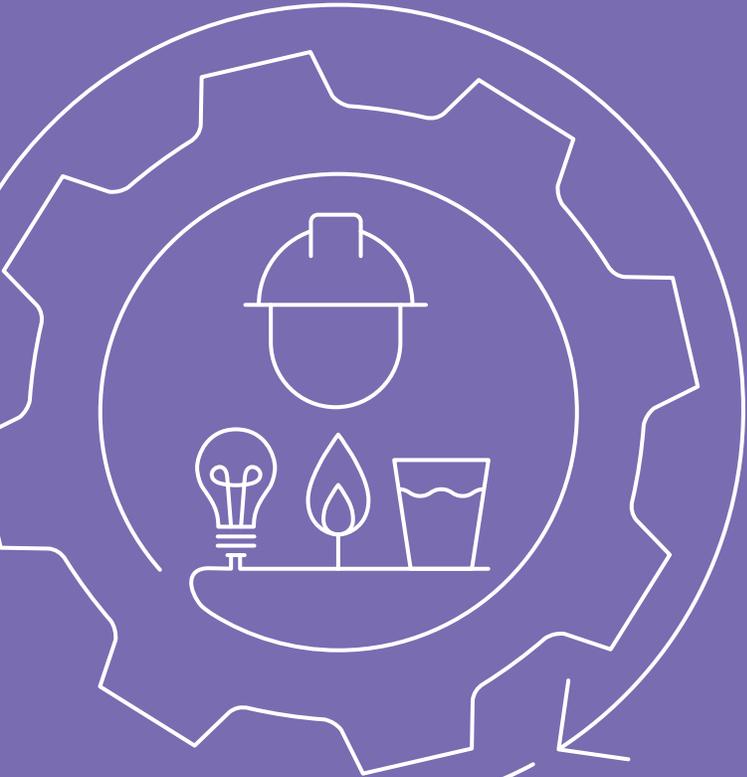


2023 Financial Report

Q2

Algonquin

 Liberty™



Corporate profile

Algonquin Power & Utilities Corp., parent company of Liberty, is a diversified international generation, transmission, and distribution utility with over \$17 billion of total assets. AQN is committed to providing safe, secure, reliable, cost-effective, and sustainable energy and water solutions through its portfolio of generation, transmission, and distribution utility investments to over one million customer connections, largely in the United States and Canada. In addition, AQN owns, operates, and/or has net interests in over 4 GW of installed renewable energy capacity.

[AlgonquinPower.com](https://www.algonquinpower.com)

TSX/NYSE: AQN





Management Discussion & Analysis

Management of Algonquin Power & Utilities Corp. (“AQN” or the “Company” or the “Corporation”) has prepared the following discussion and analysis to provide information to assist its securityholders’ understanding of the financial results for the three and six months ended June 30, 2023. This Management Discussion & Analysis (“MD&A”) should be read in conjunction with AQN’s unaudited interim consolidated financial statements for the three and six months ended June 30, 2023 and 2022. This MD&A should also be read in conjunction with AQN’s annual consolidated financial statements for the years ended December 31, 2022 and 2021. This material is available on SEDAR at www.sedar.com, on EDGAR at www.sec.gov/edgar, and on the AQN website at www.AlgonquinPowerandUtilities.com. Additional information about AQN, including the most recent Annual Information Form (“AIF”), can be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov/edgar.

Unless otherwise indicated, financial information provided for the three and six months ended June 30, 2023 and 2022 has been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”). As a result, the Company’s financial information may not be comparable with financial information of other Canadian companies that provide financial information on another basis.

All monetary amounts are in U.S. dollars, except where otherwise noted. We denote any amounts denominated in Canadian dollars with “C\$” immediately prior to the stated amount.

Capitalized terms used herein and not otherwise defined have the meanings assigned to them in the Company’s most recent AIF.

Unless noted otherwise, this MD&A is based on information available to management as of August 10, 2023.

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Caution Concerning Forward-Looking Statements and Forward-Looking Information

This document may contain statements that constitute "forward-looking information" within the meaning of applicable securities laws in each of the provinces and territories of Canada and the respective policies, regulations and rules under such laws or "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking information"). The words "aims", "anticipates", "believes", "budget", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would", "seeks", "strives", "targets" (and grammatical variations of such terms) and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. Specific forward-looking information in this document includes, but is not limited to, statements relating to: expected future growth, earnings and results of operations; the sale of the Renewable Energy Group and the anticipated impact thereof on the Corporation; liquidity, capital resources and operational requirements; sources of funding, including adequacy and availability of credit facilities, cash flows from operations, capital markets financing, and asset recycling or asset sales initiatives; ongoing and planned acquisitions, dispositions, projects, initiatives or other transactions, including expectations regarding timing, costs, proceeds, financing, results, ownership structures, regulatory matters, in-service dates and completion dates; financing plans, including the Company's expectation that it will not undertake any new common equity financing through the end of 2024; expectations regarding future macroeconomic conditions; expectations regarding the Company's corporate development activities and the results thereof; the expected redemption of the Company's remaining outstanding Series C preferred shares on or before August 11, 2023; expectations regarding regulatory hearings, motions, filings, appeals and approvals, including rate reviews, and the timing, impacts and outcomes thereof; expected future generation, capacity and production of the Company's energy facilities; expectations regarding future capital investments, including expected timing, investment plans, sources of funds and impacts; expectations regarding the outcome of legal claims and disputes; strategy and goals; dividends to shareholders, including expectations regarding the sustainability thereof and the Company's ability to achieve its targeted annual dividend payout ratio; expectations regarding future "greening the fleet" initiatives; credit ratings and equity credit from rating agencies; expectations regarding debt repayment and refinancing; the future impact on the Company of actual or proposed laws, regulations and rules; the expected impact of changes in customer usage on the Regulated Services Group's revenue; accounting estimates; interest rates, including the anticipated effect of an increase thereof; the implementation of new technology systems and infrastructure, including the expected timing thereof; financing costs; and currency exchange rates. All forward-looking information is given pursuant to the "safe harbour" provisions of applicable securities legislation.

The forecasts and projections that make up the forward-looking information contained herein are based on certain factors or assumptions which include, but are not limited to: the receipt of applicable regulatory approvals and requested rate decisions; the absence of material adverse regulatory decisions being received and the expectation of regulatory stability; the absence of any material equipment breakdown or failure; availability of financing (including tax equity financing and self-monetization transactions for U.S. federal tax credits) on commercially reasonable terms and the stability of credit ratings of the Corporation and its subsidiaries; the absence of unexpected material liabilities or uninsured losses; the continued availability of commodity supplies and stability of commodity prices; the absence of interest rate increases or significant currency exchange rate fluctuations; the absence of significant operational, financial or supply chain disruptions or liability, including relating to import controls and tariffs; the continued ability to maintain systems and facilities to ensure their continued performance; the absence of a severe and prolonged downturn in general economic, credit, social or market conditions; the successful and timely development and construction of new projects; the closing of pending acquisitions substantially in accordance with the expected timing for such acquisitions; the absence of capital project or financing cost overruns; sufficient liquidity and capital resources; the continuation of long term weather patterns and trends; the absence of significant counterparty defaults; the continued competitiveness of electricity pricing when compared with alternative sources of energy; the realization of the anticipated benefits of the Corporation's acquisitions and joint ventures; the absence of a change in applicable laws, political conditions, public policies and directions by governments materially negatively affecting the Corporation; the ability to obtain and maintain licenses and permits; maintenance of adequate insurance coverage; the absence of material fluctuations in market energy prices; the absence of material disputes with taxation authorities or changes to applicable tax laws; continued maintenance of information technology infrastructure and the absence of a material breach of cybersecurity; the successful implementation of new information technology systems and infrastructure; favourable relations with external stakeholders; favourable labour relations; that the Corporation will be able to successfully integrate newly acquired entities, and the absence of any material adverse changes to such entities prior to closing; the absence of undisclosed liabilities of entities being acquired; that such entities will maintain constructive regulatory relationships with applicable regulatory authorities; the ability of the Corporation to retain key personnel of acquired entities and the value of such employees; no adverse developments in the business and affairs of the sellers during the period when transitional services are provided to the Corporation in connection with any acquisition; the ability of the Corporation to satisfy its liabilities and meet its debt service obligations following completion of any acquisition; and the ability of the Corporation to successfully execute future "greening the fleet" initiatives; and the ability of the Corporation to effect a sale of the Renewable Energy Group and realize the anticipated benefits therefrom.

The forward-looking information contained herein is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. Factors which

could cause results or events to differ materially from current expectations include, but are not limited to: changes in general economic, credit, social or market conditions; changes in customer energy usage patterns and energy demand; reductions in the liquidity of energy markets; global climate change; the incurrence of environmental liabilities; natural disasters, diseases, pandemics, public health emergencies and other force majeure events and the collateral consequences thereof, including the disruption of economic activity, volatility in capital and credit markets and legislative and regulatory responses; critical equipment breakdown or failure; supply chain disruptions; the imposition of import controls or tariffs; the failure of information technology infrastructure and other cybersecurity measures to protect against data, privacy and cybersecurity breaches; failure to successfully implement, and cost overruns and delays in connection with, new information technology systems and infrastructure; physical security breach; the loss of key personnel and/or labour disruptions; seasonal fluctuations and variability in weather conditions and natural resource availability; reductions in demand for electricity, natural gas and water due to developments in technology; reliance on transmission systems owned and operated by third parties; issues arising with respect to land use rights and access to the Corporation's facilities; terrorist attacks; fluctuations in commodity and energy prices; capital expenditures; reliance on subsidiaries; the incurrence of an uninsured loss; a credit rating downgrade; an increase in financing costs or limits on access to credit and capital markets; inflation; increases and fluctuations in interest rates and failure to manage exposure to credit and financial instrument risk; currency exchange rate fluctuations; restricted financial flexibility due to covenants in existing credit agreements; an inability to refinance maturing debt on favourable terms; disputes with taxation authorities or changes to applicable tax laws; failure to identify, acquire, develop or timely place in service projects to maximize the value of tax credits; requirement for greater than expected contributions to post-employment benefit plans; default by a counterparty; inaccurate assumptions, judgments and/or estimates with respect to asset retirement obligations; failure to maintain required regulatory authorizations; changes in, or failure to comply with, applicable laws and regulations; failure of compliance programs; failure to identify attractive acquisition or development candidates necessary to pursue the Corporation's growth strategy; failure to dispose of assets (at all or at a competitive price) to fund the Company's operations and growth plans; delays and cost overruns in the design and construction of projects; loss of key customers; failure to complete or realize the anticipated benefits of acquisitions or joint ventures; Atlantica (as defined herein) or a third party joint venture partner acting in a manner contrary to the Corporation's interests; a drop in the market value of Atlantica's ordinary shares; facilities being condemned or otherwise taken by governmental entities; increased external stakeholder activism adverse to the Corporation's interests; fluctuations in the price and liquidity of the Corporation's common shares and the Corporation's other securities; impact of significant demands placed on the Corporation as a result of pending acquisitions or growth strategies; potential undisclosed liabilities of any entities being acquired by the Corporation; uncertainty regarding the length of time required to complete pending acquisitions; the failure to implement the Corporation's strategic objectives or achieve expected benefits relating to acquisitions, dispositions or other initiatives, including with respect to the intended sale of the Renewable Energy Group; the possibility of adverse reactions or changes in business relationships or relationships with employees resulting from the announcement or completion of the intended sale of the Renewable Energy Group; risks relating to the diversion of the Board's (as defined herein) or management's attention in connection with the intended sale of the Renewable Energy Group; indebtedness of any entity being acquired by the Corporation; unanticipated expenses and/or cash payments as a result of change of control and/or termination provisions in purchase or sale agreements; and the reliance on third parties for certain transitional services following the completion of an acquisition. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Some of these and other factors are discussed in more detail under the heading Enterprise Risk Management in this MD&A and in the Corporation's MD&A for the three and twelve months ended December 31, 2022 (the "Annual MD&A"), and under the heading Enterprise Risk Factors in the Corporation's most recent AIF.

Forward-looking information contained herein (including any financial outlook) is provided for the purposes of assisting the reader in understanding the Corporation and its business, operations, risks, financial performance, financial position and cash flows as at and for the periods indicated and to present information about management's current expectations and plans relating to the future, and the reader is cautioned that such information may not be appropriate for other purposes. Forward-looking information contained herein is made as of the date of this document and based on the plans, beliefs, estimates, projections, expectations, opinions and assumptions of management on the date hereof. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information. While subsequent events and developments may cause the Corporation's views to change, the Corporation disclaims any obligation to update any forward-looking information or to explain any material difference between subsequent actual events and such forward-looking information, except to the extent required by applicable law. All forward-looking information contained herein is qualified by these cautionary statements.

Caution Concerning Non-GAAP Measures

AQN uses a number of financial measures to assess the performance of its business lines. Some measures are calculated in accordance with U.S. GAAP, while other measures do not have a standardized meaning under U.S. GAAP. These non-GAAP measures include non-GAAP financial measures and non-GAAP ratios, each as defined in Canadian National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure*. AQN's method of calculating these measures may differ from methods used by other companies and therefore may not be comparable to similar measures presented by other companies.

The terms "Adjusted Net Earnings", "Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization" ("Adjusted EBITDA"), "Adjusted Funds from Operations", "Net Energy Sales", "Net Utility Sales" and "Divisional Operating Profit", which are used throughout this MD&A, are non-GAAP financial measures. An explanation of each of these non-GAAP financial measures is set out below and a reconciliation to the most directly comparable U.S. GAAP measure, in each case, can be found in this MD&A. In addition, "Adjusted Net Earnings" is presented throughout this MD&A on a per common share basis. Adjusted Net Earnings per common share is a non-GAAP ratio and is calculated by dividing Adjusted Net Earnings by the weighted average number of common shares outstanding during the applicable period.

AQN does not provide reconciliations for forward-looking non-GAAP financial measures as AQN is unable to provide a meaningful or accurate calculation or estimation of reconciling items and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing or amount of various events that have not yet occurred, are out of AQN's control and/or cannot be reasonably predicted, and that would impact the most directly comparable forward-looking U.S. GAAP financial measure. For these same reasons, AQN is unable to address the probable significance of the unavailable information. Forward-looking non-GAAP financial measures may vary materially from the corresponding U.S. GAAP financial measures.

The compositions of Adjusted EBITDA, Adjusted Net Earnings, Adjusted Funds from Operations, and Divisional Operating Profit have been changed from those previously disclosed in the Annual MD&A to exclude gains and losses on disposition of assets. This change was made as gains and losses on disposition of assets are no longer used by management to evaluate the operating performance of the Company. Comparative figures for these metrics have been adjusted for the new compositions.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure used by many investors to compare companies on the basis of ability to generate cash from operations. AQN uses these calculations to monitor the amount of cash generated by AQN. AQN uses Adjusted EBITDA to assess the operating performance of AQN without the effects of (as applicable): depreciation and amortization expense, income tax expense or recoveries, acquisition and transition costs (including costs related to the strategic review of the Renewable Energy Group), certain litigation expenses, interest expense, gain or loss on derivative financial instruments, write down of intangibles and property, plant and equipment, earnings attributable to non-controlling interests exclusive of Hypothetical Liquidation at Book Value ("HLBV") income (which represents the value of net tax attributes earned in the period from electricity generated by certain of its U.S. wind power and U.S. solar generation facilities), non-service pension and post-employment costs, cost related to tax equity financing, costs related to management succession and executive retirement, costs related to prior period adjustments due to changes in tax law, costs related to condemnation proceedings, gain or loss on foreign exchange, earnings or loss from discontinued operations, changes in value of investments carried at fair value, gains and losses on disposition of assets, and other typically non-recurring or unusual items. AQN adjusts for these factors as they may be non-cash, unusual in nature and are not factors used by management for evaluating the operating performance of the Company. AQN believes that presentation of this measure will enhance an investor's understanding of AQN's operating performance. Adjusted EBITDA is not intended to be representative of cash provided by operating activities or results of operations determined in accordance with U.S. GAAP, and can be impacted positively or negatively by these items. For a reconciliation of Adjusted EBITDA to net earnings, see *Non-GAAP Financial Measures* starting on page 33 of this MD&A.

Adjusted Net Earnings

Adjusted Net Earnings is a non-GAAP financial measure used by many investors to compare net earnings from operations without the effects of certain volatile primarily non-cash items that generally have no current economic impact or items such as acquisition expenses or certain litigation expenses that are viewed as not directly related to a company's operating performance. AQN uses Adjusted Net Earnings to assess its performance without the effects of (as applicable): gains or losses on foreign exchange, foreign exchange forward contracts, interest rate swaps, acquisition and transition costs (including costs related to the strategic review of the Renewable Energy Group), one-time costs of arranging tax equity financing, certain litigation expenses and write down of intangibles and property, plant and equipment, earnings or loss from discontinued operations, unrealized mark-to-market revaluation impacts, costs related to management succession and executive retirement, costs related to prior period adjustments due to changes in tax law, costs related to condemnation proceedings, changes in value of investments carried at fair value, gains and losses on disposition of assets, and other typically non-recurring or unusual items as these are not reflective of the performance of the underlying business of AQN.

AQN believes that analysis and presentation of net earnings or loss on this basis will enhance an investor's understanding of the operating performance of its businesses. Adjusted Net Earnings is not intended to be representative of net earnings or loss determined in accordance with U.S. GAAP, and can be impacted positively or negatively by these items. For a reconciliation of Adjusted Net Earnings to net earnings, see *Non-GAAP Financial Measures* starting on page 34 of this MD&A.

Adjusted Funds from Operations

Adjusted Funds from Operations is a non-GAAP financial measure used by investors to compare cash provided by operating activities without the effects of certain volatile items that generally have no current economic impact or items such as acquisition expenses that are viewed as not directly related to a company's operating performance. AQN uses Adjusted Funds from Operations to assess its performance without the effects of (as applicable): changes in working capital balances, acquisition and transition costs, certain litigation expenses, cash provided by or used in discontinued operations, cash provided by disposition of assets and other typically non-recurring items affecting cash from operations as these are not reflective of the long-term performance of the underlying businesses of AQN. AQN believes that analysis and presentation of funds from operations on this basis will enhance an investor's understanding of the operating performance of its businesses. Adjusted Funds from Operations is not intended to be representative of cash provided by operating activities as determined in accordance with U.S. GAAP, and can be impacted positively or negatively by these items. For a reconciliation of Adjusted Funds from Operations to cash provided by operating activities, see *Non-GAAP Financial Measures* starting on page 35 of this MD&A.

Net Energy Sales

Net Energy Sales is a non-GAAP financial measure used by investors to identify revenue after commodity costs used to generate revenue where such revenue generally increases or decreases in response to increases or decreases in the cost of the commodity used to produce that revenue. AQN uses Net Energy Sales to assess its revenues without the effects of fluctuating commodity costs as such costs are predominantly passed through either directly or indirectly in the rates that are charged to customers. AQN believes that analysis and presentation of Net Energy Sales on this basis will enhance an investor's understanding of the revenue generation of the Renewable Energy Group. It is not intended to be representative of revenue as determined in accordance with U.S. GAAP. For a reconciliation of Net Energy Sales to revenue, see *Renewable Energy Group - 2023 Second Quarter and Year-to-Date Renewable Energy Group Operating Results* on page 28 of this MD&A.

Net Utility Sales

Net Utility Sales is a non-GAAP financial measure used by investors to identify utility revenue after commodity costs, either water, natural gas or electricity, where these commodity costs are generally included as a pass through in rates to its utility customers. AQN uses Net Utility Sales to assess its utility revenues without the effects of fluctuating commodity costs as such costs are predominantly passed through and paid for by utility customers. AQN believes that analysis and presentation of Net Utility Sales on this basis will enhance an investor's understanding of the revenue generation of the Regulated Services Group. It is not intended to be representative of revenue as determined in accordance with U.S. GAAP. For a reconciliation of Net Utility Sales to revenue, see *Regulated Services Group - 2023 Second Quarter and Year-to-Date Regulated Services Group Operating Results* on page 19 of this MD&A.

Divisional Operating Profit

Divisional Operating Profit is a non-GAAP financial measure. AQN uses Divisional Operating Profit to assess the operating performance of its business groups without the effects of (as applicable): depreciation and amortization expense, corporate administrative expenses, income tax expense or recoveries, acquisition costs, certain litigation expenses, interest expense, gain or loss on derivative financial instruments, write down of intangibles and property, plant and equipment, gain or loss on foreign exchange, earnings or loss from discontinued operations (excluding the sale of assets in the course of normal operations), non-service pension and post-employment costs, gains and losses on disposition of assets, and other typically non-recurring or unusual items. AQN adjusts for these factors as they may be non-cash, unusual in nature and are not factors used by management for evaluating the operating performance of the divisional units. Divisional Operating Profit is calculated inclusive of interest, dividend and equity income earned from indirect investments, and HLBV income. AQN believes that presentation of this measure will enhance an investor's understanding of AQN's divisional operating performance. Divisional Operating Profit is not intended to be representative of cash provided by operating activities or results of operations determined in accordance with U.S. GAAP, and can be impacted positively or negatively by these items. For a reconciliation of Divisional Operating Profit to revenue for AQN's main business units, see *Regulated Services Group - 2023 Second Quarter and Year-to-Date Regulated Services Group Operating Results* on page 19 and *Renewable Energy Group - 2023 Second Quarter and Year-to-Date Renewable Energy Group Operating Results* on page 28 of this MD&A.

Overview and Business Strategy

AQN is incorporated under the Canada Business Corporations Act. AQN owns and operates a diversified portfolio of regulated and non-regulated generation, distribution, and transmission assets which are expected to deliver predictable earnings and cash flows. Through its activities, the Company aims to drive growth in earnings and cash flows to support a sustainable dividend and share price appreciation. AQN strives to achieve these results while also seeking to maintain a business risk profile consistent with its BBB flat investment grade credit ratings and a strong focus on Environmental, Social and Governance factors.

AQN's current quarterly dividend to shareholders is \$0.1085 per common share, or \$0.4340 per common share on an annualized basis. AQN believes that, on a long-term basis, its targeted annual dividend payout will allow for both a return on investment for shareholders and retention of cash within AQN to partially fund growth opportunities. Changes in the level of dividends paid by AQN are at the discretion of AQN's Board of Directors (the "Board"), with dividend levels being reviewed periodically by the Board in the context of AQN's financial performance and growth prospects.

AQN's operations are organized across two primary business units consisting of: the Regulated Services Group, which primarily owns and operates a portfolio of regulated assets in the United States, Canada, Bermuda and Chile; and the Renewable Energy Group, which primarily operates a diversified portfolio of owned renewable generation assets.

On May 11, 2023, the Company announced that the Board had initiated a strategic review of the Renewable Energy Group. To oversee the strategic review process, the Board formed a Strategic Review Committee, comprised of directors Chris Huskilson (Chair), Ameer Chande and Dan Goldberg. On August 10, 2023, the Company announced that it will pursue a sale of the Renewable Energy Group.

Summary Structure of the Business

The following chart depicts, in summary form, AQN's key businesses. A more detailed description of AQN's organizational structure can be found in the most recent AIF.



Regulated Services Group

The Regulated Services Group operates a diversified portfolio of regulated utility systems located in the United States, Canada, Bermuda and Chile serving approximately 1,256,000 customer connections as at June 30, 2023 (using an average of 2.5 customers per connection, this translates into approximately 3,140,000 customers). The Regulated Services Group seeks to provide safe, high quality, and reliable services to its customers and to deliver stable and predictable earnings to AQN. In addition to encouraging and supporting organic growth within its service territories, the Regulated Services Group may seek to deliver long-term growth through accretive acquisitions of additional utility systems and pursuing "greening the fleet" opportunities.

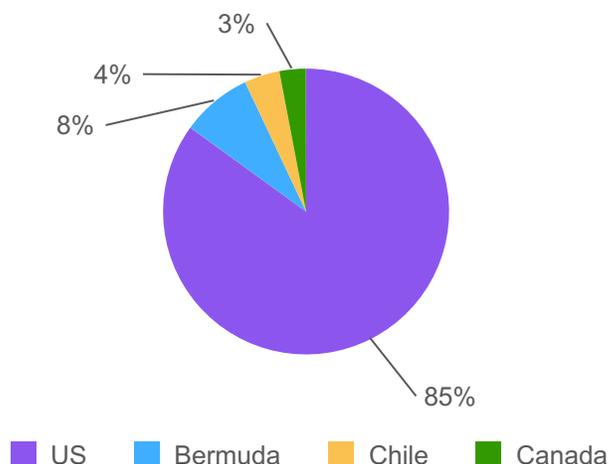
The Regulated Services Group's regulated electrical distribution utility systems and related generation assets are located in the U.S. States of California, New Hampshire, Missouri, Kansas, Oklahoma, and Arkansas, as well as in Bermuda, which together served approximately 309,000 electric customer connections as at June 30, 2023. The group also owns and operates generating assets with a gross capacity of approximately 2.0 GW and has investments in generating assets with approximately 0.3 GW of net generation capacity.

The Regulated Services Group's regulated water distribution and wastewater collection utility systems are located in the U.S. States of Arizona, Arkansas, California, Illinois, Missouri, New York, and Texas as well as in Chile which together served approximately 571,000 customer connections as at June 30, 2023.

The Regulated Services Group's regulated natural gas distribution utility systems are located in the U.S. States of Georgia, Illinois, Iowa, Massachusetts, New Hampshire, Missouri, and New York, and in the Canadian Province of New Brunswick, which together served approximately 376,000 natural gas customer connections as at June 30, 2023.

Below is a breakdown of the Regulated Services Group's Revenue by geographic area for the six months ended June 30, 2023.

Regulated Revenue by Geographic Area



Renewable Energy Group

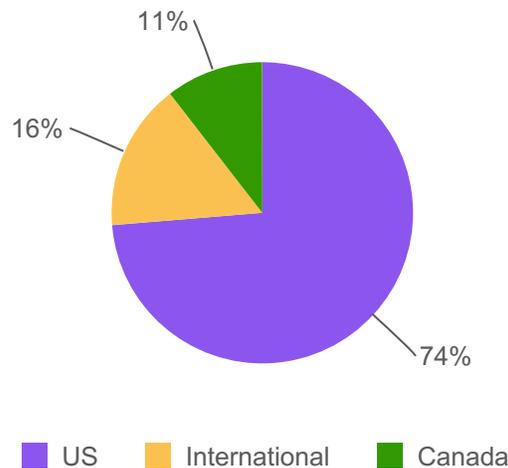
The Renewable Energy Group generates and sells electrical energy produced by its diverse portfolio of renewable power generation and clean power generation facilities primarily located across the United States and Canada. The Renewable Energy Group seeks to deliver growth through new power generation projects and complementary projects, such as energy storage.

The Renewable Energy Group has a controlling interest in hydroelectric, wind, solar, renewable natural gas ("RNG") and thermal facilities with a combined gross generating capacity of approximately 2.5 GW and a net generating capacity (attributable to the Renewable Energy Group) of approximately 2.2 GW. Approximately 81% of the electrical output is sold pursuant to long term contractual arrangements which as of June 30, 2023 had a production-weighted average remaining contract life of approximately 10 years.

In addition to the assets in which the Renewable Energy Group has a controlling interest, the Renewable Energy Group has investments in generating assets with approximately 1.5 GW of net generating capacity, which includes the Company's 51% interest in the Texas Coastal Wind Facilities (as defined herein) and approximately 42% interest in Atlantica Sustainable Infrastructure plc ("Atlantica"). Atlantica owns and operates a portfolio of international clean energy and water infrastructure assets under long term contracts with a Cash Available for Distribution weighted average remaining contract life of approximately 13 years as of June 30, 2023. Of the generating assets that the Renewable Energy Group has an interest in, the Renewable Energy Group operates assets with a net generating capacity of 2.7 GW.

Below is a breakdown of the Renewable Energy Group's generating capacity by geographic area as of June 30, 2023, which was comprised of net generating capacity of facilities owned and operated and net generating capacity of investments, including the Company's 51% interest in the Texas Coastal Wind Facilities and approximately 42% interest in Atlantica.

Renewable Generation by Geographic Area



Significant Updates

Operating Results

AQN's operating results relative to the same period last year are as follows:

(all dollar amounts in \$ millions except per share information)	Three months ended June 30		
	2023	2022	Change
Net loss attributable to shareholders	\$(253.2)	\$(33.4)	(658)%
Adjusted Net Earnings ¹	\$56.2	\$109.6	(49)%
Adjusted EBITDA ¹	\$277.7	\$289.2	(4)%
Net loss per common share	\$(0.37)	\$(0.05)	(640)%
Adjusted Net Earnings per common share ¹	\$0.08	\$0.16	(50)%

¹ See *Caution Concerning Non-GAAP Measures*.

CEO Succession

Effective August 10, 2023, Chris Huskison, a member of the Board since 2020, was appointed Interim Chief Executive Officer of AQN. He succeeds Arun Banksota, who stepped down as President and Chief Executive Officer of AQN and as a member of the Board effective August 10, 2023.

The Board has engaged a nationally recognized search firm to commence a search process to identify a permanent Chief Executive Officer.

