

The Power of Connection.

Annual Report


2020





**NORTHLAND
POWER**

The Power of Connection.



La Lucha Solar
installation to begin
full operation in 2021

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**NORTHLAND
POWER**

Northland Power is an independent power producer. We develop, build, own and operate sustainable infrastructure assets that produce electricity from clean burning natural gas and renewable resources such as wind, solar and biomass. Our goal is to be a leading supplier of clean, green energy while providing a sustainable and prosperous future for all stakeholders. We aim to increase shareholder value by creating high-quality projects underpinned by revenue contracts that deliver predictable cash flows.

Letter to Shareholders

Dear fellow shareholders,

We hope this letter finds you in good health. It's impossible to summarize 2020 without starting with the COVID pandemic.

In response to the pandemic, we convened our crisis response team and activated our crisis response plans at all of our sites and offices around the world.

We curtailed business travel and ensured that anyone who was not required on site to operate our facilities worked from home, supported by frequent virtual town halls, training sessions and interactive activities to ensure they felt connected and supported.

As an essential service, our facilities and job sites remained fully functional during the pandemic, and we implemented a number of measures to ensure a safe working environment while keeping our facilities operational.

We would like to acknowledge and thank our employees whose professionalism and commitment to our business has been exceptional during these challenging times. We know that, as an essential service, we have a responsibility to ensure that we continue to produce and provide energy under the most difficult circumstances. Our teams stepped up to ensure that our facilities continued to operate safely and with high level of availability, delivering the energy and power that our customers need.

Despite this challenging environment, 2020 was another positive year for Northland. We are proud to have been able to grow our team and our business – and support our communities during a time of so much uncertainty.

We achieved strong performance across our operations, increased our global footprint through additional development projects in Asia, Europe and the United States, and positioned the company to embark on its next growth chapter. We grew our adjusted EBITDA to a record \$1.17 billion, a gain of 19% from 2019. Our free cash flow per share, at \$ 1.73 per share, saw a modest decline of 2% from 2019.

(continued on page 4)

Letter to Shareholders (Cont'd)

We also achieved some significant milestones in 2020.

- EBSA: we closed the acquisition in early January and began the process of incorporating EBSA into the Northland family.
- Deutsche Bucht: In late March, we marked the official end of construction and start of operations, making it Northland's third offshore wind project in operations.
- La Lucha: In the face of challenges from the pandemic, construction continued at our solar project in Mexico; while COVID delayed the project's original completion timeline, the project is on firm track to achieve commercial operations in the first half of 2021.
- New York Wind: Our portfolio of development projects grew with the acquisition of three onshore wind project in New York State. With a combined operating capacity of approximately 300 megawatts (MW), these projects represent our first investment into the United States as part of our objective of securing 1.0 gigawatt (**GW**) of operating capacity in that country.

We continue to be in strong shape financially and are taking advantage of our financial position and of the opportunities in the marketplace to further enhance our growth opportunities, such as our most recent announcement, the Baltic Power offshore wind project. In late January 2021, we announced the acquisition of a 49% interest in the Baltic Power offshore wind project located off the coast of Poland in the Baltic Sea with productive capacity of up to 1,200 MW. The project will be developed with our partner PKN ORLEN and provides us the opportunity to deliver further returns for our shareholders over the longer term.

Strategic Focus

Our growth over the past 34 years has enabled us to establish ourselves as a pre-eminent global player in the renewable power sector with assets across three continents. We continue to create shareholder value by leveraging our expertise and early mover advantage to secure, develop and operate high-quality, sustainable projects supported by long-term revenue contracts that deliver predictable cash flows.

Offshore Wind

Offshore wind is projected to grow faster than solar or onshore wind in the coming decade as new markets for such projects open up around the world. We consider our offshore wind capabilities and talent to be key assets both in developing new projects and in securing new partnerships such as the recently announced partnership with PKN ORLEN. As a global developer with extensive expertise in developing offshore wind projects, Northland is strategically positioned as a top ten global offshore wind owner and developer to participate in the decarbonization of global electricity grids that will occur over the next five to ten years. With over 1.2 GW of gross offshore wind operating capacity and an additional 4-5 GW of gross capacity of identified projects under development, we are growing our global portfolio and significantly increasing our market share. In fact, once commercially operational, these projects have the potential to more than double our adjusted EBITDA from current levels.

Onshore Renewables

We are also targeting new opportunities in onshore renewables, utilities and transmission as well as establishing a position in renewable fuels and energy storage. Our development teams continue to source opportunities in new technologies and new jurisdictions that are seeking increased energy independence, reductions in CO2 emissions and overall sustainability. These activities are a natural complement to our offshore wind development, as they can achieve commercial operations within a shorter time period, thus providing the cash flows to help the development of larger offshore wind projects.

1.2
Billion

2020 Adjusted EBITDA

Letter to Shareholders (Cont'd)

ESG and Sustainability

We have been owner/operators of renewable infrastructure assets for 34 years and are committed to creating renewable and clean energy projects that have a lasting, positive impact on our communities. Sustainability is embedded in our investing and operating activities and is essential to our ability to safely and reliably deliver the energy people need while delivering long-term economic value to our shareholders. Our commitment to community includes engaging with our communities and partners early and often throughout the development and operation of our assets and creating partnerships with local communities and Indigenous groups where appropriate. We work to create opportunities for the communities in which we operate and support these same communities during times of need.

We recognize that COVID has impacted the most vulnerable members of our communities and we were fortunate to be in a position to be able to give back. We donated more than \$750,000 to organizations around the globe that are doing on-the-ground service and health care provision in local communities wherever we have an office, facility or project. These funds went towards social service agencies, community food banks, support for frontline health workers in the local community.

In 2021, we will advance our Environment, Social and Governance (ESG) initiatives by further integrating ESG into everyday activities, while enhancing our reporting on material ESG issues for stakeholders. These activities align with Northland's ESG mission of helping develop a carbon-free world.

We recognize that COVID impacted the most vulnerable members of our communities and we were fortunate to be in a position to be able to give back. We donated more than \$750,000 to organizations around the globe that are doing on the ground service and health care provision

Acknowledgments

We also want to acknowledge an end of an era at Northland. James C. Temerty C.M., who Co-Founded Northland in 1987, retired from Northland’s Board of Directors at the end of January, after a very successful 34-years with the Company. Mr. Temerty’s vision and entrepreneurial drive were instrumental in creating and shaping Northland’s foundation and direction, leading to the Company becoming a pre-eminent global player in the renewable power sector. We wish him and his wife, Louise, who has also been a mainstay of the Company, good health and great happiness.

On a final note, on behalf of our employees and directors, we would like to express our sincerest appreciation to our shareholders for the confidence you continue to demonstrate while we pursue our growth objectives. Thank you for your continued support and we look forward to updating you on our progress in 2021.



