compared with the same period last year, mainly due to the Aela Acquisition on June 9, 2022, increased wind regime and revenues from new PPAs in place at facilities in France and favourable pricing at the Foard City facility. The increase was partly offset by lower production from the facilities in Quebec and by lower production and nodal prices at the Griffin Trail facility. The increase of 63% in Operating, general and administrative expenses is mainly explained by higher expenses following the Aela Acquisition, the impact of the 2022 Supplementary Budget Act in France on French facilities and higher maintenance expenses in Quebec facilities. As a result, Adjusted EBITDA[1] increased by 5% to $199.6 million, compared with the same period last year.

For the six months ended June 30, 2023, the increase of 14% in Revenues and Production Tax Credits 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 is a slight negative impact 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 $205.3 million.

3- FINANCIAL PERFORMANCE AND OPERATING RESULTS | Solar Segment

	Three months ended June 30			Six months ended June 30		
Solar Segment	2023	2022	Change	2023	2022	Change
Production (MWh)	394,749	374,373	5 %	630,265	640,990	(2)%
LTA (MWh)	469,812	442,101	6 %	805,443	758,816	6 %
LTA (%)	84 %	85 %	(1)%	78 %	84 %	(6)%
Revenues	42,616	33,989	25 %	58,528	50,904	15 %
Operating, general and administrative expenses	5,236	5,501	(5)%	9,489	11,106	(15)%
Realized loss on power hedges	3,276	12,329	(73)%	1,051	12,059	(91)%
Adjusted EBITDA[1]	34,104	16,159	111 %	47,988	27,739	73 %

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 June 30, 2023, Revenues increased by 25% in the solar power generation segment compared with the same period last year, due mainly to the the Sault Ste. Marie Acquisition on March 9, 2023, partly offset by the lower selling prices at the Phoebe facility. The decrease of 5% in Operating, general and administrative expenses is explained mainly by lower operating expenses at the Chilean facilities due to a regulation change consequently reducing the transmission toll expenses, partly offset by increased expenses from the Sault Ste. Marie Acquisition. The decrease in realized loss on the power hedges is mainly related to the decrease in merchant power curves for the Phoebe power hedge. As a result, Adjusted EBITDA[1] increased by 111% to $34.1 million, compared with the same period last year.

For the six months ended June 30, 2023, Revenues increased by 15% in the solar power generation segment compared with the same period last year, mainly due to the Sault Ste. Marie Acquisition on March 9, 2023, partly offset by lower irradiation, economic curtailment and lower selling prices at the Phoebe, Salvador and San Andrés facilities. The decrease of 15% in Operating, general and administrative expenses is explained mainly by lower operating expenses at the Chilean facilities due to a regulation change consequently reducing the transmission toll expenses. The decrease in realized loss on the power hedges is mainly related to the decrease in merchant power curves for the Phoebe power hedge. As a result, Adjusted EBITDA[1] increased by 73% to $48.0 million, compared with the same period last year.

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

Net earnings of $24.8 million ($0.10 and $0.09 net earnings per share, on a basic and diluted basis, respectively) for the three months ended June 30, 2023, compared with net loss of $24.6 million ($0.13 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 $49.4 million increase in net earnings mainly stems from:

- a favourable $57.3 million change in the fair value of financial instruments, mainly related to the decrease in the merchant power curves for the Phoebe power hedge.

This item was partly offset by:
- a $14.5 million increase in depreciation and amortization**,** mainly attributable to the Aela and Sault Ste. Marie acquisitions;
- a $13.4 million increase in finance costs mainly related to the refinancing of the non-recourse debt in Chile in Q3 2022 following the Aela Acquisition; and
- an increase in general and administrative expenses stemming mainly from reduced capitalized expenses on projects under construction, the Aela Acquisition and increased salaries from additional employees to support company's development and growth.

Net earnings of $11.8 million ($0.02 net earnings per share - basic and diluted) for the six months ended June 30, 2023, compared with net loss of $59.5 million ($0.31 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 $71.3 million decrease in net loss mainly stems from:

- a favourable $99.7 million change in the fair value of financial instruments, mainly related to the decrease in the merchant power curves for the Phoebe power hedge.

This item was partly offset by:
- a $31.8 million increase in finance costs mainly related to the refinancing of the non-recourse debt in Chile in Q3 2022 following the Aela Acquisition.
- an $11.6 million increase in depreciation and amortization**,** mainly attributable to the Aela and Sault Ste. Marie acquisitions; and
- an increase in general and administrative expenses stemming mainly from reduced capitalized expenses on projects under construction, the Aela Acquisition and increased salaries from additional employees to support company's development and growth.

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

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

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

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Revenues and production tax credits	269,541	238,513	487,869	446,283
Expenses:				
Operating	55,789	50,546	107,035	90,584
General and administrative	16,584	10,540	36,293	24,679
Prospective projects	6,903	5,788	11,401	9,808
Depreciation and amortization	93,594	79,113	170,931	159,344
Earnings before the following:	96,671	92,526	162,209	161,868
Finance costs	90,539	77,159	175,341	143,560
Other net income	(3,100)	(216)	(3,507)	(811)
Share of (earnings) losses of joint ventures and associates	(4,182)	(753)	568	2,353
Realized loss on power hedges	3,276	12,329	1,051	12,059
Income tax (recovery) expense	(1,122)	5,553	(11,159)	8,589
Adjusted Net Earning (Loss)[1]	11,260	(1,546)	(85)	(3,882)

1. Adjusted Net Earnings 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.

Adjusted Net Earnings[1] of $11.3 million for the three months ended June 30, 2023, compared with an Adjusted Net Loss[1] of $1.5 million for the corresponding period in 2022.

In addition to the hydroelectric, wind and solar segments' respective operating performance previously discussed, the $12.8 million increase in Adjusted Net Earnings[1] mainly stems from:

- a favourable $9.1 million realized change in the fair value of financial instruments, mainly related to the decrease in the merchant power curves for the Phoebe power hedge; and

This item was partly offset by:

- a $14.5 million increase in depreciation and amortization**,** mainly attributable to the Aela and Sault Ste. Marie acquisitions;
- a $13.4 million increase in finance costs mainly related to the refinancing of the non-recourse debt in Chile in Q3 2022 following the Aela Acquisition;
- a $6.7 million increase in the income tax recovery mainly due to a decrease in tax attributes allocated to tax equity investors pertaining to ITCs and a favourable change for the year in deferred tax assets not recognized in Chile; and
- an increase in general and administrative expenses stemming mainly from reduced capitalized expenses on projects under construction, the Aela Acquisition and increased salaries from additional employees to support company's development and growth.

Adjusted Net Loss[1] of $0.1 million for the six months ended June 30, 2023, compared with an Adjusted Net Loss[1] of $3.9 million for the corresponding period in 2022.

In addition to the hydroelectric, wind and solar segments' respective operating performance previously discussed, the $3.8 million decrease in Adjusted Net Loss[1] mainly stems from:

- a favourable $11.0 million realized 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 $19.7 million increase in the income tax recovery due mainly to exceptionally low production in British Columbia in Q1 2023 because of drier weather and the BC Hydro Curtailment Payment received in Q1 2022. The increase in income tax recovery is also due to the increase in finance costs mainly related to the refinancing of the non-recourse debt in Chile in Q3 2022 following the Aela Acquisition and a favourable change for the year in deferred tax assets not recognized in Chile.

These items were partly offset by:

- a $31.8 million increase in finance costs mainly related to the refinancing of the non-recourse debt in Chile in Q3 2022 following the Aela Acquisition;
- an $11.6 million increase in depreciation and amortization**,** mainly attributable to the Aela and Sault Ste. Marie acquisitions; and
- an increase in general and administrative expenses stemming mainly from reduced capitalized expenses on projects under construction, the Aela Acquisition and increased salaries from additional employees to support company's development and growth.

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

Attribution of earnings of $4.1 million to non-controlling interests for the three months ended June 30, 2023, compared with an attribution of earnings of $0.6 million for the corresponding period in 2022.

The $3.5 million increase in earnings attributed to non-controlling interests is mainly due to:

- a higher allocation of earnings 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.

This item was partly offset by:

- the absence of allocation of income to the non-controlling interests in Innergex Europe and Mountain Air due to their acquisition in Q4 2022.

Attribution of earnings of $5.4 million to non-controlling interests for the six months ended June 30, 2023, compared with an attribution of earnings of $0.1 million for the corresponding period in 2022.