2023 Second Quarter Results From Operations

Key Financial Information

(all dollar amounts in \$ millions except per share information)	Three months ended June 30	
	2023	2022
Revenue	\$ 627.9	\$ 619.4
Net loss attributable to shareholders	(253.2)	(33.4)
Cash provided by operating activities	261.4	135.3
Adjusted Net Earnings ¹	56.2	109.6
Adjusted EBITDA ¹	277.7	289.2
Adjusted Funds from Operations ¹	154.2	180.3
Dividends declared to common shareholders	75.4	122.6
Weighted average number of common shares outstanding	687,761,648	674,742,897
Per share		
Basic net loss	\$ (0.37)	\$ (0.05)
Diluted net loss	\$ (0.37)	\$ (0.05)
Adjusted Net Earnings ¹	\$ 0.08	\$ 0.16
Dividends declared to common shareholders	\$ 0.11	\$ 0.18

¹ See *Caution Concerning Non-GAAP Measures*.

For the three months ended June 30, 2023, AQN reported basic net loss per common share of \$0.37 as compared to basic net loss per common share of \$0.05 during the same period in 2022, a decrease of \$0.32. This decrease was primarily driven by:

- the decrease in value of investments carried at fair value of \$167.9 million primarily related to the Company's investment in Atlantica; and
- impairment of assets and other losses of \$43.8 million incurred as a result of the termination of the stock purchase agreement regarding the acquisition of Kentucky Power Company and AEP Kentucky Transmission Company, Inc. (the "Kentucky Power Impairment").

For the three months ended June 30, 2023, AQN reported Adjusted Net Earnings per common share of \$0.08 as compared to \$0.16 per common share during the same period in 2022, a decrease of \$0.08 (see *Caution Concerning Non-GAAP Measures*). Adjusted Net Earnings decreased by \$53.4 million year over year (see *Caution Concerning Non-GAAP Measures*). This decrease was primarily driven by:

- a decrease of \$17.6 million in the Renewable Energy Group's operating profit primarily as a result wind facilities generating 75.1% of Long Term Average Resource ("LTAR") which represents a 22.0% decrease compared to the same period in 2022;
- a decrease of \$14.0 million in the Renewable Energy Group's HLBV income as a result of the end of production tax credit ("PTC") eligibility on projects commissioned in 2012;
- an increase in earnings attributable to minority interest, exclusive of HLBV, of \$12.9 million primarily due to the Company's sale in the fourth quarter of 2022 of a 49% ownership interest in the Odell, Deerfield and Sugar Creek Wind Facilities;
- an increase in interest expense of \$25.1 million, driven by higher interest rates as well as increased borrowings to support growth initiatives;
- an increase in depreciation expense of \$5.9 million driven by additional capital invested by the Company; and
- an increase in administrative expenses of \$5.6 million due to timing, foreign exchange, inflation and increased headcount to support growth initiatives; partially offset by
- an increase of \$28.5 million in the Regulated Services Group's operating profit primarily due to implementation of new rates.

For the three months ended June 30, 2023, AQN experienced an average exchange rate of Canadian to U.S. dollars of approximately 0.7445 as compared to 0.7834 in the same period in 2022, and an average exchange rate of Chilean pesos to U.S. dollars of approximately 0.0012 for the three months ended June 30, 2023 as compared to 0.0012 for the same period in 2022. As such, any year over year variance in revenue or expenses, in local currency, at any of AQN's Canadian and Chilean entities is affected by a change in the average exchange rate upon conversion to AQN's reporting currency.

For the three months ended June 30, 2023, AQN reported total revenue of \$627.9 million as compared to \$619.4 million during the same period in 2022, an increase of \$8.5 million or 1.4%. The major factors impacting AQN's revenue in the three months ended June 30, 2023 as compared to the same period in 2022 are as follows:

(all dollar amounts in \$ millions)	Three months ended June 30
Comparative Prior Period Revenue	\$ 619.4
REGULATED SERVICES GROUP	
Existing Facilities	
Electricity: Decrease is primarily due to one-time insurance proceeds for the Neosho Ridge Facility received in 2022 and unfavourable weather at the Empire Electric System.	(17.2)
Natural Gas: Decrease is primarily due to lower pass through commodity costs.	(15.6)
Water: Increase is primarily due to the inflationary rate increase mechanism at the Suralis Water System (formerly called the ESSAL Water System) and organic growth at the Litchfield Park and Gold Canyon Water Systems.	5.0
Other:	(0.7)
	(28.5)
Rate Reviews	
Electricity: Increase is primarily due to the implementation of new rates at the CalPeco Electric System with recoupment to the first quarter of 2022, as well as the implementation of new rates at the Empire, Bermuda Electric Light Company ("BELCO") and Granite State Electric Systems.	50.1
Natural Gas: Increase is primarily due to the implementation of new rates at the EnergyNorth, New Brunswick, Peach State, St. Lawrence and Empire Gas Systems.	2.6
Water: Increase is due to the implementation of new rates at the Park Water System.	1.5
	54.2
Foreign Exchange	1.1
RENEWABLE ENERGY GROUP	
Existing Facilities	
Hydro: Decrease is primarily driven by lower retail sales in the Maritimes Region, and lower production for the Ontario and Quebec regions.	(2.1)
Wind CA: Decrease is primarily due to lower production across the majority of the Canadian wind facilities.	(2.7)
Wind U.S.: Decrease is primarily due to lower production across all U.S. wind facilities.	(7.4)
Solar: Decrease is primarily driven by lower energy capture prices at the Altavista and Great Bay II Solar Facilities.	(1.2)
Thermal: Decrease is primarily driven by unfavourable energy market pricing at the Windsor Locks Thermal Facility along with lower production at the Sanger Thermal Facility.	(4.2)
Other:	(0.3)
	(17.9)
New Facilities	
Other: Increase is primarily driven by Blue Hill Wind Facility (achieved full commercial operations ("COD")).	1.0
	1.0
Foreign Exchange	(1.4)
Current Period Revenue	\$ 627.9

2023 Year-to-Date Results From Operations

Key Financial Information

(all dollar amounts in \$ millions except per share information)	Six months ended June 30	
	2023	2022
Revenue	\$ 1,406.5	\$ 1,352.6
Net earnings attributable to shareholders	16.9	57.6
Cash provided by operating activities	294.7	301.6
Adjusted Net Earnings ¹	176.0	250.7
Adjusted EBITDA ¹	618.7	619.4
Adjusted Funds from Operations ¹	367.8	400.6
Dividends declared to common shareholders	150.8	238.2
Weighted average number of common shares outstanding	687,727,579	674,720,319
Per share		
Basic net earnings	\$ 0.02	\$ 0.08
Diluted net earnings	\$ 0.02	\$ 0.08
Adjusted Net Earnings ¹	\$ 0.25	\$ 0.36
Dividends declared to common shareholders	\$ 0.22	\$ 0.35

¹ See *Caution Concerning Non-GAAP Measures*.

For the six months ended June 30, 2023, AQN reported basic net earnings per common share of \$0.02 as compared to basic net earnings per common share of \$0.08 during the same period in 2022, a decrease of \$0.06. This loss was primarily driven by:

- a decrease in the value of investments carried at fair value of \$52.0 million primarily related to the Company's investment in Atlantica; and
- the Kentucky Power Impairment of \$46.5 million.

For the six months ended June 30, 2023, AQN reported Adjusted Net Earnings per common share of \$0.25 as compared to \$0.36 per common share during the same period in 2022, a decrease of \$0.12 (see *Caution Concerning Non-GAAP Measures*). Adjusted Net Earnings decreased by \$74.7 million year over year (see *Caution Concerning Non-GAAP Measures*), primarily due to:

- a decrease of \$16.8 million in the Renewable Energy Group's operating profit primarily as a result wind facilities generating 84.5% of LTAR which represents a 10.8% decrease compared to the same period in 2022;
- a decrease of \$26.4 million in the Renewable Energy Group's HLBV income as a result of the end of PTC eligibility on projects commissioned in 2012;
- an increase in earnings attributable to minority interest, exclusive of HLBV, of \$23.2 million primarily due to the Company's sale in the fourth quarter of 2022 of a 49% ownership interest in the Odell, Deerfield and Sugar Creek Wind Facilities;
- an increase in interest expense of \$49.1 million, driven by higher interest rates as well as increased borrowings to support growth initiatives;
- an increase in depreciation expense of \$7.6 million driven by additional capital invested by the Company; and
- an increase in administrative expenses of \$5.9 million due to timing, foreign exchange, inflation and increased headcount to support growth initiatives; partially offset by
- an increase of \$52.5 million in the Regulated Services Group's operating profit primarily due to implementation of new rates.

For the six months ended June 30, 2023, AQN experienced an average exchange rate of Canadian to U.S. dollars of approximately 0.7421 as compared to 0.7865 in the same period in 2022, and an average exchange rate of Chilean pesos to U.S. dollars of approximately 0.0012 for the six months ended June 30, 2023 as compared to 0.0011 for the same period in 2022. As such, any year-over-year variance in revenue or expenses, in local currency, at any of AQN's Canadian and Chilean entities is affected by a change in the average exchange rate upon conversion to AQN's reporting currency.

For the six months ended June 30, 2023, AQN reported total revenue of \$1,406.5 million as compared to \$1,352.6 million during the same period in 2022, an increase of \$53.9 million or 4.0%. The major factors resulting in the increase in AQN revenue for the six months ended June 30, 2023 as compared to the same period in 2022 are as follows:

(all dollar amounts in \$ millions)	Six months ended June 30
Comparative Prior Period Revenue	\$ 1,352.6
REGULATED SERVICES GROUP	
Existing Facilities	
Electricity: Increase is primarily due to higher pass through commodity costs at the Granite State Electric System, partially offset by one-time insurance proceeds for the Neosho Ridge Facility received in 2022.	4.4
Natural Gas: Decrease is primarily due to lower pass through commodity costs.	(10.9)
Water: Increase is primarily due to the inflationary rate increase mechanism at the Suralis Water System and organic growth at the Litchfield Park and Gold Canyon Water Systems.	9.7
Other:	(0.4)
	2.8
Rate Reviews	
Electricity: Increase is primarily due to the implementation of new rates at the CalPeco Electric System with recoupment to the first quarter of 2022, as well as the implementation of new rates at the Empire, BELCO and Granite State Electric Systems.	62.4
Natural Gas: Increase is primarily due to the implementation of new rates at the EnergyNorth, New Brunswick, Peach State, St. Lawrence and Empire Gas Systems.	5.0
Water: Increase is due to the implementation of new rates at the Park Water System with one-time revenues from a recoupment to the third quarter of 2022.	6.1
	73.5
Foreign Exchange	1.1
RENEWABLE ENERGY GROUP	
Existing Facilities	
Hydro: Decrease is primarily driven by lower retail sales in the Maritimes Region.	(3.1)
Wind CA: Decrease is primarily due to lower production across all Canadian wind facilities.	(5.0)
Wind U.S.: Decrease is primarily due to lower production across the U.S. wind facilities.	(3.4)
Solar: Decrease is primarily driven by lower energy capture prices at the Altavista and Great Bay II Solar Facilities.	(2.5)
Thermal: Decrease is primarily driven by unfavourable energy market pricing at the Windsor Locks Thermal Facility along with lower production at the Sanger Thermal Facility.	(7.7)
Other:	(1.1)
	(22.8)
New Facilities	
Other: Increase is primarily driven by the Blue Hill Wind Facility (achieved COD in April 2022).	2.4
	2.4
Foreign Exchange	(3.1)
Current Period Revenue	\$ 1,406.5

2023 Second Quarter and Year-to-Date Net Earnings Summary

Net loss attributable to shareholders for the three months ended June 30, 2023 totaled \$253.2 million as compared to net loss attributable to shareholders of \$33.4 million during the same period in 2022, a decrease of \$219.8 million or 658.1%. Net earnings attributable to shareholders for the six months ended June 30, 2023 totaled \$16.9 million as compared to net earnings attributable to shareholders of \$57.6 million during the same period in 2022, a decrease of \$40.7 million or 70.7%. The following table outlines the changes to net earnings (loss) attributable to shareholders for the three and six months ended June 30, 2023 as compared to the same periods in 2022. A more detailed analysis of these factors can be found under *AQN: Corporate and Other Expenses*.

Change in net earnings (loss) attributable to shareholders (all dollar amounts in \$ millions)	Three months ended June 30 2023	Six months ended June 30 2023
Net earnings (loss) attributable to shareholders - Prior Period Balance	\$ (33.4)	\$ 57.6
Adjusted EBITDA ¹	(11.5)	(0.7)
Net earnings attributable to the non-controlling interest, exclusive of HLBV	(12.9)	(23.2)
Income tax recovery	33.2	17.9
Interest expense	(25.1)	(49.1)
Other net losses	(31.7)	(30.4)
Unrealized loss on energy derivatives included in revenue	2.6	3.2
Pension and post-employment non-service costs	(3.0)	(5.5)
Change in value of investments carried at fair value	(167.9)	52.0
Gain on derivative financial instruments	4.3	5.8
Foreign exchange	(1.9)	(3.1)
Depreciation and amortization	(5.9)	(7.6)
Net earnings (loss) attributable to shareholders - Current Period Balance	\$ (253.2)	\$ 16.9
Change in Net Earnings (loss) (\$)	\$ (219.8)	\$ (40.7)
Change in Net Earnings (loss) (%)	(658.1)%	(70.7)%

¹ See *Caution Concerning Non-GAAP Measures*.

During the three months ended June 30, 2023, cash provided by operating activities totaled \$261.4 million as compared to \$135.3 million during the same period in 2022, an increase of \$126.1 million primarily as a result of changes in working capital items. During the three months ended June 30, 2023, Adjusted Funds from Operations totaled \$154.2 million as compared to Adjusted Funds from Operations of \$180.3 million during the same period in 2022, a decrease of \$26.1 million (see *Caution Concerning Non-GAAP Measures*).

During the three months ended June 30, 2023, Adjusted EBITDA totaled \$277.7 million as compared to \$289.2 million during the same period in 2022, a decrease of \$11.5 million or 4.0% (see *Caution Concerning Non-GAAP Measures*). A more detailed analysis of this variance is presented within the reconciliation of Adjusted EBITDA to net earnings set out below under *Non-GAAP Financial Measures*.

During the six months ended June 30, 2023, cash provided by operating activities totaled \$294.7 million as compared to \$301.6 million during the same period in 2022, a decrease of \$6.9 million primarily as a result of changes in working capital items. During the six months ended June 30, 2023, Adjusted Funds from Operations totaled \$367.8 million as compared to Adjusted Funds from Operations of \$400.6 million during the same period in 2022, a decrease of \$32.8 million (see *Caution Concerning Non-GAAP Measures*).

During the six months ended June 30, 2023, Adjusted EBITDA totaled \$618.7 million as compared to \$619.4 million during the same period in 2022, a decrease of \$0.7 million or 0.1% (see *Caution Concerning Non-GAAP Measures*). A more detailed analysis of this variance is presented within the reconciliation of Adjusted EBITDA to net earnings set out below under *Non-GAAP Financial Measures*.

2023 Second Quarter and Year-to-Date Adjusted EBITDA Summary

Adjusted EBITDA (see *Caution Concerning Non-GAAP Measures*) for the three months ended June 30, 2023 totaled \$277.7 million as compared to \$289.2 million during the same period in 2022, a decrease of \$11.5 million or 4.0%. Adjusted EBITDA for the six months ended June 30, 2023 totaled \$618.7 million as compared to \$619.4 million during the same period in 2022, a decrease of \$0.7 million or 0.1%. The breakdown of Adjusted EBITDA by the Company's main business units and a summary of changes are shown below.

Adjusted EBITDA ¹ by business units (all dollar amounts in \$ millions)	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
Divisional Operating Profit for Regulated Services Group ¹	\$ 214.4	\$ 185.9	\$ 469.7	\$ 417.2
Divisional Operating Profit for Renewable Energy Group ¹	90.6	122.2	197.0	240.2
Administrative Expenses	(25.7)	(20.1)	(43.5)	(37.6)
Other Income & Expenses	(1.6)	1.2	(4.5)	(0.4)
Total AQN Adjusted EBITDA¹	\$ 277.7	\$ 289.2	\$ 618.7	\$ 619.4
Change in Adjusted EBITDA ¹ (\$)	\$ (11.5)		\$ (0.7)	
Change in Adjusted EBITDA ¹ (%)	(4.0)%		(0.1)%	

Change in Adjusted EBITDA¹ Breakdown

(all dollar amounts in \$ millions)	Three months ended June 30, 2023			
	Regulated Services	Renewable Energy	Corporate	Total
Prior period balances	\$ 185.9	\$ 122.2	\$ (18.9)	\$ 289.2
Existing Facilities and Investments	3.3	(30.5)	(2.8)	(30.0)
New Facilities and Investments	—	(0.1)	—	(0.1)
Rate Reviews	24.5	—	—	24.5
Foreign Exchange Impact	0.7	(1.0)	—	(0.3)
Administrative Expenses	—	—	(5.6)	(5.6)
Total change during the period	\$ 28.5	\$ (31.6)	\$ (8.4)	\$ (11.5)
Current period balances	\$ 214.4	\$ 90.6	\$ (27.3)	\$ 277.7

Change in Adjusted EBITDA¹ Breakdown

(all dollar amounts in \$ millions)	Six months ended June 30, 2023			
	Regulated Services	Renewable Energy	Corporate	Total
Prior period balances	\$ 417.2	\$ 240.2	\$ (38.0)	\$ 619.4
Existing Facilities and Investments	8.3	(40.7)	(4.1)	(36.5)
New Facilities and Investments	—	0.3	—	0.3
Rate Reviews	43.8	—	—	43.8
Foreign Exchange Impact	0.4	(2.8)	—	(2.4)
Administrative Expenses	—	—	(5.9)	(5.9)
Total change during the period	\$ 52.5	\$ (43.2)	\$ (10.0)	\$ (0.7)
Current period balances	\$ 469.7	\$ 197.0	\$ (48.0)	\$ 618.7

¹ See *Caution Concerning Non-GAAP Measures*.

REGULATED SERVICES GROUP

The Regulated Services Group operates rate-regulated utilities that as of June 30, 2023 provided distribution services to approximately 1,256,000 customer connections in the electric, natural gas, and water and wastewater sectors which is an increase of approximately 17,000 customer connections as compared to June 30, 2022.

The Regulated Services Group seeks to grow its business organically and through business development activities while using prudent acquisition criteria. The Regulated Services Group believes that its business results are maximized by building constructive regulatory and customer relationships, and enhancing customer connections in the communities in which it operates.

Utility System Type	As at June 30					
	2023			2022		
(all dollar amounts in \$ millions)	Assets	Net Utility Sales ¹	Total Customer Connections ²	Assets	Net Utility Sales ¹	Total Customer Connections ²
Electricity	5,065.8	418.5	309,000	4,848.8	373.0	307,000
Natural Gas	1,753.9	206.8	376,000	1,611.9	200.9	370,000
Water and Wastewater	1,651.7	175.6	571,000	1,404.3	162.2	562,000
Other	286.0	28.2		311.8	27.5	
Total	\$ 8,757.4	\$ 829.1	1,256,000	\$ 8,176.8	\$ 763.6	1,239,000

Accumulated Deferred Income Taxes Liability	\$ 722.3	\$ 650.7
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¹ Net Utility Sales for the six months ended June 30, 2023 and 2022. See *Caution Concerning Non-GAAP Measures*.

² Total Customer Connections represents the sum of all active and vacant customer connections.

The Regulated Services Group aggregates the performance of its utility operations by utility system type – electricity, natural gas, and water and wastewater systems.

The electric distribution systems are comprised of regulated electrical distribution utility systems and served approximately 309,000 customer connections in the U.S. States of California, New Hampshire, Missouri, Kansas, Oklahoma and Arkansas and in Bermuda as at June 30, 2023.

The natural gas distribution systems are comprised of regulated natural gas distribution utility systems and served approximately 376,000 customer connections located in the U.S. States of New Hampshire, Illinois, Iowa, Missouri, Georgia, Massachusetts and New York and in the Canadian Province of New Brunswick as at June 30, 2023.

The water and wastewater distribution systems are comprised of regulated water distribution and wastewater collection utility systems and served approximately 571,000 customer connections located in the U.S. States of Arkansas, Arizona, California, Illinois, Missouri, New York, and Texas, and in Chile as at June 30, 2023.

2023 Second Quarter and Year-to-Date Usage Results

Electric Distribution Systems	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Average Active Electric Customer Connections For The Period				
Residential	262,700	261,800	262,500	261,700
Commercial and industrial	42,700	42,400	42,600	42,300
Total Average Active Electric Customer Connections For The Period	305,400	304,200	305,100	304,000
Customer Usage (GW-hrs)				
Residential	574.1	596.6	1,329.2	1,441.5
Commercial and industrial	918.9	948.5	1,842.3	1,864.4
Total Customer Usage (GW-hrs)	1,493.0	1,545.1	3,171.5	3,305.9

For the three months ended June 30, 2023, the electric distribution systems' usage totaled 1,493.0 GW-hrs as compared to 1,545.1 GW-hrs for the same period in 2022, a decrease of 52.1 GW-hrs or 3.4%. The decrease in electricity consumption is primarily due to colder weather at the Empire Electric System.

For the six months ended June 30, 2023, the electric distribution systems' usage totaled 3,171.5 GW-hrs as compared to 3,305.9 GW-hrs for the same period in 2022, a decrease of 134.4 GW-hrs or 4.1%. The decrease in electricity consumption is primarily due to warmer winter weather at the Empire Electric System.

Approximately 47% of the Regulated Services Group's electric distribution systems' revenues are not expected to be impacted by changes in customer usage, as they are subject to volumetric decoupling or represent fixed fee billings.

Natural Gas Distribution Systems	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Average Active Natural Gas Customer Connections For The Period				
Residential	330,500	319,700	330,700	321,100
Commercial and industrial	41,100	38,500	41,100	38,900
Total Average Active Natural Gas Customer Connections For The Period	371,600	358,200	371,800	360,000
Customer Usage (MMBTU)				
Residential	3,184,000	3,079,000	13,215,000	14,222,000
Commercial and industrial	4,196,000	3,655,000	12,910,000	12,534,000
Total Customer Usage (MMBTU)	7,380,000	6,734,000	26,125,000	26,756,000

For the three months ended June 30, 2023, usage at the natural gas distribution systems totaled 7,380,000 MMBTU as compared to 6,734,000 MMBTU during the same period in 2022, an increase of 646,000 MMBTU, or 9.6%. The increase in customer usage was primarily due to colder weather at the EnergyNorth Gas System.

For the six months ended June 30, 2023, usage at the natural gas distribution systems totaled 26,125,000 MMBTU as compared to 26,756,000 MMBTU during the same period in 2022, a decrease of 631,000 MMBTU, or 2.4%. The decrease in customer usage was primarily due to warmer weather at the Mid-States and New England Gas Systems.

Approximately 86% of the Regulated Services Group's gas distribution systems' revenues are not expected to be impacted by changes in customer usage, as they are subject to volumetric decoupling or represent fixed fee billings.

Water and Wastewater Distribution Systems

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Average Active Customer Connections For The Period				
Wastewater customer connections	50,800	47,700	50,900	47,700
Water distribution customer connections	508,400	501,800	508,500	498,500
Total Average Active Customer Connections For The Period	559,200	549,500	559,400	546,200
Gallons Provided (millions of gallons)				
Wastewater treated	840	812	1,635	1,590
Water provided	10,070	10,010	18,577	18,628
Total Gallons Provided (millions of gallons)	10,910	10,822	20,212	20,218

For the three months ended June 30, 2023, the water and wastewater distribution systems provided approximately 10,070 million gallons of water to customers and treated approximately 840 million gallons of wastewater. This is compared to 10,010 million gallons of water provided and 812 million gallons of wastewater treated during the same period in 2022, an increase in total gallons provided of 60 million or 0.6% and an increase in total gallons treated of 28 million or 3.4%. This increase in water provided is primarily due to lower precipitation at the New York Water System and the increase in water treated is primarily due to customer growth at the Litchfield Park and Rio Rico Water Systems.

For the six months ended June 30, 2023, the water and wastewater distribution systems provided approximately 18,577 million gallons of water to customers and treated approximately 1,635 million gallons of wastewater. This is compared to 18,628 million gallons of water provided and 1,590 million gallons of wastewater treated during the same period in 2022, a decrease in total gallons provided of 51 million or 0.3% and an increase in total gallons treated of 45 million or 2.8%. This decrease in water provided is due to higher precipitation at the Park Water System and the increase in water treated is primarily due to customer growth at the Litchfield Park and Rio Rico Water Systems.

Approximately 50% of the Regulated Services Group's water and wastewater distribution systems' revenues are not expected to be impacted by changes in customer usage, as they are subject to volumetric decoupling or represent fixed fee billings.

2023 Second Quarter and Year-to-Date Regulated Services Group Operating Results

(all dollar amounts in \$ millions)	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
Revenue				
Regulated electricity distribution	\$ 326.8	\$ 295.6	\$ 642.4	\$ 576.3
Less: Regulated electricity purchased	(98.3)	(104.1)	(223.9)	(203.3)
Net Utility Sales - electricity ¹	228.5	191.5	418.5	373.0
Regulated gas distribution	109.5	121.9	380.7	385.3
Less: Regulated gas purchased	(36.2)	(51.8)	(173.9)	(184.4)
Net Utility Sales - natural gas ¹	73.3	70.1	206.8	200.9
Regulated water reclamation and distribution	95.9	89.6	183.3	168.3
Less: Regulated water purchased	(3.8)	(3.4)	(7.7)	(6.1)
Net Utility Sales - water reclamation and distribution ¹	92.1	86.2	175.6	162.2
Other revenue ²	14.2	12.6	28.2	27.5
Net Utility Sales^{1,3}	408.1	360.4	829.1	763.6
Operating expenses	(213.9)	(179.3)	(401.3)	(363.7)
Other income	9.4	5.3	19.7	9.8
HLBV ⁴	10.8	(0.5)	22.2	7.5
Divisional Operating Profit^{1,5}	\$ 214.4	\$ 185.9	\$ 469.7	\$ 417.2

¹ See *Caution Concerning Non-GAAP Measures*.

² See *Note 18* in the unaudited interim consolidated financial statements.

³ This table contains a reconciliation of Net Utility Sales to revenue. The relevant sections of the table are derived from and should be read in conjunction with the unaudited consolidated statement of operations and *Note 18* in the unaudited interim consolidated financial statements, "Segmented Information". This supplementary disclosure is intended to more fully explain disclosures related to Net Utility Sales and provides additional information related to the operating performance of the Regulated Services Group. Investors are cautioned that Net Utility Sales should not be construed as an alternative to revenue.

⁴ HLBV income represents the value of net tax attributes monetized by the Regulated Services Group in the period at the Luning and Turquoise Solar Facilities and the Neosho Ridge, Kings Point and North Fork Ridge Wind Facilities.

⁵ This table contains a reconciliation of Divisional Operating Profit to revenue for the Regulated Services Group. The relevant sections of the table are derived from and should be read in conjunction with the unaudited consolidated statement of operations and *Note 18* in the unaudited interim consolidated financial statements, "Segmented Information". This supplementary disclosure is intended to more fully explain disclosures related to Divisional Operating Profit and provides additional information related to the operating performance of the Regulated Services Group. Investors are cautioned that Divisional Operating Profit should not be construed as an alternative to revenue.

2023 Second Quarter Operating Results

For the three months ended June 30, 2023, the Regulated Services Group reported revenue of \$532.2 million (i.e., \$326.8 million of regulated electricity distribution, \$109.5 million of regulated gas distribution and \$95.9 million of regulated water reclamation and distribution) as compared to revenue of \$507.1 million in the comparable period in the prior year (i.e., \$295.6 million of regulated electricity distribution, \$121.9 million of regulated gas distribution and \$89.6 million of regulated water reclamation and distribution).

For the three months ended June 30, 2023, the Regulated Services Group reported a Divisional Operating Profit (excluding corporate administration expenses) of \$214.4 million as compared to \$185.9 million for the comparable period in the prior year (see *Caution Concerning Non-GAAP Measures*).

Highlights of the changes are summarized in the following table:

(all dollar amounts in \$ millions)	Three months ended June 30
Prior Period Divisional Operating Profit¹	\$ 185.9
Existing Facilities	
Electricity: Increase is primarily due higher HLBV of approximately \$12.0 million income at the Neosho Ridge Wind Facility partially offset by unfavourable weather of approximately \$11.0 million at the Empire Electric System.	2.2
Gas: Decrease is primarily due to higher operating expenses.	(2.0)
Water: Decrease is driven by lower revenue related to the removal of the decoupling mechanism at the Park Water System causing seasonality in 2023 not encountered in 2022 partially offset by organic growth at the Litchfield Park and Gold Canyon Water Systems.	(1.1)
Other: Increase is driven by higher interest income on regulatory asset accounts.	4.2
	3.3
Rate Reviews	
Electricity: Increase is primarily due to the implementation of new rates at the CalPeco Electric System with recoupment to the first quarter of 2022 of approximately \$11.2 million, as well as the implementation of new rates at the Empire, BELCO and Granite State Electric Systems.	20.4
Gas: Increase is primarily due to the implementation of new rates at the EnergyNorth, New Brunswick, Peach State, St. Lawrence and Empire Gas Systems.	2.6
Water: Increase is due to the implementation of new rates at the Park Water System.	1.5
	24.5
Foreign Exchange	0.7
Current Period Divisional Operating Profit¹	\$ 214.4

¹ See *Caution Concerning Non-GAAP Measures*.