Hai Long beach
clean up

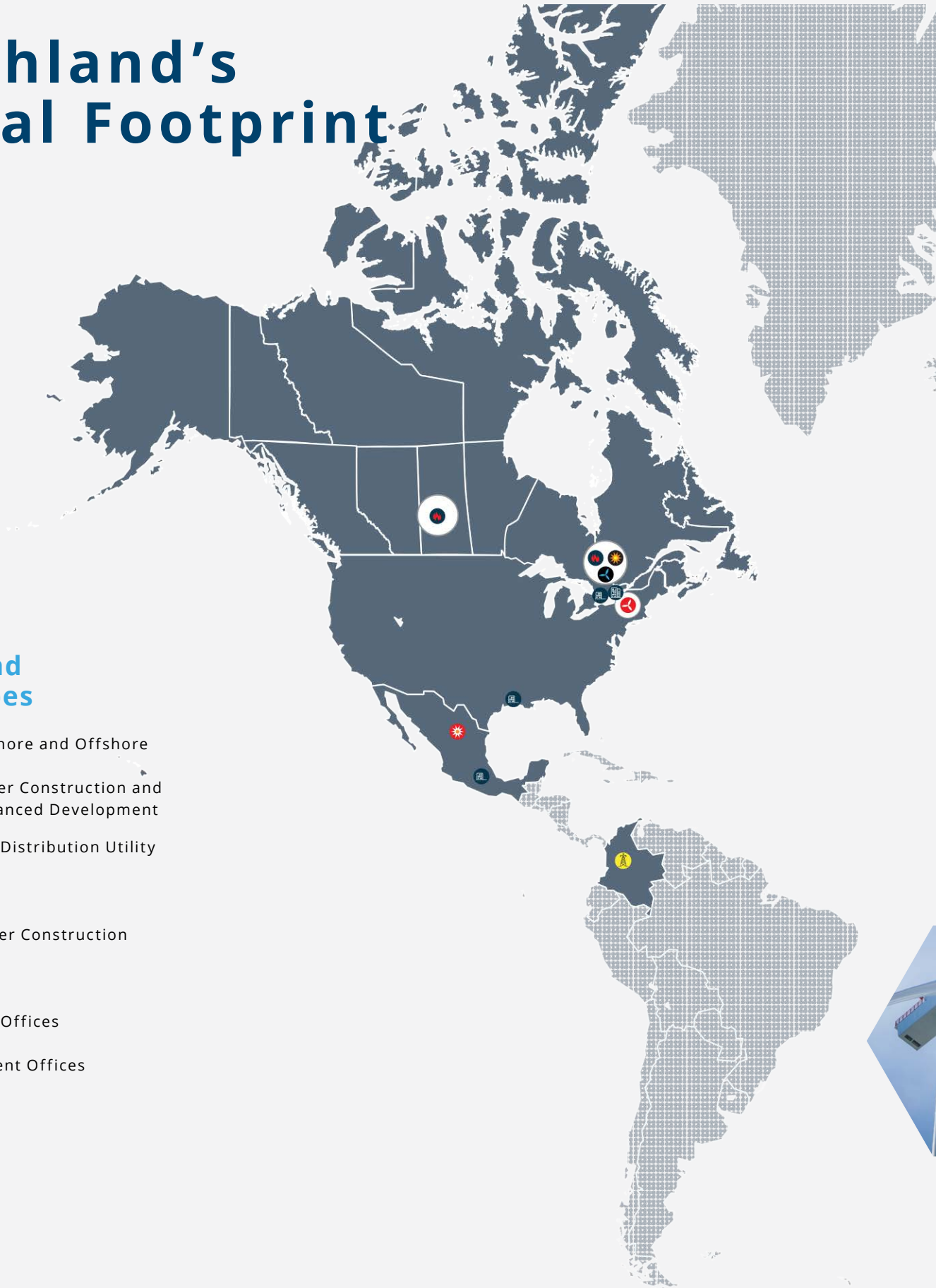


John Brace
Director and
Chair of the Board



Mike Crawley
President and
Chief Executive Officer

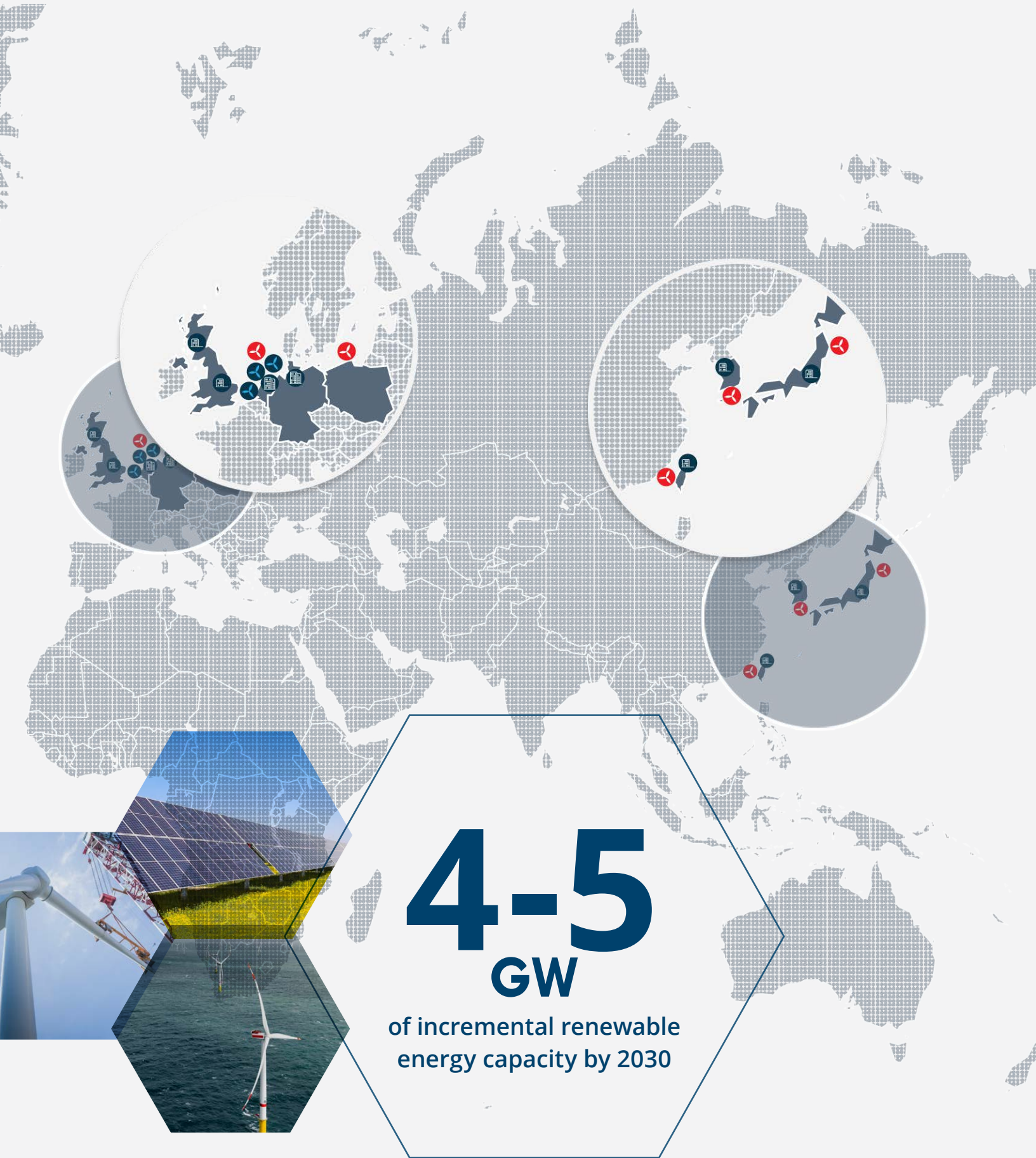
Northland's Global Footprint



Facility and Office Types

-  Wind: Onshore and Offshore
-  Wind: Under Construction and Advanced Development
-  Electricity Distribution Utility
-  Solar
-  Solar: Under Construction
-  Thermal
-  Corporate Offices
-  Development Offices





4-5
GW

of incremental renewable
energy capacity by 2030

Management’s Discussion and Analysis of Northland Power’s Financial Position and Operating Results

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SECTION 1: OVERVIEW

Introduction

The purpose of this Management's Discussion and Analysis ("MD&A") is to explain the financial results of Northland Power Inc. ("Northland" or the "Company") and to assist the reader in understanding the nature and importance of changes and trends as well as the risks and uncertainties that may affect the operating results and financial position of the Company. This MD&A should be read in conjunction with Northland's audited consolidated financial statements for the years ended December 31, 2020 and 2019 and Northland's most recent Annual Information Form ("2020 AIF"). This information is available on SEDAR at www.sedar.com and on Northland's website at northlandpower.com.

This MD&A, dated February 22, 2021, compares Northland's financial results and financial position for the year ended December 31, 2020, with those for the year ended December 31, 2019. Certain prior period disclosures have been reclassified for consistency with the current period presentation. Northland's Audit Committee reviewed this MD&A and the associated audited consolidated financial statements and notes, and its Board of Directors approved these documents prior to their release.

All dollar amounts set out herein are in thousands of Canadian dollars, unless otherwise stated.

Forward-Looking Statements

This MD&A contains forward-looking statements that are based on certain estimates and assumptions that were considered reasonable on February 22, 2021; actual results may differ materially. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans. Readers are cautioned that such statements may not be appropriate for other purposes. Northland's actual results could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, the events anticipated by the forward-looking statements may or may not transpire or occur. Forward-looking statements are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects," "anticipates," "plans," "predicts," "believes," "estimates," "intends," "targets," "projects," "forecasts" or negative versions thereof and other similar expressions or future or conditional verbs such as "may," "will," "should," "would" and "could." These statements may include, without limitation, statements regarding future Adjusted EBITDA, Free Cash Flow, dividend payments and dividend payout ratios; the construction, completion, attainment of commercial operations, cost and output of development projects; litigation claims; plans for raising capital; and the future operations, business, financial condition, financial results, priorities, ongoing objectives, strategies and outlook of Northland and its subsidiaries. These statements are based upon certain material factors or assumptions that were applied in developing the forward-looking statements, including the design specifications of development projects, the provisions of contracts to which Northland or a subsidiary is a party, management's current plans and its perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. Forward-looking statements are subject to numerous risks and uncertainties, which include, but are not limited to, revenue contracts, impact of COVID-19 pandemic, counterparty risks, contractual operating performance, variability of revenue from generating facilities powered by intermittent renewable resources, offshore wind concentration, natural gas and power market risks, operational risks, recovery of utility operating costs, permitting, construction risks, project development risks, acquisition risks, financing risks, interest rate and refinancing risks, liquidity risk, credit rating risk, currency fluctuation risk, variability of cash flow and potential impact on dividends, taxation, natural events, environmental risks, health and worker safety risks, market compliance risk, government regulations and policy risks, utility rate regulation risks, international activities, reliance on information technology, labour relations, reputational risk, insurance risk, risks relating to co-ownership, bribery and corruption risk, legal contingencies, and the other factors described in this MD&A and the 2020 AIF. Other than as specifically required by law, Northland undertakes no obligation to update any forward-looking statements to reflect events or circumstances after such date or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Non-IFRS Financial Measures

This MD&A includes references to the Company's adjusted earnings before interest, income taxes, depreciation and amortization ("**Adjusted EBITDA**"), Free Cash Flow, Adjusted Free Cash flow and applicable payout ratios and per share amounts, measures not prescribed by International Financial Reporting Standards (**IFRS**), and therefore do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. Non-IFRS financial measures are presented at Northland's share of underlying operations. These measures should not be considered alternatives to net income (loss), cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Rather, these measures are provided to complement IFRS measures in the analysis of Northland's results of operations from management's perspective. Management believes that Northland's non-IFRS financial measures and applicable payout ratio and per share amounts are widely accepted and understood financial indicators used by investors and securities analysts to assess the performance of a company, including its ability to generate cash through operations. For reconciliations of these non-IFRS financial measures to their nearest IFRS measure, refer to *SECTION 5.5: Adjusted EBITDA* for a reconciliation of consolidated net income (loss) under IFRS to reported Adjusted EBITDA and *SECTION 5.6: Free Cash Flow and Adjusted Free Cash Flow* for a reconciliation of cash provided by operating activities under IFRS to reported Free Cash Flow and Adjusted Free Cash Flow.

Adjusted EBITDA

Adjusted EBITDA represents core operating performance of the business excluding leverage, income tax and non-core accounting items. Adjusted EBITDA is calculated as Northland's share of net income (loss) adjusted for the provision for (recovery of) income taxes; depreciation of property, plant and equipment; amortization of contracts and other intangible assets; net finance costs; interest income from Gemini; fair value (gain) loss on derivative contracts; unrealized foreign exchange (gain) loss; (gain) loss on sale of development assets; equity accounting; costs attributable to an asset or business acquisition and other adjustments as appropriate, such as management and incentive fees earned by Northland from non-wholly owned assets. For clarity, Northland's Adjusted EBITDA reflects a reduction for its share of general and administrative costs during development and construction that do not qualify for capitalization.

Management believes Adjusted EBITDA is a meaningful measure of Northland's operating performance because it excludes certain items included in the calculation of net income (loss) that may not be appropriate determinants of long-term operating performance.

Free Cash Flow

Free Cash flow represents the cash generated from the business that management believes is representative of cash available to pay dividends, while preserving the long-term value of the business. Free Cash Flow is calculated as Northland's share of cash provided by operating activities adjusted for short-term changes in operating working capital; non-expansionary capital expenditures; interest incurred on outstanding debt; scheduled principal repayments and upfinancings; major maintenance and debt reserves; interest income from Northland's subordinated loan to Gemini; proceeds from government grants; preferred share dividends; net proceeds from sale of development assets; and other adjustments as appropriate, including, but not limited to, lease payments. Free Cash Flow excludes pre-completion revenue required to service debt and related operating costs for projects under construction and excludes costs attributable to an asset or business acquisition.

For clarity, Northland's Free Cash Flow reflects a reduction for expenditures on development activities until an advanced project qualifies for capitalization under IFRS. Free cash flow for EBSA includes proceeds from ongoing planned debt upsizing in excess of expansionary capital expenditures. Where Northland controls the distribution policy of its investments, Free Cash Flow reflects Northland's share of the investment's underlying Free Cash Flow, otherwise, Northland includes the cash distributions received from the investment. Free Cash Flow from foreign operations is translated to Canadian dollars at the exchange rate Northland realizes on cash distributions.

Management believes Free Cash Flow is a meaningful measure of Northland's ability to generate cash flow, after on-going obligations, to fund dividend payments.

Adjusted Free Cash Flow (Free Cash Flow excluding growth expenditures)

Commencing with the 2020 Annual Report, Northland is introducing Adjusted Free Cash Flow, a new supplementary non-IFRS Free Cash Flow measure, and associated per share amounts and payout ratios. Adjusted Free Cash Flow is calculated by excluding growth-related expenditures from Free Cash Flow. Management believes this measure provides a relevant presentation of cash flow generated from the business before investment-related decisions (refer to *SECTION 5.3: Growth Expenditures* for additional information). Management believes Adjusted Free Cash Flow is a meaningful measure of Northland's ability to generate cash flow, after on-going obligations, to reinvest in growth and fund dividend payments.