The $5.3 million increase in earnings attributed to non-controlling interests is mainly due to:

- an increase in revenues mainly attributable to higher production at the Curtis Palmer facilities; 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:

- the absence of allocation of income to the non-controlling interests in Innergex Europe and Mountain Air in 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	June 30, 2023	December 31, 2022
Equity[1]		
Common shares[2]	2,520,026	3,306,952
Preferred shares[3]	83,430	87,640
Non-controlling interests	145,131	170,232
	2,748,587	3,564,824
Long-term loans and borrowings[1]		
Corporate revolving credit facility	804,213	718,232
Other corporate debt	325,000	305,000
Project-level debt	4,222,487	4,088,456
Tax Equity financing	408,962	443,147
Convertible debentures	283,870	282,678
Deferred financing costs	(72,006)	(78,303)
	5,972,526	5,759,210
	8,721,113	9,324,034

1. Common and preferred shares are presented at their fair value as at June 30, 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 June 30, 2023, and December 31, 2022, multiplied by the prevailing share price of $12.34 (2022 - $16.20) at the close of markets.
3. Consists of the number of preferred shares outstanding as at June 30, 2023, and December 31, 2022, multiplied by the prevailing share price of $12.95 and $19.70 (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, the Corporation expects to finance 70% to 85% of its construction costs mostly through non-recourse long-term debt financing or tax equity financing for qualifying projects in the United States.

The fair value of common shares was impacted mainly by a lower share price. The preferred shares structure remained consistent compared to December 31, 2022, and the fair value was impacted by a lower preferred shares price. The decrease in non-controlling interests stems mainly from the distributions allocated to the non-controlling interests during the year.

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 Corporation also closed a 2-year non-recourse construction bridge loan for the San Andrés Energy Storage project in Chile.

The effective all-in interest rate on the Corporation's long-term loans and borrowings was 5.25% as at June 30, 2023 (5.06% as at December 31, 2022). The increase is mainly due to new indebtedness at higher interest rates.

Credit Agreements – Material Financial and Non-Financial Conditions

As at June 30, 2023, the Corporation and its subsidiaries have met all material financial and non-financial conditions related to their credit agreements, trust indentures and PPAs. When they are not met, certain financial and non-financial covenants included in the credit agreements, trust indentures and PPAs entered into by various subsidiaries of the Corporation could limit the capacity of these subsidiaries to transfer funds to the Corporation. These restrictions could have a negative impact on the Corporation's ability to meet its obligations.

4- CAPITAL AND LIQUIDITY | Tax Equity Financing

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

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

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

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

Inflation Reduction Act of 2022 ("IRA")

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

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

4- CAPITAL AND LIQUIDITY | Financial Position

As at	June 30, 2023	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	129,636	162,971
Restricted cash	52,049	54,670
Other current assets	314,264	250,301
Assets held for sale	28,394	59,217
Total current assets	524,343	527,159
Non-current assets		
Property, plant and equipment	6,253,626	6,212,371
Intangible assets	1,349,373	1,268,960
Investments in joint ventures and associates	128,976	135,786
Goodwill	176,336	139,676
Other non-current assets	305,531	318,475
Total non-current assets	8,213,842	8,075,268
Total assets	8,738,185	8,602,427
LIABILITIES		
Current liabilities	531,708	650,824
Non-current liabilities		
Long-term loans and borrowings	5,727,675	5,384,813
Other non-current liabilities	1,111,163	1,080,363
Total non-current liabilities	6,838,838	6,465,176
Total liabilities	7,370,546	7,116,000
SHAREHOLDERS' EQUITY		
Equity attributable to owners	1,222,508	1,316,195
Non-controlling interests	145,131	170,232
Total shareholders' equity	1,367,639	1,486,427
	8,738,185	8,602,427

Working Capital Items

As at June 30, 2023, working capital[1] was negative at $7.4 million, from negative $123.7 million on December 31, 2022, mainly explained by:

- Current assets amounted to $524.3 million as at June 30, 2023, a decrease of $2.8 million compared with December 31, 2022, mainly due to the difference between the safe harbor solar modules, classified as held for sale in 2022 and sold during the Q1 2023, and the Kokomo and Spartan solar facilities' assets classified as held for sale during Q2 2023, partly offset by a $38.1 million increase in accounts receivable mainly due to the higher revenues from higher production from the hydroelectric facilities in the spring, and by the assets acquired as part of the Sault Ste. Marie Acquisition.

  The decrease in current assets is also explained by a $33.3 million decrease in cash (please refer to the "Capital and liquidity – Cash Flows" subsection below for more information).

- Current liabilities amounted to $531.7 million as at June 30, 2023, a decrease of $142.2 million compared with December 31, 2022, mainly due to a $127.4 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 current portion of the debt assumed in the Sault Ste. Marie Acquisition. The decrease in current liabilities is also explained by a $13.3 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. These items were partly offset by the Kokomo and Spartan solar facilities' liabilities classified as held for sale during the second quarter of 2023.

- 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 June 30, 2023, the Corporation had $950.0 million in revolving term credit facility and had drawn $804.2 million as cash advances, while $7.7 million had been used to issue letters of credit, leaving $138.1 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 $8,213.8 million as at June 30, 2023, an increase of $138.6 million compared with December 31, 2022. The increase is mainly due to the Sault Ste. Marie Acquisition, which contributed an aggregate addition of $197.7 million to property, plant and equipment and intangibles and a $30.0 million increase in goodwill. 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 $175.5 million, including the inital measurement of the right-of-use assets related to the Boswell Springs land leases.

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

These items were partly offset by depreciation and amortization of $170.9 million, by the Kokomo and Spartan solar facilities non-current assets classified as held of sale, by a $7.0 million decrease in deferred tax assets, mainly related to a favourable change in the fair value of the Phoebe power hedge and by a strengthening of the Canadian dollar against the United States dollar.

Non-Current Liabilities

Non-current liabilities amounted to $6,838.8 million as at June 30, 2023, an increase of $373.7 million compared with December 31, 2022. The increase is mainly due to a $342.9 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, from net draws on the revolving term credit facility, 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. During Q2 2023, the Corporation also closed a 2-year non-recourse construction bridge loan for the San Andrés Battery Energy Storage project in Chile. The initial measurement of the lease obligation related to Boswell Springs and the deferred taxes recorded following the Sault Ste. Marie Acquisition, also contributed to the increase of the non-current liabilities.

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

These items were partly offset by the scheduled principal repayments of long-term loans and borrowings and by the Kokomo and Spartan solar facilities' non-current liabilities classified as held of sale.

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

Shareholders' Equity

As at June 30, 2023, Shareholders' equity decreased by $118.8 million compared with December 31, 2022, mainly attributable to the total comprehensive loss of $16.3 million, to the dividends declared on common and preferred shares totalling $76.3 million and to the distributions to non-controlling interests totalling $25.9 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 $61.4 million as at June 30, 2023, from a net asset of $25.3 million as at December 31, 2022. The favourable change relates mainly to the interest hedging derivatives, favourably impacted by an upward shift in the interest rate curves.

Off-Balance-Sheet Arrangements

As at June 30, 2023, the Corporation had issued letters of credit totalling $380.5 million, including $7.7 million from its corporate facilities, to meet its obligations under its various PPAs and other agreements. These letters of credit were issued as payment securities for various projects under construction and as performance or financial guarantees under PPAs and other contractual obligations. As at that date, Innergex had also issued a total of $152.7 million in corporate guarantees used mainly to guarantee certain activities of prospective projects. The corporate guarantees were also used for payment security related to its development activities in Hawaii and the construction of Boswell Springs, 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. This provision remains unchanged as at June 30, 2023.

Senvion GmbH claims under insolvency proceedings

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

On May 17,2023, Senvion issued a claim through the Ontario Superior Court of Justice (the "Court") against Mesgi'g Ugju's'n (MU) Wind Farm L.P. and Mesgi'g Ugju's'n (MU) Wind Farm Inc. (together, "MU"), alleging that MU drew down on a $19.6 million letter of credit held in its favour in violation of a stay of proceedings imposed by the Court under the Companies Creditors’ Arrangement Act, and failed to pay invoices owed for an amount of $9.6 million, which the Corporation had set off against outstanding production guarantee receivables from Senvion. The Corporation considers that this procedure has no basis and is disputing the claim. No provision in respect of this litigation has been recorded as at June 30, 2023.