2023 Year-to-Date Operating Results

For the six months ended June 30, 2023, the Regulated Services Group reported revenue of \$1,206.4 million (comprised of \$642.4 million of regulated electricity distribution revenue, \$380.7 million of regulated natural gas distribution revenue and \$183.3 million of regulated water reclamation and distribution revenue) as compared to revenue of \$1,129.9 million in the same period in the prior year (comprised of \$576.3 million of regulated electricity distribution revenue, \$385.3 million of regulated natural gas distribution revenue and \$168.3 million of regulated water reclamation and distribution revenue).

For the six months ended June 30, 2023, the Regulated Services Group reported a Divisional Operating Profit (excluding corporate administration expenses) of \$469.7 million as compared to \$417.2 million in the comparable period in the prior year (see *Caution Concerning Non-GAAP Measures*).

Highlights of the changes are summarized in the following table:

(all dollar amounts in \$ millions)	Six months ended June 30
Prior Period Divisional Operating Profit¹	\$ 417.2
Existing Facilities	
Electricity: Increase is primarily due higher HLBV of approximately \$12.0 million income at the Neosho Ridge Wind Facility partially offset by unfavourable weather and higher operating expenses of approximately \$12.0 million at the Empire Electric System, leading to no change period over period.	—
Natural Gas: Decrease is primarily due to higher operating costs.	(3.0)
Water: Increase is primarily due to organic growth at the Litchfield Park and Gold Canyon Water Systems.	1.2
Other: Increase is primarily due to increased carrying charges on regulatory assets.	10.1
	8.3
Rate Reviews	
Electricity: Increase is primarily due to the implementation of new rates at the CalPeco Electric System with recoupment to the first quarter of 2022, as well as the implementation of new rates at the Empire, BELCO and Granite State Electric Systems.	32.7
Natural Gas: Increase is primarily due to the implementation of new rates at the EnergyNorth, New Brunswick, Peach State, St. Lawrence and Empire Gas Systems.	5.0
Water: Increase is due to the implementation of new rates at the Park Water System with one-time revenues from a recoupment to the third quarter of 2022.	6.1
	43.8
Foreign Exchange	0.4
Current Period Divisional Operating Profit¹	\$ 469.7

¹ See *Caution Concerning Non-GAAP Measures*.

Regulatory Proceedings

The following table summarizes the major regulatory proceedings currently underway or completed or effective in 2023 within the Regulated Services Group.

Utility	Jurisdiction	Regulatory Proceeding Type	Rate Request (millions)	Current Status
Completed Rate Reviews				
BELCO	Bermuda	General Rate Case ("GRC")	\$34.8	On September 30, 2021, BELCO filed its revenue allowance application in which it requested a \$34.8 million increase for 2022 and a \$6.1 million increase for 2023. On March 18, 2022, the Regulatory Authority ("RA") approved an annual increase of \$22.8 million, for a revenue allowance of \$224.1 million for 2022 and \$226.2 million for 2023. The RA authorized a 7.16% rate of return, comprised of a 62% equity and an 8.92% return on equity ("ROE"). In April 2022, BELCO filed an appeal in the Supreme Court of Bermuda challenging the decisions made by the RA through the recent Retail Tariff Review. A hearing on the appeal occurred in May 2023 and a judgment is expected in the second half of 2023.
New Brunswick Gas	Canada	GRC	-\$3.9	On November 22, 2021, filed its 2022 general rate application for a revenue decrease based on the Energy & Utilities Board's decision authorizing a capital structure of 45% equity and an ROE of 8.5%. In January 2022, New Brunswick Gas appealed the Energy & Utilities Board's cost of capital decision. In May 2022, the Energy & Utilities Board issued a partial decision approving a decrease in annual revenues of \$1.0 million to become effective in July 2022. In June 2022, the Court of Appeal found in favour of New Brunswick Gas and remanded the cost of capital case back to the Energy & Utilities Board. On December 22, 2022 the Energy & Utilities Board issued a Final Order and approved an annual revenue increase of \$1.3 million based on an ROE of 9.8%. New rates became effective January 1, 2023.
Apple Valley Water System	California	GRC	\$2.9	On July 2, 2021, filed an application requesting revenue increases of \$2.9 million for 2022, \$2.1 million for 2023, and \$2.3 million for 2024 based on an ROE of 9.4% and on a 57% equity capital structure. The California Public Utilities Commission ("CPUC") Public Advocates Office issued its report in January 2022. Rebuttal testimony was filed in February 2022 and a hearing was held in March 2022. On February 3, 2023, the Commission issued a Final Order authorizing an annual revenue increase of \$1.5 million. New rates became effective in March 2023 retroactive to July 1, 2022.
Park Water System	California	GRC	\$5.5	On July 2, 2021, filed an application requesting revenue increases of \$5.5 million for 2022, \$1.8 million for 2023, and \$1.8 million for 2024 based on an ROE of 9.4% and on a 57% equity capital structure. CPUC Public Advocates Office issued its report in January 2022. Rebuttal testimony was filed in February 2022 and a hearing was held in March 2022. On February 3, 2023, the CPUC issued a Final Order authorizing an annual revenue increase of \$1.1 million. New rates became effective in March 2023 retroactive to July 1, 2022.

Utility	Jurisdiction	Regulatory Proceeding Type	Rate Request (millions)	Current Status
CalPeco Electric System	California	GRC	\$35.7	On May 28, 2021, filed an application requesting a revenue increase of \$35.7 million for 2022 based on an ROE of 10.5% and on a 54% equity capital structure. CPUC Public Advocates Office issued its report on February 23, 2022 and CalPeco filed its rebuttal testimony in March 2022. In May 2022, a settlement was reached resolving all issues except ROE. The CPUC issued a Final Order on April 27, 2023 authorizing an annual revenue increase of \$27.0 million. New rates became effective June 2023 retroactive to January 2022.
St. Lawrence Gas	New York	GRC	\$4.1	On November 24, 2021, filed an application requesting a revenue increase of \$3.4 million based on an ROE of 10.5% and a capital structure of 50% equity. On January 31, 2022, filed a supplemental filing to update the requested revenue increase to \$4.1 million. New York State Department of Public Service Staff filed testimony on June 3, 2022 and St. Lawrence Gas filed rebuttal testimony on June 24, 2022. On March 31, 2023, a joint proposal was filed by the parties resolving all issues. On June 22, 2023, the Commission issued an Order approving the terms of the joint proposal and authorizing a revenue increase of \$5.2 million to be implemented over three years. New rates became effective July 1, 2023.
Various	Various	Various	\$0.1	On February 22, 2023, the Arizona Corporation Commission issued an Order approving the proposed consolidation of rates and tariffs for two wastewater utilities and new rates to be effective March 1, 2023.
Pending Rate Reviews				
Pine Bluff Water	Arkansas	GRC	\$5.9	On September 30, 2022, filed an application seeking an increase in revenues of \$5.9 million based on an ROE of 10.5% and an equity ratio of 52% to be phased in over three years.
Empire Electric	Arkansas	GRC	\$7.3	On February 14, 2023, filed an application seeking an increase in revenues of \$7.3 million based on an ROE of 10.25% and an equity ratio of 56% to be phased in over three years.
New Brunswick Gas	New Brunswick	GRC	-\$0.6	On March 3, 2023, filed a general rate application for a revenue decrease of \$0.6 based on the Energy & Utilities Board's recent decisions authorizing a capital structure of 45% equity and an ROE of 9.8%.
Granite State Electric	New Hampshire	GRC	\$15.5	On May 5, 2023, filed an application seeking a permanent increase in revenues of \$15.5 million and a temporary increase of \$6.7 million based on an ROE of 10.35% and an equity ratio of 55%.
New York Water	New York	GRC	\$39.7	On May 4, 2023, filed an application seeking an increase in revenues of \$39.7 million based on an ROE of 10% and an equity ratio of 50%.
EnergyNorth Gas	New Hampshire	GRC	\$27.5	On July 27, 2023, filed an application seeking an increase in revenues of \$27.5 million based on an ROE of 10.35% and an equity ratio of 55%.

Proceedings related to the Midwest Extreme Weather Event and the Retirement of Asbury

The February 2021 extreme winter storm conditions experienced in Texas and parts of the central U.S. (the "Midwest Extreme Weather Event") resulted in an extraordinary increase in costs incurred by Empire Electric for the purchase of fuel and power on behalf of its customers.

When Empire Electric filed its most recent Missouri rate case (the "Empire Rate Case") in May 2021, a request to recover the costs related to the Midwest Extreme Weather Event was included. In July 2021, Missouri House Bill 734 was signed into law, creating an option for utilities to finance the recovery of extraordinary weather event costs through securitization (the "Securitization Statute"). When it filed its surrebuttal testimony in January 2022, Empire Electric removed all costs related to the Midwest Extreme Weather Event from its rate request. Pursuant to the Securitization Statute, Empire Electric sought authorization for the issuance of approximately \$222 million in securitized utility tariff bonds associated with the Midwest Extreme Weather Event.

In addition, as part of its 2017 and 2019 Integrated Resource Plans ("IRPs"), Empire Electric analyzed the effects of retiring Asbury, a coal-fired generation unit that was constructed in 1970, and determined that doing so would generate significant savings to customers. Asbury was retired on March 1, 2020. On July 23, 2020, the Missouri Public Service Commission ("MPSC") issued an Administrative Accounting Order ("AAO") that directed Empire Electric to establish regulatory asset and liability accounts, beginning January 1, 2020, to reflect the impact of the closure of Asbury on operating and capital expenses in Missouri.

Empire Electric initially sought to recover its Asbury related revenues and expenses, along with the balance of the AAO, in the Empire Rate Case. Following the passage of the Securitization Statute, all Asbury related balances were removed from the Empire Rate Case and, on March 21, 2022, Empire Electric filed a petition to securitize the Asbury related balances pursuant to the Securitization Statute. Empire Electric sought authority to issue approximately \$141 million, in securitized utility tariff bonds for its Asbury costs, which include approximately \$21 million in Asset Retirement Obligations, which are estimates of costs that Empire Electric will recover from the Asbury retirement but which have not yet been incurred.

On April 27, 2022, the MPSC issued an order consolidating, for purposes of hearing, the cases regarding the quantum financeable through securitization for Asbury and the Midwest Extreme Weather Event, which hearing was held the week of June 13, 2022. On August 18, 2022, and September 22, 2022, the MPSC issued and amended, respectively, a Report and Order authorizing Empire Electric to securitize approximately \$290.4 million in qualified extraordinary costs (Midwest Extreme Weather Event), energy transition costs (Asbury) and upfront financing costs associated with the proposed securitization. The amounts authorized by the securitization order are generally consistent with the costs deferred by the Company in relation to these matters. Empire Electric filed a request for rehearing seeking reconsideration of the MPSC's denial of recovery of five percent of the Midwest Extreme Weather Event costs, its calculation of accumulated deferred income taxes, and the exclusion of certain carrying charges associated with the Asbury plant, among other issues. On October 12, 2022, the MPSC denied all rehearing motions. Empire Electric appealed to the Missouri Court of Appeals – Western District on November 10, 2022. The Office of Public Counsel also filed an appeal, but withdrew that appeal on February 28, 2023. Briefing of the case was completed in April 2023. Oral arguments were heard in July 2023. On August 1, 2023 the court affirmed the amount eligible for securitization of \$290.4 million as compared to the Company's original aggregate request of approximately \$363.0 million. The Company has until August 16, 2023 to move for rehearing at the Court of Appeals, and/or file a request for transfer to the Missouri Supreme Court. If the Company determines to proceed with securitization without further appeal, the Company may incur a one-time net loss of approximately \$45.0 million.

RENEWABLE ENERGY GROUP

2023 Second Quarter and Year-to-Date Electricity Generation Performance

(Performance in GW-hrs sold)	Long Term Average Resource	Three months ended June 30		Long Term Average Resource	Six months ended June 30	
		2023	2022		2023	2022
Hydro Facilities:						
Maritime Region	62.4	47.5	56.4	89.9	78.5	82.0
Quebec Region	82.4	80.4	92.1	138.4	144.0	149.0
Ontario Region	29.0	26.3	31.5	67.3	59.2	56.7
Western Region	19.0	13.8	12.1	28.6	21.8	21.1
	192.8	168.0	192.1	324.2	303.5	308.8
Canadian Wind Facilities:						
St. Damase	16.4	17.3	16.3	37.3	33.9	39.3
St. Leon	99.5	78.8	109.4	220.9	175.4	228.0
Red Lily ¹	20.8	17.6	22.6	44.0	39.0	49.3
Morse	25.2	19.1	26.3	55.7	45.3	58.4
Amherst	53.4	43.1	52.3	118.7	103.4	120.8
Blue Hill ²	160.2	103.2	149.7	348.4	255.4	212.2
EBR ³	18.0	17.1	17.1	37.8	34.3	36.0
	393.5	296.2	393.7	862.8	686.7	744.0
U.S. Wind Facilities:						
Sandy Ridge	37.7	22.8	30.7	84.8	59.0	73.4
Minonk	167.8	136.1	178.8	355.2	337.7	394.6
Senate	137.4	102.0	155.6	288.7	248.4	292.0
Shady Oaks	92.4	80.3	83.6	200.6	180.4	194.1
Odell ⁴	208.2	189.5	224.4	438.7	414.4	474.2
Deerfield ⁴	121.1	99.5	126.8	281.5	259.6	295.8
Sugar Creek ⁴	175.5	146.9	161.4	378.1	350.1	370.3
Maverick Creek	518.0	330.0	510.3	1,021.3	789.5	956.7
Deerfield II ⁵	85.8	51.6	—	94.8	58.8	—
	1,543.9	1,158.7	1,471.6	3,143.7	2,697.9	3,051.1
Solar Facilities:						
Cornwall	5.1	5.2	5.1	7.7	7.2	7.3
Bakersfield	26.3	22.3	23.3	39.2	32.2	35.6
Great Bay	65.2	64.0	65.9	111.9	108.0	106.2
Altavista	54.1	49.7	51.7	90.9	83.8	86.0
Croton	1.7	1.7	1.6	2.8	2.7	2.6
Dalewood ⁶	0.3	0.3	—	0.5	0.5	—
	152.7	143.2	147.6	253.0	234.4	237.7
Renewable Energy Performance	2,282.9	1,766.1	2,205.0	4,583.7	3,922.5	4,341.6
Thermal Facilities:						
Windsor Locks	N/A ⁷	26.6	29.5	N/A ⁷	57.6	64.9
Sanger	N/A ⁷	1.0	50.2	N/A ⁷	10.4	83.5
		27.6	79.7		68.0	148.4
Total Performance		1,793.7	2,284.7		3,990.5	4,490.0

- ¹ AQN owns a 75% equity interest but accounts for the facility using the equity method. Figures show full energy produced by the facility.
- ² The Blue Hill Wind Facility achieved COD on April 14, 2022. AQN owns a 20% equity interest but accounts for the facility using the equity method. Figures show expected LTAR and full energy produced by the facility during the quarter.
- ³ AQN owns a 50% equity interest but accounts for the facility using the equity method. Figures show full energy produced by the facility during the quarter.
- ⁴ AQN owns a 51% equity interest in the Sugar Creek, Odell and Deerfield Wind Facilities but consolidates the facilities for accounting purposes. Figures show full energy produced by the facilities during the quarter.
- ⁵ The Deerfield II Wind Facility achieved COD on March 23, 2023. Prior to June 15, 2023, AQN owned a 50% interest in the facility. On June 15, 2023, AQN acquired the remaining 50% interest that it did not previously own. Figures show full energy produced by the facility during the quarter.
- ⁶ The Dalewood Solar Facility achieved COD on December 21, 2022.
- ⁷ Natural gas fired co-generation facility.

2023 Second Quarter Renewable Energy Group Performance

For the three months ended June 30, 2023, the Renewable Energy Group generated 1,793.7 GW-hrs of electricity as compared to 2,284.7 GW-hrs during the same period in 2022.

For the three months ended June 30, 2023, the hydro facilities generated 168.0 GW-hrs of electricity as compared to 192.1 GW-hrs produced in the same period in 2022, a decrease of 12.5%. Electricity generated represented 87.1% of LTAR as compared to 99.6% during the same period in 2022.

For the three months ended June 30, 2023, the wind facilities produced 1,454.9 GW-hrs of electricity as compared to 1,865.3 GW-hrs produced in the same period in 2022, a decrease of 22.00%. Excluding the Blue Hill Wind Facility, which achieved COD on April 14, 2022, and the Deerfield II Wind Facility, which achieved COD on March 23, 2023, production was 24.2% below the same period last year. The wind facilities, including new facilities, generated electricity equal to 75.1% of LTAR as compared to 100.7% during the same period in 2022.

For the three months ended June 30, 2023, the solar facilities generated 143.2 GW-hrs of electricity as compared to 147.6 GW-hrs of electricity in the same period in 2022, a decrease of 3.0%. Excluding the Dalewood Solar Facility, which achieved COD on December 21, 2022, production was 3.2% below the same period last year. The solar facilities, including new facilities, generated electricity equal to 93.8% of LTAR as compared to 96.9% in the same period in 2022.

For the three months ended June 30, 2023, the thermal facilities generated 27.6 GW-hrs of electricity as compared to 79.7 GW-hrs of electricity during the same period in 2022. During the same period, the Windsor Locks Thermal Facility generated 114.2 billion lbs of steam as compared to 118.9 billion lbs of steam during the same period in 2022.

2023 Year-to-Date Renewable Energy Group Performance

For the six months ended June 30, 2023, the Renewable Energy Group generated 3,990.5 GW-hrs of electricity as compared to 4,490.0 GW-hrs during the same period in 2022.

For the six months ended June 30, 2023, the hydro facilities generated 303.5 GW-hrs of electricity as compared to 308.8 GW-hrs produced in the same period in 2022, a decrease of 1.7%. Electricity generated represented 93.6% of LTAR as compared to 95.2% during the same period in 2022.

For the six months ended June 30, 2023, the wind facilities produced 3,384.6 GW-hrs of electricity as compared to 3,795.1 GW-hrs produced in the same period in 2022, a decrease of 10.8%. Excluding the Blue Hill Wind Facility, which achieved COD on April 14, 2022, and the Deerfield II Wind Facility, which achieved COD on March 23, 2023, production was 12.7% below the same period last year. The wind facilities generated electricity equal to 84.5% of LTAR as compared to 100.2% during the same period in 2022.

For the six months ended June 30, 2023, the solar facilities generated 234.4 GW-hrs of electricity as compared to 237.7 GW-hrs of electricity produced in the same period in 2022, a decrease of 1.4%. Excluding the Dalewood Solar Facility, which achieved COD on December 21, 2022, production was 1.6% below the same period last year. The solar facilities generated electricity equal to 92.6% of LTAR as compared to 94.1% in the same period in 2022.

For the six months ended June 30, 2023, the thermal facilities generated 68.0 GW-hrs of electricity as compared to 148.4 GW-hrs of electricity during the same period in 2022. For the six months ended June 30, 2023, the Windsor Locks Thermal Facility generated 282.6 billion lbs of steam as compared to 287.6 billion lbs of steam during the same period in 2022.

2023 Second Quarter and Year-to-Date Renewable Energy Group Operating Results

(all dollar amounts in \$ millions)	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
Revenue¹				
Hydro	\$ 8.8	\$ 12.3	\$ 17.0	\$ 22.8
Wind	46.5	57.9	102.6	115.7
Solar	9.4	10.4	14.7	15.8
Thermal	7.0	11.5	16.1	23.6
Total Non-Regulated Energy Sales	\$ 71.7	\$ 92.1	\$ 150.4	\$ 177.9
Less:				
Cost of Sales - Energy ²	(0.3)	(0.6)	(1.4)	(4.2)
Cost of Sales - Thermal	(3.5)	(9.0)	(10.2)	(18.4)
Net Energy Sales^{3,4}	\$ 67.9	\$ 82.5	\$ 138.8	\$ 155.3
Renewable Energy Credits ⁵	8.1	7.0	18.1	16.3
Other Revenue	1.3	0.2	2.7	0.3
Total Net Revenue	\$ 77.3	\$ 89.7	\$ 159.6	\$ 171.9
Expenses & Other Income				
Operating expenses	(27.7)	(27.1)	(60.4)	(54.6)
Dividend, interest, equity and other income ⁶	26.3	26.7	59.5	55.5
HLBV income ⁷	14.7	32.9	38.3	67.4
Divisional Operating Profit^{3,8,9}	\$ 90.6	\$ 122.2	\$ 197.0	\$ 240.2

¹ Many of the Renewable Energy Group's PPAs include annual rate increases. However, a change to the weighted average production levels resulting from higher average production from facilities that earn lower energy rates can result in a lower weighted average energy rate earned by the division as compared to the same period in the prior year.

² Cost of Sales - Energy consists of energy purchases in the Maritime Region to manage the energy sales from the Tinker Hydro Facility which is sold to retail and industrial customers under multi-year contracts.

³ See *Caution Concerning Non-GAAP Measures*.

⁴ This table contains a reconciliation of Net Energy Sales to revenue. The relevant sections of the table are derived from and should be read in conjunction with the unaudited consolidated statement of operations and *Note 18* in the unaudited interim consolidated financial statements, "Segmented information". This supplementary disclosure is intended to more fully explain disclosures related to Net Energy Sales and provides additional information related to the operating performance of AQN. Investors are cautioned that Net Energy Sales should not be construed as an alternative to revenue.

⁵ Qualifying renewable energy projects receive renewable energy certificates ("RECs") for the generation and delivery of renewable energy to the power grid. The RECs represent proof that 1 MW-hr of electricity was generated from an eligible energy source.

⁶ Includes dividends received from Atlantica and related parties (see *Notes 6 and 13* in the unaudited interim consolidated financial statements) as well as the equity investment in the Stella, Cranell, East Raymond and West Raymond Wind Facilities (collectively, the "Texas Coastal Wind Facilities").

⁷ HLBV income represents the value of net tax attributes earned by the Renewable Energy Group in the period primarily from electricity generated by certain of its U.S. wind and U.S. solar generation facilities.

PTCs are earned as wind energy is generated based on a dollar per kW-hr rate prescribed in applicable federal and state statutes. For the six months ended June 30, 2023, the Renewable Energy Group's eligible facilities generated 1,813.6 GW-hrs representing approximately \$50.8 million in PTCs earned as compared to 2,857.0 GW-hrs representing \$74.3 million in PTCs earned during the same period in 2022. The majority of the PTCs have been allocated to tax equity investors to monetize the value to AQN of the PTCs and other tax attributes which are the primary drivers of HLBV income offset by the return earned by the investor. Some PTCs have been utilized directly by the Company which has lowered its overall effective tax rate.

⁸ Certain prior year items have been reclassified to conform to current year presentation.

⁹ This table contains a reconciliation of Divisional Operating Profit to revenue for the Renewable Energy Group. The relevant sections of the table are derived from and should be read in conjunction with the unaudited consolidated statement of operations and *Note 18* in the unaudited interim consolidated financial statements, "Segmented Information". This supplementary disclosure is intended to more fully explain disclosures related to Divisional Operating Profit and provides additional information related to the operating performance of the Renewable Energy Group. Investors are cautioned that Divisional Operating Profit should not be construed as an alternative to revenue.

2023 Second Quarter Operating Results

For the three months ended June 30, 2023, the Renewable Energy Group's facilities generated operating revenue of \$71.7 million (i.e., non-regulated energy sales) as compared to \$92.1 million in the comparable period in the prior year.

For the three months ended June 30, 2023, the Renewable Energy Group's facilities generated \$90.6 million of Divisional Operating Profit as compared to \$122.2 million during the same period in 2022, which represents a decrease of \$31.6 million or 25.9% (see *Caution Concerning Non-GAAP Measures*).

Highlights of the changes are summarized in the following table:

(all dollar amounts in \$ millions)	Three months ended June 30
Prior Period Divisional Operating Profit¹	\$ 122.2
Existing Facilities and Investments	
Hydro: Decrease is primarily driven by lower retail sales in the Maritimes Region, and lower production in the Hydro Ontario and Quebec regions.	(1.5)
Wind CA: Decrease is primarily due to lower wind resources across the majority of the Canadian wind facilities.	(2.9)
Wind U.S.: Decrease is primarily driven by lower wind resources across all the U.S. wind facilities, and lower HLBV income as a result of tax attribute eligibility on projects commissioned in 2012.	(26.4)
Solar: Decrease is primarily driven by lower REC revenue at the Great Bay I and Great Bay II Solar Facilities, lower HLBV income for the Great Bay I Solar Facility along with higher operating expenses across the U.S. solar facilities.	(3.2)
Thermal: Increase is primarily driven by the overall lower cost of fuel, partially offset by unfavourable energy market pricing at the Windsor Locks Thermal Facility along with lower production at the Sanger Thermal Facility.	1.6
Investment and Other: Increase is due to higher equity income from the Texas Coastal Wind Facilities.	1.9
	(30.5)
New Facilities and Investments	
Other:	(0.1)
	(0.1)
Foreign Exchange	(1.0)
Current Period Divisional Operating Profit¹	\$ 90.6

¹ See *Caution Concerning Non-GAAP Measures*.

² See *Notes 6 and 13* in the unaudited interim consolidated financial statements.

2023 Year-to-Date Operating Results

For the six months ended June 30, 2023, the Renewable Energy Group's facilities generated operating revenue of \$150.4 million (i.e., non-regulated energy sales) as compared to \$177.9 million in the comparable period in the prior year.

For the six months ended June 30, 2023, the Renewable Energy Group's facilities generated \$197.0 million of Divisional Operating Profit as compared to \$240.2 million during the same period in 2022, which represents a decrease of \$43.2 million or 18.0% (see *Caution Concerning Non-GAAP Measures*).

Highlights of the changes are summarized in the following table:

(all dollar amounts in \$ millions)	Six months ended June 30
Prior Period Divisional Operating Profit¹	\$ 240.2
Existing Facilities	
Hydro: Increase is primarily driven by favourable pricing and REC revenue for the Western Region.	0.4
Wind CA: Decrease is primarily due to lower wind resources across all Canadian wind facilities.	(5.6)
Wind U.S.: Decrease is primarily driven by lower wind resources across all US wind facilities and lower HLBV income as a result of tax attribute eligibility on projects commissioned in 2012 ending.	(35.3)
Solar: Decrease is primarily driven by lower REC revenue at the Great Bay I and Great Bay II Solar Facilities, lower energy capture prices at the Altavista and Great Bay II Solar Facilities and lower HLBV income for the Great Bay I Solar Facility.	(6.6)
Thermal: Increase is primarily driven by the overall lower cost of fuel at the Windsor Locks Thermal Facility.	1.0
Investments: Decrease is primarily due to timing of dividends from the Company's investments.	(2.0)
Other: Increase is due to higher equity income from the Texas Coastal Wind Facilities.	7.4
	(40.7)
New Facilities and Investments	
Other:	0.3
	0.3
Foreign Exchange	(2.8)
Current Period Divisional Operating Profit¹	\$ 197.0

¹ See *Caution Concerning Non-GAAP Measures*.

² See *Notes 6 and 13* in the unaudited interim consolidated financial statements.

AQN: CORPORATE AND OTHER EXPENSES

(all dollar amounts in \$ millions)	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
Corporate and other expenses:				
Administrative expenses	\$ 25.7	\$ 20.1	\$ 43.5	\$ 37.6
Loss on foreign exchange	6.4	4.5	7.8	4.7
Interest expense	89.7	64.6	171.6	122.5
Depreciation and amortization	118.4	112.5	240.1	232.5
Change in value of investments carried at fair value	311.4	143.5	132.0	184.0
Interest, dividend, equity, and other loss ¹	1.9	1.8	4.8	4.1
Pension and other post-employment non-service costs	5.3	2.3	10.3	4.8
Other net losses	40.4	8.7	43.8	13.4
Loss (gain) on derivative financial instruments	(1.0)	3.3	(3.2)	2.6
Income tax recovery	(56.0)	(22.8)	(31.3)	(13.4)

¹ Excludes income directly pertaining to the Regulated Services and Renewable Energy Groups (disclosed in the relevant sections).

2023 Second Quarter Corporate and Other Expenses

For the three months ended June 30, 2023, administrative expenses totaled \$25.7 million as compared to \$20.1 million in the same period in 2022. The increase was primarily due to timing, foreign exchange, inflation and increased headcount to support growth initiatives.

For the three months ended June 30, 2023, interest expense totaled \$89.7 million as compared to \$64.6 million in the same period in 2022. The increase was approximately one-third due to the funding of capital deployed in the second half of 2022 and first half of 2023 and two-thirds due to the increase in interest rates on variable rate borrowings.

For the three months ended June 30, 2023, depreciation expense totaled \$118.4 million as compared to \$112.5 million in the same period in 2022.

For the three months ended June 30, 2023, change in investments carried at fair value totaled a loss of \$311.4 million as compared to a loss of \$143.5 million in the same period in 2022. The Company records certain of its investments, including Atlantica, using the fair value method and accordingly any change in the fair value of the investment is recorded in the consolidated statement of operations (see *Note 6* in the unaudited interim consolidated financial statements).

For the three months ended June 30, 2023, pension and post-employment non-service costs totaled \$5.3 million as compared to \$2.3 million in the same period in 2022. The increase was primarily due to higher interest costs and lower expected return on plan assets.

For the three months ended June 30, 2023, other net losses were \$40.4 million as compared to \$8.7 million in the same period in 2022. The increase was primarily due to the \$43.8 million Kentucky Power Impairment partially offset by an \$12.0 million gain resulting from settlement of the purchase price of the Suralis Water System acquired in 2020. See *Note 16* in the unaudited interim consolidated financial statements.