The Free Cash Flow and adjusted payout ratios, calculated using Free Cash Flow and Adjusted Free Cash Flow, respectively, demonstrate the proportion of the respective measure paid as dividends, whether in cash, or in shares under Northland's dividend reinvestment plan (**DRIP**). The net payout ratios indicate the proportion of Free Cash Flow paid as cash dividends. The payout ratios generally reflect Northland's ability to fund growth-related expenditures and sustain dividends.

SECTION 2: STRATEGY AND KEY FACTORS SUPPORTING SUSTAINABLE PERFORMANCE

Business Objective

Northland's primary objective is to provide its shareholders with sustainable dividends and share value growth from the successful management of its assets, businesses and investments related to the production, delivery and sale of energy-related products.

Vision

Northland's vision is to be a top clean and green developer, owner, constructor and operator of sustainable infrastructure assets, inspiring its people to achieve a sustainable and prosperous future for all of its stakeholders.

Business Strategy

Northland's business strategy is centered on establishing a significant global presence as a sustainable power provider. Northland aims to increase shareholder value by leveraging its expertise and early mover advantage in relevant markets to create and operate high-quality, sustainable projects supported by revenue contracts that deliver predictable cash flows. Northland leverages its operational knowledge and the application of appropriate technology to enhance operational performance, with the goal of reducing the impact of energy usage on the environment. Northland aims to inspire its people to achieve excellence by embracing and living Northland's values on a daily basis.

To successfully execute its strategy, Northland must excel in each of the following strategic objectives:

(i) Winning Business

The global shift to renewable energy is creating opportunities based on favourable government policies aimed at sustainability, energy security and reducing greenhouse gas emissions. Northland is well positioned through its regional development offices to capture development opportunities that should help facilitate the global advancement of renewable energy targets. Northland develops, constructs, and operates sustainable infrastructure projects across a range of clean and green technologies, such as wind (offshore and onshore), solar as well as supplying energy through a regulated utility. Northland is focused on pursuing renewable growth opportunities in jurisdictions that meet Northland's risk management criteria such as North America, Europe, Latin America and Asia. Northland manages its development processes prudently by regularly balancing the probability of success against associated costs and risks.

(ii) Building Facilities

Northland aims to increase shareholder value by creating high-quality projects designed for the intended purpose of earning income from revenue contracts. Northland exercises judgment, discipline and acumen in its construction activities to ensure maximum success. Northland's successful record of project execution results from these core strengths and contributes to consistent investor returns.

(iii) Operating Facilities

A core element of Northland's strategy is the optimization of revenues and predetermined costs through revenue contracts with creditworthy counterparties. For renewable power generation facilities, Northland does not incur an associated cost of sales, and generally enters into long-term operating and maintenance (**O&M**) contracts with leading service providers at predetermined rates. For the efficient natural gas generation facilities, the key terms of operating facilities' long-term power purchase agreements (**PPA**) and fuel supply contracts are aligned such that revenues and cost escalations are substantially linked for each facility. Northland's utility asset operates under a regulatory framework with the vast majority of revenue derived from its regulated methodology, which provides its with substantially fixed remuneration and pass-through of major costs to customers. This approach provides largely predictable operating income and cash flow, while ensuring ongoing environmental sustainability and the health and safety of stakeholders.

Northland's management attempts to maximize sustainable returns through a focus on efficient and effective facility operations; longer-term asset management; and structuring sales supply and maintenance agreements to maximize revenues, while carefully managing risk. Opportunities to maximize returns beyond the contract terms are routinely sought and achieved.

With a commitment to continuous improvement, Northland's operations group shares its experiences with the development, engineering and construction groups on an ongoing basis, to ensure all knowledge gained is factored into the development and construction of any new projects Northland undertakes.

(iv) Organizational Effectiveness

Underpinning Northland's strategy is a focus on strong management of key corporate functions such as: human resources and talent management; construction; health and safety; finance and accounting; management information systems and communications. Management recognizes that a commitment to organizational effectiveness is an essential component of Northland's long-term success and continued growth.

SECTION 3: NORTHLAND'S OPERATING FACILITIES

As of December 31, 2020, Northland owns or has a net economic interest in 2,266 megawatts (MW) of power-producing facilities with a total operating capacity of approximately 2,681 MW. Northland's power-producing facilities produce electricity from clean energy sources for sale primarily under long-term PPAs or other revenue arrangements with creditworthy customers. Northland's utility is a distributor and retailer of electricity compensated under a regulated framework. Northland's operating assets provide stable cash flow and are located in Canada, Germany, the Netherlands and Colombia. Refer to the 2020 AIF for additional information on Northland's operating facilities as of December 31, 2020.

Northland's MD&A and audited consolidated financial statements include the results of its operating facilities, the most significant of which are presented below:

	Year of Commercial Operations or Acquisition	Geographic region ⁽¹⁾	Economic interest ⁽²⁾	Gross Production Capacity (MW)	Net Production Capacity (MW)
Offshore Wind					
Gemini	2017	The Netherlands	60%	600	360
Nordsee One	2017	Germany	85%	332	282
Deutsche Bucht	2020	Germany	100%	252	252
Efficient Natural Gas					
Iroquois Falls	1997	Ontario	100%	120	120
Kingston	1997	Ontario	100%	110	110
Kirkland Lake ⁽³⁾	1993	Ontario	77%	132	102
North Battleford	2013	Saskatchewan	100%	260	260
Spy Hill	2011	Saskatchewan	100%	86	86
Thorold	2010	Ontario	100%	265	265
Onshore Renewable					
Cochrane	2015	Ontario	63%	40	25
Grand Bend	2016	Ontario	50%	100	50
Jardin	2009	Québec	100%	133	133
McLean's	2014	Ontario	50%	60	30
Mont Louis	2011	Québec	100%	101	101
Solar	2014	Ontario	100%	90	90
Utility					
EBSA	2020	Colombia	99%	n/a	n/a
Total				2,681	2,266

(1) Operating efficient natural gas and onshore renewable facilities are located in Canada.

(2) As at December 31, 2020, Northland's economic interest was unchanged from December 31, 2019, with the exception of EBSA, which Northland acquired on January 14, 2020. EBSA's results are consolidated in Northland's financial results effective on the acquisition date.

(3) Northland indirectly controls 100% of the voting interest of Kirkland Lake, while third-parties have non-voting ownership interests. Northland's effective net economic interest in Kirkland Lake is approximately 77%.

SECTION 4: CONSOLIDATED HIGHLIGHTS

4.1: Significant Events

Significant events during 2020 and through the date of this MD&A are described below.

Business Update

The COVID-19 pandemic (“**COVID-19**”) has had significant effects across global economies and sectors, including reduced power demand within the renewable energy sector. Each of Northland’s operating facilities are deemed to be essential infrastructure and, as such, operations have continued uninterrupted to date. Accordingly, management has taken prudent and comprehensive measures to safeguard the health and well-being of all employees, contractors as well as host communities. All of Northland’s facilities continue to operate as expected and preventative measures remain in place in accordance with Northland’s crisis response plans and applicable local government directives. Management continues to actively monitor the situation, which remains uncertain, and may take further actions as required or recommended by authorities.

While the vast majority of Northland’s revenues are contracted under long-term agreements with creditworthy counterparties, there is some, yet limited, exposure to the wholesale market price of electricity at the offshore wind facilities. Refer to *5.1: Operating Results* for additional information.

Management believes Northland continues to have sufficient liquidity available to limit the impact of COVID-19. As at December 31, 2020, Northland had access to \$559 million of cash and liquidity, comprising \$491 million of liquidity available under a syndicated revolving facility and \$68 million of corporate cash on hand. Refer to *SECTION 13: FINANCIAL RISKS AND UNCERTAINTIES* for additional information on risks associated with COVID-19.

Retirement of James C. Temerty, C.M.

Effective January 31, 2021, James C. Temerty C.M. retired from Northland’s Board of Directors. Mr. Temerty co-founded Northland in 1987 and served as a director of Northland since its initial listing in the public markets in 1997 and served as Chair of Northland until December 2019. Under Mr. Temerty’s leadership, Northland grew from a regional Canadian power producer to a global player in the renewable power sector with assets across four continents. The genesis of Northland was rooted in Mr. Temerty’s vision to make the world a better place, which he continues to achieve through his generous philanthropic activities.

Baltic Power, Polish Offshore Wind Project Acquisition

On January 29, 2021, Northland announced it had entered into an agreement with PKN ORLEN S.A. (“**PKN ORLEN**”) to acquire (subject to regulatory approvals and customary closing conditions) 49% interest in an offshore wind project in the Baltic Sea (“**Baltic Power**”). Baltic Power is a mid-development stage project located approximately 23 kilometers offshore from Poland’s coast in the Baltic Sea with a total capacity of up to 1,200 MW. The project, which has secured its location permit, filed its environmental permit application in mid-2020 and signed its grid connection agreement, will allow Northland to capitalize on the growth in renewable energy demand in a growing Central European market. Inclusive of the purchase price, Northland expects to invest approximately PLN 290 million (\$100 million) towards the Baltic Power development in 2021, including both growth expenditures and amounts expected to be capitalized on acquisition. Closing is expected in early 2021. Refer to *SECTION 9: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES* for additional information.

New York Onshore Wind Project Update

In the third quarter of 2020, Northland expanded its North American portfolio with its entry into the U.S. renewables market through the closing of the acquisition of three onshore wind projects in New York State (“**NY Wind**”) with a total gross capacity of approximately 300 MW. The acquisition of NY Wind is a continuation of Northland’s long-standing strategy of early entry into a project and leveraging its experience and expertise in onshore wind to execute its first investment into the U.S. renewable energy sector. The project positions Northland to actively participate in the growing renewables market in New York State, which is expected to grow by 26 GW by 2030. As a result of the achievement of certain milestones, Northland commenced capitalization of associated development costs in the fourth quarter of 2020 in accordance with IFRS. In February 2021, Northland received contract price offers from the New York State Energy Research and Development Authority (“**NYSERDA**”) for 20-year indexed renewable energy credits (**REC**) offtake contracts for NY Wind.

Preferred Shares Series 1 Rate Reset

On August 31, 2020, Northland announced the fixed quarterly dividends on the cumulative rate reset preferred shares, series 1 (“**Series 1 Preferred Shares**”) will be payable at an annual rate of 3.2% (\$0.2001 per share per quarter) until September 29, 2025.

NP Energía, Mexican Qualified Supplier Acquisition

In the second quarter of 2020, as part of its development strategy in Mexico and to facilitate securing off-take agreements for La Lucha, Northland completed the acquisition of NP Energía, which holds a Qualified Supplier license in Mexico. NP Energía allows Northland a more direct path to market for Northland’s generation projects, including La Lucha.

Northland Reinstates the Treasury Dividend Reinvestment Plan

In August 2020, Northland announced a change to the discount rate applicable to its DRIP, whereby common shareholders may elect to reinvest their dividends in common shares of Northland, to a 3% discount, from the previous 0% discount. Additionally, Northland elected to issue shares from treasury for purposes of the DRIP, but continues to reserve the right to source shares through market purchases. This change was effective with the dividend payment on September 15, 2020, to shareholders of record on August 31, 2020. The net result has been a reinvestment of cash dividends into Northland, thus contributing to the funding of growth initiatives.