4- CAPITAL AND LIQUIDITY | Cash Flows

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
OPERATING ACTIVITIES				
Cash flows from operating activities	61,188	67,628	114,493	152,486
FINANCING ACTIVITIES				
Cash flows (used in) from financing activities	(44,572)	345,836	16,014	349,754
INVESTING ACTIVITIES				
Cash flows used in investing activities	(44,035)	(394,417)	(164,533)	(444,687)
Effects of exchange rate changes on cash and cash equivalents	(170)	4,337	691	1,102
Net change in cash and cash equivalents	(27,589)	23,384	(33,335)	58,655
Cash and cash equivalents, beginning of period	157,225	201,537	162,971	166,266
Cash and cash equivalents, end of period	129,636	224,921	129,636	224,921

Cash Flows from Operating Activities

For the three months ended June 30, 2023, cash flows from operating activities totalled $61.2 million, compared with $67.6 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 refinancing of the non-recourse debt in Chile in Q3 2022 following the Aela Acquisition. The decrease was partly offset by the contribution to cash flows from operating activities stemming from the Aela and Sault Ste. Marie acquisitions, and by the decrease in the realized loss on the Phoebe power hedge mainly related to the decrease in the merchant power curves.

For the six months ended June 30, 2023, cash flows from operating activities totalled $114.5 million, compared with $152.5 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 refinancing of the non-recourse debt in Chile in Q3 2022 following the Aela Acquisition. The decrease was partly offset by the contribution to cash flows from operating activities stemming from the Aela and Sault Ste. Marie acquisitions, and by the decrease in the realized loss on the Phoebe power hedge mainly related to the decrease in the merchant power curves.

Cash Flows (Used in) From Financing Activities

For the three months ended June 30, 2023, cash flows used in financing activities totalled $44.6 million, compared with cash flows from financing activities of $345.8 million in the same period last year. The decrease stems mainly from the net $8.9 million increase in long-term loans and borrowings in 2023 compared to the net $413.7 million increase in the same period last year, mainly explained by the Aela Acquisition in Q2 2022.

For the six months ended June 30, 2023, cash flows from financing activities totalled $16.0 million, compared with $349.8 million in the same period last year. The decrease stems mainly from the net $124.6 million increase in long-term loans and borrowings in 2023, mainly explained by the net draws on the revolving term credit facility, 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. During Q2 2023, the Corporation also closed a 2-year non-recourse construction bridge loan for the San Andrés Energy Storage project in Chile. This compares to the net $266.2 million increase in 2022, mainly explained by the San Andrés and Aela acquisitions, and the additions to property, plant and equipment. The decrease is also explained 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 June 30, 2023, cash flows used in investing activities totalled $44.0 million, compared with $394.4 million in the same period last year. This decrease is mainly due to the consideration paid toward the Aela Acquisition in 2022, and to the BESS supply agreements termination payments received in Q2 2023, partly offset by the additions to property, plant and equipment made toward the Boswell Springs wind project and the Salvador and San Andrés Battery Energy Storage projects in 2023.

For the six months ended June 30, 2023, cash flows used in investing activities totalled $164.5 million, compared with $444.7 million in the same period last year. This decrease is mainly due to the consideration paid toward the Sault Ste. Marie Acquisition in 2023 compared to the consideration paid toward the Aela and San Andrés acquisitions in 2022, to the proceeds obtained on the safe harbor solar modules' sale during Q1 2023, and to the BESS supply agreements termination payments received in Q2 2023,. The decrease was partly offset by the additions to property, plant and equipment made toward the Boswell Springs wind project and the Salvador and San Andrés Battery Energy Storage projects in 2023.

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 June 30	
Free Cash Flow and Payout Ratio[1]	2023	2022
Cash flows from operating activities[2]	392,250	308,384
Add (Subtract) the following items:		
Changes in non-cash operating working capital items	4,231	45,659
Prospective projects expenses	26,333	24,652
Maintenance capital expenditures, net of proceeds from disposals	(18,649)	(9,095)
Scheduled debt principal payments	(167,262)	(161,411)
Free Cash Flow attributed to non-controlling interests[3]	(28,652)	(35,900)
Dividends declared on Preferred shares	(5,632)	(5,632)
Chile portfolio refinancing - hedging impact[4]	4,830	—
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	21,774	9,660
Realized gain on the Phoebe basis hedge	—	(2,300)
Free Cash Flow[1]	115,342	173,640
Dividends declared on common shares	146,993	142,824
Payout Ratio[1]	127 %	82 %

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 June 30, 2022 include the one-time BC Hydro Curtailment Payment received during Q1 2022.
3. The portion of Free Cash Flow attributed to non-controlling interests is subtracted, regardless of whether an actual distribution to non-controlling interests is made, in order to reflect the fact that such distributions may not occur in the period they are generated.
4. The Free Cash Flow for the trailing twelve months ended June 30, 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 June 30, 2023 excludes the $43.5 million realized gain on settlement of the foreign exchange forward contracts concurrent with the closing of the French Acquisition.

Free Cash Flow

For the trailing twelve months ended June 30, 2023, the Corporation generated Free Cash Flow[1] of $115.3 million, compared with $173.6 million for the corresponding period last year.

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

Free Cash Flow[1] decreased $58.3 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 refinancing of the non-recourse debt in Chile in Q3 2022 following the Aela Acquisition, from the recent Sault Ste. Marie, Mountain Air and French acquisitions, and from the construction activities; and
- an increase in maintenance capital expenditures mainly stemming from the recent acquisitions and from the recent weather-related damages at the Foard City facility.

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; and
- 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.

Payout Ratio

For the trailing twelve months ended June 30, 2023, the dividends on common shares declared by the Corporation amounted to 127% of Free Cash Flow[1], compared with 82% for the corresponding period last year.

Operating performance

Had production levels been equal to their long-term average during the trailing twelve months ended June 30, 2023, Free Cash Flow and Payout Ratio would have been in a range of $183.0 million to $197.0 million and 75% to 80%, respectively.

Scheduled debt principal payments

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

	As at June 30, 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	1,413,083	3.8	4.9	34.2
Project-level debt:				
Chile green bonds	940,040	13.0	10.0	35.3
Hydro	1,643,841	26.2	18.9	64.6
Wind	1,157,225	9.8	8.4	21.2
Solar	481,381	4.2	9.5	27.5
Tax equity financing	408,962	6.4	8.9	27.5
	6,044,532	12.7	13.2	39.3

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 June 30, 2023 would have been $140.9 million and 104%, respectively ($218.5 million and 65%, respectively for the same period last year).

4- CAPITAL AND LIQUIDITY | Information on Capital Stock

The Corporation's Equity Securities

	As at		
	August 7, 2023	June 30, 2023	December 31, 2022
Number of common shares	204,288,402	204,216,044	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 August 7, 2023, and since June 30, 2023, the increase in the number of common shares of the Corporation is attributable to the issuance of 72,358 common shares related to the Corporation's Dividend Reinvestment Plan ("DRIP").

As at June 30, 2023, the increase in the number of common shares since December 31, 2022, was due to the issuance of 83,211 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 June 30				Six months ended June 30			
	2023		2022		2023		2022	
	($/share)	Total	($/share)	Total	($/share)	Total	($/share)	Total
Dividends declared on common shares[1]	0.1800	36,759	0.1800	36,739	0.3600	73,508	0.3600	73,472
Dividends declared on Series A Preferred Shares	0.2028	689	0.2028	689	0.4055	1,379	0.4055	1,379
Dividends declared on Series C Preferred Shares	0.3594	718	0.3594	718	0.7188	1,437	0.7188	1,437

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 October 16, 2023:

Date of announcement	Record date	Payment date	Dividend per common share	Dividend per Series A Preferred Share	Dividend per Series C Preferred Share
August 8, 2023	September 30, 2023	October 16, 2023	$0.1800	$0.2028	$0.3594

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 enhance comparability with current industry practices. In addition, the inclusion of the realized portion of the change in fair value of power hedges to the Adjusted EBITDA measure enhances comparability of the Corporation's performance over time.

Description of the measures

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

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

Innergex believes that the presentation of these measures enhances the understanding of the Corporation's operating performance. Adjusted EBITDA is used by investors to evaluate the operating performance and cash generating operations, and to derive financial forecasts and valuations. Revenues and Production Tax Credits Proportionate and Adjusted EBITDA Proportionate measures are used by investors to evaluate the contribution of the joint ventures and associates to the Corporation’s operating performance and cash generating operations, and the contribution of such for financial forecasts and valuations purposes. Readers are cautioned that Revenues and 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 results for more information.