For the three months ended June 30, 2023, the gain on derivative financial instruments totaled \$1.0 million as compared to a loss of \$3.3 million in the same period in 2022. AQN uses derivative instruments to manage exposure to changes in commodity prices, foreign exchange rates, and interest rates. Both the gains and losses in the second quarter of 2023 and 2022, respectively, were primarily related to mark-to-markets on interest rate derivatives.

For the three months ended June 30, 2023, an income tax recovery of \$56.0 million was recorded as compared to an income tax recovery of \$22.8 million during the same period in 2022. The increase in income tax recovery was primarily due to the tax impact associated with the change in fair value of the investment in Atlantica, the tax benefit associated with the Kentucky Power Impairment, and a decrease in earnings before income taxes. This was partially offset by the tax impact associated with the settlement of the purchase price of the Suralis Water System and lower tax credits accrued. For the three months ended June 30, 2023, the Company accrued \$8.1 million of ITCs and PTCs primarily associated with renewable energy projects that have either been placed in service or are expected to be placed in service by the end of 2023 as compared to \$12.0 million recorded in the same period in 2022.

2023 Year-to-Date Corporate and Other Expenses

During the six months ended June 30, 2023, administrative expenses totaled \$43.5 million as compared to \$37.6 million in the same period in 2022. The increase was primarily due to timing, foreign exchange, inflation and increased headcount to support growth initiatives.

For the six months ended June 30, 2023, interest expense totaled \$171.6 million as compared to \$122.5 million in the same period in 2022. The increase was approximately one-third due to the funding of capital deployed in the second half of 2022 and first half of 2023 and two-thirds due to the increase in interest rates on variable rate borrowings.

For the six months ended June 30, 2023, depreciation expense totaled \$240.1 million as compared to \$232.5 million in the same period in 2022. The increase was primarily due to higher overall property, plant and equipment.

For the six months ended June 30, 2023, change in investments carried at fair value totaled a loss of \$132.0 million as compared to a loss of \$184.0 million in the same period in 2022. The Company records certain of its investments, including Atlantica, using the fair value method and accordingly any change in the fair value of the investment is recorded in the consolidated statement of operations (see *Note 6* in the unaudited interim consolidated financial statements).

For the six months ended June 30, 2023, pension and post-employment non-service costs totaled \$10.3 million as compared to \$4.8 million in the same period in 2022. The increase was primarily due to higher interest cost and lower expected return on plan assets.

For the six months ended June 30, 2023, other net losses were \$43.8 million as compared to \$13.4 million in the same period in 2022. The increase was primarily due to the \$46.5 million Kentucky Power Impairment partially offset by an \$12.0 million contingent gain resulting from settlement of the purchase price of the Suralis Water System acquired in 2020. See *Note 16* in the unaudited interim consolidated financial statements.

For the six months ended June 30, 2023, the gain on derivative financial instruments totaled \$3.2 million as compared to a loss of \$2.6 million in the same period in 2022. AQN uses derivative instruments to manage exposure to changes in commodity prices, foreign exchange rates, and interest rates. Both the gains and losses for the six months ended June 30, 2023 and for the six months ended June 30, 2022, respectively, were primarily related to mark-to-markets on interest rate derivatives.

For the six months ended June 30, 2023, an income tax recovery of \$31.3 million was recorded as compared to an income tax recovery of \$13.4 million during the same period in 2022. The increase in income tax recovery was primarily due to the tax benefit associated with the Kentucky Power Impairment, a decrease in earnings before income taxes, and the 2022 remeasurement of state deferred tax adjustments related to the acquisition of Liberty Utilities (New York Water) Corp. ("Liberty NY Water"). These tax recoveries were partially offset by the tax impact associated with the change in fair value of the investment in Atlantica and the settlement of the purchase price of the Suralis Water System. For the six months ended June 30, 2023, the Company accrued \$20.5 million of ITCs and PTCs primarily associated with renewable energy projects that have either been placed in service or are expected to be placed in service by the end of 2023 as compared to \$22.0 million recorded in the same period in 2022.

NON-GAAP FINANCIAL MEASURES

Reconciliation of Adjusted EBITDA to Net Earnings

The following table is derived from and should be read in conjunction with the consolidated statement of operations. This supplementary disclosure is intended to more fully explain disclosures related to Adjusted EBITDA and provides additional information related to the operating performance of AQN. Investors are cautioned that this measure should not be construed as an alternative to U.S. GAAP consolidated net earnings.

(all dollar amounts in \$ millions)	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
Net earnings (loss) attributable to shareholders	\$ (253.2)	\$ (33.4)	\$ 16.9	\$ 57.6
Add (deduct):				
Net earnings attributable to the non-controlling interest, exclusive of HLBV	16.4	3.5	30.8	7.6
Income tax recovery	(56.0)	(22.8)	(31.3)	(13.4)
Interest expense	89.7	64.6	171.6	122.5
Other net losses ¹	40.4	8.7	43.8	13.4
Unrealized loss (gain) on energy derivatives included in revenue	(0.1)	2.5	(0.1)	3.1
Pension and post-employment non-service costs	5.3	2.3	10.3	4.8
Change in value of investments carried at fair value ²	311.4	143.5	132.0	184.0
Loss (gain) on derivative financial instruments	(1.0)	3.3	(3.2)	2.6
Loss on foreign exchange	6.4	4.5	7.8	4.7
Depreciation and amortization	118.4	112.5	240.1	232.5
Adjusted EBITDA	\$ 277.7	\$ 289.2	\$ 618.7	\$ 619.4

¹ See Note 16 in the unaudited interim consolidated financial statements.

² See Note 6 in the unaudited interim consolidated financial statements.

Reconciliation of Adjusted Net Earnings to Net Earnings

The following table is derived from and should be read in conjunction with the consolidated statement of operations. This supplementary disclosure is intended to more fully explain disclosures related to Adjusted Net Earnings and provides additional information related to the operating performance of AQN. Investors are cautioned that this measure should not be construed as an alternative to consolidated net earnings in accordance with U.S. GAAP.

The following table shows the reconciliation of net earnings to Adjusted Net Earnings exclusive of these items:

(all dollar amounts in \$ millions except per share information)	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
Net earnings (loss) attributable to shareholders	\$ (253.2)	\$ (33.4)	\$ 16.9	\$ 57.6
Add (deduct):				
Loss (gain) on derivative financial instruments	(1.0)	3.3	(3.2)	2.6
Other net losses ¹	40.4	8.7	43.8	13.4
Loss on foreign exchange	6.4	4.5	7.8	4.7
Unrealized loss (gain) on energy derivatives included in revenue	(0.1)	2.5	(0.1)	3.1
Change in value of investments carried at fair value ²	311.4	143.5	132.0	184.0
Adjustment for taxes related to above	(47.7)	(19.5)	(21.2)	(14.7)
Adjusted Net Earnings	\$ 56.2	\$ 109.6	\$ 176.0	\$ 250.7
Adjusted Net Earnings per common share	\$ 0.08	\$ 0.16	\$ 0.25	\$ 0.36

¹ See Note 16 in the unaudited interim consolidated financial statements.

² See Note 6 in the unaudited interim consolidated financial statements.

For the three months ended June 30, 2023, Adjusted Net Earnings totaled \$56.2 million as compared to Adjusted Net Earnings of \$109.6 million for the same period in 2022, a decrease of \$53.4 million.

For the six months ended June 30, 2023, Adjusted Net Earnings totaled \$176.0 million as compared to Adjusted Net Earnings of \$250.7 million for the same period in 2022, a decrease of \$74.7 million.

Reconciliation of Adjusted Funds from Operations to Cash Provided by Operating Activities

The following table is derived from and should be read in conjunction with the consolidated statement of operations and consolidated statement of cash flows. This supplementary disclosure is intended to more fully explain disclosures related to Adjusted Funds from Operations and provides additional information related to the operating performance of AQN. Investors are cautioned that this measure should not be construed as an alternative to cash provided by operating activities in accordance with U.S GAAP.

The following table shows the reconciliation of cash provided by operating activities to Adjusted Funds from Operations exclusive of these items:

(all dollar amounts in \$ millions)	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Cash provided by operating activities	\$ 261.4	\$ 135.3	\$ 294.7	\$ 301.6
Add (deduct):				
Changes in non-cash operating items	(112.4)	36.6	53.4	84.8
Production based cash contributions from non-controlling interests	—	2.5	9.1	6.2
Costs related to tax equity financing	1.2	—	1.2	—
Acquisition-related costs	4.0	5.9	9.4	8.0
Adjusted Funds from Operations	\$ 154.2	\$ 180.3	\$ 367.8	\$ 400.6

For the three months ended June 30, 2023, Adjusted Funds from Operations totaled \$154.2 million as compared to Adjusted Funds from Operations of \$180.3 million for the same period in 2022, a decrease of \$26.1 million.

For the six months ended June 30, 2023, Adjusted Funds from Operations totaled \$367.8 million as compared to Adjusted Funds from Operations of \$400.6 million for the same period in 2022, a decrease of \$32.8 million.

SUMMARY OF PROPERTY, PLANT AND EQUIPMENT EXPENDITURES

(all dollar amounts in \$ millions)	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Regulated Services Group				
Rate Base Maintenance ¹	84.6	\$ 77.5	170.3	157.6
Rate Base Growth	105.1	130.0	196.8	275.5
Property, Plant & Equipment Acquired ²	—	—	—	609.0
	\$ 189.7	\$ 207.5	\$ 367.1	\$ 1,042.1
Renewable Energy Group				
Maintenance ¹	\$ 9.3	\$ 6.1	\$ 16.7	\$ 13.4
Investment in Capital Projects ²	187.2	12.1	215.2	32.0
	\$ 196.5	\$ 18.2	\$ 231.9	\$ 45.4
Total Capital Expenditures	\$ 386.2	\$ 225.7	\$ 599.0	\$ 1,087.5

¹ Maintenance expenditures are calculated based on the depreciation expense for the period.

² Includes expenditures on Property, Plant & Equipment, equity-method investees, and acquisitions of operating entities that may have been jointly developed by the Company with another third party developer. Excludes temporary advances to joint venture partners in connection with capital projects under development or construction.

2023 Second Quarter Property, Plant and Equipment Expenditures

During the three months ended June 30, 2023, the Regulated Services Group made capital expenditures of \$189.7 million as compared to \$207.5 million during the same period in 2022. The Regulated Services Group's investments during the second quarter of 2023 were primarily related to the construction of transmission and distribution main replacements, work on new and existing substation assets, and initiatives relating to the safety and reliability of water, electric and natural gas systems.

During the three months ended June 30, 2023, the Renewable Energy Group made capital expenditures of \$196.5 million as compared to \$18.2 million during the same period in 2022. The Renewable Energy Group's investments during the second quarter of 2023 were primarily related to the acquisition of the previously unowned portion of the Deerfield II Wind Facility and development and/or construction of various projects and ongoing maintenance capital at existing operating sites.

2023 Year-to-Date Property Plant and Equipment Expenditures

During the six months ended June 30, 2023, the Regulated Services Group incurred capital expenditures of \$367.1 million as compared to \$1,042.1 million during the same period in 2022. The Regulated Services Group's investments in 2023 were primarily related to the construction of transmission and distribution main replacements, work on new and existing substation assets, and initiatives relating to the safety and reliability of electric and natural gas systems.

During the six months ended June 30, 2023, the Renewable Energy Group incurred capital expenditures of \$231.9 million as compared to \$45.4 million during the same period in 2022. The Renewable Energy Group's investments in 2023 were primarily related to the acquisition of the previously unowned portion of the Deerfield II Wind Facility and development and/or construction of various projects and ongoing sustaining capital at existing operating sites.

2023 Capital Investments

The following discussion should be read in conjunction with the *Caution Concerning Forward-Looking Statements and Forward-Looking Information* section of this MD&A.

The Company expects to spend approximately \$1.0 billion on capital investment opportunities in the 2023 fiscal year. Actual expenditures in 2023 may vary due to, among other things, the timing of project investments and acquisitions, the availability of financing on acceptable terms, and realized foreign exchange rates.

The Regulated Services Group expects to spend approximately \$700 million over the course of 2023 on continued efforts to expand operations, improve the reliability of the utility systems and broaden the technologies used to better serve its service areas. Project spending includes capital for structural improvements, specifically in relation to refurbishing substations, replacing poles and wires, drilling and equipping wells, main replacements, and reservoir pumping stations.

The Renewable Energy Group expects to spend approximately \$300 million over the course of 2023 to (i) develop or further invest in development and construction (as applicable) of the Renewable Energy Group's wind, solar, and renewable natural gas projects, and (ii) with respect to various operational solar, thermal, hydro and wind assets to comply with safety regulations and drive operational efficiencies.

LIQUIDITY AND CAPITAL RESERVES

AQN has revolving credit and letter of credit facilities as well as separate credit facilities for the Regulated Services Group and the Renewable Energy Group to manage the liquidity and working capital requirements of each division (collectively the "Bank Credit Facilities").

Bank Credit Facilities

The following table sets out the Bank Credit Facilities available to AQN and its operating groups as at June 30, 2023:

(all dollar amounts in \$ millions)	As at June 30, 2023			As at December 31, 2022	
	Corporate	Regulated Services Group	Renewable Energy Group	Total	Total
Revolving and term credit facilities	\$ 1,075.0 ¹	\$ 2,389.0 ²	\$ 1,100.0 ³	\$ 4,564.0	\$ 4,513.3
Funds drawn on facilities/ commercial paper issued	(479.5)	(1,387.6)	(222.5)	(2,089.6)	(1,532.5)
Letters of credit issued	(38.8)	(37.0)	(332.1)	(407.9)	(465.2)
Liquidity available under the facilities	556.7	964.4	545.4	2,066.5	2,515.6
Undrawn portion of uncommitted letter of credit facilities	(39.7)	—	(267.9)	(307.6)	(226.9)
Cash on hand				100.3	57.6
Total Liquidity and Capital Reserves	\$ 517.0	\$ 964.4	\$ 277.5	\$ 1,859.2	\$ 2,346.3

¹ Includes a \$75 million uncommitted standalone letter of credit facility.

² Includes \$178.5 million fully drawn term facilities of Suralis and BELCO as at June 30, 2023 (\$163.3 million as at December 31, 2022).

³ Includes \$600 million of uncommitted standalone letter of credit facilities.

Corporate

As at June 30, 2023, the Company's \$1.0 billion senior unsecured revolving credit facility (the "Corporate Credit Facility") had \$479.5 million drawn and had \$3.5 million of outstanding letters of credit. The Corporate Credit Facility matures on March 31, 2028.

As at June 30, 2023, the Company had also issued \$35.3 million of letters of credit from its \$75.0 million uncommitted letter of credit facility. On June 1, 2023, the Company terminated its former \$50.0 million uncommitted bi-lateral credit facility.

Regulated Services Group

As at June 30, 2023, the Regulated Services Group's \$1.0 billion senior unsecured revolving credit facility (the "Long Term Regulated Services Credit Facility") had \$37.0 million of outstanding letters of credit. The Long Term Regulated Services Credit Facility matures on April 29, 2027. As at June 30, 2023, the Regulated Services Group had \$498.6 million of commercial paper issued and outstanding. As at June 30, 2023, the Regulated Services Group's \$500.0 million senior unsecured revolving credit facility (the "Short Term Regulated Services Credit Facility") had no amounts drawn and no outstanding letters of credit. The Short Term Regulated Services Credit Facility matures on February 28, 2024.

As at June 30, 2023, the Regulated Services Group's \$75.0 million senior unsecured revolving credit facility (the "Bermuda Credit Facility") had \$75.0 million drawn. As at June 30, 2023, the Regulated Services Group's \$25.0 million senior unsecured bilateral revolving credit facility (the "Bermuda Working Capital Facility") had \$25.0 million drawn.

As at June 30, 2023, the Regulated Services Group's senior unsecured syndicated delayed draw term facility (the "Regulated Services Delayed Draw Term Facility") had \$610.4 million drawn in connection with the acquisition of Liberty NY Water. On April 25, 2023, the Company elected to terminate the remaining undrawn amount of \$489.6 million. The Regulated Services Delayed Draw Term Facility matures on November 29, 2023.

Renewable Energy Group

As at June 30, 2023, the Renewable Energy Group's \$500.0 million senior unsecured syndicated revolving credit facility (the "Renewable Energy Credit Facility") had \$222.5 million drawn. The Renewable Energy Credit Facility matures on July 22, 2027.

As at June 30, 2023, the Renewable Energy Group's bank lines consisted of \$600.0 million letter of credit facilities (the "Renewable Energy LC Facilities"), including a \$250.0 million uncommitted bilateral letter of credit facility and a \$350.0 million uncommitted letter of credit facility. As at June 30, 2023, the Renewable Energy LC Facilities had \$332.1 million in outstanding letters of credit.

Long Term Debt

On July 31, 2023, the Company repaid a \$75.0 million senior unsecured note on its maturity.

Issuance of approximately \$1.1 Billion of Subordinated Notes

On January 18, 2022, the Company closed (i) an underwritten public offering in the United States of \$750 million aggregate principal amount of 4.75% fixed-to-fixed reset rate junior subordinated notes series 2022-B due January 18, 2082 (the "U.S. Notes"); and (ii) an underwritten public offering in Canada of C\$400 million aggregate principal amount of 5.25% fixed-to-fixed reset rate junior subordinated notes series 2022-A due January 18, 2082 (the "Canadian Notes" and, together with the U.S. Notes, the "Notes"). The following table summarizes the expected use of the net proceeds from the offerings of the Notes compared to the actual use of such net proceeds:

Expected Use of Net Proceeds	Actual Use of Net Proceeds
As disclosed in the Company's prospectus supplements dated January 12, 2022 relating to the offerings of the Notes, the Company previously expected that the net proceeds of the offerings of the Notes would be used to partially finance the proposed acquisition of Kentucky Power Company and AEP Kentucky Transmission Company, Inc. (the "Kentucky Power Acquisition"); provided that, in the "short-term", prior to the closing of the Kentucky Power Acquisition, the Company expected to use the net proceeds to reduce indebtedness as follows: (i) approximately \$385.0 million to the Corporate Credit Facility; (ii) approximately \$40.0 million to the Renewable Energy Credit Facility; (iii) approximately \$415.0 million of commercial paper issued by Liberty Utilities Co. ("Liberty Utilities"); and (iv) approximately \$219.9 million to the Long Term Regulated Services Credit Facility.	As a result of the termination of the Kentucky Power Acquisition on April 17, 2023 (the "Kentucky Power Transaction Termination"), the Company's actual use of the net proceeds from the offerings of the Notes is the reduction of indebtedness in such amounts as previously disclosed as the "short-term" use of the proceeds.

Credit Ratings

AQN has a long term consolidated corporate credit rating of BBB from Standard & Poor's Financial Services LLC, ("S&P"), a BBB rating from DBRS Limited ("DBRS") and a BBB issuer rating from Fitch Ratings Inc. ("Fitch"). Liberty Utilities has a corporate credit rating of BBB from S&P, a BBB issuer rating from Fitch and a Baa2 issuer rating from Moody's Investor Service, Inc. ("Moody's"). Debt issued by Liberty Utilities Finance GP1 ("Liberty GP") has a rating of BBB (high) from DBRS, BBB+ from Fitch, BBB from S&P and Baa2 from Moody's. Empire has an issuer rating of BBB from S&P and a Baa1 rating from Moody's. Liberty Utilities (Canada) LP, the parent company for the Canadian regulated utilities under the Regulated Services Group, has an issuer rating of BBB from DBRS. Algonquin Power Co. ("APCo") has a BBB issuer rating from S&P, a BBB issuer rating from DBRS and a BBB issuer rating from Fitch.

In April 2023, following the announcement of the Kentucky Power Transaction Termination, each of DBRS, Fitch, S&P and Moody's made announcements regarding the credit ratings of the Corporation and its subsidiaries. DBRS and Fitch both affirmed their ratings and stable outlook on the Corporation and its subsidiaries, S&P affirmed its ratings and revised its outlooks to stable from negative on the Corporation and its subsidiaries and Moody's affirmed its ratings and stable outlooks on Liberty Utilities and Liberty GP.

In May 2023, following the announcement of the strategic review of the Renewable Energy Group, S&P placed APCo on credit watch with negative implications. APCo is the parent company for the U.S. and Canadian generating assets under the Renewable Energy Group. APCo's outlook will be reviewed by S&P within 90 days following the conclusion of the strategic review.

Contractual Obligations

Information concerning contractual obligations as of June 30, 2023 is shown below:

(all dollar amounts in \$ millions)	Total	Due in less than 1 year	Due in 1 to 3 years	Due in 4 to 5 years	Due after 5 years
Principal repayments on debt obligations ^{1,2}	\$ 8,109.5	\$ 1,561.9	\$ 161.6	\$ 2,160.2	\$ 4,225.8
Advances in aid of construction	90.1	2.0	—	—	88.1
Interest on long-term debt obligations ²	5,137.2	318.3	531.3	436.7	3,850.9
Purchase obligations	668.6	668.6	—	—	—
Environmental obligations	46.4	4.9	21.0	1.8	18.7
Derivative financial instruments:					
Cross currency interest rate swaps	31.5	2.4	10.5	2.1	16.5
Energy derivative and commodity contracts	71.1	12.3	31.1	20.2	7.5
Purchased power	322.0	83.6	77.1	25.0	136.3
Gas delivery, service and supply agreements	479.8	93.7	143.6	71.4	171.1
Service agreements	578.7	74.0	120.5	98.6	285.6
Capital projects	16.5	16.5	—	—	—
Land easements	572.5	14.0	28.5	29.2	500.8
Contract adjustment payments on equity units	78.0	76.9	1.1	—	—
Other obligations	311.4	30.8	6.4	5.2	269.0
Total Obligations	\$ 16,513.3	\$ 2,959.9	\$ 1,132.7	\$ 2,850.4	\$ 9,570.3

¹ Exclusive of deferred financing costs, bond premium/discount, and fair value adjustments at the time of issuance or acquisition.

² The Company's subordinated unsecured notes have a maturity in 2078, 2079, and 2082, respectively. However, the Company currently anticipates repaying such notes in 2023, 2029, and 2032, respectively, upon exercising its redemption right.

Equity

The common shares of AQN are publicly traded on the Toronto Stock Exchange ("TSX") and the New York Stock Exchange ("NYSE") under the trading symbol "AQN". As at August 9, 2023, AQN had 688,812,722 issued and outstanding common shares.

AQN may issue an unlimited number of common shares. The holders of common shares are entitled to dividends, if and when declared; to one vote for each share at meetings of the holders of common shares; and to receive a pro rata share of any remaining property and assets of AQN upon liquidation, dissolution or winding up of AQN. All common shares are of the same class and with equal rights and privileges and are not subject to future calls or assessments.

AQN is also authorized to issue an unlimited number of preferred shares, issuable in one or more series, containing terms and conditions as approved by the Board. As at August 9, 2023, AQN had outstanding:

- 4,800,000 cumulative rate reset Series A preferred shares, yielding 5.162% annually for the five-year period ending on December 31, 2023;
- 64 Series C preferred shares that were issued in exchange for 100 Class B limited partnership units by St. Leon Wind Energy LP; and
- 4,000,000 cumulative rate reset Series D preferred shares, yielding 5.091% annually for the five year period ending on March 31, 2024.

In addition, AQN's outstanding equity units (the "Green Equity Units") (that are in the form of "corporate units") are listed on the NYSE under the ticker symbol "AQNU". As at August 9, 2023, there were 23,000,000 Green Equity Units outstanding. Pursuant to the purchase contract forming part of each outstanding Green Equity Unit, holders are required to purchase AQN common shares by no later than June 15, 2024. The minimum settlement rate under each purchase contract is 2.7778 common shares and the maximum settlement rate is 3.3333 common shares, resulting in a minimum of 63,889,400 common shares and a maximum of 76,665,900 common shares issuable on settlement of the purchase contracts.

On August 9, 2023, 36 Series C preferred shares were redeemed for C\$6.9 million. The remaining Series C preferred shares are expected to be redeemed on or before August 11, 2023.

Declaration of 2023 Third Quarter Dividend of \$0.1085 (C\$0.1460) per Common Share

AQN currently targets annual growth in dividends payable to shareholders underpinned by increases in earnings and cash flow.

The Board has declared a third quarter 2023 dividend of \$0.1085 per common share payable on October 13, 2023 to shareholders of record on September 28, 2023.

The Canadian dollar equivalent for the third quarter 2023 dividend is C\$0.1460 per common share.

The previous four quarter U.S. and Canadian dollar equivalent dividends per common share have been as follows:

	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Total
U.S. dollar dividend	\$ 0.1808	\$ 0.1085	\$ 0.1085	\$ 0.1085	\$0.5063
Canadian dollar equivalent	\$ 0.2438	\$ 0.1495	\$ 0.1453	\$ 0.1460	\$0.6846

C\$800 million Bought Deal Common Equity Offering

On November 8, 2021, AQN closed a bought deal common share offering for gross proceeds of approximately C\$800 million (the "Bought Deal Offering"). The following table summarizes the expected use of the net proceeds from the Bought Deal Offering compared to the actual use of such net proceeds:

Expected Use of Net Proceeds	Actual Use of Net Proceeds
As disclosed in the Company's final short form prospectus dated November 3, 2021 relating to the Bought Deal Offering, the Company expected that the net proceeds of the Bought Deal Offering would be used to partially finance the Kentucky Power Acquisition; provided that, in the "short-term", prior to the closing of the Kentucky Power Acquisition, the Company expected to use the net proceeds to reduce indebtedness as follows: (i) approximately \$267.0 million to the Corporate Credit Facility; (ii) approximately \$490.0 million to the Long Term Regulated Services Credit Facility; and (iii) approximately \$11.0 million to Liberty Utilities' commercial paper program.	As a result of the Kentucky Power Transaction Termination, the Company's actual use of the net proceeds from the Bought Deal Offering is the reduction of indebtedness in such amounts as previously disclosed as the "short-term" use of the proceeds.

At-The-Market Equity Program

On August 15, 2022, AQN re-established an at-the-market equity program ("ATM Program") that allows the Company to issue up to \$500 million of common shares from treasury to the public from time to time, at the Company's discretion, at the prevailing market price when issued on the TSX, the NYSE or any other existing trading market for the common shares of the Company in Canada or the United States.

During the six months ended June 30, 2023, the Company did not issue any common shares under its ATM Program. On January 12, 2023, AQN announced that no new common equity financings were expected through the end of 2024.

As at August 10, 2023, the Company has issued, since the inception of its initial ATM Program in 2019, a cumulative total of 36,814,536 common shares at an average price of \$15.00 per share for gross proceeds of approximately \$551.1 million (approximately \$544.3 million net of commissions). Other related costs, primarily related to the establishment and subsequent re-establishments of the ATM Program, were approximately \$4.8 million.

Dividend Reinvestment Plan

Effective March 16, 2023, AQN suspended its shareholder dividend reinvestment plan ("the Reinvestment Plan") for registered holders of common shares of AQN. Effective for the first quarter 2023 dividend (paid on April 14, 2023 to shareholders of record on March 31, 2023), shareholders participating in the Reinvestment Plan began receiving cash dividends. If the Company elects to reinstate the Reinvestment Plan in the future, shareholders who were enrolled in the Reinvestment Plan at its suspension and remain enrolled at reinstatement will automatically resume participation in the Reinvestment Plan.

As at June 30, 2023, 168,595,101 common shares representing approximately 24% of total common shares outstanding had been registered with the Reinvestment Plan. On January 13, 2023, 4,370,289 common shares were issued under the Reinvestment Plan in connection with the Company's fourth quarter 2022 dividend.

SHARE-BASED COMPENSATION PLANS

For the six months ended June 30, 2023, AQN recorded \$3.9 million in total share-based compensation expense as compared to \$3.5 million for the same period in 2022. The compensation expense is recorded as part of operating expenses in the consolidated statement of operations. The portion of share-based compensation costs capitalized as cost of construction is insignificant.

As at June 30, 2023, total unrecognized compensation costs related to non-vested share-based awards was \$39.5 million and is expected to be recognized over a period of 2.27 years.

Stock Option Plan

AQN has a stock option plan that permits the grant of share options to officers, directors, employees and selected service providers. Except in certain circumstances, the term of an option shall not exceed ten (10) years from the date of the grant of the option.

AQN determines the fair value of options granted using the Black-Scholes option-pricing model. The estimated fair value of options, including the effect of estimated forfeitures, is recognized as an expense on a straight-line basis over the options' vesting periods while ensuring that the cumulative amount of compensation cost recognized at least equals the value of the vested portion of the award at that date. During the six months ended June 30, 2023, the Company granted 1,368,744 options to executives of the Company. The options allow for the purchase of common shares at a weighted average price of C\$10.76, the market price of the underlying common share at the date of grant. No stock options were exercised during the six months ended June 30, 2023.

As at June 30, 2023, a total of 3,995,524 options were issued and outstanding under the stock option plan.

Performance and Restricted Share Units

AQN issues performance share units ("PSUs") and restricted share units ("RSUs") to certain employees as part of AQN's long-term incentive program. During the six months ended June 30, 2023, the Company granted (including dividends) a combined total of 2,349,180 PSUs and RSUs to employees of the Company. During the six months ended June 30, 2023, the Company settled 661,570 PSUs, of which 331,038 PSUs were exchanged for common shares issued from treasury and 330,532 PSUs were settled at their cash value as payment for tax withholdings related to the settlement of the PSUs.

As at June 30, 2023, a combined total of 3,705,093 PSUs and RSUs were granted and outstanding under the performance and restricted share unit plan.