EBSA, Colombian Regulated Power Distribution Utility Acquisition

In July 2020, Northland finalized the purchase price for its acquisition of a 99.2% interest in a power distribution utility, Empresa de Energía de Boyacá (“**EBSA**”), in Colombia for a total purchase price of COP 2,530 billion (\$1,007 million) including existing debt of COP 550 billion (\$219 million) (the “**EBSA Acquisition**”). Pursuant to the share purchase agreement, the purchase price had been subject to post-closing adjustments following a review of the final tariff resolution by the Colombian regulator in respect of EBSA’s rate structure. In the fourth quarter, EBSA completed an offer to minority shareholders to repurchase their shares of EBSA, as a result of which, Northland effectively now owns 99.4% of EBSA. Refer to *SECTION 9: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES* for additional information.

EBSA Financing

In June 2020, Northland entered into a long-term, non-recourse financing agreement on behalf of EBSA for an aggregate amount of approximately \$465 million (“**EBSA Facility**”), inclusive of a Canadian dollar tranche and a Colombian peso tranche. The EBSA Facility replaced an interim bridge credit facility previously in place as well as facility-level borrowings. The EBSA Facility is structured as a \$450 million term loan and a \$15 million debt service reserve credit facility, for an initial two-year term, which Northland expects to renew annually and generate additional proceeds through asset level financing optimizations, subject to market conditions. The EBSA Facility has a blended interest rate of 5.3% and provides Northland with the ability to upsize EBSA’s capital structure annually by increasing leverage commensurate with growth in EBSA’s operating results.

North Battleford Upsizing of Non-Recourse Debt

In June 2020, Northland upsized the debt on the North Battleford loan, generating gross proceeds of \$52 million at an effective interest rate of 2.1%. The bond principal increased by \$44 million to \$577 million.

Additions to Northland’s Executive Team

In November 2020, Northland announced the appointment of Rachel Stephenson as Chief People Officer, effective January 1, 2021. Ms. Stephenson succeeded Mr. John Hannah, who will be retiring in early 2021. Ms. Stephenson will be responsible for leading all of Northland’s human resources functions globally. Ms. Stephenson brings to Northland more than 15 years of leadership in human resources, including extensive experience leading human resources strategies and functions for national and global organizations across multiple sectors, and technologies covering North America, Europe, Asia and Latin America.

In June 2020, Northland announced the appointment of Wendy Franks as Executive Vice President, Strategy and Investment Management, effective June 29, 2020. Ms. Franks brings to Northland more than 15 years of leadership in business strategy, investment management, and making strategic investments in transformative growth opportunities (both organic and M&A focused) across multiple technologies and jurisdictions within the renewable energy and infrastructure asset sectors.

In March 2020, Northland announced the appointment of Pauline Alimchandani as Chief Financial Officer (**CFO**), effective April 13, 2020. Ms. Alimchandani succeeded Mr. Paul Bradley, who retired from Northland in May 2020. Since 2014, she served as Executive Vice President and CFO at a leading public Canadian real estate and development company where she was responsible for the strategic development and overall financial management of the business. In her role she led: corporate finance and strategy, capital allocation, risk management, debt and equity financings, project- and development finance, financial reporting, treasury, tax and investor relations. In addition, she also oversaw legal, human resources and information technology teams.

Base Shelf Prospectus Renewal

In June 2020, Northland filed a base shelf prospectus with the securities regulatory authorities in Canada to replace Northland's expiring base shelf prospectus dated May 24, 2018. The base shelf prospectus will enable Northland to offer an aggregate of up to \$1 billion of common shares, preferred shares, warrants, unsecured debentures, subscription receipts and units or any combination thereof, over a 25-month period.

Notice of Redemption of 4.75% Convertible Unsecured Subordinated Debentures Series C

In May 2020, Northland completed the early redemption of all of its outstanding 4.75% extendible convertible unsecured subordinated debentures, Series C, due June 30, 2020 ("**2020 Debentures**"). Holders converted approximately \$149 million of their 2020 Debentures into 6.9 million common shares prior to the May 11, 2020 redemption date.

Hai Long 1,044 MW Offshore Wind Development Project Update

Northland and its 40% partner, Yushan Energy, continue to engage with the Taiwan government on finalization of the project's investments into the local supply chain, though COVID-19 has added uncertainty to the timing of development milestones. At present, Northland expects to execute offtake agreements for Hai Long 2B and Hai Long 3 sub-projects in 2021, though opportunities also exist to enter into economically favourable commercial PPAs to augment the economics of the sub-projects. As a result of the achievement of certain milestones, Northland commenced capitalization of Hai Long development costs in the third quarter in accordance with IFRS. For the year ended December 31, 2020, Northland incurred \$44 million of growth expenditures related to Hai Long, of which \$16 million were expensed. Refer to *SECTION 9: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES* for additional information.

Deutsche Bucht 252 MW Project Update

In March 2020, Northland announced that the Deutsche Bucht project achieved final completion. Final completion marked the official end of construction, the start of the operational phase of the project and the satisfaction of terms required by project lenders to achieve term conversion.

Northland Corporate Credit Rating Re-affirmed

In March 2020, Standard & Poor's reaffirmed Northland's corporate credit rating of BBB (Stable). In addition, Northland's preferred share rating was reaffirmed on Standard & Poor's Canada scale of BB+.

Dado Ocean, South Korean Offshore Wind Development Project Acquisition

In February 2020, Northland completed its acquisition of Dado Ocean Wind Farm Co. Ltd ("**Dado Ocean**"), an offshore wind development company based in South Korea with access to multiple early-stage development sites off the southern coast. Subsequent to the announcement of the acquisition, the Company commenced early stage development on sites in proximity of the original sites. These sites could provide the opportunity to increase the development capacity of up to 1,000 MW of offshore wind.

4.2: Operating Highlights

The following table presents key IFRS and non-IFRS financial measures and operational results:

Summary of Consolidated Results

Year ended December 31,	2020	2019	2018
FINANCIALS			
Sales	\$ 2,060,627	\$ 1,658,977	\$ 1,555,587
Gross profit	1,858,298	1,542,689	1,441,366
Operating income	900,213	813,700	732,848
Net income (loss)	485,057	451,754	405,508
Adjusted EBITDA (a non-IFRS measure)	1,170,097	984,736	891,484
Cash provided by operating activities	1,321,601	1,224,415	1,133,884
Free Cash Flow (a non-IFRS measure)	343,588	318,480	337,623
Adjusted Free Cash Flow (a non-IFRS measure)	415,398	362,275	370,423
Cash dividends paid to common and Class A shareholders ⁽¹⁾	217,918	216,373	163,605
Total dividends declared ⁽²⁾	245,067	216,373	212,353
Total assets ⁽³⁾	11,399,470	10,478,668	10,335,950
Total non-current liabilities ⁽³⁾	8,336,835	7,569,921	8,013,753
Per Share			
Weighted average number of shares - basic (000s)	198,774	180,322	177,757
Net income (loss) - basic	\$ 1.76	\$ 1.71	\$ 1.50
Free Cash Flow - basic (a non-IFRS measure)	\$ 1.73	\$ 1.77	\$ 1.90
Adjusted Free Cash Flow - basic (a non-IFRS measure)	\$ 2.09	\$ 2.01	\$ 2.08
Total dividends declared ⁽⁴⁾	\$ 1.20	\$ 1.20	\$ 1.20
ENERGY VOLUMES			
Electricity production in gigawatt hours (GWh) ⁽⁵⁾	9,455	9,060	8,254

(1) Increase from prior period primarily as a result of dividend equivalent payment to subscription receipts holder offset by cash conservation from reinstating DRIP since the September, 2020.

(2) Represents total dividends paid to common and class A shareholders including dividends in cash or in shares under the DRIP.

(3) As at December 31.

(4) Excludes the dividend equivalent payment of \$0.40 paid upon conversion of 14,289,000 subscription receipts on January 14, 2020.

(5) Includes Deutsche Bucht's pre-completion production volumes. Refer to Section 5.1 Operating Results for additional information.

SECTION 5: RESULTS OF OPERATIONS

5.1: Operating Results

Offshore Wind Facilities

The following table summarizes operating results of the offshore wind facilities:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Sales/gross profit ^{(1) (2)}	\$ 263,430	\$ 271,192	\$ 1,179,779	\$ 1,005,717
Operating costs ⁽²⁾	42,247	33,113	166,282	128,582
Operating income	127,153	151,973	653,792	577,181
Adjusted EBITDA	\$ 179,101	\$ 192,771	\$ 759,692	\$ 625,387
Free Cash Flow	\$ 40,393	\$ 37,708	\$ 217,145	\$ 182,206

(1) Offshore wind facilities do not have cost of sales and as a result, the reported sales figure equals gross profit.

(2) For 2019 and 2020, the sales/gross profit and operating costs includes pre-completion revenue and the related operating costs for the operational wind turbines at Deutsche Bucht.

Northland's three offshore wind facilities, Gemini, Nordsee One and Deutsche Bucht, are located off the coasts of the Netherlands and Germany. Wind facilities are subject to seasonality, and accordingly, tend to produce more electricity during winter due to denser air and higher winds compared to summer, the effect of which is reflected in the respective fiscal quarter's results. For the year ended December 31, 2020, Gemini, Nordsee One and Deutsche Bucht contributed approximately 24%, 19% and 18%, respectively, of Northland's reported Adjusted EBITDA from facilities. Refer to the 2020 AIF for additional information on Northland's offshore wind facilities.

Results for Northland's offshore wind facilities are affected by foreign exchange rate fluctuations between the Euro and Canadian dollar, which primarily affect presented sales, net income and Adjusted EBITDA. Northland has entered into long-term foreign exchange rate hedges, at an average rate of \$1.60/€ for 2021 compared to \$1.59/€ for 2020 (\$1.56/€ for 2019) for a substantial portion of anticipated euro-denominated Free Cash Flow, mitigating the effects of foreign exchange rate fluctuations.

Variability within Operating Results

Gemini has subsidy agreements with the Government of the Netherlands which expire in 2031. The subsidies top up the wholesale market-based revenue generated by Gemini to a fixed, contractual rate per megawatt hour (**MWh**) and are subject to an annual production ceiling (the "**Gemini Subsidy Cap**"), beyond which production earns revenue at wholesale market prices. Based on management's expectations of wind resources and resultant electricity production volumes, the Gemini Subsidy Cap and the associated earnings would be achieved during the fourth quarter of the calendar year. The top up to a fixed contractual rate is subject to a floor price, thereby exposing Gemini to market price risk if the average wholesale market price for the year falls below the contractual floor price ("**SDE floor**") of approximately €44/MWh. For 2021, management has entered into derivatives for a large majority of the expected annual production for the year at an effective fixed wholesale price of approximately €40/MWh, as well as limited derivatives entered into for subsequent years. As a result of these derivatives, in 2021, Northland has mitigated its downside risk from fluctuations in wholesale prices, but has some exposure to lower revenues at Gemini if the average wholesale price rises above the SDE floor, thereby reducing SDE income.