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

	Three months ended June 30, 2023			Three months ended June 30, 2022		
	Consolidation	Share of joint ventures	Proportionate	Consolidation	Share of joint ventures	Proportionate
Revenues	251,912	15,586	267,498	219,746	12,944	232,690
Production tax credits	17,629	—	17,629	18,767	—	18,767
Revenues and Production Tax Credits	269,541	15,586	285,127	238,513	12,944	251,457
Operating income	93,322	8,136	101,458	92,526	5,218	97,744
Depreciation and amortization	93,594	4,069	97,663	79,113	4,222	83,335
ERP implementation	3,349	—	3,349	—	—	—
Realized loss on power hedges	(3,276)	—	(3,276)	(12,329)	—	(12,329)
Adjusted EBITDA	186,989	12,205	199,194	159,310	9,440	168,750

	Six months ended June 30, 2023			Six months ended June 30, 2022		
	Consolidation	Share of joint ventures	Proportionate	Consolidation	Share of joint ventures	Proportionate
Revenues	449,311	21,713	471,024	408,469	21,288	429,757
Production tax credits	38,558	—	38,558	37,814	—	37,814
Revenues and Production Tax Credits	487,869	21,713	509,582	446,283	21,288	467,571
Operating income	156,291	7,362	163,653	161,868	6,359	168,227
Depreciation and amortization	170,931	8,186	179,117	159,344	8,418	167,762
ERP implementation	5,918	—	5,918	—	—	—
Realized loss on power hedges	(1,051)	—	(1,051)	(12,059)	—	(12,059)
Adjusted EBITDA	332,089	15,548	347,637	309,153	14,777	323,930

Adjusted Net Earnings (Loss)

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

The Adjusted Net Earnings (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 Earnings (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.

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

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Net earnings (loss)	24,805	(24,590)	11,769	(59,520)
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	(315)	(345)	(439)	(1,005)
Unrealized portion of the change in fair value of financial instruments	(16,812)	27,712	(16,468)	68,497
Realized gain on foreign exchange forward contracts	(1)	—	(34)	(487)
Income tax expense related to above items	3,946	(4,323)	2,881	(11,367)
Adjusted Net Earnings (Loss)	11,260	(1,546)	(85)	(3,882)

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

	Three months ended June 30, 2023			Three months ended June 30, 2022			Six months ended June 30, 2023			Six months ended June 30, 2022		
	IFRS	Adj.	Non-IFRS	IFRS	Adj.	Non-IFRS	IFRS	Adj.	Non-IFRS	IFRS	Adj.	Non-IFRS
Revenues	251,912	—	251,912	219,746	—	219,746	449,311	—	449,311	408,469	—	408,469
Production Tax Credits	17,629	—	17,629	18,767	—	18,767	38,558	—	38,558	37,814	—	37,814
Operating expenses	55,789	—	55,789	50,546	—	50,546	107,035	—	107,035	90,584	—	90,584
General and administrative expenses	16,584	—	16,584	10,540	—	10,540	36,293	—	36,293	24,679	—	24,679
Prospective projects expenses	6,903	—	6,903	5,788	—	5,788	11,401	—	11,401	9,808	—	9,808
ERP implementation	3,349	(3,349)	—	—	—	—	5,918	(5,918)	—	—	—	—
Depreciation and amortization	93,594	—	93,594	79,113	—	79,113	170,931	—	170,931	159,344	—	159,344
Operating Income	93,322	3,349	96,671	92,526	—	92,526	156,291	5,918	162,209	161,868	—	161,868
Finance costs	90,539	—	90,539	77,159	—	77,159	175,341	—	175,341	143,560	—	143,560
Other net income	(3,101)	1	(3,100)	(216)	—	(216)	(3,541)	34	(3,507)	(1,298)	487	(811)
Share of (earnings) losses of joint ventures and associates	(4,384)	202	(4,182)	(1,222)	469	(753)	289	279	568	986	1,367	2,353
Change in fair value of financial instruments	(17,248)	20,524	3,276	40,041	(27,712)	12,329	(19,129)	20,180	1,051	80,556	(68,497)	12,059
Income tax expense (recovery)	2,711	(3,833)	(1,122)	1,354	4,199	5,553	(8,438)	(2,721)	(11,159)	(2,416)	11,005	8,589
Net earnings (loss)	24,805	(13,545)	11,260	(24,590)	23,044	(1,546)	11,769	(11,854)	(85)	(59,520)	55,638	(3,882)

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 ERP solution, realized losses or gains on refinancing of certain borrowings or derivative financial instruments used to hedge the interest rate on certain borrowings or the exchange rate on equipment purchases, and tax payments related to fiscal strategies for the purpose of improving the long-term cash generating capacity of Innergex.

Free Cash Flow is a measure of the Corporation's ability to 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 June 30		Six months ended June 30	
	2023	2022	2023	2022
Revenues and Production Tax Credits				
Canada	134,251	114,256	208,204	219,263
United States	73,864	81,745	147,323	144,105
Chile	37,370	26,447	70,994	39,454
France	24,056	16,065	61,348	43,461
	269,541	238,513	487,869	446,283

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

	As at	
	June 30, 2023	December 31, 2022
Non-current assets, excluding derivative financial instruments and deferred tax assets[1]		
Canada	3,407,971	3,246,979
United States	2,340,139	2,364,160
Chile	1,564,415	1,549,679
France	737,556	753,161
	8,050,081	7,913,979

1. Includes the investments in joint ventures and associates.

6- ADDITIONAL CONSOLIDATED INFORMATION | Historical Quarterly Financial Information

(in millions of dollars, unless otherwise stated)	Three months ended							
	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021
Production (MWh)	2,951,098	2,312,655	2,357,039	2,736,471	2,855,891	2,304,600	2,583,157	2,290,086
Revenues and Production Tax Credits	269.5	218.3	220.2	268.7	238.5	207.7	218.8	195.3
Operating income	93.3	65.5	(4.7)	108.5	92.5	69.3	76.0	42.7
Adjusted EBITDA[1]	187.0	145.1	135.4	167.6	159.3	149.8	152.0	132.1
Net earnings (loss)	24.8	(13.0)	(52.6)	21.0	(24.6)	(34.9)	5.7	(23.5)
Net earnings (loss) attributable to owners of the parent	20.7	(14.3)	(45.3)	23.3	(25.2)	(34.4)	(2.3)	(16.4)
Basic net earnings (loss) attributable to owners of the parent ($ per share)	0.10	(0.08)	(0.23)	0.11	(0.13)	(0.18)	(0.02)	(0.10)
Diluted net earnings (loss) attributable to owners of the parent ($ per share)	0.09	(0.08)	(0.23)	0.11	(0.13)	(0.18)	(0.02)	(0.10)
Dividends declared on common shares	36.8	36.7	36.7	36.7	36.7	36.7	34.6	34.7
Dividends declared on common shares, $ per share	0.180	0.180	0.180	0.180	0.180	0.180	0.180	0.180

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the Section 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
Previously reported Revenues	203.6	258.4	219.7	188.7	202.4	184.6
Production Tax Credits	16.6	10.3	18.8	19.0	16.4	10.7
Revenues and Production Tax Credits	220.2	268.7	238.5	207.7	218.8	195.3
Previously reported Adjusted EBITDA[1]	120.4	181.2	152.9	130.5	137.3	122.5
Production Tax Credits	16.6	10.3	18.8	19.0	16.4	10.7
Realized (loss) gain on power hedges	(1.6)	(23.9)	(12.3)	0.3	(1.7)	(1.1)
Adjusted EBITDA[1]	135.4	167.6	159.3	149.8	152.0	132.1

1. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to those presented by other issuers. Please refer to the Section 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 toward a technology-neutral tax credit system in the United States, allowing zero carbon emission facilities to receive tax credits similar to current PTCs and ITCs.