Directors' Deferred Share Units

AQN has a Directors' Deferred Share Unit Plan. Under the plan, non-employee directors of AQN receive all or any portion of their annual compensation in deferred share units ("DSUs") and may elect to receive any portion of their remaining compensation in DSUs. During the six months ended June 30, 2023, the Company issued 85,637 DSUs (including DSUs in lieu of dividends) to the non-employee directors of the Company. No DSUs were settled during the six months ended June 30, 2023.

As at June 30, 2023, a total of 731,351 DSUs were outstanding under the Directors' Deferred Share Unit Plan.

Bonus Deferral Restricted Share Units

The Company has a bonus deferral RSU program that is available to certain employees. The eligible employees have the option to receive a portion or all of their annual bonus payment in RSUs in lieu of cash. The RSUs provide for settlement in common shares, and therefore these RSUs are accounted for as equity awards. During the six months ended June 30, 2023, the Company settled 52,379 bonus RSUs, of which 23,678 were exchanged for common shares issued from treasury and 28,701 RSUs were settled at their cash value as payment for tax withholdings related to the settlement of the RSUs. In addition, during the six months ended June 30, 2023, 72,155 bonus deferral RSUs were granted (including RSUs in lieu of dividends) to employees of the Company pursuant to the bonus deferral RSU program. The RSUs are 100% vested.

Employee Share Purchase Plan

AQN has an Employee Share Purchase Plan (the "ESPP") which allows eligible employees to use a portion of their earnings to purchase common shares of AQN. The aggregate number of common shares reserved for issuance from treasury by AQN under this plan shall not exceed 4,000,000 shares. During the six months ended June 30, 2023, the Company issued 419,060 common shares to employees under the ESPP.

As at June 30, 2023, a total of 2,777,010 common shares had been issued under the ESPP.

RELATED PARTY TRANSACTIONS

Equity-method investments

The Company entered into a number of transactions with equity-method investees in 2023 and 2022 (see *Note 13* in the unaudited interim consolidated financial statements).

The Company provides administrative and development services to its equity-method investees and is reimbursed for incurred costs. To that effect, the Company charged its equity-method investees¹ \$12.8 million and \$42.1 million, respectively, during the three and six months ended June 30, 2023, as compared to \$26.5 million and \$34.0 million, respectively, during the same periods in 2022. Additionally, one of the equity-method investees (Liberty Development JV Inc.) provides development services to the Company on specified projects, for which it earns a development fee upon reaching certain milestones. However, during the six months ended June 30, 2023 and the six months ended June 30, 2022, no such development fees were charged to the Company. See *Note 13* in the unaudited interim consolidated financial statements.

Redeemable non-controlling interest held by related party

Redeemable non-controlling interest held by related party represents a preference share in a consolidated subsidiary of the Company acquired by Liberty Development Energy Solutions B.V. (see *Note 13* in the unaudited interim consolidated financial statements). Redemption is not considered probable as at June 30, 2023. The preference share was used to finance a portion of the Company's investment in Atlantica. During the three and six months ended June 30, 2023, the Company incurred non-controlling interest attributable to Liberty Development Energy Solutions B.V. of \$6.3 million and \$12.4 million, respectively, as compared to \$3.1 million and \$5.7 million, respectively, during the same period in 2022, and recorded distributions of \$6.3 million and \$12.3 million, respectively, for the three and six months ended June 30, 2023 as compared to \$2.8 million and \$5.4 million, respectively, during the same period in 2022 (see *Note 13* in the unaudited interim consolidated financial statements).

Non-controlling interest held by related party

Non-controlling interest held by related party represents interest in a consolidated subsidiary of the Company acquired by a subsidiary of Atlantica in May 2019 for \$96.8 million and an interest in Algonquin (AY Holdco) B.V., a consolidated subsidiary of the Company, acquired by Liberty Development JV Inc. in November 2021 for \$39.4 million. The interest was used to finance a portion of the Company's investment in the Amherst Island Wind Facility. During the three and six months ended June 30, 2023, the Company recorded distributions of \$4.9 million and \$11.0 million, respectively, as compared to \$5.5 million and \$13.0 million, respectively, during the same period in 2022.

The above related party transactions have been recorded at the exchange amounts agreed to by the parties to the transactions.

ENTERPRISE RISK MANAGEMENT

The Corporation is subject to a number of risks and uncertainties, certain of which are described below. A risk is the possibility that an event might happen in the future that could have a negative effect on the financial condition, financial performance or business of the Corporation. The actual effect of any event on the Corporation's business could be materially different from what is anticipated or described below. The description of risks below does not include all possible risks.

Led by the Chief Compliance and Risk Officer, the Corporation has an established enterprise risk management ("ERM") framework. The Corporation's ERM framework follows the guidance of ISO 31000 and the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") Enterprise Risk Management - Integrated Framework (2013). The Corporation's ERM Policy details the Corporation's risk management processes and risk governance structure.

As part of the risk management process, risk registers have been developed across the organization through ongoing risk identification and risk assessment exercises facilitated by the Corporation's internal ERM team. Key risks and associated mitigation strategies are reviewed by the executive-level Enterprise Risk Management Council and are presented to the Risk Committee of the Board periodically.

Identified risks are evaluated using a standardized risk scoring matrix to assess impact and likelihood. However, there can be no assurance that the Corporation's risk management activities will be successful in identifying, assessing, or mitigating the risks to which the Corporation is subject.

The risks discussed below are not intended as a complete list of all risks that AQN, its subsidiaries and affiliates are encountering or may encounter. Please see the Company's most recent AIF and Annual MD&A available on SEDAR and

¹ Primarily Liberty Development JV Inc. and its subsidiaries, Blue Hill Wind Energy Project Partnership, and Red Lily Wind Energy Partnership.

EDGAR for a further discussion of risk factors to which the Company is subject. To the extent of any inconsistency, the risks discussed below are intended to provide an update on those that were previously disclosed.

Treasury Risk Management

Capital Markets and Liquidity Risk

As at June 30, 2023, the Company had approximately \$8,083.4 million of long-term consolidated indebtedness. Management of the Company believes, based on its current expectations as to the Company's future performance, that the cash flow from operations, the funds available under its credit facilities and from future asset recycling initiatives, and its ability to access capital markets will be adequate to enable the Company to finance its operations, execute its business strategy and maintain an adequate level of liquidity. However, the Company's expected revenue and capital expenditures are only estimates. Moreover, actual cash flows from operations will depend on regulatory, market and other conditions that are beyond the Company's control and which may be impacted by the risk factors herein. As a result, there can be no assurance that management's expectations as to future performance will be realized.

The Company's ability to obtain additional debt or equity or issue other securities, on favourable terms or at all, may be adversely affected by negative perceptions of the Company, any adverse financial or operational performance, financial market disruptions, the failure or collapse of any financial institution, prevailing market views or perceptions, or other factors outside the Company's control. In addition, the Company may at times incur indebtedness in excess of its long-term leverage targets, in advance of raising the additional equity or similar securities or executing on asset recycling strategies necessary to repay such indebtedness and maintain its long-term leverage target. Any increase in the Company's leverage or degradation of key credit metrics below threshold levels could, among other things: limit the Company's ability to obtain additional financing for working capital, investment in subsidiaries, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes; restrict the Company's flexibility and discretion to operate its business; limit the Company's ability to declare dividends; require the Company to dedicate a portion of cash flows from operations to the payment of interest on its existing indebtedness, in which case such cash flows would not be available for other purposes; cause rating agencies to re-evaluate or downgrade the Company's existing credit ratings; require the Company to post additional collateral security under some of its contracts and hedging arrangements; expose the Company to increased interest expense on borrowings at variable rates; limit the Company's ability to adjust to changing market conditions; place the Company at a competitive disadvantage compared to its competitors; make the Company vulnerable to any downturn in general economic conditions; render the Company unable to make expenditures that are important to its future growth strategies and require the Company to pursue alternative funding strategies, which may include accelerated asset recycling initiatives.

The Company will need to refinance or reimburse amounts outstanding under the Company's existing consolidated indebtedness over time. There can be no assurance the Company will be successful in refinancing its indebtedness when necessary or that additional financing will be obtained when needed, on commercially reasonable terms or at all. In the event that the Company cannot refinance its indebtedness or raise additional indebtedness on terms that are not less favourable than the current terms, the Company's cash flows, ability to declare dividends or repay its indebtedness may be adversely affected.

The Company's ability to meet its debt service requirements will depend on its ability to generate cash in the future, which depends on many factors, including the Company's financial performance, debt service obligations, the realization of the anticipated benefits of acquisition and investment activities, and working capital and capital expenditure requirements. In addition, the Company's ability to borrow funds in the future to make payments on outstanding debt will depend on the satisfaction of covenants in existing credit agreements and other agreements. A failure to comply with any covenants or obligations under the Company's consolidated indebtedness could result in a default under one or more such instruments, which, if not cured or waived, could result in the termination of dividends by the Company and permit acceleration of the relevant indebtedness. There can be no assurance that, if such indebtedness were to be accelerated, the Company's assets would be sufficient to repay such indebtedness in full. There can also be no assurance that the Company will generate cash flow in amounts sufficient to pay its outstanding indebtedness or to fund the Company's liquidity needs.

Interest Rate Risk

The Company is exposed to interest rate risk due to the impact of increasing benchmark interest rates and credit spreads on certain outstanding variable interest indebtedness, as well as any new borrowings on existing and new credit facilities and other debt issuances. Fluctuations in interest rates may also impact the costs to obtain other forms of capital and the feasibility of planned growth initiatives.

In addition, for the Regulated Services Group, costs resulting from interest rate increases may not be recoverable in whole or in part, and "regulatory lag" may cause a time delay in the payment to the Regulated Services Group of any such costs that are recoverable. Rising interest rates may also negatively impact the economics of development projects, acquisitions and energy facilities, especially where project financing is being renewed or arranged.

As a result, fluctuations in interest rates, including the rate increases experienced in 2022 and 2023, could materially increase the Corporation's financing costs, limit the Corporation's options for financing, and adversely affect its results of operations, cash flows, key credit metrics, borrowing capacity and ability to implement its business strategy.

As at June 30, 2023, approximately 87% of debt outstanding in AQN and its subsidiaries was subject to a fixed rate of interest and as a result, such debt is not subject to significant interest rate risk in the short term time horizon.

Borrowings subject to variable interest rates can fluctuate significantly from month to month, quarter to quarter and year to year. AQN's target is to maintain a minimum of 85% fixed rate debt. As a result, the Company hedges the interest rate risk on its variable interest rate borrowings from time to time. On December 17, 2022, the Company entered into an interest rate cap agreement in the amount of \$390 million for the period between January 15, 2023 and January 15, 2024.

Based on amounts outstanding as at June 30, 2023, the impact to interest expense on variable rate loans from changes in interest rates are as follows:

- the Corporate Credit Facility is subject to a variable interest rate and had \$479.5 million outstanding as at June 30, 2023. As a result, a 100 basis point change in the variable rate charged would impact interest expense by \$4.8 million annually;
- the Long Term Regulated Services Credit Facility is subject to a variable interest rate and had no amounts outstanding as at June 30, 2023. As a result, a 100 basis point change in the variable rate charged would not impact interest expense;
- the Short Term Regulated Services Credit Facility is subject to a variable interest rate and had no amounts outstanding as at June 30, 2023. As a result, a 100 basis point change in the variable rate charged would not impact interest expense;
- the Regulated Services Delayed Draw Term Facility is subject to a variable interest rate and had \$610.4 million outstanding as at June 30, 2023. The Regulated Services Group has locked in the variable rate until maturity on November 29, 2023 through an interest election request. As a result, a 100 basis point change in the variable rate charged would not impact interest expense;
- the Bermuda Credit Facility is subject to a variable interest rate and had \$75.0 million outstanding as at June 30, 2023. As a result, a 100 basis point change in the variable rate charged would impact interest expense by \$0.8 million annually;
- the Bermuda Working Capital Facility is subject to a variable interest rate and had \$25.0 million outstanding as at June 30, 2023. As a result, a 100 basis point change in the variable rate charged would impact interest expense by \$0.3 million annually;
- the Regulated Services Group's commercial paper program is subject to a variable interest rate and had \$498.6 million outstanding as at June 30, 2023. As a result, a 100 basis point change in the variable rate charged would impact interest expense by \$5.0 million annually;
- the Renewable Energy Credit Facility is subject to a variable interest rate and had \$222.5 million outstanding as at June 30, 2023. As a result, a 100 basis point change in the variable rate charged would impact interest expense by \$2.2 million annually; and
- term facilities at Suralis that are subject to variable interest rates had \$113.8 million outstanding as at June 30, 2023. As a result, a 100 basis point change in the variable rate charged would impact interest expense by \$1.1 million annually.

Term facilities at BELCO are not subject to variable interest rates as the Company entered into the above noted interest swap agreements to hedge the risk associated with interest rate fluctuation. In addition, on January 13, 2022, the Company entered into a forward starting swap to fix the interest rate for the second five-year term of the U.S. Notes.

Tax Risk and Uncertainty

The Corporation is subject to income and other taxes primarily in the United States and Canada; however, it is also subject to income and other taxes in international jurisdictions, such as Chile and Bermuda. Changes in tax laws or interpretations thereof in the jurisdictions in which the Corporation does business could adversely affect the Company's results from operations, returns to shareholders, and cash flows. One or more taxing jurisdictions could seek to impose incremental or new taxes on the Company pursuant to one of the following or otherwise:

- The Inflation Reduction Act was signed into law in the United States on August 16, 2022. The legislation is inclusive of an extension and expansion of clean energy tax credits and a minimum tax. The minimum tax is not

expected to be applicable to the Company in the near term; however, the Company cannot provide any assurance that it will not apply in the longer term.

- On April 19, 2021, the Canadian federal government delivered its 2021 budget which contained proposed measures related to limitations on interest deductibility and changes in relation to international taxation. Draft legislative proposals pertaining to interest deductibility were initially released for public comment on February 4, 2022, with revised legislative proposals subsequently released on November 3, 2022 and August 4, 2023. The proposed rules on interest deductibility are expected to be effective no earlier than January 1, 2024. On August 4, 2023, the Department of Finance released draft legislative proposals relating to the Global Minimum Tax Act that aims to align with the Organization for Economic Co-operation and Development's ("OECD") various initiatives on "Base Erosion and Profit Shifting". The proposed rules and their application are complex and could have a material adverse impact on the Corporation's effective tax rate and financial results in future years if enacted as drafted.
- As a consequence of the OECD's various initiatives on "Base Erosion and Profit Shifting", there has been increased focus by taxing authorities across the globe to pursue common international principles for the entitlement to taxation of global corporate profits and eliminate perceived tax advantages enjoyed by multinational enterprises. Certain components of the relevant legislation in the jurisdictions in which the Corporation operates or has domiciled subsidiaries are expected to apply as of January 1, 2024. As the local legislation in the various jurisdictions is enacted and comes into effect, there is a risk that the Company's tax expense and/or cash taxes could materially increase or that the Company's interpretation of the new legislation may not align with that of the relevant tax authority's interpretation. This could have a material adverse effect on the Corporation's financial condition, results of operations, and cash flows in future periods.

The Corporation cannot provide assurance that the Canada Revenue Agency, the Internal Revenue Service or any other applicable taxation authority will agree with the tax positions taken by the Corporation, including with respect to claimed expenses and the cost amount of the Corporation's depreciable properties. A successful challenge by an applicable taxation authority regarding such tax positions could adversely affect the results of operations and financial position of the Corporation.

Development by the Corporation of renewable power generation facilities in the United States depends in part on federal tax credits and other tax incentives. The Inflation Reduction Act has extended and expanded certain energy credits, providing greater certainty regarding the availability of these credits on a going forward basis. However, the rules governing these tax credits still include technical requirements for credit eligibility. If the Corporation is unable to complete construction on current or planned projects within certain deadlines or satisfy certain new requirements relating to prevailing wage and apprenticeship requirements, the reduced incentives may be insufficient to support continued development or may result in substantially reduced financial benefits from facilities that are completed. In addition, the Corporation has entered into certain tax equity financing transactions with financial partners for certain of its renewable power facilities in the United States, under which allocations of future cash flows to the Corporation from the applicable facility could be adversely affected in the event that there are changes in U.S. tax laws that apply to facilities previously placed in service.

OPERATIONAL RISK MANAGEMENT

Risks Relating to the Planned Sale of the Renewable Energy Group

On August 10, 2023, the Company announced that it will pursue a sale of the Renewable Energy Group. There can be no assurance about the outcome of this sale process, that any specific transaction will be identified or consummated, or that any such transaction will achieve any expected results and benefits. Divesting any or all of the assets comprising the Renewable Energy Group involves a number of risks and uncertainties, including complexities involved in separating assets related to the Renewable Energy Group from the assets the Company will retain, the need to obtain regulatory approvals and other third-party consents, which could, among other things, disrupt customer and supplier relationships, and the fact that the Company may be subject to additional tax obligations or loss of certain tax benefits. If the Company disposes of all or a portion of the Renewable Energy Group, it may not be able to successfully cause a buyer to assume the liabilities related to such assets or, even if such liabilities are assumed, the Company may have difficulties enforcing its rights, contractual or otherwise, against the buyer. The Company may retain exposure related to divested assets on financial or performance guarantees and other contractual, employment, pension and severance obligations, and potential liabilities that may arise under law because of the disposition or the subsequent breaches of obligations or duties by the buyer. Unanticipated developments could delay, prevent or otherwise adversely affect the planned sale, including but not limited to market conditions or delays in obtaining necessary counterparty approvals, regulatory approvals or clearances. In addition, whether or not any specific transaction is identified, pursued and/or consummated, the process could cause disruptions in the business of the Company by diverting the attention of the Board and management and diverting other resources (including costs) towards such process and the preparation of the Company to pursue and consummate a transaction. The process could also impact the Company's relationships with employees, including by increasing employee

departures and turnover, could give rise to disputes with potential buyers and could result in accounting changes, restructuring and other disposition charges, as well as potential impairment charges or losses. The sale of any or all of the assets comprising the Renewable Energy Group could negatively impact the Company's profitability, financial results and dividends because of losses that may result from such a sale, the loss of revenues or a decrease in cash flows or cash available for distribution. In addition, the announcement by the Company of its pursuit of a sale of the Renewable Energy Group could result in one or more credit rating downgrades of APCo. In addition, the announcement by the Company of its pursuit of a sale of the Renewable Energy Group could result in one or more credit rating downgrades of APCo. Following a sale of any or all of the assets comprising the Renewable Energy Group, the Company would also have less diversity in the asset mix of its business and in the markets it serves. Any or all of these risks could impact the Company's financial results and business reputation.

Inflation Risk

AQN's profitability could be impacted by inflation increases above long-term averages. The Regulated Services Group's facilities are subject to rate setting by its regulatory agencies. The time between the incurrence of costs and the granting of the rates to recover those costs by regulatory agencies is known as regulatory lag. As a result of regulatory lag, inflationary effects and timing delays may impact the ability to recover expenses and/or capital costs, and profitability could be impacted. In the event of significant inflation, the impact of regulatory lag on the Company would be increased. In order to mitigate this exposure, the Regulated Services Group seeks to obtain approval for regulatory constructs in the states in which it operates to allow for timely recovery of operating expenses and capital costs.

The Renewable Energy Group's assets are subject to long term PPAs, most of which are not indexed to inflation and could experience declines in profitability if operating costs increase at a rate greater than the offtake price.

Development and construction projects could experience a decrease in expected returns as a result of increased costs. To mitigate the risk of inflation the Company attempts to enter into fixed price construction agreements and fixed price offtake agreements.

Tariff Risk

Changes in tariffs or duties, such as antidumping and countervailing duty rates that could be put in place as a result of the U.S. Department of Commerce's investigation into an antidumping and countervailing duties circumvention claim on solar cells and panels supplied from Malaysia, Vietnam, Thailand and Cambodia, may adversely affect the capital expenditures required to develop or construct the Corporation's projects, as well as the timing for completion, or viability, of such projects. In the U.S., tariffs have been imposed in recent years on imports of solar panels, aluminum and steel, among other goods and raw materials. These occurrences may have adverse impacts to the Corporation, as the buyer of goods, which could adversely affect the Corporation's expected returns, results of operations and cash flows.

Litigation Risks and Other Contingencies

AQN and certain of its subsidiaries are involved in various litigation, claims and other legal and regulatory proceedings that arise from time to time in the ordinary course of business. Any accruals for contingencies related to these items are recorded in the financial statements at the time it is concluded that a material financial loss is likely and the related liability is estimable. Anticipated recoveries under existing insurance policies are recorded when reasonably assured of recovery.

Mountain View Fire

On November 17, 2020, a wildfire now known as the Mountain View Fire occurred in the territory of Liberty Utilities (CalPeco Electric) LLC ("Liberty CalPeco"). The cause of the fire remains under investigation, and CAL FIRE has not yet released its final report. There are currently 17 active lawsuits that name certain subsidiaries of the Company as defendants in connection with the Mountain View Fire, as well as one non-litigation claim brought by the U.S. Department of Agriculture seeking reimbursement for alleged fire suppression costs. Twelve lawsuits are brought by groups of individual plaintiffs alleging causes of action including negligence, inverse condemnation, nuisance, trespass, and violations of Cal. Pub. Util. Code 2106 and Cal. Health and Safety Code 13007 (one of these twelve lawsuits also alleges the wrongful death of an individual and various subrogation claims on behalf of insurance companies). In another lawsuit, County of Mono, Antelope Valley Fire Protection District, and Bridgeport Indian Colony allege similar causes of action and seek damages for fire suppression costs, law enforcement costs, property and infrastructure damage, and other costs. In four other lawsuits, insurance companies allege inverse condemnation and negligence and seek recovery of amounts paid and to be paid to their insureds. The likelihood of success in these lawsuits cannot be reasonably predicted. Liberty CalPeco intends to vigorously defend them. The Company has wildfire liability insurance that is expected to apply up to applicable policy limits.

Apple Valley Condemnation Proceedings

On January 7, 2016, the Town of Apple Valley filed a lawsuit seeking to condemn the utility assets of Liberty Utilities (Apple Valley Ranchos Water) Corp. ("Liberty Apple Valley"). On May 7, 2021, the Court issued a Tentative Statement of

Decision denying the Town of Apple Valley's attempt to take the Apple Valley water system by eminent domain. The ruling confirmed that Liberty Apple Valley's continued ownership and operation of the water system is in the best interest of the community. On October 14, 2021, the Court issued the Final Statement of Decision. The Court signed and entered an Order of Dismissal and Judgment on November 12, 2021. On January 7, 2022, the Town filed a notice of appeal of the judgment entered by the Court. On August 2, 2022, the Court issued a ruling awarding Liberty Apple Valley approximately \$13.2 million in attorney's fees and litigation costs. The Town filed a notice of appeal of the fee award on August 22, 2022. The Town's appeal of the condemnation judgment and fee award have been consolidated into one appellate docket, which is proceeding before the Court of Appeals.

Technology Infrastructure Implementation Risk

The Company relies upon various information and operational technology infrastructure systems to carry out its business processes and operations. This subjects the Company to inherent costs and risks associated with maintaining, upgrading, replacing and changing information and operational technology systems. This includes impairment of its technology systems, potential disruption of operations, business process and internal control systems, substantial capital expenditures, demands on management time and other risks of delays, and difficulties in upgrading, transitioning and integrating technology systems.

AQN and certain of its subsidiaries are in the process of updating their technology infrastructure systems through the implementation of an integrated customer solution platform, which is expected to include customer billing, enterprise resource planning systems and asset management systems. The implementation of these systems is being managed by a dedicated team. Following successful pilot implementations, deployment began in 2022 and is expected to occur in a phased approach across the enterprise through 2024. The implementation of such technology systems will require the investment of significant financial and human resources. Disruptions, delays or deficiencies in the design, implementation, or operation of these technology systems or integration of these systems with other existing information technology or operations technology could: adversely affect the Company's operations, including its ability to monitor its business, pay its suppliers, bill its customers, and report financial information accurately and on a timely basis; lead to higher than expected costs; lead to increased regulatory scrutiny or adverse regulatory consequences; or result in the failure to achieve the expected benefits. As a result, the Company's operations, financial condition, cash flows and results of operations could be adversely affected.

QUARTERLY FINANCIAL INFORMATION

The following is a summary of unaudited quarterly financial information for the eight quarters ended June 30, 2023:

(all dollar amounts in \$ millions except per share information)	3rd Quarter 2022	4th Quarter 2022	1st Quarter 2023	2nd Quarter 2023
Revenue	\$ 664.6	\$ 748.0	\$ 778.6	\$ 627.9
Net earnings (loss) attributable to shareholders	(195.2)	(74.4)	270.1	(253.2)
Net earnings (loss) per share	(0.29)	(0.11)	0.39	(0.37)
Diluted net earnings (loss) per share	(0.29)	(0.11)	0.39	(0.37)
Adjusted Net Earnings ¹	72.8	151.0	119.9	56.2
Adjusted Net Earnings per common share ¹	0.11	0.22	0.17	0.08
Adjusted EBITDA ¹	278.5	358.3	341.0	277.7
Total assets	17,653.3	17,627.6	17,927.1	17,968.7
Long term debt ²	7,705.1	7,512.3	7,849.2	8,083.4
Dividend declared per common share	\$ 0.18	\$ 0.18	\$ 0.11	\$ 0.11
	3rd Quarter 2021	4th Quarter 2021	1st Quarter 2022	2nd Quarter 2022
Revenue	\$ 524.4	\$ 592.0	\$ 733.2	\$ 619.4
Net earnings (loss) attributable to shareholders	(27.9)	175.6	91.0	(33.4)
Net earnings (loss) per share	(0.05)	0.27	0.13	(0.05)
Diluted net earnings (loss) per share	(0.05)	0.26	0.13	(0.05)
Adjusted Net Earnings ¹	96.0	137.0	141.2	109.6
Adjusted Net Earnings per common share ¹	0.15	0.21	0.21	0.16
Adjusted EBITDA ¹	250.3	298.3	330.5	289.2
Total assets	16,699.0	16,797.5	17,669.9	17,737.9
Long term debt ²	6,870.3	6,211.7	7,191.6	7,455.4
Dividend declared per common share	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.18

¹ See *Caution Concerning Non-GAAP Measures*.

² Includes current portion of long-term debt, long-term debt and convertible debentures.

The quarterly results are impacted by various factors including seasonal fluctuations and acquisitions of facilities as noted in this MD&A.

Quarterly revenues have fluctuated between \$524.4 million and \$778.6 million over the prior two year period. A number of factors impact quarterly results including acquisitions, seasonal fluctuations, and winter and summer rates built into the PPAs. In addition, a factor impacting revenues year over year is the fluctuation in the strength of the Canadian dollar relative to the U.S. dollar which can result in significant changes in reported revenue from Canadian operations.

Quarterly net earnings attributable to shareholders have fluctuated between a loss of \$253.2 million and earnings of \$270.1 million over the prior two year period. Earnings have been significantly impacted by non-cash factors such as deferred tax recovery and expense, impairment of intangibles, property, plant and equipment and mark-to-market gains and losses on financial instruments.

DISCLOSURE CONTROLS AND PROCEDURES

AQN's management carried out an evaluation as of June 30, 2023, under the supervision of and with the participation of AQN's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operations of AQN's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15 (e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, the CEO and the CFO have concluded that as of June 30, 2023, AQN's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by AQN in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in rules and forms of the U.S. Securities and Exchange Commission, and is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Management Report on Internal Controls over Financial Reporting

Management, including the CEO and the CFO, is responsible for establishing and maintaining internal control over financial reporting. Management, as at the end of the period covered by this interim filing, designed internal controls over financial reporting to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. The control framework management used to design the Company's internal control over financial reporting is that established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Changes in Internal Controls over Financial Reporting

For the six months ended June 30, 2023, there has been no change in the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Inherent Limitations on Effectiveness of Controls

Due to its inherent limitations, disclosure controls and procedures or internal control over financial reporting may not prevent or detect all misstatements based on error or fraud. Further, the effectiveness of internal control is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may change.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

AQN prepared its unaudited interim consolidated financial statements in accordance with U.S. GAAP. The preparation of the unaudited interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingent assets and liabilities. Significant areas requiring the use of management judgment relate to the scope of consolidated entities, useful lives and recoverability of depreciable assets, the measurement of deferred taxes and the recoverability of deferred tax assets, rate-regulation, unbilled revenue, pension and post-employment benefits, fair value of derivatives and fair value of assets and liabilities acquired in a business combination. Actual results may differ from these estimates.

AQN's significant accounting policies and new accounting standards are discussed in *Notes 1* and *2*, respectively, in the Company's unaudited interim consolidated financial statements.

**Unaudited Interim Consolidated Financial Statements of
Algonquin Power & Utilities Corp.
For the three and six months ended June 30, 2023 and 2022**

Algonquin Power & Utilities Corp.