Nordsee One and Deutsche Bucht have a Feed-In Tariff contract with the German government whereby the associated tariff is added to the German wholesale market price, effectively generating a fixed unit price for energy sold. Under the German *Renewable Energy Sources Act*, while the tariff compensates for most production curtailments required by the system operator, the facilities do not receive revenue for periods where the market power price remains negative for longer than six consecutive hours ("**negative prices**"). The facilities are also subject to unpaid curtailments by the German system operator for scheduled and unscheduled grid repairs ("**grid outages**") of up to 28 days annually at each facility, which can have a significant effect on earnings depending on the season.

A key performance indicator for the offshore wind facilities is historical long-term average (LTA), where available, of the power production of each offshore wind facility. The following table summarizes actual electricity production and the LTA in GWh:

	Three months ended December 31,			Year ended December 31,		
	2020 ⁽¹⁾	2019 ⁽¹⁾	LTA ⁽²⁾	2020 ⁽¹⁾	2019 ⁽¹⁾	LTA ⁽²⁾
Electricity production (GWh)						
Gemini	791	736	779	2,501	2,386	2,388
Nordsee One	299	320	305	1,065	1,084	1,053
Deutsche Bucht	310	300	—	978	406	—
Total	1,400	1,356	1,084	4,544	3,876	3,441

(1) Includes GWh produced as well as attributed to paid curtailments. For Deutsche Bucht, includes pre-completion production for the first quarter of 2020 and fourth quarter of 2019.

(2) Represents the average historical power production for the quarterly or annual period since the respective commercial operation date of each offshore wind facility (2017 for Gemini and Nordsee One and 2020 for Deutsche Bucht) and excludes unpaid curtailments.

Electricity production for the three months ended December 31, 2020, was 3% or 44 GWh higher than the same quarter of 2019, due to higher wind resource in the North Sea, partially offset by lower grid availability due to repairs by the system operator at Nordsee One. Electricity production for the year ended December 31, 2020, increased 17% or 668 GWh compared to 2019 primarily due to the contribution from Deutsche Bucht and higher wind resource at Gemini, partially offset by more periods of grid outages and negative prices. Production in 2020 was largely in line with the long-term average production for Gemini and Nordsee One.

Deutsche Bucht produced its first revenues in the third quarter of 2019. Revenues and costs were recorded in operating income and Adjusted EBITDA as turbines became operational but were excluded from Free Cash Flow until the commercial operation date. The table below summarizes total pre-completion production and revenue and the portion recognized in sales earned by Deutsche Bucht in 2020 and 2019:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Pre-completion electricity production (GWh)	—	300	349	406
Pre-completion revenue in sales/gross profit ⁽¹⁾	—	78,834	93,289	96,105
Pre-completion revenue in construction-in-progress	—	728	—	11,541
Total pre-completion revenue	\$ —	\$ 79,562	\$ 93,289	\$ 107,646

(1) Offshore wind facilities do not have cost of sales, and as a result, the reported sales figures equal gross profit.

At Deutsche Bucht, cash generated from pre-completion revenue in the first quarter was used to offset construction costs until responsibility transferred on a turbine by turbine basis from the contractor to Northland. Revenues and costs were recorded in operating income and Adjusted EBITDA since wind turbines were operational during the construction stage. However, pre-completion revenue and operating costs are excluded from Free Cash Flow during the construction phase since the funds are not yet distributable under the terms of lender agreements. Deutsche Bucht earned pre-completion revenues until it achieved final completion effective March 31, 2020, at which point net pre-completion revenue in excess of the amount required by project lenders to fund construction costs, was recognized as Free Cash Flow totaling €63 million (\$93 million) (the “**Deutsche Bucht Completion Distribution**”).

In the second quarter of 2020, Deutsche Bucht received \$11 million of proceeds from the sale of turbines intended for mono-bucket foundations (“**turbines proceeds**”), previously recorded as impaired. Deutsche Bucht also received \$22 million of proceeds from insurance relating to construction of Deutsche Bucht (“**insurance proceeds**”) that are also related to the impairment of the mono-bucket foundations and included in income but not in Free Cash Flow.

Sales of \$263 million for the three months ended December 31, 2020, decreased 3% or \$8 million compared to the same quarter of 2019 primarily due to a lower wholesale market price at Gemini and grid outages at Nordsee One, partially offset by \$5 million of favourable foreign exchange rate fluctuations. Sales of \$1.2 billion for the year ended December 31, 2020, increased 17% or \$174 million compared to the same period of 2019 primarily due to \$176 million of additional revenue from Deutsche Bucht partially offset by a lower wholesale market price at Gemini and grid outages at Nordsee One. Foreign exchange rate fluctuations resulted in \$16 million higher sales for the year ended December 31, 2020, compared to the same period of 2019.

The following table summarizes the effect on sales from three factors described above:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Wholesale market prices below SDE floor	\$ 4,692	\$ 4,032	\$ 26,696	\$ 8,022
Unpaid curtailment due to negative prices	\$ 1,649	\$ 1,863	\$ 22,369	\$ 8,261
Unpaid curtailment due to grid outages	\$ 21,748	\$ 3,548	\$ 37,654	\$ 7,965

At Gemini, wholesale market prices were significantly lower than in 2019 resulting in lower sales. The German wind facilities incurred higher unpaid curtailments due to greater number of periods of negative prices as well as due to grid repairs by the German system operator at both facilities over the course of the year. For the three months ended December 31, 2020, Nordsee One was affected by unpaid curtailment due to significant grid outages and repairs by the third-party system operator.

In the first quarter of 2020, Nordsee One reached a settlement (the “**warranty settlement**”) with its turbine manufacturer relating to the outstanding warranty obligations. As part of the settlement, Nordsee One relinquished its rights to make further claims against the manufacturer under the warranty. The warranty settlement, received in the second quarter, totaled €58 million (\$76 million at Northland’s share) and was recorded as a reduction to property, plant and equipment under IFRS. However, since the settlement offsets potentially higher operating costs, it is being included in Free Cash Flow on a straight-line basis over the remaining term of the original service agreement to 2029, net of the anticipated €20 million (\$26 million at Northland’s share) higher operating expenses over the same period.

In the fourth quarter, Northland Power Europe (**NPE**), a subsidiary of Northland signed a service agreement with Nordsee One whereby NPE will provide turbine O&M services on behalf of Nordsee One. The agreement is effective December 2020 through 2027. In providing these services, Northland gains a better fundamental understanding of the cost assumptions underpinning offshore wind investments, positioning the Company for cost-competitiveness in the post-tariff landscape. Furthermore, with the expertise and knowledge gained through the execution of these services, Northland will be able to apply these learnings to future offshore developments to enhance project profitability while ensuring a more balanced operational risk profile.

At Nordsee One, management has identified a component issue on a number of wind turbines. While production was unaffected in 2020, management is evaluating the potential effects on production and on maintenance outages in 2021 and beyond, and has reflected the estimated financial impact in the 2021 financial guidance.

Operating costs of \$42 million and \$166 million for the three months and year ended December 31, 2020, increased 28% or \$9 million and 29% or \$38 million compared to the same periods of 2019 primarily due to commencement of operations at Deutsche Bucht.

Operating income of \$127 million for the three months ended December 31, 2020, decreased 16% or \$25 million compared to the same quarter of 2019 largely due lower sales and higher operating costs, as described above, combined with the commencement of depreciation at Deutsche Bucht since reaching final completion at the end of March 2020. Operating income of \$654 million for the year ended December 31, 2020, increased 13% or \$77 million compared to the same period of 2019 primarily due to contributions from Deutsche Bucht.

Adjusted EBITDA of \$179 million for the three months ended December 31, 2020, decreased 7% or \$14 million primarily due to lower sales at Gemini and Nordsee One as described above, partially offset by contributions from Deutsche Bucht. Adjusted EBITDA of \$760 million for the year ended December 31, 2020 increased 21% or \$134 million compared to 2019 primarily due to contributions from Deutsche Bucht.

In 2020, earnings from Gemini became taxable due to utilization of tax loss carryforwards. Northland’s tax expense for Gemini is €12 million (\$12 million at Northland’s share) for 2020 and is expected to generally remain stable.

Efficient Natural Gas Facilities

The following table summarizes the operating results of the efficient natural gas facilities:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Electricity production (GWh)	876	938	3,546	3,787
Sales ⁽¹⁾	\$ 112,516	\$ 113,408	\$ 415,551	\$ 421,154
Less: cost of sales	28,484	29,402	103,334	106,022
Gross profit	84,032	84,006	312,217	315,132
Operating costs	17,391	15,708	54,154	54,229
Operating income	57,064	58,350	219,624	222,401
Adjusted EBITDA ⁽²⁾	\$ 67,618	\$ 71,017	\$ 264,094	\$ 270,355
Free Cash Flow	\$ 41,715	\$ 44,738	\$ 155,907	\$ 165,638

(1) Northland accounts for its Spy Hill operations as a finance lease.

(2) Includes management and incentive fees earned by Northland.

The contractual structures of Northland's efficient natural gas facilities ensure each facility's gross profit is generally stable, within a seasonal profile, regardless of production or sales levels, so long as the plant is available. Under some PPAs, the facility is reimbursed for certain costs of sales by the counterparty. Management also aims to maximize returns through the re-marketing of natural gas storage and transportation ("**gas optimization**") through its energy marketing initiatives. For the year ended December 31, 2020, Northland's six efficient natural gas facilities contributed approximately 21% of reported Adjusted EBITDA from facilities, with North Battleford, Iroquois Falls and Thorold accounting for approximately 20%. Refer to the 2020 AIF for additional information on Northland's efficient natural gas facilities.

Electricity production for the three months ended December 31, 2020, was 7% or 63 GWh lower than the same quarter of 2019 primarily due to fewer dispatches at Thorold, partially offset by higher production at North Battleford largely due to a shorter maintenance outage in 2020 compared to 2019. Electricity production for the year ended December 31, 2020, was 6% or 241 GWh lower than 2019 primarily due to fewer dispatches at Thorold and lower off-peak production at North Battleford.

Sales of \$113 million for the three months ended December 31, 2020, were in line with the same quarter of 2019, primarily due to higher production and price escalation at North Battleford, offset by lower production across the other facilities, as described above. Sales of \$416 million for the year ended December 31, 2020, were also in line with 2019.

Gross profit of \$84 million and \$312 million for the three months and year ended December 31, 2020, was largely in line with the same periods of 2019 primarily due to offsetting factors across the efficient natural gas facilities and their contractual structure which generally ensures stable operating results as long as the facilities are available.

Operating costs of \$17 million for the three months ended December 31, 2020, were 11% or \$2 million higher than the same quarter of 2019 due to higher production at North Battleford and the timing of maintenance outages at two facilities. Operating costs of \$54 million for the year ended December 31, 2020, were in line with 2019.

Operating income of \$57 million and \$220 million for the three months and year ended December 31, 2020, was largely in line with the same periods of 2019 due to factors described above.

Adjusted EBITDA of \$68 million for the three months ended December 31, 2020, was 5% or \$3 million lower than the same quarter of 2019 largely due to higher operating costs. Adjusted EBITDA of \$264 million for the year ended December 31, 2020, was 2% or \$6 million lower than the same period of 2019 primarily due to a one-time item in 2019 related to the disposition of a facility.