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

The table below presents a summary of the reclassifications:

	Three months ended June 30, 2022			Six months ended June 30, 2022		
	Legacy presentation	Adjustment	Amended presentation	Legacy presentation	Adjustment	Amended presentation
Revenues	219,746	—	219,746	408,469	—	408,469
Production tax credits	—	18,767	18,767	—	37,814	37,814
Revenues and production tax credits	N/A	N/A	238,513	N/A	N/A	446,283
Expenses						
Operating	50,546	—	50,546	90,584	—	90,584
General and administrative	10,540	—	10,540	24,679	—	24,679
Prospective projects	5,788	—	5,788	9,808	—	9,808
Depreciation and amortization	79,113	—	79,113	159,344	—	159,344
Operating income	N/A	N/A	92,526	N/A	N/A	161,868
Finance costs	77,159	—	77,159	143,560	—	143,560
Other net (income) expenses	(18,983)	18,767	(216)	(39,112)	37,814	(1,298)
Share of losses of joint ventures and associates	(1,222)	—	(1,222)	986	—	986
Change in fair value of financial instruments	40,041	—	40,041	80,556	—	80,556
Loss before income tax	(23,236)	—	(23,236)	(61,936)	—	(61,936)
Income tax expense (recovery)	1,354	—	1,354	(2,416)	—	(2,416)
Net loss	(24,590)	—	(24,590)	(59,520)	—	(59,520)

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 April 1, 2023, and ended on June 30, 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)

	Six months ended June 30, 2023
Revenues	14,234
Net earnings	3,114
Total comprehensive income	4,816

Summary Statement of Financial Position

	As at June 30, 2023
Current assets	19,983
Non-current assets	226,756
	246,739
Current liabilities	22,328
Non-current liabilities	173,424
Equity	50,987
	246,739

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 and production tax credits, targeted Revenues and Production Tax Credits Proportionate, targeted Adjusted EBITDA and targeted Adjusted EBITDA Proportionate, targeted Free Cash Flow, targeted Free Cash Flow per Share and intention to pay dividend quarterly, the estimated project size, costs and schedule, including obtainment of permits, start of construction, work conducted and start of commercial operation for Development Projects and Prospective Projects, the Corporation's intent to submit projects under Requests for Proposals, the qualification of U.S. projects for PTCs and ITCs and other statements that are not historical facts. Such information is intended to inform readers of the potential financial impact of expected results, of the expected commissioning of Development Projects, of the potential financial impact of completed and future acquisitions and of the Corporation's ability to 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 June 30		Six months ended June 30	
		2023	2022 (Note 2)	2023	2022 (Note 2)
Revenues		251,912	219,746	449,311	408,469
Production tax credits		17,629	18,767	38,558	37,814
Revenues and production tax credits		269,541	238,513	487,869	446,283
Expenses					
Operating		55,789	50,546	107,035	90,584
General and administrative		16,584	10,540	36,293	24,679
Prospective projects		6,903	5,788	11,401	9,808
ERP implementation		3,349	—	5,918	—
Depreciation and amortization		93,594	79,113	170,931	159,344
Operating income		93,322	92,526	156,291	161,868
Finance costs	5	90,539	77,159	175,341	143,560
Other net income	6	(3,101)	(216)	(3,541)	(1,298)
Share of (earnings) losses of joint ventures and associates		(4,384)	(1,222)	289	986
Change in fair value of financial instruments	7 b)	(17,248)	40,041	(19,129)	80,556
Earnings (loss) before income tax		27,516	(23,236)	3,331	(61,936)
Income tax expense (recovery)		2,711	1,354	(8,438)	(2,416)
Net earnings (loss)		24,805	(24,590)	11,769	(59,520)
Net earnings (loss) attributable to:					
Owners of the parent		20,739	(25,185)	6,403	(59,587)
Non-controlling interests		4,066	595	5,366	67
		24,805	(24,590)	11,769	(59,520)
Earnings (loss) per share attributable to owners:					
Basic net earnings (loss) per share ($)	8	0.10	(0.13)	0.02	(0.31)
Diluted net earnings (loss) per share ($)	8	0.09	(0.13)	0.02	(0.31)

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 June 30 2023	Three months ended June 30 2022	Six months ended June 30 2023	Six months ended June 30 2022
Net earnings (loss)		24,805	(24,590)	11,769	(59,520)
Items of comprehensive income (loss) that will be subsequently reclassified to earnings:					
Foreign currency translation differences for foreign operations		(35,411)	41,433	(32,100)	18,766
Change in fair value of financial instruments designated as net investment hedges	7	(2,720)	6,136	(1,950)	5,911
Change in fair value of financial instruments designated as cash flow hedges	7	45,826	104,122	9,740	201,924
Change in fair value of financial instruments of joint ventures and associates designated as cash flow hedges		1,776	3,760	(61)	9,055
Related deferred income tax		(12,694)	(29,901)	(3,719)	(55,364)
Other comprehensive income (loss)		(3,223)	125,550	(28,090)	180,292
Total comprehensive income (loss)		21,582	100,960	(16,321)	120,772
Total comprehensive income (loss) attributable to:					
Owners of the parent		21,631	89,590	(17,166)	110,931
Non-controlling interests		(49)	11,370	845	9,841
		21,582	100,960	(16,321)	120,772

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	Notes	June 30, 2023	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents		129,636	162,971
Restricted cash		52,049	54,670
Accounts receivable		217,414	179,299
Derivative financial instruments	7	49,193	33,833
Prepaid and other		47,657	37,169
Assets held for sale	4, 9	28,394	59,217
Total current assets		524,343	527,159
Non-current assets			
Property, plant and equipment	9	6,253,626	6,212,371
Intangible assets		1,349,373	1,268,960
Project development costs		31,947	41,151
Investments in joint ventures and associates		128,976	135,786
Derivative financial instruments	7	102,020	92,504
Deferred tax assets		61,741	68,785
Goodwill		176,336	139,676
Other long-term assets		109,823	116,035
Total non-current assets		8,213,842	8,075,268
Total assets		8,738,185	8,602,427
LIABILITIES			
Current liabilities			
Accounts payable and other payables		235,344	248,659
Derivative financial instruments	7	20,502	22,018
Current portion of long-term loans and borrowings and other liabilities		252,746	380,147
Liabilities associated with the assets held for sale	4	23,116	—
Total current liabilities		531,708	650,824
Non-current liabilities			
Derivative financial instruments	7	69,267	79,069
Long-term loans and borrowings		5,727,675	5,384,813
Other liabilities		489,443	463,863
Deferred tax liabilities		552,453	537,431
Total non-current liabilities		6,838,838	6,465,176
Total liabilities		7,370,546	7,116,000
SHAREHOLDERS' EQUITY			
Equity attributable to owners		1,222,508	1,316,195
Non-controlling interests		145,131	170,232
Total shareholders’ equity		1,367,639	1,486,427
Total liabilities and shareholders’ equity		8,738,185	8,602,427

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Six months ended June 30, 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 earnings	—	—	—	—	6,403	—	6,403	5,366	11,769
Other comprehensive loss	—	—	—	—	—	(23,569)	(23,569)	(4,521)	(28,090)
Total comprehensive (loss) income	—	—	—	—	6,403	(23,569)	(17,166)	845	(16,321)
Common shares issued through dividend reinvestment plan	1,275	—	—	—	—	—	1,275	—	1,275
Reduction of capital on common shares (Note 12)	(1,103)	1,103	—	—	—	—	—	—	—
Share-based payments and Performance Share Plan	—	2,024	—	—	—	—	2,024	—	2,024
Shares vested - Performance Share Plan	1,991	(3,041)	—	—	—	—	(1,050)	—	(1,050)
Shares purchased - Performance Share Plan	(2,647)	201	—	—	—	—	(2,446)	—	(2,446)
Dividends declared on common shares (Note 12)	—	—	—	—	(73,508)	—	(73,508)	—	(73,508)
Dividends declared on preferred shares (Note 12)	—	—	—	—	(2,816)	—	(2,816)	—	(2,816)
Distributions to non-controlling interests	—	—	—	—	—	—	—	(25,946)	(25,946)
Balance June 30, 2023	1	2,581,460	131,069	2,819	(1,665,942)	173,101	1,222,508	145,131	1,367,639

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Equity attributable to owners								
Six months ended June 30, 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) earnings	—	—	—	—	(59,587)	—	(59,587)	67	(59,520)
Other comprehensive income	—	—	—	—	—	170,518	170,518	9,774	180,292
Total comprehensive (loss) income	—	—	—	—	(59,587)	170,518	110,931	9,841	120,772
Common shares issued on public offering	172,506	—	—	—	—	—	172,506	—	172,506
Common shares issued on private placement	37,275	—	—	—	—	—	37,275	—	37,275
Issuance fees (net of $1,978 of deferred income tax)	(5,431)	—	—	—	—	—	(5,431)	—	(5,431)
Common shares issued through dividend reinvestment plan	816	—	—	—	—	—	816	—	816
Reduction of capital on common shares	(560,532)	560,532	—	—	—	—	—	—	—
Buyback of common shares	(4,417)	—	—	—	—	—	(4,417)	—	(4,417)
Share-based payments and Performance Share Plan	—	1,776	—	—	—	—	1,776	—	1,776
Shares vested - Performance Share Plan	2,114	(4,883)	—	—	—	—	(2,769)	—	(2,769)
Shares purchased - Performance Share Plan	(3,266)	172	—	—	—	—	(3,094)	—	(3,094)
Dividends declared on common shares	—	—	—	—	(73,472)	—	(73,472)	—	(73,472)
Dividends declared on preferred shares	—	—	—	—	(2,816)	—	(2,816)	—	(2,816)
Distributions to non-controlling interests	—	—	—	—	—	—	—	(33,070)	(33,070)
Balance June 30, 2022	1	2,580,137	131,069	2,819	(1,509,503)	119,894	1,324,417	244,339	1,568,756