Unaudited Interim Consolidated Statements of Operations

	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
<i>(thousands of U.S. dollars, except per share amounts)</i>				
Revenue				
Regulated electricity distribution	\$ 326,833	\$ 295,558	\$ 642,435	\$ 576,252
Regulated natural gas distribution	109,539	121,911	380,677	385,345
Regulated water reclamation and distribution	95,861	89,626	183,282	168,257
Non-regulated energy sales	71,694	92,141	150,410	177,901
Other revenue	23,944	20,149	49,694	44,867
	627,871	619,385	1,406,498	1,352,622
Expenses				
Operating expenses	241,482	206,330	461,769	418,332
Regulated electricity purchased	98,337	104,125	223,917	203,308
Regulated natural gas purchased	36,180	51,802	173,881	184,368
Regulated water purchased	3,857	3,329	7,726	6,152
Non-regulated energy purchased	3,782	9,646	11,588	22,585
Administrative expenses	25,692	20,107	43,525	37,559
Depreciation and amortization	118,448	112,547	240,089	232,511
Loss on foreign exchange	6,379	4,464	7,815	4,726
	534,157	512,350	1,170,310	1,109,541
Gain on sale of renewable assets	—	—	—	1,200
Operating income	93,714	107,035	236,188	244,281
Interest expense (note 7)	(89,663)	(64,573)	(171,581)	(122,516)
Loss from long-term investments (note 6)	(277,696)	(113,380)	(57,684)	(124,069)
Other net losses (note 16)	(40,367)	(8,652)	(43,829)	(13,382)
Pension and other post-employment non-service costs (note 8)	(5,306)	(2,258)	(10,267)	(4,836)
Gain (loss) on derivative financial instruments (note 21(b)(iv))	1,039	(3,313)	3,205	(2,569)
Loss before income taxes	(318,279)	(85,141)	(43,968)	(23,091)
Income tax recovery (note 15)				
Current	(6,300)	(3,409)	(12,800)	(9,713)
Deferred	62,258	26,228	44,057	23,080
	55,958	22,819	31,257	13,367
Net loss	(262,321)	(62,322)	(12,711)	(9,724)
Net effect of non-controlling interests (note 14)				
Non-controlling interests	15,439	32,021	42,018	72,963
Non-controlling interests held by related party	(6,349)	(3,086)	(12,399)	(5,661)
	\$ 9,090	\$ 28,935	\$ 29,619	\$ 67,302
Net earnings (loss) attributable to shareholders of Algonquin Power & Utilities Corp.	\$ (253,231)	\$ (33,387)	\$ 16,908	\$ 57,578
Preferred shares, Series A and preferred shares, Series D dividend (note 12)	2,080	2,220	4,172	4,440
Net earnings (loss) attributable to common shareholders of Algonquin Power & Utilities Corp.	\$ (255,311)	\$ (35,607)	\$ 12,736	\$ 53,138
Basic and diluted net earnings (loss) per share (note 17)	\$ (0.37)	\$ (0.05)	\$ 0.02	\$ 0.08

See accompanying notes to unaudited interim consolidated financial statements

Algonquin Power & Utilities Corp.
Unaudited Interim Consolidated Statements of Comprehensive Income (Loss)

<i>(thousands of U.S. dollars)</i>	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
Net loss	\$ (262,321)	\$ (62,322)	\$ (12,711)	\$ (9,724)
Other comprehensive income (loss) (“OCI”):				
Foreign currency translation adjustment, net of tax recovery of \$3,418 and \$3,038 (2022 - tax expense of \$1,037 and tax recovery of \$2,273), respectively (notes 21(b)(iii) and 21(b)(iv))	130	(48,440)	15,555	(40,595)
Change in fair value of cash flow hedges, net of tax expense of \$3,737 and tax recovery of \$178 (2022 - tax recovery of \$7,596 and \$29,894), respectively (note 21(b)(ii))	36,421	(12,879)	54,286	(71,765)
Change in pension and other post-employment benefits, net of tax recovery of \$281 and \$445 (2022 - tax recovery of \$32 and \$30), respectively	(823)	(93)	(1,303)	(86)
OCI, net of tax	35,728	(61,412)	68,538	(112,446)
Comprehensive income (loss)	(226,593)	(123,734)	55,827	(122,170)
Comprehensive loss attributable to the non-controlling interests	(8,693)	(30,375)	(29,407)	(68,055)
Comprehensive income (loss) attributable to shareholders of Algonquin Power & Utilities Corp.	\$ (217,900)	\$ (93,359)	\$ 85,234	\$ (54,115)

See accompanying notes to unaudited interim consolidated financial statements

Algonquin Power & Utilities Corp.
Unaudited Interim Consolidated Balance Sheets

(thousands of U.S. dollars)

	June 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 100,258	\$ 57,623
Trade and other receivables, net (note 4)	492,844	528,057
Fuel and natural gas in storage	75,693	95,350
Supplies and consumables inventory	152,118	129,571
Regulatory assets (note 5)	136,159	190,393
Prepaid expenses	60,738	58,653
Derivative instruments (note 21)	11,228	12,270
Other assets	19,958	22,564
	1,048,996	1,094,481
Property, plant and equipment, net	12,336,931	11,944,885
Intangible assets, net	97,080	96,683
Goodwill	1,330,987	1,320,579
Regulatory assets (note 5)	1,125,156	1,081,108
Long-term investments (note 6)		
Investments carried at fair value	1,213,718	1,344,207
Other long-term investments	507,045	462,325
Derivative instruments (note 21)	66,333	71,630
Deferred income taxes	131,622	84,416
Other assets	110,845	127,299
	\$ 17,968,713	\$ 17,627,613

See accompanying notes to unaudited interim consolidated financial statements

Algonquin Power & Utilities Corp.
Unaudited Interim Consolidated Balance Sheets (continued)

(thousands of U.S. dollars)

	June 30, 2023	December 31, 2022
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 194,853	\$ 186,080
Accrued liabilities	467,235	555,792
Dividends payable (note 12)	75,223	125,655
Regulatory liabilities (note 5)	74,867	69,865
Long-term debt (note 7)	513,803	423,274
Other long-term liabilities (note 9)	119,495	134,212
Derivative instruments (note 21)	15,687	32,491
Other liabilities	10,317	7,091
	1,471,480	1,534,460
Long-term debt (note 7)	7,569,344	7,088,743
Regulatory liabilities (note 5)	551,708	558,317
Deferred income taxes	580,211	565,639
Derivative instruments (note 21)	86,925	137,830
Pension and other post-employment benefits obligation	124,478	125,579
Other long-term liabilities (note 9)	430,379	461,230
	9,343,045	8,937,338
Redeemable non-controlling interests (note 14)		
Redeemable non-controlling interest, held by related party (note 13(b))	307,955	307,856
Redeemable non-controlling interests	10,767	11,520
	318,722	319,376
Equity:		
Preferred shares	184,299	184,299
Common shares (note 10(a))	6,224,770	6,183,943
Additional paid-in capital	4,279	9,413
Deficit	(1,136,208)	(997,945)
Accumulated other comprehensive loss ("AOCI") (note 11)	(91,737)	(160,063)
Total equity attributable to shareholders of Algonquin Power & Utilities Corp.	5,185,403	5,219,647
Non-controlling interests		
Non-controlling interests - tax equity partnership units	1,261,067	1,225,608
Other non-controlling interests	337,825	333,362
Non-controlling interest, held by related party (note 13(c))	51,171	57,822
	1,650,063	1,616,792
Total equity	6,835,466	6,836,439
Commitments and contingencies (note 19)		
Subsequent events (notes 7(b), 9, 13(a))		
	\$ 17,968,713	\$17,627,613

See accompanying notes to unaudited interim consolidated financial statements

Algonquin Power & Utilities Corp.
Unaudited Interim Consolidated Statement of Equity

(thousands of U.S. dollars)
For the three months ended June 30, 2023

Algonquin Power & Utilities Corp. Shareholders							
	Common shares	Preferred shares	Additional paid-in capital	Deficit	AOCI	Non-controlling interests	Total
Balance, March 31, 2023	\$ 6,223,301	\$ 184,299	\$ 776	\$ (805,515)	\$ (127,068)	\$ 1,580,027	\$ 7,055,820
Net loss	—	—	—	(253,231)	—	(9,090)	(262,321)
Effect of redeemable non-controlling interests not included in equity (note 14)	—	—	—	—	—	(6,018)	(6,018)
OCI	—	—	—	—	35,331	397	35,728
Dividends declared and distributions to non-controlling interests	—	—	—	(77,449)	—	(14,104)	(91,553)
Common shares issued upon conversion of convertible debentures	11	—	—	—	—	—	11
Contributions received from non-controlling interests, net of cost (note 3(b))	—	—	—	—	—	98,851	98,851
Common shares issued under employee share purchase plan	1,405	—	—	—	—	—	1,405
Share-based compensation	—	—	3,602	—	—	—	3,602
Common shares issued pursuant to share-based awards	53	—	(99)	(13)	—	—	(59)
Balance, June 30, 2023	\$ 6,224,770	\$ 184,299	\$ 4,279	\$ (1,136,208)	\$ (91,737)	\$ 1,650,063	\$ 6,835,466

See accompanying notes to unaudited interim consolidated financial statements

Algonquin Power & Utilities Corp.

Unaudited Interim Consolidated Statement of Equity (continued)

(thousands of U.S. dollars)

For the three months ended June 30, 2022

Algonquin Power & Utilities Corp. Shareholders							
	Common shares	Preferred shares	Additional paid-in capital	Deficit	AOCI	Non-controlling interests	Total
Balance, March 31, 2022	\$6,057,249	\$ 184,299	\$ 1,158	\$ (315,879)	\$ (123,398)	\$1,471,378	\$7,274,807
Net loss	—	—	—	(33,387)	—	(28,935)	(62,322)
Redeemable non-controlling interests not included in equity (note 14)	—	—	—	—	—	(1,529)	(1,529)
OCI	—	—	—	—	(59,972)	(1,440)	(61,412)
Dividends declared and distributions to non-controlling interests	—	—	—	(103,616)	—	(19,230)	(122,846)
Dividends and issuance of shares under dividend reinvestment plan	21,239	—	—	(21,239)	—	—	—
Contributions received from non-controlling interests	—	—	—	—	—	2,478	2,478
Issuance of common shares under employee share purchase plan	1,149	—	—	—	—	—	1,149
Share-based compensation	—	—	4,042	—	—	—	4,042
Common shares issued pursuant to share-based awards	2,874	—	(4,939)	(1,235)	—	—	(3,300)
Balance, June 30, 2022	\$6,082,511	\$ 184,299	\$ 261	\$ (475,356)	\$ (183,370)	\$1,422,722	\$7,031,067

See accompanying notes to unaudited interim consolidated financial statements

Algonquin Power & Utilities Corp.

Unaudited Interim Consolidated Statement of Equity (continued)

(thousands of U.S. dollars)

For the six months ended June 30, 2023

Algonquin Power & Utilities Corp. Shareholders							
	Common shares	Preferred shares	Additional paid-in capital	Deficit	AOCI	Non-controlling interests	Total
Balance, December 31, 2022	\$ 6,183,943	\$ 184,299	\$ 9,413	\$ (997,945)	\$ (160,063)	\$ 1,616,792	\$ 6,836,439
Net earnings (loss)	—	—	—	16,908	—	(29,619)	(12,711)
Effect of redeemable non-controlling interests not included in equity (note 14)	—	—	—	—	—	(11,737)	(11,737)
OCI	—	—	—	—	68,326	212	68,538
Dividends declared and distributions to non-controlling interests	—	—	—	(124,451)	—	(33,518)	(157,969)
Dividends and issuance of shares under dividend reinvestment plan	30,482	—	—	(30,482)	—	—	—
Contributions received from non-controlling interests, net of cost (note 3(b))	—	—	—	—	—	107,933	107,933
Common shares issued upon conversion of convertible debentures	11	—	—	—	—	—	11
Common shares issued under employee share purchase plan	3,113	—	—	—	—	—	3,113
Share-based compensation	—	—	4,695	—	—	—	4,695
Common shares issued pursuant to share-based awards	7,221	—	(9,829)	(238)	—	—	(2,846)
Balance, June 30, 2023	\$ 6,224,770	\$ 184,299	\$ 4,279	\$ (1,136,208)	\$ (91,737)	\$ 1,650,063	\$ 6,835,466

See accompanying notes to unaudited interim consolidated financial statements

Algonquin Power & Utilities Corp.

Unaudited Interim Consolidated Statement of Equity (continued)

(thousands of U.S. dollars)

For the six months ended June 30, 2022

Algonquin Power & Utilities Corp. Shareholders							
	Common shares	Preferred shares	Additional paid-in capital	Deficit	AOCI	Non-controlling interests	Total
Balance, December 31, 2021	\$ 6,032,792	\$ 184,299	\$ 2,007	\$ (288,424)	\$ (71,677)	\$ 1,523,082	\$ 7,382,079
Net earnings (loss)		—	—	57,578	—	(67,302)	(9,724)
Redeemable non-controlling interests not included in equity (note 14)	—	—	—	—	—	(2,725)	(2,725)
OCI	—	—	—	—	(111,693)	(753)	(112,446)
Dividends declared and distributions to non-controlling interests	—	—	—	(199,870)	—	(35,788)	(235,658)
Dividends and issuance of shares under dividend reinvestment plan	42,779	—	—	(42,779)	—	—	—
Contributions received from non-controlling interests, net of cost	—	—	—	—	—	6,208	6,208
Common shares issued upon conversion of convertible debentures	6	—	—	—	—	—	6
Issuance of common shares under employee share purchase plan	2,455	—	—	—	—	—	2,455
Share-based compensation	—	—	5,664	—	—	—	5,664
Common shares issued pursuant to share-based awards	4,479	—	(7,410)	(1,861)	—	—	(4,792)
Balance, June 30, 2022	\$ 6,082,511	\$ 184,299	\$ 261	\$ (475,356)	\$ (183,370)	\$ 1,422,722	\$ 7,031,067

See accompanying notes to unaudited interim consolidated financial statements

Algonquin Power & Utilities Corp.

Unaudited Interim Consolidated Statements of Cash Flows

(thousands of U.S. dollars)

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Cash provided by (used in):				
Operating activities				
Net loss	\$ (262,321)	\$ (62,322)	\$ (12,711)	\$ (9,724)
Adjustments and items not affecting cash:				
Depreciation and amortization	118,448	112,547	240,089	232,511
Deferred taxes	(62,258)	(26,228)	(44,057)	(23,080)
Initial value and unrealized gain on derivative financial instruments	(4,882)	(334)	(9,851)	(402)
Share-based compensation	3,199	3,860	3,895	3,495
Cost of equity funds used for construction purposes	(568)	(458)	(1,226)	(967)
Change in value of investments carried at fair value	311,410	143,522	132,026	184,029
Pension and post-employment expense in excess of (lower than) contributions	2,176	(823)	119	(6,436)
Distributions received from equity investments, net of income	5,588	1,282	3,554	3,384
Other	38,232	931	36,195	3,536
Net change in non-cash operating items (note 20)	112,380	(36,640)	(53,356)	(84,788)
	261,404	135,337	294,677	301,558
Financing activities				
Increase in long-term debt	224,664	394,008	654,648	2,345,013
Repayments of long-term debt	(194,403)	(220,424)	(398,179)	(897,109)
Net change in commercial paper	(1,187)	165,000	91,613	(173,700)
Issuance of common shares, net of costs	1,405	1,149	3,113	2,455
Cash dividends on common shares	(75,493)	(94,177)	(171,386)	(187,558)
Dividends on preferred shares	(2,080)	(2,220)	(4,172)	(4,440)
Contributions from non-controlling interests and redeemable non-controlling interests (note 3)	98,955	—	98,955	—
Production-based cash contributions from non-controlling interest	—	2,478	9,082	6,208
Distributions to non-controlling interests, related party (note 14)	(244)	(8,354)	(12,300)	(18,360)
Distributions to non-controlling interests	(20,746)	(16,760)	(33,084)	(25,109)
Payments upon settlement of derivatives	—	—	—	(26,254)
Shares surrendered to fund withholding taxes on exercised share options	—	(3,494)	(568)	(4,120)
Increase in other long-term liabilities	6,695	2,069	11,125	7,268
Decrease in other long-term liabilities	(255)	(41,339)	(20,329)	(42,573)
	37,311	177,936	228,518	981,721
Investing activities				
Additions to property, plant and equipment and intangible assets	(245,209)	(247,538)	(414,958)	(575,237)
Increase in long-term investments	(41,774)	(49,681)	(89,379)	(96,938)
Acquisitions of operating entities	—	(86)	—	(632,797)
Increase in other assets	(130)	(10,340)	(1,980)	(12,804)
Receipt of principal on development loans receivable	—	201	—	323
Decrease in long-term investments	11,749	517	11,749	2,920
	(275,364)	(306,927)	(494,568)	(1,314,533)
Effect of exchange rate differences on cash and restricted cash	369	(2,408)	872	(1,846)
Increase (decrease) in cash, cash equivalents and restricted cash	23,720	3,938	29,499	(33,100)
Cash, cash equivalents and restricted cash, beginning of period	106,964	124,351	101,185	161,389
Cash, cash equivalents and restricted cash, end of period	\$ 130,684	\$ 128,289	\$ 130,684	\$ 128,289

Algonquin Power & Utilities Corp. Unaudited Interim Consolidated Statements of Cash Flows (continued)

(thousands of U.S. dollars)

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Supplemental disclosure of cash flow information:				
Cash paid during the period for interest expense	\$ 75,489	\$ 52,268	\$ 178,201	\$ 113,874
Cash paid during the period for income taxes	\$ 2,097	\$ 5,147	\$ 4,138	\$ 6,357
Cash received during the period for distributions from equity investments	\$ 28,330	\$ 30,762	\$ 56,611	\$ 61,554
Non-cash financing and investing activities:				
Property, plant and equipment acquisitions in accruals	\$ 145,594	\$ 127,525	\$ 145,594	\$ 127,525
Issuance of common shares under dividend reinvestment plan and share-based compensation plans	\$ 1,458	\$ 25,262	\$ 40,816	\$ 49,713

See accompanying notes to unaudited interim consolidated financial statements

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

June 30, 2023 and 2022

(in thousands of U.S. dollars, except as noted and per share amounts)

Algonquin Power & Utilities Corp. ("AQN" or the "Company") is an incorporated entity under the *Canada Business Corporations Act*. AQN's operations are organized across two primary business units consisting of the Regulated Services Group and the Renewable Energy Group. The Regulated Services Group owns and operates a portfolio of regulated electric, water distribution and wastewater collection, and natural gas utility systems and transmission operations in the United States, Canada, Bermuda and Chile; the Renewable Energy Group owns and operates, or has investments in, a diversified portfolio of non-regulated renewable and thermal energy generation assets.

1. Significant accounting policies

(a) Basis of preparation

The accompanying unaudited interim consolidated financial statements and notes have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") and follow disclosure required under Regulation S-X provided by the U.S. Securities and Exchange Commission. In the opinion of management, the unaudited interim consolidated financial statements include all adjustments that are of a recurring nature and necessary for a fair presentation of the results of interim operations.

The significant accounting policies applied to these unaudited interim consolidated financial statements of AQN are consistent with those disclosed in the consolidated financial statements of AQN as of and for the year ended December 31, 2022.

(b) Seasonality

AQN's operating results are subject to seasonal fluctuations that could materially impact quarter-to-quarter operating results and, thus, one quarter's operating results are not necessarily indicative of a subsequent quarter's operating results. Where decoupling mechanisms exist, total volumetric revenue is prescribed by the applicable regulatory authority and is not affected by usage. AQN's electrical distribution utilities can experience higher or lower demand in the summer or winter depending on the specific regional weather and industry characteristics. AQN's water and wastewater utility assets' revenues fluctuate depending on the demand for water, which is normally higher during drier and hotter months of the summer. During the winter period, natural gas distribution utilities generally experience higher demand than during the summer period. AQN's hydroelectric energy assets are primarily "run-of-river" and, as such, fluctuate with the natural water flows. During the winter and summer periods, flows are generally slower, while during the spring and fall periods flows are heavier. For AQN's wind energy assets, wind resources are typically stronger in spring, fall and winter, and weaker in summer. AQN's solar energy assets generally experience greater insolation in summer, weaker in winter.

(c) Foreign currency translation

AQN's reporting currency is the U.S. dollar. Within these unaudited interim consolidated financial statements, the Company denotes any amounts denominated in Canadian dollars with "C\$", in Chilean pesos with "CLP" and in Chilean Unidad de Fomento with "CLF" immediately prior to the stated amount.

2. Recently issued accounting pronouncements

(a) Recently adopted accounting pronouncements

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2022-04, *Liabilities — Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*, which requires that a buyer in a supplier finance program disclose sufficient information about the program to allow a user of financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. See note 21(c) for details.

(b) Recently issued accounting guidance not yet adopted

The FASB issued ASU 2023-02, *Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method — a consensus of the Emerging Issues Task Force*, which permits a reporting entity, if certain conditions are met, to elect to account for its tax equity investments by using the proportional amortization method regardless of the program from which it receives income tax credits. The amendments in this update are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the applicability and potential impact of the new guidance.

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

June 30, 2023 and 2022

(in thousands of U.S. dollars, except as noted and per share amounts)

3. Business acquisition

- (a) Kentucky Power Company and AEP Kentucky Transmission Company, Inc.

On October 26, 2021, Liberty Utilities Co., an indirect subsidiary of AQN, entered into an agreement (the "Kentucky Acquisition Agreement") with American Electric Power Company, Inc. ("AEP") and AEP Transmission Company, LLC to acquire Kentucky Power Company and AEP Kentucky Transmission Company, Inc. (the "Kentucky Power Transaction"). On April 17, 2023, Liberty Utilities Co. mutually agreed with AEP and AEP Transmission Company, LLC to terminate the Kentucky Acquisition Agreement. The Company recognized other net losses of \$43,808 for the three months ended June 30, 2023 and \$46,527 for the six months ended June 30, 2023 related to a write-off of costs incurred in preparation for the Kentucky Power Transaction and the termination of the Kentucky Acquisition Agreement. See note 16 for details.

- (b) Acquisition of Deerfield II Wind Facility

On June 15, 2023, Algonquin Power Fund (America) Inc., a wholly owned subsidiary of the Company, acquired the remaining 50% ownership in Deerfield II wind farm for consideration of \$23,142. The transaction has been accounted for as an asset acquisition. Subsequent to acquisition, the tax equity investors provided additional funding of \$98,955, and a third-party construction loan of \$158,550 was repaid.

The following table summarizes the allocation of the aggregate purchase price to the assets acquired and liabilities assumed at the acquisition dates.

	Deerfield II
Working capital	\$ (10,709)
Property, plant and equipment	194,419
Long-term debt	(157,935)
Asset retirement obligation	(1,030)
Deferred tax liability	(1,603)
Total net assets acquired	23,142
Cash and cash equivalents	1,662
Net assets acquired, net of cash and cash equivalents	\$ 21,480

4. Accounts receivable

Accounts receivable as of June 30, 2023 include unbilled revenue of \$89,745 (December 31, 2022 - \$149,015) from the Company's regulated utilities. Accounts receivable as of June 30, 2023 are presented net of allowance for doubtful accounts of \$28,646 (December 31, 2022 - \$24,857).

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

June 30, 2023 and 2022

(in thousands of U.S. dollars, except as noted and per share amounts)

5. Regulatory matters

The operating companies within the Regulated Services Group are subject to regulation by the respective jurisdictions in which they operate. The respective Regulators have jurisdiction with respect to rate, service, accounting policies, issuance of securities, acquisitions and other matters. Except for Suralis (formerly called ESSAL), these utilities operate under cost-of-service regulation as administered by these authorities. The Company's regulated utility operating companies are accounted for under the principles of ASC 980, *Regulated Operations*. Under ASC 980, regulatory assets and liabilities that would not be recorded under U.S. GAAP for non-regulated entities are recorded to the extent that they represent incurred charges or credits that are probable of being recovered from or refunded to customers through the rate setting process.

At any given time, the Company can have several regulatory proceedings underway. The financial effects of these proceedings are reflected in the unaudited interim consolidated financial statements based on regulatory approval obtained to the extent that there is a financial impact during the applicable reporting period. The following regulatory proceedings were recently completed:

Utility	State or country	Regulatory proceeding type	Details
CalPeco Electric System	California	General rate review	On April 27, 2023, the California Public Utilities Commission ("CPUC") issued a final order approving a revenue increase of \$26,979. New rates became effective in June 2023 retroactive to January 2022. The retroactive impact of this final order was recorded in the second quarter of 2023.
St. Lawrence Gas	New York	General rate review	On June 22, 2023, the New York State Department of Public Services issued an Order authorizing a revenue increase of \$5,249 to be implemented over three years. New rates became effective July 1, 2023.
Empire Electric	Missouri	Securitization	In February 2021, the Company's operations were impacted by extreme winter storm conditions experienced in Texas and parts of the central U.S. ("the Midwest Extreme Weather Event"). On January 19, 2022, Empire Electric filed a petition for securitization of the costs associated with the impact of the Midwest Extreme Weather Event. On March 21, 2022, Empire Electric filed a petition for securitization of the costs associated with the retirement of the Asbury generating plant. On August 18, 2022, and September 22, 2022, the Missouri Public Service Commission ("the MPSC") issued and amended, respectively, a Report and Order authorizing Empire Electric to securitize approximately \$290,383 in qualified extraordinary costs (Midwest Extreme Weather Event), energy transition costs (Asbury) and upfront financing costs associated with the proposed securitization. Empire Electric filed an appeal of the MPSC order on November 10, 2022. On August 1, 2023 the court affirmed the amount eligible for securitization of \$290,383 as compared to the Company's original aggregate request of \$362,420. The Company has until August 16, 2023 to move for rehearing at the Court of Appeals, and/or file a request for transfer to the Missouri Supreme Court. If the Company determines to proceed with securitization without further appeal, the Company may incur a one-time net loss of approximately \$45,000.

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

June 30, 2023 and 2022

*(in thousands of U.S. dollars, except as noted and per share amounts)***5. Regulatory matters (continued)**

Regulatory assets and liabilities consist of the following:

	June 30, 2023	December 31, 2022
Regulatory assets		
Fuel and commodity cost adjustments	321,806	388,294
Rate adjustment mechanism	185,395	136,198
Retired generating plant	176,650	174,609
Deferred capitalized costs	98,438	90,121
Income taxes	98,173	97,414
Pension and post-employment benefits	79,925	80,736
Environmental remediation	68,376	70,529
Wildfire mitigation and vegetation management	51,116	66,156
Clean energy and other customer programs	31,772	28,145
Asset retirement obligation	26,786	27,172
Debt premium	22,056	24,888
Cost of removal	11,084	11,084
Rate review costs	8,621	9,481
Long-term maintenance contract	5,917	6,504
Other	75,200	60,170
Total regulatory assets	\$ 1,261,315	\$ 1,271,501
Less: current regulatory assets	(136,159)	(190,393)
Non-current regulatory assets	\$ 1,125,156	\$ 1,081,108
Regulatory liabilities		
Income taxes	\$ 302,770	\$ 312,671
Cost of removal	191,541	191,173
Pension and post-employment benefits	75,333	68,085
Fuel and commodity cost adjustments	24,376	25,620
Clean energy and other customer programs	12,710	11,572
Rate adjustment mechanism	1,651	343
Other	18,194	18,718
Total regulatory liabilities	\$ 626,575	\$ 628,182
Less: current regulatory liabilities	(74,867)	(69,865)
Non-current regulatory liabilities	\$ 551,708	\$ 558,317

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

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(in thousands of U.S. dollars, except as noted and per share amounts)

6. Long-term investments

Long-term investments consist of the following:

	June 30, 2023	December 31, 2022
Long-term investments carried at fair value		
Atlantica	\$ 1,147,691	\$ 1,268,140
Atlantica Yield Energy Solutions Canada Inc.	64,228	74,083
Other	1,799	1,984
	\$ 1,213,718	\$ 1,344,207
Other long-term investments		
Equity-method investees (a)	\$ 388,516	\$ 381,802
Development loans receivable from equity-method investees (a)	91,044	52,923
Other	27,485	27,600
	\$ 507,045	\$ 462,325

Income (loss) from long-term investments for the three and six months ended June 30 is as follows:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Fair value gain (loss) on investments carried at fair value				
Atlantica	\$ (299,653)	\$ (137,586)	\$ (120,449)	\$ (171,370)
Atlantica Yield Energy Solutions Canada Inc.	(11,763)	\$ (5,815)	(11,567)	(12,395)
Other	6	\$ (121)	(10)	(264)
	\$ (311,410)	\$ (143,522)	\$ (132,026)	\$ (184,029)
Dividend and interest income from investments carried at fair value				
Atlantica	\$ 21,788	\$ 21,543	\$ 43,577	\$ 43,087
Atlantica Yield Energy Solutions Canada Inc.	4,821	5,397	10,678	12,691
Other	7	12	17	10
	\$ 26,616	\$ 26,952	\$ 54,272	\$ 55,788
Other long-term investments				
Equity method loss	(2,434)	(2,918)	(153)	(7,449)
Interest and other income	9,532	6,108	20,223	11,621
	\$ 7,098	\$ 3,190	\$ 20,070	\$ 4,172
Loss from long-term investments	\$ (277,696)	\$ (113,380)	\$ (57,684)	\$ (124,069)

(a) Equity-method investees and development loans receivable from equity investees

The Renewable Energy Group has non-controlling interests in operating renewable energy facilities and projects under construction. The Regulated Services Group has non-controlling interest in a power transmission line project under construction and other non-regulated operating entities owned by its utilities. The Liberty Development JV Inc. platform for non-regulated renewable energy, water and other sectors is reported under Corporate. In total, the Company has non-controlling interests in various corporations, partnerships and joint ventures with a total carrying value of \$388,516 (December 31, 2022 - \$381,802), including investments in variable interest entities ("VIEs") of \$121,176 (December 31, 2022 - \$122,752).