Onshore Renewable Facilities

The following table summarizes the operating results of the onshore renewable facilities:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Electricity production (GWh) ⁽¹⁾	376	372	1,364	1,397
LTA production (GWh) ^{(1) (2)}	353		1,273	
Sales/gross profit ⁽³⁾	51,078	50,359	217,705	219,180
Operating costs	8,041	7,591	29,418	31,365
Operating income	20,535	20,608	98,784	93,873
Adjusted EBITDA	\$ 31,452	\$ 31,529	\$ 145,946	\$ 145,274
Free Cash Flow	\$ 12,950	\$ 14,993	\$ 57,550	\$ 62,580

(1) Includes GWh both produced and attributed to paid curtailments.

(2) LTA is the average of the historical power production since 2015.

(3) Onshore renewable facilities do not have cost of sales and as a result, the reported sales figures equal gross profit.

Northland's onshore renewable assets comprise onshore wind and solar facilities located in Ontario and Québec. Onshore wind projects are similar in nature operationally to offshore wind; however, with lower operating costs and generally lower wind resources. Solar power facilities have lower fixed operating costs per unit of capacity than efficient natural gas or wind facilities. Electricity production from solar facilities tends to be less variable than wind but is limited to available sunlight, which is generally higher in the summer than in the winter. For the year ended December 31, 2020, Northland's onshore renewable facilities contributed approximately 12% of reported Adjusted EBITDA from facilities. Refer to the 2020 AIF for additional information on Northland's onshore renewable facilities.

Electricity production at the onshore renewable for the three months and year ended December 31, 2020, was in line with the same periods of 2019 due to a lower wind resource partially offset by higher solar resource.

Financial results and Adjusted EBITDA for the three months and year ended December 31, 2020, respectively, were also in line with the same periods of 2019 for the factors described above.

Utility

The following table summarizes the operating results of EBSA:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Sales ⁽¹⁾	\$ 58,065	\$ —	\$ 218,982	\$ —
Less: cost of sales	18,001	—	69,567	—
Gross profit	40,064	—	149,415	—
Operating costs	14,047	—	51,062	—
Operating income	15,157	—	52,567	—
Adjusted EBITDA	23,053	—	89,765	\$ —
Free Cash Flow	\$ 886	\$ —	\$ 27,925	\$ —

(1) Gross revenue from regulated electricity sales, including transmission and generation tariffs, which EBSA passes through to the regulator for reallocation.

EBSA holds the sole franchise rights for electricity distribution in the Boyacá region of Colombia and is an electricity retailer for the regulated residential sector in the region. EBSA owns and operates an extensive distribution network, serving about half a million customers. EBSA's net revenue is almost entirely regulated, of which the vast majority is earned from its distribution business and the remainder primarily from its electricity retail business. EBSA's results are affected by exchange rate fluctuations between the Canadian dollar and the Colombian Peso. For 2021, Northland has foreign exchange rate hedges at an average rate of COP\$2,830:CAD\$1 for a substantial portion of anticipated Colombian peso-denominated Free Cash Flow, partially mitigating the effects of foreign exchange rate fluctuations. For the year ended December 31, 2020, utility operations contributed approximately 7% of reported Adjusted EBITDA from facilities. Refer to the 2020 AIF for additional information on EBSA.

EBSA earns revenue by charging customers a rate approved under the regulatory framework administered by the local regulator, the Comisión de Regulación de Energía y Gas (“CREG”). The rate charged is set for an expected five-year period and includes amounts retained by EBSA, as retailer and distributor, and amounts passed through to other electricity system participants, such as the transmission operator. The rate base takes into account the depreciated cost of existing equipment and anticipated future investments for maintenance and growth. EBSA’s portion of the rate also includes standardized allowances set by the regulator intended to cover fixed and variable operating costs. The rate is designed to ensure EBSA earns a predictable and stable return..

Sales of \$58 million and \$219 million, respectively for the three months and year ended December 31, 2020, include revenues from the sale of electricity to regulated customers, which accounted for 96% of EBSA’s total sales, as well as to non-regulated customers.

Cost of sales of \$18 million and \$70 million, respectively for the three months and year ended December 31, 2020, relates to the purchase of electricity for sale to customers primarily sourced under bilateral power purchase contracts, with incremental amounts purchased in the spot market. EBSA recovers the cost of electricity purchased through tariffs charged to customers.

Operating costs of \$14 million and \$51 million, respectively for the three months and year ended December 31, 2020, include the cost of transmission charges, loss reduction programs, materials used in maintenance activities and the portion of personnel costs that relate to operations. EBSA recovers the operating costs in full and recovers the cost of loss reduction programs at a regulated proportion through tariffs charged to customers.

Operating income and *Adjusted EBITDA* of \$15 million and \$53 million and \$23 million and \$90 million, respectively, for the three months and year ended December 31, 2020, are composed of the items described above. Non-expansionary capital expenditures at EBSA are generally higher in the first and fourth quarters of the year, therefore reducing reported Free Cash Flow in those periods.

For EBSA, non-expansionary capital expenditures are equivalent to the amount necessary to maintain the opening regulated asset base value each year, which is expected to grow in the mid-single digits over the long term. Non-expansionary capital expenditures for EBSA totaled \$21 million for 2020, representing approximately 3%-4% of the current regulated asset base. Starting in 2021, under the terms of the EBSA Facility, management expects to execute upsizing of the debt annually in tandem with growing operating results. The upsizing proceeds will be available for distribution and corporate purposes and a portion will be included in Free Cash Flow.

5.2: General and Administrative Costs

The following table summarizes general and administrative (G&A) costs:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Corporate G&A	\$ 15,366	\$ 10,797	\$ 36,158	\$ 34,180
Operations G&A	13,024	3,052	32,135	12,449
Total G&A costs	28,390	13,849	68,293	46,629

Corporate G&A costs for the three months ended December 31, 2020, increased 42% or \$5 million compared to the same quarter in 2019 primarily due to timing of certain expenses compared to the same quarter in 2019 and higher personnel-related costs to support growth. Corporate costs for the year ended December 31, 2020, increased 6% or \$2 million compared to 2019 primarily due to higher personnel costs to support Northland’s growth.

Operations G&A costs for the three months and year ended December 31, 2020, increased 327% or \$10 million and 158% or \$20 million, respectively, compared to the same periods of 2019 primarily due to the integration of EBSA, and its associated G&A costs, and the effect of previously capitalized costs before commencement of operations at Deutsche Bucht.

5.3: Growth Expenditures

The following table summarizes growth expenditure costs:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Business development	\$ 6,087	\$ 3,868	\$ 11,530	\$ 11,213
Project development	8,286	6,706	29,600	13,214
Development overhead	5,375	4,834	26,011	18,519
Acquisition costs ⁽¹⁾	—	276	7,474	1,254
Development costs	19,748	15,684	74,615	44,200
Share of joint venture project development costs	2,679	849	4,669	849
Growth expenditures ⁽²⁾	22,427	16,257	71,810	43,795
Growth expenditures on a per share basis			\$ 0.35	\$ 0.24

(1) Excluded from growth expenditures

(2) Excludes acquisition costs but includes share of project development costs incurred by joint ventures.

To achieve its long-term growth objectives, Northland expects to deploy increasing amounts of early-stage investment capital (growth expenditures) to advance its projects. With regional development offices fully functional and certain growth opportunities are currently secured, such as New York Wind and Baltic Power, Northland expects to incur higher expenditures and capital investments in 2021. Early-stage expenditures will reduce near-term Free Cash Flow and short-term liquidity until the projects achieve commercial operations but should deliver sustainable growth in Free Cash Flow in the long-run. Growth expenditures are added back to Free Cash Flow to determine Adjusted Free Cash Flow. Refer to *SECTION 5.6: Free Cash Flow and Adjusted Free Cash Flow* for additional information.

Business development costs are incurred to identify and explore prospective business and development opportunities, which are expected to result in identifiable development projects intended to be pursued to completion, and includes costs incurred for projects not ultimately pursued to acquisition or completion. Business development costs for the three months ended December 31, 2020, were higher than the same quarter of 2019 due to the timing of development activities. Business development costs for the year ended December 31, 2020 were consistent with 2019.

Project development costs are attributable to select early- to mid-stage development projects under active development and likely to generate cash flow in future periods. In 2020, project developments costs were primarily attributable to Hai Long and to NY Wind prior to commencement of their respective capitalization under IFRS, as well as Dado Ocean, Chiba and Baltic Power, compared to primarily Hai Long in 2019. Refer to *SECTION 9: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES* for additional information on some of these projects.

Project development costs for the three months ended December 31, 2020, were essentially in line with the same quarter of 2019 due to the timing of development activities. Project development costs for the year ended December 31, 2020, were higher compared to 2019 as a result of higher costs associated with advancing Hai Long prior to commencement of capitalization in the third quarter of 2020. In 2021, management expects to incur project development costs for Baltic Power and to a lesser extent, Dado Ocean and Chiba. Capitalization commences in accordance with IFRS, primarily once management determines a project is economically feasible and risks to project completion are expected to be mitigated. Upon capitalization, further costs incurred are recognized on the consolidated balance sheet and no longer classified as growth expenditures. Northland commenced capitalization of expenditures for Hai Long and NY Wind in the third and fourth quarters of 2020, respectively.

Development overhead primarily relates to personnel, rent and other office costs not directly attributable to specific development projects. Development overhead reflects Northland's resources and development offices in key target jurisdictions including Latin America, North America, Europe and Asia, focused on securing opportunities long-term growth in those jurisdictions.

Acquisition costs are generally third-party transaction-related costs directly attributable to a business acquisition and are excluded from Northland's non-IFRS financial measures. For the three months ended December 31, 2020, acquisition costs were nil, and for the year ended December 31, 2020, acquisition costs totaled \$7 million and primarily relate to advisory fees and representations and warranties insurance costs, amortized over the insurance term in accordance with IFRS, for the EBSA Acquisition.

5.4: Consolidated Results

The following discussion of the significant factors contributing to the consolidated financial results should be read in conjunction with Northland's audited consolidated financial statements for the year ended December 31, 2020.