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three months ended June 30		Six months ended June 30	
		2023	2022	2023	2022
OPERATING ACTIVITIES	Notes				
Net earnings (loss)		24,805	(24,590)	11,769	(59,520)
Items not affecting cash:					
Depreciation and amortization		93,594	79,113	170,931	159,344
Share of (earnings) losses of joint ventures and associates		(4,384)	(1,222)	289	986
Unrealized portion of change in fair value of financial instruments	7	(16,812)	27,712	(16,468)	68,497
Production tax credits and tax attributes allocated to tax equity investors		(18,039)	(18,297)	(40,195)	(37,700)
Other		(1,630)	(240)	(1,344)	453
Finance costs	5	90,539	77,159	175,341	143,560
Finance costs paid	13 b)	(93,135)	(59,025)	(163,557)	(102,607)
Distributions received from joint ventures and associates		1,534	3,560	6,460	9,472
Income tax expense (recovery)		2,711	1,354	(8,438)	(2,416)
Income tax (paid) recovered		(1,796)	3,879	(3,159)	1,078
Effect of exchange rate fluctuations		639	(2,361)	(842)	(2,080)
		78,026	87,042	130,787	179,067
Changes in non-cash operating working capital items	13 a)	(16,838)	(19,414)	(16,294)	(26,581)
		61,188	67,628	114,493	152,486
FINANCING ACTIVITIES					
Dividends paid on common and preferred shares		(37,245)	(37,540)	(74,949)	(73,373)
Distributions to non-controlling interests		(12,592)	(26,906)	(25,946)	(33,070)
Increase in long-term debt, net of deferred financing costs	13 c)	123,989	488,286	503,508	604,099
Repayment of long-term debt	13 c)	(115,101)	(74,621)	(378,939)	(337,882)
Payment of other liabilities		(1,024)	(394)	(4,164)	(2,111)
Proceeds from issuance of common shares, net of issuance fees		—	202	—	202,371
Payment for buyback of common shares		—	—	—	(4,417)
Purchase of common shares under the Performance Share Plan		(2,553)	(3,191)	(2,446)	(3,094)
Payment of payroll withholding on exercise of stock options and Performance Share Plan		(46)	—	(1,050)	(2,769)
		(44,572)	345,836	16,014	349,754
INVESTING ACTIVITIES					
Business acquisitions, net of cash acquired	3	—	(365,719)	(47,810)	(396,385)
Change in restricted cash		19,849	1,121	4,523	11,166
Additions to property, plant and equipment, net		(87,468)	(18,343)	(199,326)	(37,387)
Additions to intangible assets		(880)	—	(1,957)	(22)
Additions to project development costs		(728)	(4,492)	(5,106)	(16,907)
Investments in joint ventures and associates		—	(332)	—	(332)
Proceeds from BESS supply agreements termination payments	10	18,159	—	18,159	—
Proceeds from disposal of assets held for sale	9	—	—	59,426	—
Change in other long-term assets		7,033	(6,652)	7,558	(4,820)
		(44,035)	(394,417)	(164,533)	(444,687)
Effects of exchange rate changes on cash and cash equivalents		(170)	4,337	691	1,102
Net change in cash and cash equivalents		(27,589)	23,384	(33,335)	58,655
Cash and cash equivalents, beginning of period		157,225	201,537	162,971	166,266
Cash and cash equivalents, end of period		129,636	224,921	129,636	224,921

Additional information is presented in Note 13 – Additional Information to the Consolidated Statements of Cash Flows
The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

DESCRIPTION OF BUSINESS

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

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors on August 8, 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 toward a technology-neutral tax credit system in the United States, allowing zero carbon emission facilities to receive tax credits similar to current PTCs and ITCs.

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

The table below presents a summary of the reclassifications:

	Three months ended June 30, 2022			Six months ended June 30, 2022		
	Legacy presentation	Adjustment	Amended presentation	Legacy presentation	Adjustment	Amended presentation
Revenues	219,746	—	219,746	408,469	—	408,469
Production tax credits	—	18,767	18,767	—	37,814	37,814
Revenues and production tax credits	N/A	N/A	238,513	N/A	N/A	446,283
Expenses						
Operating	50,546	—	50,546	90,584	—	90,584
General and administrative	10,540	—	10,540	24,679	—	24,679
Prospective projects	5,788	—	5,788	9,808	—	9,808
Depreciation and amortization	79,113	—	79,113	159,344	—	159,344
Operating income	N/A	N/A	92,526	N/A	N/A	161,868
Finance costs	77,159	—	77,159	143,560	—	143,560
Other net (income) expenses	(18,983)	18,767	(216)	(39,112)	37,814	(1,298)
Share of losses of joint ventures and associates	(1,222)	—	(1,222)	986	—	986
Change in fair value of financial instruments	40,041	—	40,041	80,556	—	80,556
Loss before income tax	(23,236)	—	(23,236)	(61,936)	—	(61,936)
Income tax expense (recovery)	1,354	—	1,354	(2,416)	—	(2,416)
Net loss	(24,590)	—	(24,590)	(59,520)	—	(59,520)

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
Cash and cash equivalents	3,460
Restricted cash	2,833
Accounts receivable	3,421
Prepaid and other	379
Property, plant and equipment	36,961
Intangible assets	160,691
Derivative financial instruments	10,242
Goodwill	30,041
Accounts payable and other payables	(992)
Long-term loans and borrowings (Note 11)	(164,262)
Other liabilities	(1,463)
Deferred tax liability	(30,041)
Net assets acquired	51,270

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

The acquisition was accounted for as a business combination and the results have been included in the consolidated statements of earnings (loss) since the date of the acquisition. The revenues and net earnings included in the consolidated statements of earnings (loss) are $14,234 and $3,114, respectively for the 114-day period ended June 30, 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 June 30, 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$6,377 ($8,025) increase in the net deferred tax liability recognized on acquisition, with a corresponding adjustment to goodwill.

4. BUSINESS DISPOSITIONS

a) Reclassification of the Kokomo and Spartan solar facilities as held for sale

On June 30, 2023, the Corporation was committed to a plan to sell the assets and associated liabilities of its Kokomo and Spartan solar facilities and as a result they are presented as held for sale. Subsequently, on July 17, 2023, Innergex disposed of its ownership interest in the facilities. No significant gain or loss on disposal were recognized pursuant to this transaction.

The following table presents the carrying amount of assets and liabilities held for sale:

	June 30, 2023
Current assets	919
Non-current assets	27,475
	28,394
Current liabilities	1,600
Non-current liabilities	21,516
	23,116
Net assets held for sale	5,278

Cumulative gains of $1,183 and $926 in foreign currency translation differences and change in fair value of financial instruments designated as cash flow hedges, respectively, are included in accumulated other comprehensive income relating to the disposal group.

5. FINANCE COSTS

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Interest expense on long-term corporate and project loans	67,322	49,796	130,543	95,752
Interest expense on tax equity financing	7,481	7,719	15,072	14,932
Interest expense on convertible debentures	3,391	3,410	6,781	6,800
Amortization of financing fees	3,058	2,790	6,376	5,839
Inflation on compensation interest	4,621	8,613	4,809	11,300
Interests on lease liabilities	2,141	1,684	4,455	3,159
Accretion of long-term loans and borrowings and other liabilities	1,589	1,881	4,350	3,649
Other	936	1,266	2,955	2,129
	90,539	77,159	175,341	143,560

6. OTHER NET INCOME

	Three months ended June 30		Six months ended June 30	
	2023	2022 (Note 2)	2023	2022 (Note 2)
Loss (gain) on foreign exchange	638	(3,048)	(876)	(3,254)
Interest revenues	(1,260)	(290)	(2,520)	(1,296)
Tax attributes allocated to tax equity investors	(410)	470	(1,637)	114
Acquisition and integration costs	43	4,413	3,150	6,594
Other income, net	(2,112)	(1,761)	(1,658)	(3,456)
	(3,101)	(216)	(3,541)	(1,298)

Following the amendment to the presentation of its consolidated statements of earnings, and the inclusion of an operating income subtotal, the Corporation reclassified, during the quarter ended June 30, 2023, the Enterprise Resource Planning ("ERP") implementation expenses, from other net income, to a separate account directly in the statement of earnings, within the operating income subtotal.