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

June 30, 2023 and 2022

(in thousands of U.S. dollars, except as noted and per share amounts)

6. Long-term investments (continued)

- (a) Equity-method investees and development loans receivable from equity investees (continued)

During the six months ended June 30, 2023, the Company made capital contributions of \$10,390 to the Texas Coastal Wind Facilities (Stella, Cranell, East Raymond and West Raymond) and \$9,823 to projects under construction.

Summarized combined information for AQN's investments in partnerships and joint ventures is as follows:

	June 30, 2023	December 31, 2022
Total assets	\$ 2,749,895	\$ 2,740,132
Total liabilities	1,522,656	1,507,079
Net assets	\$ 1,227,239	\$ 1,233,053
AQN's ownership interest in the entities	331,600	332,663
Difference between investment carrying amount and underlying equity in net assets ^(a)	56,916	49,139
AQN's investment carrying amount for the entities	\$ 388,516	\$ 381,802

^(a) The difference between the investment carrying amount and the underlying equity in net assets relates primarily to development fees, interest capitalized while the projects are under construction, the fair value of guarantees provided by the Company in regards to the investments and transaction costs.

Summarized combined information for AQN's equity method investees (presented at 100%) is as follows:

	Six months ended June 30	
	2023	2022
Revenue	\$ 49,467	\$ 20,455
Net income (loss)	\$ 1,836	\$ (30,246)
Other comprehensive loss ^(a)	\$ (2,807)	\$ (125,811)
Net loss attributable to AQN	\$ (153)	\$ (7,449)
Other comprehensive loss attributable to AQN ^(a)	\$ (2,076)	\$ (67,352)

^(a) Other comprehensive loss represents the Company's proportion of the change in fair value, recorded in OCI at the investee level, on energy derivative financial instruments designated as a cash flow hedge.

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

June 30, 2023 and 2022

*(in thousands of U.S. dollars, except as noted and per share amounts)***6. Long-term investments (continued)**

(a) Equity-method investees and development loans receivable from equity investees (continued)

Except for Liberty Development Energy Solutions B.V. ("Liberty Development Energy Solutions"), the development projects are considered VIEs due to the level of equity at risk and the disproportionate voting and economic interests of the shareholders. The Company has committed loan and credit support facilities with some of its equity investees. During construction, the Company has agreed to provide cash advances and credit support for the continued development and construction of the equity investees' projects. As of June 30, 2023, the Company had issued letters of credit and guarantees of performance obligations under: a security of performance for a development opportunity; wind turbine and solar panel supply agreements; interconnection agreements; engineering, procurement and construction agreements; energy purchase agreements; and construction loan agreements. The fair value of the support provided to all equity-investees as of June 30, 2023 amounts to \$9,129 (December 31, 2022 - \$8,824).

Summarized combined information for AQN's VIEs is as follows:

	June 30,	December 31,
	2023	2022
AQN's maximum exposure in regards to VIEs		
Carrying amount	\$ 121,176	\$ 122,752
Development loans receivable	91,044	52,923
Performance guarantees and other commitments on behalf of VIEs	674,874	658,224
	\$ 887,094	\$ 833,899

The commitments are presented on a gross basis assuming no recoverable value in the assets of the VIEs. In addition, as of June 30, 2023, the Company had issued \$798,717 in letters of credit and guarantees of performance obligations under energy purchase agreements and decommissioning obligations on behalf of operating equity-method investees that are not considered VIEs.

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

June 30, 2023 and 2022

(in thousands of U.S. dollars, except as noted and per share amounts)

7. Long-term debt

Long-term debt consists of the following:

Borrowing type	Weighted average coupon	Maturity	Par value	June 30, 2023	December 31, 2022
Senior unsecured revolving credit facilities (a)	—	2024-2028	N/A	\$ 801,929	\$ 351,786
Senior unsecured bank credit facilities and delayed draw term facility	—	2023-2031	N/A	788,906	773,643
Commercial paper	—	2024	N/A	498,613	407,000
U.S. dollar borrowings					
Senior unsecured notes (Green Equity Units)	1.18 %	2026	\$ 1,150,000	1,143,856	1,142,814
Senior unsecured notes (b)	3.38 %	2023-2047	\$ 1,490,000	1,481,682	1,496,101
Senior unsecured utility notes	6.34 %	2023-2035	\$ 142,000	153,435	154,271
Senior secured utility bonds	4.71 %	2026-2044	\$ 556,203	552,479	554,822
Canadian dollar borrowings					
Senior unsecured notes	3.68 %	2027-2050	C\$ 1,200,000	903,360	882,899
Senior secured project notes	10.21 %	2027	C\$ 18,512	13,982	15,024
Chilean Unidad de Fomento borrowings					
Senior unsecured utility bonds	3.98 %	2028-2040	CLF 1,579	81,532	77,206
				\$ 6,419,774	\$ 5,855,566
Subordinated borrowings					
Subordinated unsecured notes	5.25 %	2082	C\$ 400,000	298,033	\$ 291,238
Subordinated unsecured notes	5.56 %	2078-2082	\$ 1,387,500	1,365,340	1,365,213
				\$ 1,663,373	\$ 1,656,451
				\$ 8,083,147	\$ 7,512,017
Less: current portion				(513,803)	(423,274)
				\$ 7,569,344	\$ 7,088,743

Short-term obligations of \$760,386 that are expected to be refinanced using the long-term credit facilities are presented as long-term debt.

Long-term debt issued at a subsidiary level (project notes or utility bonds) relating to a specific operating facility is generally collateralized by the respective facility with no other recourse to the Company. Long-term debt issued at a subsidiary level whether or not collateralized generally has certain financial covenants, which must be maintained on a quarterly basis. Non-compliance with the covenants could restrict cash distributions/dividends to the Company from the specific facilities.

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

June 30, 2023 and 2022

*(in thousands of U.S. dollars, except as noted and per share amounts)***7. Long-term debt (continued)**

The following table sets out the bank credit facilities available to AQN and its operating groups:

	June 30, 2023	December 31, 2022
Revolving and term credit facilities	\$ 4,564,000	\$ 4,513,300
Funds drawn on facilities/commercial paper issued	(2,089,600)	(1,532,493)
Letters of credit issued	(407,900)	(465,200)
Liquidity available under the facilities	\$ 2,066,500	\$ 2,515,607
Undrawn portion of uncommitted letter of credit facilities	(307,600)	(226,900)
Cash on hand	100,258	57,623
Total liquidity and capital reserves	\$ 1,859,158	\$ 2,346,330

Recent financing activities:

- (a) Senior unsecured revolving credit facilities

Corporate

On June 1, 2023, the Company terminated its former \$50,000 uncommitted bi-lateral credit facility.

- (b) U.S. dollar senior unsecured notes

Subsequent to quarter-end, on July 31, 2023 the Company repaid a \$75,000 senior unsecured note on its maturity.

As of June 30, 2023, the Company had accrued \$71,703 in interest expense (December 31, 2022 - \$70,274). Interest expense for the three and six months ended June 30, 2023 and 2022 consists of the following:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Long-term debt	\$ 65,046	\$ 65,746	\$ 128,814	\$ 127,832
Commercial paper, credit facility draws and related fees	27,714	5,466	52,139	9,051
Accretion of fair value adjustments	(824)	(4,471)	(4,223)	(9,014)
Capitalized interest and AFUDC capitalized on regulated property	(4,420)	(906)	(8,304)	(2,136)
Other	2,147	(1,262)	3,155	(3,217)
	\$ 89,663	\$ 64,573	\$ 171,581	\$ 122,516

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

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*(in thousands of U.S. dollars, except as noted and per share amounts)***8. Pension and other post-employment benefits**

The following table lists the components of net benefit costs for the pension plans and other post-employment benefits (“OPEB”) in the unaudited interim consolidated statements of operations for the three and six months ended June 30:

	Pension benefits			
	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Service cost	\$ 3,166	\$ 4,532	\$ 6,093	\$ 8,388
Non-service costs				
Interest cost	7,906	6,778	16,299	12,841
Expected return on plan assets	(7,947)	(10,519)	(16,263)	(20,843)
Amortization of net actuarial losses (gains)	(71)	1,257	(195)	2,046
Amortization of prior service credits	(373)	(389)	(746)	(792)
Impact of regulatory accounts	4,588	4,664	8,683	11,002
	\$ 4,103	\$ 1,791	\$ 7,778	\$ 4,254
Net benefit cost	\$ 7,269	\$ 6,323	\$ 13,871	\$ 12,642

	OPEB			
	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Service cost	\$ 902	\$ 1,554	\$ 1,891	\$ 3,109
Non-service costs				
Interest cost	2,891	2,282	6,329	4,641
Expected return on plan assets	(2,331)	(2,841)	(5,077)	(5,682)
Amortization of net actuarial gains	(561)	(86)	(1,122)	(172)
Amortization of prior service credits	(213)	6	(426)	12
Impact of regulatory accounts	1,417	1,106	2,785	1,783
	\$ 1,203	\$ 467	\$ 2,489	\$ 582
Net benefit cost	\$ 2,105	\$ 2,021	\$ 4,380	\$ 3,691

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

June 30, 2023 and 2022

*(in thousands of U.S. dollars, except as noted and per share amounts)***9. Other long-term liabilities**

Other long-term liabilities consist of the following:

	June 30, 2023	December 31, 2022
Contract adjustment payments	\$ 78,056	\$ 113,876
Asset retirement obligations	113,678	116,584
Advances in aid of construction	90,096	88,546
Environmental remediation obligation	41,092	42,457
Customer deposits	35,360	34,675
Unamortized investment tax credits	17,419	17,649
Deferred credits and contingent consideration	45,937	39,498
Preferred shares, Series C (a)	12,067	12,072
Hook-up fees	25,813	32,463
Lease liabilities	21,415	21,834
Contingent development support obligations	9,129	8,824
Note payable to related party	25,808	25,808
Other	34,004	41,156
	\$ 549,874	\$ 595,442
Less: current portion	(119,495)	(134,212)
	\$ 430,379	\$ 461,230

(a) Subsequent to quarter-end, on August 9, 2023, 36 Series C preferred shares were redeemed for C\$6,906.

10. Shareholders' capital

- (a) Common shares
Number of common shares

	Six months ended June 30	
	2023	2022
Common shares, beginning of period	683,614,803	671,960,276
Dividend reinvestment plan	4,370,289	3,014,264
Exercise of share-based awards (b)	772,591	673,852
Conversion of convertible debentures	1,415	754
Common shares, end of period	688,759,098	675,649,146

On August 15, 2022, AQN re-established an at-the-market equity program ("ATM Program") that allows the Company to issue up to \$500,000 (or the equivalent in Canadian dollars) of common shares from treasury to the public from time to time, at the Company's discretion, at the prevailing market price when issued on the Toronto Stock Exchange, the New York Stock Exchange ("NYSE") or any other existing trading market for the common shares of the Company in Canada or the United States.

During the six months ended June 30, 2023, the Company did not issue common shares under the ATM Program. As of August 9, 2023, the Company has issued, since the inception of its initial ATM Program in 2019, a cumulative total of 36,814,536 common shares at an average price of \$15.00 per share for gross proceeds of \$551,086 (\$544,295 net of commissions). Other related costs, primarily related to the establishment and subsequent re-establishments of the ATM Program, were \$4,843.

Algonquin Power & Utilities Corp.

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(in thousands of U.S. dollars, except as noted and per share amounts)

10. Shareholders' capital (continued)

(a) Common shares (continued)

Dividend reinvestment plan

The Company has a common shareholder dividend reinvestment plan, which, when the plan is active, provides an opportunity for holders of AQN's common shares who reside in Canada, the United States, or, subject to AQN's consent, other jurisdictions, to reinvest the cash dividends paid on their common shares in additional common shares which, at AQN's election, are either purchased on the open market or newly issued from treasury. Effective March 3, 2022, common shares purchased under the plan were issued at a 3% discount (previously at 5%) to the prevailing market price (as determined in accordance with the terms of the plan). During the six months ended June 30, 2023, AQN issued 4,370,289 common shares under the dividend reinvestment plan. Effective March 16, 2023, AQN suspended the dividend reinvestment plan. Dividends will only be paid in cash while the reinvestment plan is suspended.

(b) Share-based compensation

For the three and six months ended June 30, 2023, AQN recorded \$3,199 and \$3,895 (2022 - \$3,860 and \$3,495 respectively) in total share-based compensation expense. The compensation expense is recorded with operating expenses in the unaudited interim consolidated statements of operations. The portion of share-based compensation costs capitalized as cost of construction is insignificant.

As of June 30, 2023, total unrecognized compensation costs related to non-vested share-based awards were \$39,515 and are expected to be recognized over a period of 2.27 years

Share option plan

During the six months ended June 30, 2023, the Board of Directors of the Company (the "Board") approved the grant of 1,368,744 options to executives of the Company. The options allow for the purchase of common shares at a weighted average price of C\$10.76, the market price of the underlying common shares at the date of grant. One-third of the options vest on each of December 31, 2023, 2024 and 2025. The options may be exercised up to eight years following the date of grant.

The following assumptions were used in determining the fair value of share options granted:

	2023
Risk-free interest rate	3.4 %
Expected volatility	27 %
Expected dividend yield	8.6 %
Expected life	5.50 years
Weighted average grant date fair value per option	C\$1.04

Performance and restricted share units

During the six months ended June 30, 2023, a total of 2,349,180 performance share units ("PSUs") and restricted share units ("RSUs") were granted to employees of the Company. The awards vest based on the terms of each agreement ranging from February 2023 to January 2025. During the six months ended June 30, 2023, the Company settled 661,570 PSUs and RSUs in exchange for 331,038 common shares issued from treasury, and 330,532 PSUs and RSUs were settled at their cash value as payment for tax withholding related to the settlement of the awards.

During the six months ended June 30, 2023, the Company settled 52,379 bonus deferral RSUs in exchange for 23,678 common shares issued from treasury, and 28,701 RSUs were settled at their cash value as payment for tax withholding related to the settlement of the awards. During the six months ended June 30, 2023, 72,155 bonus deferral RSUs were granted to employees of the Company. The RSUs are 100% vested.

Directors' deferred share units

During the six months ended June 30, 2023, 85,637 deferred share units ("DSUs") were issued pursuant to the election by Directors of the Company to defer a percentage of their directors' fee in the form of DSUs.

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*(in thousands of U.S. dollars, except as noted and per share amounts)***11. Accumulated other comprehensive income (loss)**

AOCI consists of the following balances, net of tax:

	Foreign currency cumulative translation	Unrealized gain (loss) on cash flow hedges	Pension and post- employment actuarial changes	Total
Balance, January 1, 2022	\$ (76,615)	\$ (3,514)	\$ 8,452	\$ (71,677)
OCI	(18,013)	(128,838)	23,722	(123,129)
Amounts reclassified from AOCI to the unaudited interim consolidated statements of operations	(5,489)	34,543	4,039	33,093
Net current period OCI	\$ (23,502)	\$ (94,295)	\$ 27,761	\$ (90,036)
OCI attributable to the non-controlling interests	1,650	—	—	1,650
Net current period OCI attributable to shareholders of AQN	(21,852)	(94,295)	27,761	(88,386)
Balance, December 31, 2022	\$ (98,467)	\$ (97,809)	\$ 36,213	\$ (160,063)
OCI	16,343	52,435	—	68,778
Amounts reclassified from AOCI to the unaudited interim consolidated statements of operations	(788)	1,851	(1,303)	(240)
Net current period OCI	\$ 15,555	\$ 54,286	\$ (1,303)	\$ 68,538
OCI attributable to the non-controlling interests	(212)	—	—	(212)
Net current period OCI attributable to shareholders of AQN	\$ 15,343	\$ 54,286	\$ (1,303)	\$ 68,326
Balance, June 30, 2023	\$ (83,124)	\$ (43,523)	\$ 34,910	\$ (91,737)

Amounts reclassified from AOCI for foreign currency cumulative translation affected derivative gain (loss); those for unrealized gain (loss) on cash flow hedges affected revenue from non-regulated energy sales, interest expense and derivative gain (loss); while those for pension and other post-employment actuarial changes affected pension and other post-employment non-service costs.

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12. Dividends

All dividends of the Company are made on a discretionary basis as determined by the Board. The Company declares and pays the dividends on its common shares in U.S. dollars. Dividends declared were as follows:

	Three months ended June 30			
	2023		2022	
	Dividend	Dividend per share	Dividend	Dividend per share
Common shares	\$ 75,379	\$ 0.1085	\$ 122,636	\$ 0.1808
Series A preferred shares	C\$ 1,549	C\$ 0.3226	C\$ 1,549	C\$ 0.3226
Series D preferred shares	C\$ 1,273	C\$ 0.3182	C\$ 1,273	C\$ 0.3182

	Six months ended June 30			
	2023		2022	
	Dividend	Dividend per share	Dividend	Dividend per share
Common shares	\$ 150,765	\$ 0.2170	\$ 238,209	\$ 0.3514
Series A preferred shares	C\$ 3,097	C\$ 0.6453	C\$ 3,097	C\$ 0.6453
Series D preferred shares	C\$ 2,546	C\$ 0.6364	C\$ 2,546	C\$ 0.6364

13. Related party transactions

(a) Equity-method investments

The Company provides administrative and development services to its equity-method investees and is reimbursed for incurred costs. To that effect, during the three and six months ended June 30, 2023, the Company charged its equity-method investees \$12,773 and \$42,074, respectively (2022 - \$26,547 and \$33,960, respectively). Additionally, Liberty Development JV Inc. (note 6(a)), an equity-investee of the Company, provides development services to the Company on specified projects, for which it earns a development fee upon reaching certain milestones. However, during the three and six months ended June 30, 2023 and June 30, 2022, no such development fees were charged to the Company.

Subsequent to quarter-end, on July 5, 2023, the Company provided a \$35,000 non-interest-bearing loan to Liberty Development JV Inc. The joint venture used these funds to return equity to its shareholders through which the Company received \$17,500.

(b) Redeemable non-controlling interest held by related party

Liberty Development Energy Solutions (note 6(a)), an equity investee of the Company, has a secured credit facility in the amount of \$306,500 maturing on January 26, 2024. It is collateralized through a pledge of Atlantica Sustainable Infrastructure plc ("Atlantica") ordinary shares. A collateral shortfall would occur if the net obligation as defined in the agreement would equal or exceed 50% of the market value of such Atlantica shares, in which case the lenders would have the right to sell Atlantica shares to eliminate the collateral shortfall. The Liberty Development Energy Solutions secured credit facility is repayable on demand if Atlantica ceases to be a public company or if certain other events are announced or completed that could restrict AY Holdings' ability to sell or transfer its Atlantica ordinary shares. Liberty Development Energy Solutions has a preference share ownership in AY Holdings, which AQN reflects as redeemable non-controlling interest held by related party. Redemption is not considered probable as of June 30, 2023. During the three and six months ended June 30, 2023, the Company incurred non-controlling interest attributable to Liberty Development Energy Solutions of \$6,348 and \$12,399, respectively (2022 - \$3,086 and \$5,661, respectively) and recorded distributions of \$6,302 and \$12,300, respectively (2022 - \$2,820 and \$5,404, respectively).

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Notes to the Unaudited Interim Consolidated Financial Statements

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*(in thousands of U.S. dollars, except as noted and per share amounts)***13. Related party transactions (continued)**

(c) Non-controlling interest held by related party

Non-controlling interest held by related party represents an interest in a consolidated subsidiary of the Company, acquired by Atlantica Yield Energy Solutions Canada Inc. ("AYES Canada") in May 2019 for \$96,752 (C\$130,103) and an interest in Algonquin (AY Holdco) B.V., a consolidated subsidiary of the Company, acquired by Liberty Development JV Inc. in November 2021 for \$39,376. During the three and six months ended June 30, 2023, the Company recorded distributions of \$4,921 and \$10,979, respectively (2022 - \$5,534 and \$12,956, respectively).

The above related party transactions have been recorded at the exchange amounts agreed to by the parties to the transactions.

14. Non-controlling interests and redeemable non-controlling interests

Net effect attributable to non-controlling interests consists of the following:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
HLBV and other adjustments attributable to:				
Non-controlling interests - tax equity partnership units	\$ 25,172	\$ 31,100	\$ 59,743	\$ 71,961
Non-controlling interests - redeemable tax equity partnership units	331	1,337	662	2,936
Other net loss attributable to:				
Non-controlling interests	(10,064)	(416)	(18,387)	(1,934)
	\$ 15,439	\$ 32,021	\$ 42,018	\$ 72,963
Redeemable non-controlling interest, held by related party	(6,349)	(3,086)	(12,399)	(5,661)
Net effect of non-controlling interests	\$ 9,090	\$ 28,935	\$ 29,619	\$ 67,302

The non-controlling tax equity investors ("tax equity partnership units") in the Company's U.S. wind power and solar power generating facilities are entitled to allocations of earnings, tax attributes and cash flows in accordance with contractual agreements. The share of earnings attributable to the non-controlling interest holders in these subsidiaries is calculated using the Hypothetical Liquidation at Book Value ("HLBV") method of accounting.

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15. Income taxes

For the three and six months ended June 30, 2023, the income tax recovery in the unaudited interim consolidated statements of operations represents an effective tax rate different than the Canadian enacted statutory rate of 26.5%. The differences are as follows:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Expected income tax recovery at Canadian statutory rate	\$ (84,596)	\$ (22,562)	\$ (11,903)	\$ (6,119)
Increase (decrease) resulting from:				
Effect of differences in tax rates on transactions in and within foreign jurisdictions and change in tax rates	(5,560)	(6,562)	(16,718)	(19,039)
Adjustments from investments carried at fair value	40,357	17,216	11,092	18,229
Change in valuation allowance	676	(1,582)	(791)	(1,731)
Non-controlling interests share of income	2,201	4,587	12,393	15,640
Acquisition-related state deferred tax adjustments	—	—	—	7,600
Tax credits	(8,095)	(11,992)	(20,505)	(22,023)
Amortization and settlement of excess deferred income tax	(2,456)	(2,296)	(6,207)	(6,329)
Other	1,515	372	1,382	405
Income tax recovery	\$ (55,958)	\$ (22,819)	\$ (31,257)	\$ (13,367)

The following table illustrates the movement in the deferred tax valuation allowance:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Beginning balance	\$ 97,396	\$ 28,959	\$ 107,583	\$ 27,470
Charged to income tax recovery	676	(1,582)	(791)	(1,731)
Charged (reduction) to OCI	(6,418)	2,664	(15,138)	4,302
Reductions to other accounts	—	(211)	—	(211)
Ending balance	\$ 91,654	\$ 29,830	\$ 91,654	\$ 29,830

16. Other net losses

Other net losses (gains) consist of the following:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Acquisition and transition-related costs	\$ —	\$ 2,315	\$ —	\$ 3,940
Kentucky termination costs (a)	43,808	3,535	46,527	4,075
Acquisition-related settlement payment (b)	(11,983)	—	(11,983)	—
Other	8,542	2,802	9,285	5,367
	\$ 40,367	\$ 8,652	\$ 43,829	\$ 13,382

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*(in thousands of U.S. dollars, except as noted and per share amounts)***16. Other net losses (continued)**

(a) Kentucky termination costs

The loss related to the termination of the Kentucky Power Transaction includes \$38,795 for the write-off of capitalized costs which are primarily related to the implementation of an enterprise software solution. The remaining amount relates to the transaction costs, severance costs, and other termination costs.

(b) Acquisition-related settlement payment

During the period, the Company received \$12,814 as an acquisition-related settlement payment in connection with the Suralis (formerly called ESSAL) acquisition. The Company also incurred legal fees of \$831 in relation to this settlement.

17. Basic and diluted net earnings (loss) per share

Basic and diluted earnings (loss) per share have been calculated on the basis of net earnings (loss) attributable to the common shareholders of the Company and the weighted average number of common shares and bonus deferral restricted share units outstanding. Diluted net earnings (loss) per share is computed using the weighted-average number of common shares, additional shares issued subsequent to quarter-end under the dividend reinvestment plan, and, if dilutive, potential incremental common shares related to the convertible debentures or resulting from the application of the treasury stock method to the Green Equity Units (note 7) and the weighted average number of outstanding share options, PSUs, RSUs and DSUs outstanding during the period.

The reconciliation of the net earnings (loss) and the weighted average shares used in the computation of basic and diluted earnings (loss) per share are as follows:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Net earnings (loss) attributable to shareholders of AQN	(253,231)	(33,387)	\$ 16,908	\$ 57,578
Series A preferred shares dividend	1,142	1,219	2,290	2,437
Series D preferred shares dividend	938	1,001	1,882	2,003
Net earnings (loss) attributable to common shareholders of AQN – basic and diluted	\$ (255,311)	\$ (35,607)	\$ 12,736	\$ 53,138
Weighted average number of shares				
Basic	687,847,010	674,742,897	688,277,615	674,720,319
Effect of dilutive securities	—	—	2,127,104	3,046,590
Diluted	687,847,010	674,742,897	690,404,719	677,766,909

This calculation of diluted shares excludes the potential impact of the Green Equity Units and all potential incremental shares that may become issuable pursuant to outstanding securities of the Company for the three months ended June 30, 2023 and 6,350,530 securities for the six months ended June 30, 2023 as they are anti-dilutive. This calculation of diluted shares for the six months ended June 30, 2022 excludes the potential impact of 1,134,711 securities, as they are anti-dilutive.

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

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18. Segmented information

The Company is managed under two primary business units consisting of the Regulated Services Group and the Renewable Energy Group. The two business units are the two segments of the Company.

The Regulated Services Group, the Company's regulated operating unit, owns and operates a portfolio of electric, natural gas, water distribution and wastewater collection utility systems and transmission operations in the United States, Canada, Bermuda and Chile; the Renewable Energy Group, the Company's non-regulated operating unit, owns and operates a diversified portfolio of renewable and thermal electric generation assets in North America and internationally.

On May 11, 2023, the Company announced that its Board of Directors had initiated a strategic review of the Renewable Energy Group. On August 10, 2023, the Company announced that it will pursue a sale of the Renewable Energy Group.

For purposes of evaluating the performance of the business units, the Company allocates the realized portion of any gains or losses on financial instruments to the specific business units. Dividend income from Atlantica and AYES Canada is included in the operations of the Renewable Energy Group, while interest income from San Antonio Water System is included in the operations of the Regulated Services Group. Equity method gains and losses are included in the operations of the Regulated Services Group or Renewable Energy Group based on the nature of the activities of the investees. The change in value of investments carried at fair value, unrealized portion of any gains or losses on derivative instruments not designated in a hedging relationship and foreign exchange gains and losses are not considered in management's evaluation of divisional performance and are, therefore, allocated and reported under corporate.

	Three months ended June 30, 2023			
	Regulated Services Group	Renewable Energy Group	Corporate	Total
Revenue ⁽¹⁾⁽²⁾	\$ 532,233	\$ 71,694	\$ —	\$ 603,927
Other revenue	14,200	9,380	364	23,944
Fuel, power and water purchased	138,374	3,782	—	142,156
Net revenue	408,059	77,292	364	485,715
Operating expenses (recovery)	213,891	27,737	(146)	241,482
Administrative expenses	13,548	11,044	1,100	25,692
Depreciation and amortization	84,754	33,291	403	118,448
Loss on foreign exchange	—	—	6,379	6,379
Operating income (loss)	95,866	5,220	(7,372)	93,714
Interest expense	(42,724)	(16,420)	(30,519)	(89,663)
Income (loss) from long-term investments	9,332	26,259	(313,287)	(277,696)
Other expenses	(41,010)	(1,197)	(2,427)	(44,634)
Earnings (loss) before income taxes	\$ 21,464	\$ 13,862	\$ (353,605)	\$ (318,279)
Capital expenditures	\$ 225,505	\$ 19,704	\$ —	\$ 245,209

⁽¹⁾ Renewable Energy Group revenue includes \$4,328 related to net hedging gain from energy derivative contracts and availability credits for the three months ended June 30, 2023 that do not represent revenue recognized from contracts with customers.

⁽²⁾ Regulated Services Group revenue includes \$9,083 related to alternative revenue programs for the three months ended June 30, 2023 that do not represent revenue recognized from contracts with customers.

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June 30, 2023 and 2022

*(in thousands of U.S. dollars, except as noted and per share amounts)***18. Segmented information (continued)**

	Three months ended June 30, 2022			
	Regulated Services Group	Renewable Energy Group	Corporate	Total
Revenue ⁽¹⁾⁽²⁾	\$ 507,095	\$ 92,141	\$ —	\$ 599,236
Other revenue	12,559	7,208	382	20,149
Fuel, power and water purchased	159,256	9,646	—	168,902
Net revenue	360,398	89,703	382	450,483
Operating expenses	179,258	27,053	19	206,330
Administrative expenses	10,966	8,510	631	20,107
Depreciation and amortization	76,228	36,057	262	112,547
Loss on foreign exchange	—	—	4,464	4,464
Operating income (loss)	93,946	18,083	(4,994)	107,035
Interest expense	(23,860)	(14,862)	(25,851)	(64,573)
Income (loss) from long-term investments	5,265	26,675	(145,320)	(113,380)
Other expenses	(2,898)	(4,723)	(6,602)	(14,223)
Earnings (loss) before income taxes	\$ 72,453	\$ 25,173	\$ (182,767)	\$ (85,141)
Capital expenditures	\$ 179,878	\$ 67,660	\$ —	\$ 247,538

⁽¹⁾ Renewable Energy Group revenue includes \$25,062 related to net hedging loss from energy derivative contracts and availability credits for the three months ended June 30, 2022 that do not represent revenue recognized from contracts with customers.