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Electricity production (GWh)	2,651	2,666	9,455	9,060
Sales	\$ 492,834	\$ 438,178	\$ 2,060,627	\$ 1,658,977
Less: Cost of sales	57,223	32,360	202,329	116,288
Gross profit	435,611	405,818	1,858,298	1,542,689
Expenses				
Operating costs	81,726	56,413	300,916	214,176
General and administrative costs	28,390	13,849	68,293	46,629
Development costs	19,748	15,684	74,615	44,200
Depreciation of property, plant and equipment	132,392	120,421	529,569	438,804
	262,256	206,367	973,393	743,809
Investment income	716	758	3,285	2,466
Finance lease income	2,973	3,058	12,023	12,354
Operating income	177,044	203,267	900,213	813,700
Finance costs, net	95,094	93,657	365,168	331,168
Amortization of contracts and intangible assets	14,712	10,691	43,361	24,848
Impairment of property, plant and equipment	—	97,782	—	97,782
Foreign exchange (gain) loss	19,654	84	(71,344)	5,177
Fair value (gain) loss on derivative contracts	(497)	(51,733)	(11,271)	(161,356)
Other expense (income)	(1,020)	(5,640)	(25,769)	(14,400)
Income (loss) before income taxes	49,101	58,426	600,068	530,481
Provision for (recovery of) income taxes				
Current	21,628	15,272	90,282	49,236
Deferred	676	(17,515)	24,729	29,491
Provision for (recovery of) income taxes	22,304	(2,243)	115,011	78,727
Net income (loss)	\$ 26,797	\$ 60,669	\$ 485,057	\$ 451,754
Net income (loss) per share - basic	\$ 0.11	\$ 0.23	\$ 1.76	\$ 1.71
Net income (loss) per share - diluted	\$ 0.11	\$ 0.23	\$ 1.75	\$ 1.68

Fourth Quarter

Sales and gross profit of \$493 million and \$436 million, respectively, increased 12% or \$55 million and 7% or \$30 million compared to the same quarter of 2019 primarily due to sales revenue at EBSA, commencement of operations at Deutsche Bucht and the effect of favourable foreign exchange rate fluctuations.

Operating costs of \$82 million increased 45% or \$25 million compared to the same quarter of 2019 primarily due to the addition of costs from EBSA and Deutsche Bucht.

G&A costs of \$28 million increased 105% or \$15 million compared to the same quarter of 2019. Of this, operations G&A increased by \$10 million primarily due to acquisition of EBSA, and the commencement of operations at Deutsche Bucht, while corporate G&A increased \$5 million primarily due to higher personnel costs to support Northland's growth.

Development costs of \$20 million increased 26% or \$4 million compared to the same quarter of 2019 primarily as a result of costs for advancing early stage development projects partially offsetting lower costs at Hai Long due to its commencement of capitalization in the third quarter.

Finance costs, net (primarily interest expense) of \$95 million increased 2% or \$1 million compared to the same quarter of 2019 primarily due to interest on borrowings to finance the EBSA Acquisition and the effect of previously capitalized interest costs at Deutsche Bucht, partially offset by lower interest costs as a result of scheduled principal repayments on facility-level loans.

Impairment of property plant and equipment of \$98 million was recorded in 2019 due to a non-cash impairment loss at Deutsche Bucht costs incurred related to the mono-bucket foundations.

Fair value gain on derivative contracts was \$nil compared to a \$52 million gain in the same quarter of 2019 primarily due to the movement in the fair value of interest rate swaps and foreign exchange contracts.

Foreign exchange loss of \$20 million is primarily due to unrealized loss from fluctuations in the closing foreign exchange rates.

Net income decreased \$34 million in the fourth quarter of 2020 compared to the same quarter of 2019 primarily as a result of the factors described above, combined with a \$25 million higher tax expense.

2020

Sales of \$2.1 billion increased 24% or \$402 million compared to 2019 primarily due to higher revenues at Deutsche Bucht, addition of EBSA and the effect of favourable foreign exchange rate fluctuations. The positive performance was partially offset by \$27 million lower wholesale market prices at Gemini and \$60 million of higher unpaid curtailments at Nordsee One and Deutsche Bucht due to more periods of negative prices and grid outages.

Gross profit of \$1.9 billion increased 20% or \$316 million compared to 2019 primarily due to the same factors affecting sales described above.

Operating costs of \$301 million increased 40% or \$87 million compared to 2019 primarily due to the addition of Deutsche Bucht, and EBSA, partially offset by lower costs at Nordsee One from operating efficiencies.

G&A costs of \$68 million increased 46% or \$22 million compared to 2019 primarily due to integration of EBSA, and its associated G&A costs, and the effect of previously capitalized costs before commencement of operations at Deutsche Bucht as well as higher personnel costs to support Northland's growth. G&A also includes \$7 million of acquisition costs primarily related to EBSA.

Development costs of \$75 million increased 64% or \$28 million compared to the same quarter of 2019 due to the increasing level of development activities to pursue and advance development projects and opportunities.

Finance costs, net (primarily interest expense) of \$365 million increased 10% or \$34 million compared to 2019 primarily due to interest on borrowings to finance the EBSA Acquisition and the effect of previously capitalized interest costs at Deutsche Bucht, partially offset by lower interest costs as a result of scheduled principal repayments on facility-level loans.

Impairment of property plant and equipment of nil compared to \$98 million in 2019 from a non-cash impairment loss at Deutsche Bucht related to the mono-bucket foundations.

Foreign exchange gain of \$71 million is primarily due to unrealized gains from fluctuations in the closing foreign exchange rate.

Fair value gain on derivative contracts was \$11 million compared to a \$161 million gain in 2019 primarily due to the movement in the fair value of interest rate swaps and foreign exchange contracts.

Other (income) expense totaled \$26 million of income primarily as a result of proceeds received from the sale of turbines originally intended for use with mono-bucket foundations at Deutsche Bucht as well as insurance proceeds related to construction of Deutsche Bucht.

Net income increased \$33 million for the year ended December 31, 2020 compared to 2019 mainly due to the factors described above, partially offset by a \$36 million higher tax expense.

5.5: Adjusted EBITDA

The following table reconciles net income (loss) to Adjusted EBITDA:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Net income (loss)	\$ 26,797	\$ 60,669	\$ 485,057	\$ 451,754
Adjustments:				
Finance costs, net	95,094	93,657	365,168	331,168
Gemini interest income	4,069	3,898	16,075	18,327
Share of joint venture project development costs	(2,679)	(849)	(4,669)	(849)
Acquisition costs	—	276	7,474	1,254
Provision for (recovery of) income taxes	22,304	(2,243)	115,011	78,727
Depreciation of property, plant and equipment	132,392	120,421	529,569	438,804
Amortization of contracts and intangible assets	14,712	10,691	43,361	24,848
Fair value (gain) loss on derivative contracts	(497)	(51,733)	(11,271)	(161,356)
Foreign exchange (gain) loss	19,654	84	(71,344)	5,177
Impairment of property, plant and equipment	—	97,782	—	97,782
Elimination of non-controlling interests	(41,895)	(55,860)	(278,709)	(287,129)
Finance lease (lessor) and equity accounting	4,050	1,172	7,904	3,782
Other adjustments	(5,485)	(5,250)	(33,529)	(17,553)
Adjusted EBITDA	\$ 268,516	\$ 272,715	\$ 1,170,097	\$ 984,736

Gemini interest income reflects interest earned on Northland's €117 million subordinated debt to Gemini. Semi-annual principal payments will commence in 2027 until maturity in 2032. Northland consolidates the financial results of Gemini and, as a result, Northland's loan balances, investment income, and interest expense are eliminated upon consolidation. Gemini interest income is included in Northland's consolidated Adjusted EBITDA because it reflects returns generated from an investment in core assets.

Other adjustments primarily include turbine resale proceeds and insurance proceeds for the year ended December 31, 2020. For the year ended December 31, 2019, other adjustments primarily include insurance proceeds related to construction and a non-cash fair value adjustment on a loan receivable.

Fourth Quarter

Adjusted EBITDA of \$269 million for the three months ended December 31, 2020, decreased 2% or \$4 million compared to the same quarter of 2019. The significant factors decreasing Adjusted EBITDA include:

- \$13 million increase in lost revenue from unpaid curtailments at Nordsee One largely due to significant grid outages and repairs by the third-party system operator;
- \$11 million decrease in operating results from Gemini due to lower wholesale market price partially offset by higher production; and
- \$11 million increase in growth expenditures and corporate G&A costs due to the timing of business development activities and project development costs and due to higher personnel costs to support Northland's growth.

Factors partially offsetting these decreases in Adjusted EBITDA were:

- \$23 million increase as a result of the EBSA Acquisition; and
- \$9 million increase in operating results from Nordsee One, excluding the losses from grid outages and repairs by the third-party system operator, largely due to wind turbine generator availability and the effect of favourable foreign exchange rate fluctuations.

2020

In 2020, Adjusted EBITDA of \$1,170 million was at the upper end of the guidance range of \$1.1 billion to \$1.2 billion. Adjusted EBITDA for the year ended December 31, 2020, increased 19% or \$185 million compared to the same period of 2019. The significant factors increasing Adjusted EBITDA include:

- \$138 million increase in operating results from Deutsche Bucht, including the effect of lost revenues from grid repairs by the third-party system operator and from periods of negative prices;
- \$90 million increase as a result of the EBSA Acquisition; and
- \$2 million increase in operating results from Nordsee One, including the effect of higher lost revenue from grid repairs by the third-party system operator and more periods of negative prices.

Factors partially offsetting these increases in Adjusted EBITDA were:

- \$28 million increase in growth expenditures primarily due to an increasing level of development activities for Hai Long, Chiba and other projects;
- \$6 million decrease in operating results from Gemini primarily due to a lower wholesale market price; and
- \$6 million decrease in operating results from the efficient natural gas facilities largely due to lower dispatches and lower production.

5.6: Free Cash Flow and Adjusted Free Cash Flow

The following table reconciles cash flow from operations to Free Cash Flow and Adjusted Free Cash Flow:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Cash provided by operating activities	\$ 310,499	\$ 333,626	\$ 1,321,601	\$ 1,224,415
Adjustments:				
Net change in non-cash working capital balances	13,648	4,263	32,333	(17,097)
Non-expansory capital expenditures	(15,793)	(5,616)	(28,324)	(9,582)
Restricted funding for major maintenance, debt and decommissioning reserves	(3,902)	(3,276)	(15,756)	(14,176)
Interest paid, net	(110,062)	(104,659)	(309,077)	(288,720)
Scheduled principal repayments on facility debt	(233,773)	(154,407)	(789,778)	(412,167)
Funds set aside (utilized) for scheduled principal	104,140	72,413	179,792	(5,847)
Preferred share dividends	(2,707)	(2,932)	(11,364)	(11,728)
Consolidation of non-controlling interests	(26,151)	(27,602)	(123,609)	(111,773)
Deutsche Bucht Completion Distribution	—	—	93,144	—
Cash from operating activities from projects under	—	(81,530)	(66,853)	(81,530)
Lease payments	(2,447)	(1,883)	(9,210)	(6,682)
Investment income ⁽¹⁾	5,432	5,607	22,450	22,060
Nordsee One proceeds from government grant and warranty settlement	7,809	6,883	28,281	22,496
Foreign exchange	854	14,800	5,072	9,565
Other ⁽²⁾	8,829	11,668	14,886	(754)
Free Cash Flow	\$ 56,376	\$ 67,355	\$ 343,588	\$ 318,480
Add back: Growth expenditures	22,427	16,257	71,810	43,795
Adjusted Free Cash Flow	\$ 78,803	83,612	\$ 415,398	\$ 362,275

(1) Investment income includes Gemini interest income and interest received on third-party loans to partners on Cochrane Solar.

(2) Other includes adjustments for Nordsee One interest on shareholder loans, equity accounting, acquisition costs and non-cash expenses adjusted in working capital excluded from Free Cash Flow, partially offset by stock-based compensation awards settled in cash in the period.