7. 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
Assets classified as held for sale	—	(589)	—	(589)
Unrealized portion of change in fair value recognized in earnings (loss) [1]	(61)	5,685	10,844	16,468
Change in fair value recognized in other comprehensive income (loss)	(1,950)	11,512	(1,772)	7,790
Amortization of accumulated other comprehensive income recognized in revenue	—	—	1,772	1,772
Net foreign exchange differences	—	(817)	1,328	511
As at June 30, 2023	(5,566)	124,171	(57,161)	61,444

1. Refer to Note 7 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 June 30		Six months ended June 30	
	2023	2022	2023	2022
Unrealized portion of change in fair value of financial instruments	(16,812)	27,712	(16,468)	68,497
Realized portion of change in fair value of financial instruments:				
Realized loss on power hedges	3,276	12,329	1,051	12,059
Realized gain on the interest rate swaps	(3,712)	—	(3,712)	—
Change in fair value of financial instruments	(17,248)	40,041	(19,129)	80,556

8. EARNING (LOSS) PER SHARE

Basic	Three months ended June 30 2023	Three months ended June 30 2022	Six months ended June 30 2023	Six months ended June 30 2022
Net earnings (loss) attributable to owners of the parent	20,739	(25,185)	6,403	(59,587)
Dividends declared on preferred shares	(1,407)	(1,407)	(2,816)	(2,816)
Net earnings (loss) attributable to common shareholders	19,332	(26,592)	3,587	(62,403)
Weighted average number of common shares	203,492,069	203,557,603	203,527,350	200,123,069
Basic net earnings (loss) per share ($)	0.10	(0.13)	0.02	(0.31)

Diluted	Three months ended June 30 2023	Three months ended June 30 2022	Six months ended June 30 2023	Six months ended June 30 2022
Net earnings (loss) attributable to common shareholders	19,332	(26,592)	3,587	(62,403)
Diluted weighted average number of common shares	204,205,801	203,557,603	204,242,313	200,123,069
Diluted net earnings (loss) per share ($)	0.09	(0.13)	0.02	(0.31)

Instruments that are excluded from the dilutive elements	Three months ended June 30 2023	Three months ended June 30 2022	Six months ended June 30 2023	Six months ended June 30 2022
Stock options	—	316,922	—	316,922
Shares held in trust related to the Performance Share Plan	—	592,257	—	592,257
Convertible debentures	13,604,473	13,604,473	13,604,473	13,604,473
	13,604,473	14,513,652	13,604,473	14,513,652

9. 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[1,2]	22,317	2,866	9,126	1,063	161,916	6,611	203,899
Business acquisitions (Note 3)	8,200	—	—	28,674	—	87	36,961
Reclassification	—	—	—	(3,562)	—	3,562	—
Assets classified as held for sale	(1,322)	—	—	(29,050)	—	(1,439)	(31,811)
Dispositions	—	(2,446)	(840)	(132)	—	(157)	(3,575)
Other changes[3]	1,015	—	1,196	115	—	—	2,326
Net foreign exchange differences	(5,378)	(12,276)	(35,402)	(15,742)	(6,527)	(277)	(75,602)
As at June 30, 2023	325,926	2,623,070	3,485,816	856,803	320,828	68,210	7,680,653
Accumulated depreciation							
As at January 1, 2023	(24,888)	(445,804)	(683,784)	(152,782)	—	(28,826)	(1,336,084)
Depreciation[4]	(4,580)	(26,730)	(54,643)	(14,211)	—	(3,912)	(104,076)
Assets classified as held for sale	160	—	—	5,347	—	438	5,945
Dispositions	—	738	304	76	—	157	1,275
Net foreign exchange differences	373	710	2,678	2,079	—	73	5,913
As at June 30, 2023	(28,935)	(471,086)	(735,445)	(159,491)	—	(32,070)	(1,427,027)
Carrying amounts as at June 30, 2023	296,991	2,151,984	2,750,371	697,312	320,828	36,140	6,253,626

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 $7,153 of capitalized financing costs incurred prior to commissioning.
2. Additions in lands include initial measurement of right-of-use assets of $22,317.
3. Includes remeasurements of right-of-use assets and asset retirement obligations of $1,015 and $1,311, respectively.
4. An amount of $162 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 first quarter of 2023 for cash proceeds of US$43,722 ($59,426), net of selling costs. The decision to sell these modules follows the 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.

10. PROJECT DEVELOPMENT COSTS

Termination of certain BESS supply agreements in Hawaii

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

11. LONG-TERM LOANS AND BORROWINGS

As at June 30, 2023, the Corporation and its subsidiaries have met all material financial and non-financial conditions related to their credit agreements.

a) Corporate Indebtedness

Revolving Term credit facility

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

Subordinated Unsecured Term Loan

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

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

d) Alterra loans

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

e) Increase of the EDC letter of credit facility

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

f) Financing of the San Andrés Battery Energy Storage project

On April 21, 2023, the Corporation closed a US$49,500 ($66,672) 2-year non-recourse construction bridge loan for the San Andrés BESS project, carrying an interest rate of 1-month SOFR + 2%. As of June 30, 2023, the outstanding balance was US$20,300 ($26,878).

12. SHAREHOLDERS'S CAPITAL

Common Shares

Contributed surplus from reduction of capital account on common shares

A special resolution to approve the reduction of the legal stated capital account maintained in respect of the common shares of the Corporation, without any payment or distribution to the shareholders was adopted on May 9, 2023. This resulted in a decrease of the shareholders' capital account of $1,103 and an equivalent increase of the contributed surplus from reduction of capital on common shares account.

Equity-based compensation

a) Stock option plan

A compensation expense of $34 was recorded during the six months ended June 30, 2023 with respect to the stock option plan.

Granted
During the six months ended June 30, 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.

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

A compensation expense of $1,675 was recorded during the six months ended June 30, 2023 with respect to the PSP and DSU plans.

Performance Share Plan

During the six months ended June 30, 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 six months ended June 30, 2023, 23,282 units were granted.

Dividends

a) Dividend Declared

	Three months ended June 30				Six months ended June 30			
	2023		2022		2023		2022	
	($/share)	Total	($/share)	Total	($/share)	Total	($/share)	Total
Dividends declared on common shares	0.1800	36,759	0.1800	36,739	0.3600	73,508	0.3600	73,472
Dividends declared on Series A preferred shares	0.2028	689	0.2028	689	0.4055	1,379	0.4055	1,379
Dividends declared on Series C preferred shares	0.3594	718	0.3594	718	0.7188	1,437	0.7188	1,437

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 October 16, 2023:

Date of announcement	Record date	Payment date	Dividend per common share	Dividend per Series A Preferred Share	Dividend per Series C Preferred Share
August 8, 2023	September 30, 2023	October 16, 2023	$ 0.1800	$ 0.2028	$ 0.3594

13. ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

a) Changes in non-cash operating working capital items

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Accounts receivable	(30,431)	(21,919)	(32,723)	(18,711)
Prepaids and other	(1,474)	(13,048)	(6,770)	(18,587)
Accounts payable and other payables	15,067	15,553	23,199	10,717
	(16,838)	(19,414)	(16,294)	(26,581)

b) Additional information

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Finance costs paid relative to operating activities before interest on leases	(90,858)	(56,907)	(156,753)	(98,758)
Interest on leases paid relative to operating activities	(2,277)	(2,118)	(6,804)	(3,849)
Capitalized interest relative to investing activities	(3,406)	(377)	(5,821)	(582)
Capitalized interest on leases relative to investing activities	(107)	(352)	(210)	(352)
Total finance costs paid	(96,648)	(59,754)	(169,588)	(103,541)
Non-cash transactions:				
Change in unpaid property, plant and equipment	10,582	8,900	(15,181)	10,966
Investment tax credits	—	—	—	8,535
Change in other long-term assets	132	(10)	(141)	74
Change in unpaid project development costs	(270)	188	(734)	(1,230)
Remeasurement of other liabilities	(7,533)	(35,611)	3,947	(76,147)
Initial measurement of other liabilities	22,289	(69)	22,722	8,262
Common shares issued through equity based compensation	—	—	1,991	2,114

c) Changes in liabilities arising from financing activities

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Changes in long-term loans and borrowings				
Long-term debt at beginning of period	6,034,816	4,737,204	5,759,210	4,924,435
Reclassified as held for sale	(15,968)	—	(15,968)	—
Increase in long-term debt	125,685	226,652	509,314	610,281
Repayment of long-term debt	(115,101)	(74,621)	(378,939)	(337,882)
Payment of deferred financing costs	(1,696)	(2,391)	(5,806)	(6,182)
Business acquisitions (Note 3)	—	467,351	164,262	467,351
Tax attributes	(410)	470	(1,637)	114
Production tax credits	(17,629)	(18,767)	(38,558)	(37,814)
Other non-cash finance costs	15,380	19,861	27,968	33,462
Net foreign exchange differences	(52,552)	42,221	(47,321)	8,240
Long-term loans and borrowings at end of period	5,972,525	5,397,980	5,972,525	5,662,005

14. 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.