⁽²⁾ Regulated Services Group revenue includes \$8,811 related to alternative revenue programs for the three months ended June 30, 2022 that do not represent revenue recognized from contracts with customers.

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18. Segmented information (continued)

	Six months ended June 30, 2023			
	Regulated Services Group	Renewable Energy Group	Corporate	Total
Revenue ⁽¹⁾⁽²⁾	1,206,394	150,410	\$ —	\$ 1,356,804
Other revenue	28,218	20,751	725	49,694
Fuel, power and water purchased	405,524	11,588	—	417,112
Net revenue	829,088	159,573	725	989,386
Operating expenses	401,315	60,447	7	461,769
Administrative expenses	21,873	18,474	3,178	43,525
Depreciation and amortization	170,611	68,836	642	240,089
Loss on foreign exchange	—	—	7,815	7,815
Operating income (loss)	235,289	11,816	(10,917)	236,188
Interest expense	(81,202)	(31,315)	(59,064)	(171,581)
Income (loss) from long-term investments	19,660	59,526	(136,870)	(57,684)
Other expenses	(45,259)	(1,197)	(4,435)	(50,891)
Earnings (loss) before income taxes	\$ 128,488	\$ 38,830	\$ (211,286)	\$ (43,968)
Capital expenditures	372,886	42,072	—	414,958
	June 30, 2023			
Property, plant and equipment	\$ 8,757,413	\$ 3,550,202	\$ 29,316	\$ 12,336,931
Investments carried at fair value	1,799	1,211,919	—	1,213,718
Equity-method investees	57,586	322,141	8,789	388,516
Total assets	12,247,694	5,401,782	319,237	17,968,713

⁽¹⁾ Renewable Energy Group revenue includes \$11,527 related to net hedging gain from energy derivative contracts and availability credits for the six months ended June 30, 2023 that do not represent revenue recognized from contracts with customers.

⁽²⁾ Regulated Services Group revenue includes \$12,789 related to alternative revenue programs for the six months ended June 30, 2023 that do not represent revenue recognized from contracts with customers.

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June 30, 2023 and 2022

(in thousands of U.S. dollars, except as noted and per share amounts)
18. Segmented information (continued)

	Six months ended June 30, 2022			
	Regulated Services Group	Renewable Energy Group	Corporate	Total
Revenue ⁽¹⁾⁽²⁾	\$ 1,129,854	\$ 177,901	\$ —	\$ 1,307,755
Other revenue	27,547	16,552	768	44,867
Fuel, power and water purchased	393,828	22,585	—	416,413
Net revenue	763,573	171,868	768	936,209
Operating expenses	363,667	54,643	22	418,332
Administrative expenses	19,036	16,055	2,468	37,559
Depreciation and amortization	156,511	75,474	526	232,511
Loss on foreign exchange	—	—	4,726	4,726
	224,359	25,696	(6,974)	243,081
Gain on sale of renewable assets	—	1,200	—	1,200
Operating income (loss)	224,359	26,896	(6,974)	244,281
Interest expense	(45,286)	(30,575)	(46,655)	(122,516)
Income (loss) from long-term investments	9,774	54,301	(188,144)	(124,069)
Other expenses	(7,786)	(4,978)	(8,023)	(20,787)
Earnings (loss) before income taxes	\$ 181,061	\$ 45,644	\$ (249,796)	\$ (23,091)
Capital expenditures	435,463	139,774	—	575,237
	December 31, 2022			
Property, plant and equipment	\$ 8,554,938	\$ 3,360,687	\$ 29,260	\$11,944,885
Investments carried at fair value	1,984	1,342,223	—	1,344,207
Equity-method investees	56,199	310,103	15,500	381,802
Total assets	12,109,575	5,251,933	266,105	17,627,613

⁽¹⁾ Renewable Energy Group revenue includes \$29,892 related to net hedging loss from energy derivative contracts and availability credits for the six months ended June 30, 2022 that do not represent revenue recognized from contracts with customers.

⁽²⁾ Regulated Services Group revenue includes \$15,089 related to alternative revenue programs for the six months ended June 30, 2022 that do not represent revenue recognized from contracts with customers.

The majority of non-regulated energy sales are earned from contracts with large public utilities. The Company has sought to mitigate its credit risk by selling energy to large utilities in various North American locations. None of the utilities contribute more than 10% of total revenue.

AQN operates in the independent power and utility industries in the United States, Canada and other regions. Information on operations by geographic area is as follows:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Revenue				
United States	\$ 503,777	\$ 492,373	\$ 1,144,201	\$1,091,246
Canada	37,788	41,397	90,916	95,232
Other regions	86,306	85,615	171,381	166,144
	\$ 627,871	\$ 619,385	\$ 1,406,498	\$1,352,622

Revenue is attributed to the regions based on the location of the underlying generating and utility facilities.

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19. Commitments and contingencies

(a) Contingencies

AQN and its subsidiaries are involved in various claims and litigation arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider AQN's exposure to such litigation to be material to these unaudited interim consolidated financial statements. Accruals for any contingencies related to these items are recorded in the unaudited interim consolidated financial statements at the time it is concluded that their occurrence is probable and the related liability is estimable.

Mountain View Fire

On November 17, 2020, a wildfire now known as the Mountain View Fire occurred in the territory of Liberty Utilities (CalPeco Electric) LLC ("Liberty CalPeco"). The cause of the fire remains under investigation, and CAL FIRE has not yet released its final report. There are currently 17 active lawsuits that name certain subsidiaries of the Company as defendants in connection with the Mountain View Fire, as well as one non-litigation claim brought by the U.S. Department of Agriculture seeking reimbursement for alleged fire suppression costs. Twelve lawsuits are brought by groups of individual plaintiffs alleging causes of action including negligence, inverse condemnation, nuisance, trespass, and violations of Cal. Pub. Util. Code 2106 and Cal. Health and Safety Code 13007 (one of these twelve lawsuits also alleges the wrongful death of an individual and various subrogation claims on behalf of insurance companies). In another lawsuit, County of Mono, Antelope Valley Fire Protection District, and Bridgeport Indian Colony allege similar causes of action and seek damages for fire suppression costs, law enforcement costs, property and infrastructure damage, and other costs. In four other lawsuits, insurance companies allege inverse condemnation and negligence and seek recovery of amounts paid and to be paid to their insureds. The likelihood of success in these lawsuits cannot be reasonably predicted. Liberty CalPeco intends to vigorously defend them. The Company has wildfire liability insurance that is expected to apply up to applicable policy limits.

(b) Commitments

In addition to the commitments related to the development projects disclosed in note 6, the following significant commitments exist as of June 30, 2023.

AQN has outstanding purchase commitments for power purchases, natural gas supply and service agreements, service agreements, capital project commitments and land easements. Detailed below are estimates of future commitments under these arrangements:

	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter	Total
Power purchase ⁽¹⁾	\$ 83,606	\$ 47,603	\$ 29,461	\$ 12,397	\$ 12,643	\$ 136,244	\$ 321,954
Natural gas supply and service agreements ⁽²⁾	93,739	92,102	51,456	38,265	33,088	171,141	479,791
Service agreements	73,974	61,943	58,602	48,070	50,529	285,567	578,685
Capital projects	16,537	—	—	—	—	—	16,537
Land easements and others	13,967	14,159	14,344	14,514	14,693	500,830	572,507
Total	\$281,823	\$215,807	\$153,863	\$113,246	\$110,953	\$1,093,782	\$1,969,474

(1) Power purchase: AQN's electric distribution facilities have commitments to purchase physical quantities of power for load serving requirements. The commitment amounts included in the table above are based on market prices as at June 30, 2023. However, the effects of purchased power unit cost adjustments are mitigated through a purchased power rate-adjustment mechanism.

(2) Natural gas supply and service agreements: AQN's gas distribution facilities and thermal generation facilities have commitments to purchase physical quantities of natural gas under contracts for purposes of load serving requirements and of generating power.

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*(in thousands of U.S. dollars, except as noted and per share amounts)***20. Non-cash operating items**

The changes in non-cash operating items consist of the following:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Accounts receivable	\$ 21,450	\$ (8,641)	\$ 35,213	\$ (49,253)
Fuel and natural gas in storage	(12,837)	(23,362)	19,657	(7,128)
Supplies and consumables inventory	(11,678)	(3,006)	(22,454)	(10,775)
Income taxes recoverable	5,134	(861)	5,683	2,071
Prepaid expenses	13,231	(5,203)	6,183	(12,553)
Accounts payable	71,253	48,424	18,033	26,759
Accrued liabilities	38,215	(22,585)	(88,895)	30,711
Current income tax liability	(1,039)	(1,350)	2,563	853
Asset retirements and environmental obligations	363	(10,855)	(706)	(11,354)
Net regulatory assets and liabilities	(11,712)	(9,201)	(28,633)	(54,119)
	\$ 112,380	\$ (36,640)	\$ (53,356)	\$ (84,788)

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21. Financial instruments

(a) Fair value of financial instruments

June 30, 2023	Carrying amount	Fair value	Level 1	Level 2	Level 3
Long-term investments carried at fair value	\$ 1,213,718	\$ 1,213,718	\$ 1,149,505	\$ —	\$ 64,213
Development loans and other receivables	98,313	91,547	—	91,547	—
Derivative instruments:					
Commodity contracts for regulatory operations	139	139	—	139	—
Interest rate swaps designated as a hedge	65,711	65,711	—	65,711	—
Interest rate cap not designated as hedge	3,490	3,490	—	3,490	—
Congestion revenue rights not designated as hedge	7,757	7,757	—	—	7,757
Cross-currency swap designated as a net investment hedge	464	464	—	464	—
Total derivative instruments	77,561	77,561	—	69,804	7,757
Total financial assets	\$ 1,389,592	\$ 1,382,826	\$ 1,149,505	\$ 161,351	\$ 71,970
Long-term debt	\$ 8,083,147	\$ 7,528,421	\$ 2,716,700	\$ 4,811,721	\$ —
Notes payable to related party	25,808	15,188	—	15,188	—
Convertible debentures	238	285	285	—	—
Preferred shares, Series C	12,067	11,943	—	11,943	—
Derivative instruments:					
Energy contracts designated as a cash flow hedge	64,370	64,370	—	—	64,370
Energy contracts not designated as hedge	11,515	11,515	—	—	11,515
Cross-currency swap designated as a net investment hedge	15,550	15,550	—	15,550	—
Cross-currency swap designated as a cash flow hedge	9,736	9,736	—	9,736	—
Commodity contracts for regulated operations	1,441	1,441	—	1,441	—
Total derivative instruments	102,612	102,612	—	26,727	75,885
Total financial liabilities	\$ 8,223,872	\$ 7,658,449	\$ 2,716,985	\$ 4,865,579	\$ 75,885

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(in thousands of U.S. dollars, except as noted and per share amounts)
21. Financial instruments (continued)

(a) Fair value of financial instruments (continued)

December 31, 2022	Carrying amount	Fair value	Level 1	Level 2	Level 3
Long-term investments carried at fair value	\$ 1,344,207	\$ 1,344,221	\$ 1,270,138	\$ —	\$ 74,083
Development loans and other receivables	53,680	50,300	—	50,300	—
Derivative instruments:					
Energy contracts not designated as hedge	393	393	—	—	393
Interest rate swap designated as a hedge	69,188	69,188	—	69,188	—
Currency forward contract not designated as a hedge	2,659	2,659	—	2,659	—
Congestion revenue rights not designated as hedge	10,110	10,110	—	—	10,110
Cross-currency swap designated as a net investment hedge	1,267	1,267	—	1,267	—
Commodity contracts for regulated operations	283	283	—	283	—
Total derivative instruments	83,900	83,900	—	73,397	10,503
Total financial assets	\$ 1,481,787	\$ 1,478,421	\$ 1,270,138	\$ 123,697	\$ 84,586
Long-term debt	\$ 7,512,017	\$ 6,699,031	\$ 2,623,628	\$ 4,075,403	—
Notes payable to related party	25,808	15,180	—	15,180	—
Convertible debentures	245	276	276	—	—
Preferred shares, Series C	12,072	11,675	—	11,675	—
Derivative instruments:					
Energy contracts designated as a cash flow hedge	120,284	120,284	—	—	120,284
Energy contracts not designated as hedge	8,617	8,617	—	—	8,617
Cross-currency swap designated as a net investment hedge	24,371	24,371	—	24,371	—
Cross-currency swap designated as a cash flow hedge	15,435	15,435	—	15,435	—
Commodity contracts for regulated operations	1,614	1,614	—	1,614	—
Total derivative instruments	170,321	170,321	—	41,420	128,901
Total financial liabilities	\$ 7,720,463	\$ 6,896,483	\$ 2,623,904	\$ 4,143,678	\$ 128,901

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

June 30, 2023 and 2022

(in thousands of U.S. dollars, except as noted and per share amounts)

21. Financial instruments (continued)

(a) Fair value of financial instruments (continued)

The Company has determined that the carrying value of its short-term financial assets and liabilities approximates fair value as of June 30, 2023 and December 31, 2022 due to the short-term maturity of these instruments.

The fair value of the investment in Atlantica (level 1) is measured at the closing price on the NASDAQ stock exchange.

The fair value of development loans and other receivables (level 2) is determined using a discounted cash flow method, using estimated current market rates for similar instruments adjusted for estimated credit risk as determined by management.

The Company's level 1 fair value of long-term debt is measured at the closing price on the NYSE and the over-the-counter closing price. The Company's level 2 fair value of long-term debt at fixed interest rates and Series C preferred shares has been determined using a discounted cash flow method and current interest rates. The Company's level 2 fair value of convertible debentures has been determined as the greater of their face value and the quoted value of AQN's common shares on a converted basis.

The Company's level 2 fair value derivative instruments primarily consist of swaps, options, rights, subscription agreements and forward physical derivatives where market data for pricing inputs are observable. Level 2 pricing inputs are obtained from various market indices and utilize discounting based on quoted interest rate curves, which are observable in the marketplace.

The Company's level 3 instruments consist of energy contracts for electricity sales, congestion revenue rights ("CRRs") and the Company's investment in AYES Canada. The significant unobservable inputs used in the fair value measurement of energy contracts are the internally developed forward market prices ranging from \$24.27 to \$73.20 with a weighted average of \$35.79 as of June 30, 2023. The weighted average forward market prices are developed based on the quantity of energy expected to be sold monthly and the expected forward price during that month. The change in the fair value of the energy contracts is detailed in notes 21(b)(ii) and 21(b)(iv). The significant unobservable inputs used in the fair value measurement of CRRs are recent CRR auction prices ranging from \$nil to \$23.98 with a weighted average of \$5.04 as of June 30, 2023. The significant unobservable inputs used in the fair value measurement of the Company's AYES Canada investment are the expected cash flows, the discount rates applied to these cash flows ranging from 7.81% to 8.31% with a weighted average of 8.12%, and the expected volatility of Atlantica's share price ranging from 26.99% to 34.89% as of June 30, 2023. Significant increases (decreases) in expected cash flows or increases (decreases) in discount rate in isolation would have resulted in a significantly lower (higher) fair value measurement.

(b) Derivative instruments

Derivative instruments are recognized on the unaudited interim consolidated balance sheets as either assets or liabilities and measured at fair value at each reporting period.

(i) Commodity derivatives – regulated accounting

The Company uses derivative financial instruments to reduce the cash flow variability associated with the purchase price for a portion of future natural gas purchases associated with its regulated natural gas and electric service territories. The Company's strategy is to minimize fluctuations in natural gas sale prices to regulated customers. As at June 30, 2023, the commodity volume, in dekatherms, associated with the above derivative contracts was 2,755,733.

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

June 30, 2023 and 2022

*(in thousands of U.S. dollars, except as noted and per share amounts)***21. Financial instruments (continued)**

(b) Derivative instruments (continued)

(i) Commodity derivatives – regulated accounting (continued)

The accounting for these derivative instruments is subject to guidance for rate regulated enterprises. Most of the gains or losses on the settlement of these contracts are included in the calculation of the fuel and commodity cost adjustments (note 5). As a result, the changes in fair value of these natural gas derivative contracts and their offsetting adjustment to regulatory assets and liabilities had no earnings impact.

(ii) Cash flow hedges

The Company has sought to reduce the price risk on the expected future sale of power generation at the Sandy Ridge, Senate, Minonk, and Sugar Creek Wind Facilities by entering into the following long-term energy derivative contracts.

Notional quantity (MW-hrs)	Expiry	Receive average prices (per MW-hr)	Pay floating price (per MW-hr)
3,772,462	September 2030	\$25.00	Illinois Hub
404,612	December 2028	\$29.00	PJM Western HUB
1,707,551	December 2027	\$22.00	NI HUB
1,471,065	December 2027	\$36.00	ERCOT North HUB

The Company is party to two interest rate swap contracts as cash flow hedges to mitigate the risk that interest rates will increase over the life of certain term loan facilities. Under the terms of the interest rate swap contracts, the Company has fixed its interest rate expense on such term loan facilities. The fair value of the derivative on the designation date is amortized into earnings over the remaining life of the contract.

The Company is party to a forward-starting interest rate swap in order to reduce the interest rate risk related to the quarterly interest payments between July 1, 2024 and July 1, 2029 on the \$350,000 subordinated unsecured notes. The Company designated the entire notional amount of the pay-variable and receive-fixed interest rate swaps as a hedge of the future quarterly variable-rate interest payments associated with the subordinated unsecured notes.

In January 2022, the Company entered into a cross-currency interest rate swap, coterminous with the Canadian Notes, to effectively convert the C\$400,000 Canadian Offering into U.S. dollars. The change in the carrying amount of the Canadian Notes due to changes in spot exchange rates is recognized each period in the unaudited interim consolidated statements of operations as loss (gain) on foreign exchange. The Company designated the entire notional amount of the cross-currency fixed-for-fixed interest rate swap as a hedge of the foreign currency exposure related to cash flows for the interest and principal repayments on the Canadian Notes. An offsetting portion of the AOCI balance related to changes in fair value of the cross-currency fixed-for-fixed interest rate swap attributable to changes in the spot exchange rates is also immediately reclassified into the unaudited interim consolidated statements of operations as an offsetting loss (gain) on foreign exchange.

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

June 30, 2023 and 2022

(in thousands of U.S. dollars, except as noted and per share amounts)

21. Financial instruments (continued)

(b) Derivative instruments (continued)

(ii) Cash flow hedges (continued)

The following table summarizes OCI attributable to derivative financial instruments designated as a cash flow hedge:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Effective portion of cash flow hedge	\$ 29,949	\$ (20,298)	\$ 52,435	\$ (81,852)
Amortization of cash flow hedge	(1,421)	(3,828)	(4,908)	(3,992)
Amounts reclassified from AOCI	7,893	11,247	6,759	14,079
OCI attributable to shareholders of AQN	\$ 36,421	\$ (12,879)	\$ 54,286	\$ (71,765)

The Company expects \$19,722 of unrealized losses currently in AOCI to be reclassified, net of taxes into non-regulated energy sales, investment loss, interest expense and derivative gains, within the next 12 months, as the underlying hedged transactions settle.

(iii) Foreign exchange hedge of net investment in foreign operation

The functional currency of most of AQN's operations is the U.S. dollar. The Company designates obligations denominated in Canadian dollars as a hedge of the foreign currency exposure of its net investment in its Canadian investments and subsidiaries. The related foreign currency transaction gain or loss designated as, and effective as, a hedge of the net investment in a foreign operation is reported in the same manner as the translation adjustment (in OCI) related to the net investment. A foreign currency loss of \$9,629 and \$9,638 for the three and six months ended June 30, 2023, respectively (2022 - gain of \$395 and \$220, respectively) was recorded in OCI.

On May 23, 2019, the Company entered into a cross-currency swap, coterminous with the subordinated unsecured notes, to effectively convert the \$350,000 U.S.-dollar-denominated offering into Canadian dollars. The change in the carrying amount of the notes due to changes in spot exchange rates was recognized each period in the unaudited interim consolidated statements of operations as loss (gain) on foreign exchange. The Company designated the entire notional amount of the cross-currency fixed-for-fixed interest rate swap as a hedge of the foreign currency exposure related to cash flows for the interest and principal repayments on the notes. Upon the change in functional currency of AQN to the U.S. dollar on January 1, 2020, this hedge was dedesignated. The Company redesignated this swap as a hedge of AQN's net investment in its Canadian subsidiaries. The related foreign currency transaction gain or loss designated as a hedge of the net investment in a foreign operation is reported in the same manner as the translation adjustment (in OCI) related to the net investment. The fair value of the derivative on the redesignation date will be amortized over the remaining life of the original hedge. A foreign currency loss of \$6,942 and \$7,009 for the three and six months ended June 30, 2023, respectively (2022 - gain of \$14,929 and \$10,697, respectively) was recorded in OCI.

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

June 30, 2023 and 2022

(in thousands of U.S. dollars, except as noted and per share amounts)

21. Financial instruments (continued)

(b) Derivative instruments (continued)

(iii) Foreign exchange hedge of net investment in foreign operation (continued)

Canadian operations

The Company is exposed to currency fluctuations from its Canadian-based operations. AQN seeks to manage this risk primarily through the use of natural hedges by using Canadian long-term debt to finance its Canadian operations and a combination of foreign exchange forward contracts and spot purchases.

The Company's Canadian operations are determined to have the Canadian dollar as their functional currency and are exposed to currency fluctuations from their U.S. dollar transactions. The Company designates obligations denominated in U.S. dollars as a hedge of the foreign currency exposure of its net investment in its U.S. investments and subsidiaries. The related foreign currency transaction gain or loss designated as, and effective as, a hedge of the net investment in a foreign operation is reported in the same manner as the translation adjustment (in OCI) related to the net investment. A foreign currency gain of \$2,924 and \$2,801 for the three and six months ended June 30, 2023, respectively (2022 - loss of \$2,149 and \$2,544) was recorded in OCI.

The Company is party to a C\$300,000 fixed-for-fixed cross-currency interest rate swap to effectively convert Canadian dollar debentures into U.S. dollars. In February 2022, the Company settled the related cross-currency swap related to its C\$200,000 debenture that was repaid. The Company designated the entire notional amount of the cross-currency interest rate swap and related short-term U.S. dollar payables created by the monthly accruals of the swap settlement as a hedge of the foreign currency exposure of its net investment in the Company's U.S. operations. The gain or loss related to the fair value changes of the swap and the related foreign currency gains and losses on the U.S. dollar accruals that are designated as, and are effective as, a hedge of the net investment in a foreign operation are reported in the same manner as the translation adjustment (in OCI) related to the net investment. A gain of \$3,967 and \$4,348 for the three and six months ended June 30, 2023, respectively (2022 - loss of \$8,132 and \$6,080, respectively) was recorded in OCI.

The Company is party to a fixed-for-fixed cross-currency interest rate swap to effectively convert the C\$400,000 Canadian-dollar-denominated debentures into U.S. dollars. The Renewable Energy Group designated the entire notional amount of the cross-currency interest rate swap and related short-term U.S. dollar payables created by the monthly accruals of the swap settlement as a hedge of the foreign currency exposure of its net investment in the Company's U.S. operations. The gain or loss related to the fair value changes of the swap and the related foreign currency gains and losses on the U.S. dollar accruals that are designated as, and are effective as, a hedge of the net investment in a foreign operation are reported in the same manner as the translation adjustment (in OCI) related to the net investment. A gain of C\$4,975 and C\$4,987 for the three and six months ended June 30, 2023, respectively (2022 - loss of \$8,439 and \$14,252, respectively) was recorded in OCI.

Chilean operations

The Company is exposed to currency fluctuations from its Chilean-based operations. The Company's Chilean operations are determined to have the Chilean peso as their functional currency. Chilean long-term debt used to finance the operations is denominated in Chilean Unidad de Fomento.

(iv) Other derivatives and risk management

In the normal course of business, the Company is exposed to financial risks that potentially impact its operating results. The Company employs risk management strategies with a view to mitigating these risks to the extent possible on a cost-effective basis. Derivative financial instruments are used to manage certain exposures to fluctuations in exchange rates, interest rates and commodity prices. The Company does not enter into derivative financial agreements for speculative purposes. For derivatives that are not designated as hedges, the changes in the fair value are immediately recognized in earnings.

The Company seeks to mitigate the volatility of energy congestion charges at the ERCOT transmission grid by entering into CRRs, which as of June 30, 2023 had a notional quantity of 919,014 MW-hours at prices ranging from \$0.64 per MW-hr to \$19.06 per MW-hr with a weighted average of \$5.97 per MW-hr for April 2023 to April 2025. These CRRs are not designated as an accounting hedge.

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

June 30, 2023 and 2022

(in thousands of U.S. dollars, except as noted and per share amounts)

21. Financial instruments (continued)

(b) Derivative instruments (continued)

(iv) Other derivatives and risk management (continued)

The Company is party to an interest rate cap agreement in the amount of C\$390,000 for the period between January 15, 2023 and January 15, 2024. The Company was party to an interest rate swap to mitigate the interest rate risk related to debt at its Blue Hill Wind Facility. The contract was novated upon the sale of the Blue Hill Wind Facility in 2022. The loss recognized on the derivative was recorded as a reduction of the gain on sale of renewable assets on the unaudited interim consolidated statements of operations.

The Company mitigates the price risk on the expected future sale of power generation of one of its solar facilities through a long-term energy derivative contract with a notional quantity of 388,170 MW-hours, a price of \$25.15 per MW-hr and expiring in August 2030 as an economic hedge to the price of energy sales. The derivative contract is not designated as an accounting hedge.

The effects on the unaudited interim consolidated statements of operations of derivative financial instruments not designated as hedges consist of the following:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Unrealized gain (loss) on derivative financial instruments:				
Interest rate swaps	\$ —	\$ (4,680)	\$ —	\$ (4,680)
Energy derivative contracts	84	(2,352)	62	(3,103)
Commodity contracts	—	—	1,128	—
	\$ 84	\$ (7,032)	\$ 1,190	\$ (7,783)
Realized gain (loss) on derivative financial instruments:				
Energy derivative contracts	(1,537)	(157)	(3,830)	149
	\$ (1,537)	\$ (157)	\$ (3,830)	\$ 149
Loss on derivative financial instruments not accounted for as hedges	(1,453)	(7,189)	(2,640)	(7,634)
Amortization of AOCI gains frozen as a result of hedge dedesignation	997	1,054	1,994	1,750
	\$ (456)	\$ (6,135)	\$ (646)	\$ (5,884)
Unaudited interim consolidated statements of operations classification:				
Gain (loss) on derivative financial instruments	\$ 1,039	\$ (3,313)	\$ 3,205	\$ (2,569)
Non-regulated energy sales	(1,495)	(2,822)	(3,851)	(3,315)
	\$ (456)	\$ (6,135)	\$ (646)	\$ (5,884)

Algonquin Power & Utilities Corp.

Notes to the Unaudited Interim Consolidated Financial Statements

June 30, 2023 and 2022

(in thousands of U.S. dollars, except as noted and per share amounts)

21. Financial instruments (continued)

(c) Supplier financing programs

In the normal course of business, the Company enters into supplier financing programs under which the suppliers can voluntarily elect to sell their receivables. The Company agrees to pay, on the invoice maturity date, the stated amount of the invoices that the Company has confirmed through the execution of bills of exchange. The terms of the trade payable arrangement are consistent with customary industry practice and are not impacted by the supplier's decision to sell amounts under these arrangements. As of June 30, 2023, accounts payable include confirmed invoices from designated suppliers of \$63,328 (December 31, 2022 - \$16,785).

22. Comparative figures

Certain of the comparative figures have been reclassified to conform to the unaudited interim consolidated financial statement presentation adopted in the current period.

Notes











Algonquin's leadership

Directors



Kenneth Moore,
Chair of the Board
Managing Partner,
NewPoint Capital
Partners Inc.



**Melissa Stapleton
Barnes,**
Former Senior Vice
President, Enterprise
Risk Management
and Chief Ethics and
Compliance Officer,
Eli Lilly and Company



Ameer Chande,
Former Chief
Commercial Officer,
Waymo



Dan Goldberg,
President and Chief
Executive Officer,
Telesat Corp.



Chris Huskison,
Interim
Chief Executive Officer,
Algonquin Power &
Utilities Corp.

Former President and
Chief Executive Officer,
Emera Inc.



D. Randy Laney,
Former Chairman
of the Board,
The Empire District
Electric Company



Masheed Saidi,
Former Executive
Vice President and
Chief Operating Officer,
U.S. Transmission,
National Grid USA



Dilek Samil,
Former Executive
Vice President and
Chief Operating Officer,
NV Energy

Executive Management Team



Chris Huskison,
Interim
Chief Executive Officer



Darren Myers,
Chief Financial
Officer



Helen Bremner,
Executive Vice
President, Strategy
and Sustainability



**Anthony (Johnny)
Johnston,**
Chief Operating
Officer



Jeffery Norman,
Chief Development
Officer



Kirsten Olsen,
Chief Human
Resources Officer



Mary Ellen Paravalos,
Chief Compliance
and Risk Officer



Colin Penny,
Executive Vice
President,
IT and Digital
Transformation



Jennifer Tindale,
Chief Legal Officer

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Canadian Transfer Agent:

TSX Trust Company (Canada)
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Canada M5H 1S3

Auditors:

Ernst & Young LLP
Toronto, Ontario

The Toronto Stock Exchange:

AQN, AQN.PR.A, AQN.PR.D

U.S. Transfer Agent:

AST American Stock Transfer
& Trust Company, LLC
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Brooklyn, New York 11219

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