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 June 30, 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$25.28 to US$105.82 per MWh between July 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 July 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 have either ceased, or ceased being representative. The LIBOR administrator will continue to publish the 1-month, 3-month and 6-month tenors under an unrepresentative synthetic methodology until September 30, 2024.

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.

Most USD LIBOR instruments were transitioned to secured overnight financing rate ("SOFR") on or before June 30, 2023. The Corporation’s remaining notional amount exposure to LIBOR designated in hedging relationships is US$30,118 ($39,877) as at June 30, 2023. The remaining LIBOR exposure is to be transitioned during Q3 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.

15. 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. This provision remains unchanged as at June 30, 2023.

Senvion GmbH claims under insolvency proceedings

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

On May 17,2023, Senvion issued a claim through the Ontatio Superior Court of Justice (the "Court") against Mesgi'g Ugju's'n (MU) Wind Farm L.P. and Mesgi'g Ugju's'n (MU) Wind Farm Inc. (together, "MU"), alleging that MU drew down on a $19,642 letter of credit held in its favour in violation of a stay of proceedings imposed by the Court under the Companies Creditors' Arrangement Act, and failed to pay invoices owed for an amount of $9,593, which the Corporation had set off against outstanding production guarantee receivables from Senvion. The Corporation considers that this procedure has no basis and is disputing the claim. No provision in respect of this litigation has been recorded as at June 30, 2023.

16. SEGMENT INFORMATION

Operating segments

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

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

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

	Three months ended June 30, 2023			
Operating segments	Hydroelectric	Wind	Solar	Segment results
Segment Revenues and Production Tax Credits	108,125	118,800	42,616	269,541
Segment Revenues and Production Tax Credits Proportionate	120,750	121,761	42,616	285,127
Segment Adjusted EBITDA	88,136	86,091	34,104	208,331
Segment Adjusted EBITDA Proportionate	98,219	88,213	34,104	220,536

	Six months ended June 30, 2023			
Operating segments	Hydroelectric	Wind	Solar	Segment results
Segment Revenues and Production Tax Credits	166,954	262,387	58,528	487,869
Segment Revenues and Production Tax Credits Proportionate	181,211	269,843	58,528	509,582
Segment Adjusted EBITDA	128,872	199,572	47,988	376,432
Segment Adjusted EBITDA Proportionate	138,700	205,292	47,988	391,980

	Six months ended June 30, 2023			
	Hydroelectric	Wind	Solar	Segment totals [1]
Investments in joint ventures and associates	104,441	23,820	—	128,261
Property, plant and equipment acquired through business acquisitions	—	—	28,761	28,761
Acquisition of property, plant and equipment	3,282	9,640	1,064	13,986

1. Segment totals include only operating projects.

	Three months ended June 30, 2022			
Operating segments	Hydroelectric	Wind	Solar	Segment results
Segment Revenues and Production Tax Credits	100,119	104,405	33,989	238,513
Segment Revenues and Production Tax Credits Proportionate	110,506	106,962	33,989	251,457
Segment Adjusted EBITDA	76,377	82,185	16,159	174,721
Segment Adjusted EBITDA Proportionate	84,192	83,810	16,159	184,161

	Six months ended June 30, 2022			
Operating segments	Hydroelectric	Wind	Solar	Segment results
Segment Revenues and Production Tax Credits	166,030	229,349	50,904	446,283
Segment Revenues and Production Tax Credits Proportionate	179,647	237,020	50,904	467,571
Segment Adjusted EBITDA	123,007	190,708	27,739	341,454
Segment Adjusted EBITDA Proportionate	131,962	196,530	27,739	356,231

	Six months ended June 30, 2022			
	Hydroelectric	Wind	Solar	Segment totals [1]
Property, plant and equipment acquired through business acquisitions	—	598,864	38,599	637,463
Acquisition of property, plant and equipment	2,241	898	959	4,098

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 June 30, 2023			Three months ended June 30, 2022		
	Consolidation	Share of joint ventures	Proportionate	Consolidation	Share of joint ventures	Proportionate
Revenues	251,912	15,586	267,498	219,746	12,944	232,690
Production tax credits	17,629	—	17,629	18,767	—	18,767
Revenues and production tax credits	269,541	15,586	285,127	238,513	12,944	251,457
Operating income	93,322	8,136	101,458	92,526	5,218	97,744
Depreciation and amortization	93,594	4,069	97,663	79,113	4,222	83,335
ERP implementation	3,349	—	3,349	—	—	—
Realized loss on power hedges	(3,276)	—	(3,276)	(12,329)	—	(12,329)
Adjusted EBITDA	186,989	12,205	199,194	159,310	9,440	168,750
Unallocated expenses:						
General and administrative	14,439	—	14,439	9,623	—	9,623
Prospective projects	6,903	—	6,903	5,788	—	5,788
Segment Adjusted EBITDA	208,331	12,205	220,536	174,721	9,440	184,161

	Six months ended June 30, 2023			Six months ended June 30, 2022		
	Consolidation	Share of joint ventures	Proportionate	Consolidation	Share of joint ventures	Proportionate
Revenues	449,311	21,713	471,024	408,469	21,288	429,757
Production tax credits	38,558	—	38,558	37,814	—	37,814
Revenues and production tax credits	487,869	21,713	509,582	446,283	21,288	467,571
Operating income	156,291	7,362	163,653	161,868	6,359	168,227
Depreciation and amortization	170,931	8,186	179,117	159,344	8,418	167,762
ERP implementation	5,918	—	5,918	—	—	—
Realized loss on power hedges	(1,051)	—	(1,051)	(12,059)	—	(12,059)
Adjusted EBITDA	332,089	15,548	347,637	309,153	14,777	323,930
Unallocated expenses:						
General and administrative	32,942	—	32,942	22,493	—	22,493
Prospective projects	11,401	—	11,401	9,808	—	9,808
Segment Adjusted EBITDA	376,432	15,548	391,980	341,454	14,777	356,231

Geographic segments

As at June 30, 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 farms in Canada, 16 wind farms and 1 storage facility in France, 3 hydroelectric facilities, 8 wind farms and 2 solar farms in the United States, and 4 hydroelectric facilities, 3 wind farms and 3 solar farms in Chile. The Corporation operates in four principal geographical areas, which are detailed below:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Revenues and production tax credits				
Canada	134,251	114,256	208,204	219,263
United States	73,864	81,745	147,323	144,105
Chile	37,370	26,447	70,994	39,454
France	24,056	16,065	61,348	43,461
	269,541	238,513	487,869	446,283

	As at	
	June 30, 2023	December 31, 2022
Non-current assets, excluding derivative financial instruments and deferred tax assets [1]		
Canada	3,407,971	3,246,979
United States	2,340,139	2,364,160
Chile	1,564,415	1,549,679
France	737,556	753,161
	8,050,081	7,913,979

1. Includes the investments in joint ventures and associates

17. SUBSEQUENT EVENTS

Long-term partnership agreement for a minority interest in Innergex's portfolio in France

On August 7, 2023, the Corporation entered into an agreement to form a long-term partnership with Crédit Agricole Assurances, in connection with Crédit Agricole Centre-Est, for a 30% minority interest in Innergex's portfolio in France, representing a €128,036 ($188,379) investment, subject to customary closing adjustments. The proceeds will be used to immediately reduce Innergex's revolving credit facilities at closing and to fund the Corporation's development activities over the coming years. The transaction is expected to close in the second half of 2023.

Boswell Springs financing

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

On July 17, The Corporation concluded three interest rate swaps to hedge a US$152,490 ($201,897) portion of the construction financing that is subject to variable interest rates, for a total hedged notional of US$265,807 ($351,928), including the interest rate swaps previously entered into.

Disposition of the Kokomo and Spartan Solar projects

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

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 Kristine Labrunye Senior Analyst - IR 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 204,216,044 common shares outstanding as at June 30, 2023, with a closing price of $12.34 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