Northland has introduced Adjusted Free Cash Flow, a new supplementary non-IFRS Free Cash Flow measure, and associated per share amounts and payout ratios. Adjusted Free Cash Flow is calculated by excluding growth-related expenditures from Free Cash Flow. Management believes this measure provides a relevant presentation of cash flow generated from the business before investment-related decisions (refer to *SECTION 5.3: Growth Expenditures* for additional information). Management believes Adjusted Free Cash Flow is a meaningful measure of Northland's ability to generate cash flow, after on-going obligations, to reinvest in growth and fund dividend payments. Reinvesting in growth is a key part of Northland's long-term strategy.

Scheduled principal repayments on facility debt reflect repayments as paid. *Funds set aside (utilized) for scheduled principal repayments* allocates repayments across the quarters in order to more clearly reflect the Company's performance. Gemini's principal repayment schedule is weighted towards the first payment of the year to align with Gemini's expected annual cash flow profile, while Nordsee One and Deutsche Bucht's principal repayments are scheduled semi-annually. For 2020, Northland's share of Gemini, Nordsee One and Deutsche Bucht principal repayments totaled €82 million, €80 million and €84 million, respectively (2019 - €79 million, €72 million and €nil). Refer to *SECTION 7: EQUITY, LIQUIDITY AND CAPITAL RESOURCES* for scheduled principal debt payments for Northland's operating facilities for 2021 to 2025.

Interest expense is reflected each quarter as accrued in net income and working capital or paid.

In 2014, Nordsee One was awarded a grant under the European Commission's NER 300 program. The total grant value of €70.0 million was recorded as a reduction in property, plant and equipment upon completion of the project. Cash proceeds from the grant are based on production volumes, with the first cash payment received in 2019 for production in 2018, with final cash payments expected to be received in 2023 for production in 2022. Proceeds under the grant attributable to Nordsee One's production during the respective periods are included in Free Cash Flow. For the years ended December 31, 2020 and 2019, proceeds from this program, based on production, totaled \$18 million and \$19 million, respectively.



The following table summarizes cash and total dividends paid and respective Free Cash Flow payout ratios as well as per share amounts:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Cash dividends paid to common and Class A shareholders	\$ 40,652	\$ 54,130	\$ 217,918	\$ 216,373
Free Cash Flow payout ratio - cash dividends ⁽¹⁾			63 %	68 %
Adjusted payout ratio - cash dividends ⁽¹⁾			52 %	60 %
Total dividends paid to common and Class A shareholders ⁽²⁾	\$ 60,555	\$ 54,130	\$ 242,923	\$ 216,373
Free Cash Flow payout ratio - total dividends ^{(1) (2)}			71 %	68 %
Adjusted payout ratio - total dividends ⁽¹⁾			58 %	60 %
Weighted avg. number of shares - basic (000s) ⁽³⁾	201,962	180,434	198,774	180,322
Weighted avg. number of shares - diluted (000s) ⁽⁴⁾	201,962	187,421	201,169	187,625
Per share (\$/share)				
Dividends paid ⁽⁵⁾	\$0.30	\$0.30	\$1.20	\$1.20
Free Cash Flow — basic	\$0.28	\$0.37	\$1.73	\$1.77
Free Cash Flow — diluted	\$0.28	\$0.37	\$1.72	\$1.73
Adjusted Free Cash Flow — basic	\$0.39	\$0.46	\$2.09	\$2.01
Adjusted Free Cash Flow — diluted	\$0.39	\$0.45	\$2.07	\$1.96

(1) On a rolling four-quarter basis.

(2) Represents dividends paid in cash and in shares under the DRIP.

(3) Includes common shares and class A shares but excludes common shares issuable upon conversion of outstanding convertible debentures.

(4) Includes common shares, class A shares and any common shares issuable upon conversion of outstanding convertible debentures.

(5) Excludes the dividend equivalent payment of \$0.40 paid upon conversion of 14,289,000 subscription receipts on January 14, 2020.

Fourth Quarter

Free Cash Flow of \$56 million for the three months ended December 31, 2020, was 16% or \$11 million lower than the same quarter of 2019. The significant factors decreasing Free Cash Flow include:

- \$43 million increase in scheduled principal repayments primarily at Deutsche Bucht;
- \$27 million decrease in overall earnings primarily due to factors affecting Adjusted EBITDA in the quarter such as lost revenue from grid outages and repairs at the German offshore wind facilities and lower wholesale market prices at Gemini;
- \$14 million increase in net interest expense due to interest on borrowings to finance the EBSA Acquisition and the effect of previously capitalized interest costs at Deutsche Bucht, partially offset by lower interest costs as a result of scheduled principal repayments on facility-level loans;
- \$8 million of decommissioning reserve funding at Deutsche Bucht which announced commercial operations in March 2020 (amounts represent an annual cost); and
- \$4 million increase in current tax expense primarily due to EBSA as well as at the offshore wind facilities, including Gemini becoming taxable in 2020.

Factors partially offsetting the decrease in Free Cash Flow was a \$76 million increase in contribution from Deutsche Bucht since pre-completion revenues were excluded from Free Cash Flow in the same quarter last year.

Adjusted Free Cash Flow of \$79 million for the three months ended December 31, 2020, was 6% or \$5 million lower than the same quarter of 2019. The significant factors decreasing Adjusted Free Cash Flow were as described above for Free Cash Flow but exclude the \$6 million increase in growth expenditures (refer to SECTION 5.3: Growth Expenditures for more information).

2020

In 2020, Free Cash Flow per share of \$1.73 per share was above the revised guidance range of \$1.60 to \$1.70 per share issued in November 2020. Free Cash Flow of \$344 million for the year ended December 31, 2020, was 8% or \$25 million higher than the same period of 2019. The significant factors increasing Free Cash Flow include:

- \$190 million increase in overall earnings primarily due to the factors improving Adjusted EBITDA, excluding the effects of net pre-completion revenues from Deutsche Bucht;
- \$93 million increase from the Deutsche Bucht Completion Distribution related to its term conversion in March 2020; and
- \$6 million increase due to the warranty settlement at Nordsee One being included in Free Cash Flow on a straight-line basis over the remaining term of the original service agreement to 2029.

Factors partially offsetting the increase in Free Cash Flow include:

- \$164 million increase in scheduled principal repayments, primarily comprising \$128 million at Deutsche Bucht and \$30 million at other offshore wind facilities;
- \$38 million increase in current tax expense primarily due to EBSA as well as at the offshore wind facilities;
- \$35 million increase in net interest expense primarily due to interest on borrowings to finance the EBSA Acquisition and the effect of previously capitalized interest costs at Deutsche Bucht, partially offset by lower interest costs as a result of scheduled principal repayments on facility-level loans;
- \$19 million increase in non-expansory capital expenditures primarily at EBSA; and
- \$8 million of decommissioning reserve funding at Deutsche Bucht which announced commercial operations in March 2020.

Adjusted Free Cash Flow of \$415 million for the year ended December 31, 2020, was 15% or \$53 million higher than the same period of 2019. The significant factors decreasing Free Cash Flow were as described above for Free Cash Flow but exclude the \$28 million increase in growth expenditures.

As at December 31, 2020, the rolling four quarter Free Cash Flow and adjusted net payout ratio improved to 63% and 52%, calculated on the basis of cash dividends paid, from 68% and 60%, respectively, for same period ending December 31, 2019. The improvement in both net payout ratios was primarily due to higher Free Cash Flow and Adjusted Free Cash Flow and reinstatement of the DRIP in the third quarter, partially offset by higher cash dividends paid upon conversion of subscription receipts in January 2020 and the redemption of the convertible debentures into common shares in May 2020 (refer to *SECTION 7: EQUITY, LIQUIDITY AND CAPITAL RESOURCES*).

Sources of liquidity in addition to Free Cash Flow

In addition to Free Cash Flow generated, Northland utilizes additional sources of liquidity to fund growth and capital investments. For the year ended December 31, 2020, management sourced additional liquidity through net proceeds from the EBSA non-recourse financing, proceeds from up-financing of North Battleford's loan, release of funds from Gemini's debt service reserve facility, Deutsche Bucht insurance proceeds, as well as cash conservation from reinstating DRIP in September 2020. Altogether, these initiatives generated additional proceeds of \$280 million, which was primarily used to fund growth and repay corporate debt.

SECTION 6: CHANGES IN FINANCIAL POSITION

The following table provides a summary of account balances derived from the audited consolidated balance sheets as at December 31, 2020 and December 31, 2019.

As at	December 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents	\$ 434,989	\$ 268,193
Restricted cash	192,530	623,007
Trade and other receivables	372,137	295,427
Other current assets	66,379	44,521
Property, plant and equipment	8,679,959	8,072,519
Contracts and other intangible assets	533,171	521,050
Other assets ⁽¹⁾	1,019,192	521,898
	\$ 11,298,357	\$ 10,346,615
Liabilities		
Trade and other payables	252,691	193,160
Interest-bearing loans and borrowings	7,237,200	6,893,227
Net derivative liabilities ⁽²⁾	582,631	438,772
Net deferred tax liability ⁽²⁾	300,567	192,226
Other liabilities ⁽³⁾	922,497	1,118,478
	\$ 9,295,586	\$ 8,835,863
Total equity	2,002,771	1,510,752
	\$ 11,298,357	\$ 10,346,615

(1) Includes goodwill, finance lease receivable, long-term deposits and other assets.

(2) Presented on a net basis.

(3) Includes dividends payable, corporate credit facilities, convertible debentures, subscription receipts, provisions and other liabilities.

Significant changes in Northland's audited consolidated balance sheets were as follows:

- *Restricted cash* decreased by \$430 million primarily due to the conversion of the subscription receipts and release of funds from escrow.
- *Trade and other receivables* increased by \$77 million mainly due to consolidation of EBSA and exchange rate fluctuations.
- *Property, plant and equipment* increased by \$607 million primarily due to the EBSA Acquisition, completion of construction at Deutsche Bucht, ongoing construction at La Lucha and exchange rate fluctuations.
- *Other assets* increased by \$497 million mainly due to the recognition of goodwill related to the EBSA Acquisition.
- *Trade and other payables* increased by \$60 million primarily due to consolidation of EBSA and the exchange rate fluctuations.
- *Facility-level loans and borrowings* increased by \$344 million mainly due to the new EBSA Facility and exchange rate fluctuations, partially offset by scheduled principal repayments on facility-level debt.
- *Net deferred tax liability* (deferred tax asset less deferred tax liabilities) increased by \$108 million due to movements in the differential between accounting and tax balances, particularly the movement in net derivative liabilities.
- *Other liabilities* decreased by \$196 million primarily due to the conversion of subscription receipts and the redemption of the 2020 Debentures into common share equivalents.

SECTION 7: EQUITY, LIQUIDITY AND CAPITAL RESOURCES

Northland maintains sufficient liquidity to meet short- and medium-term cash needs and ensures that it has access to sufficient resources to capitalize on investment opportunities and to meet growth expenditure commitments, monthly cash dividend requirements and other needs in the normal course of operations. Northland finances these commitments through cash flow from operations, non-recourse project financing, securing partnerships, corporate credit facilities, convertible debentures and equity, such as common and preferred shares.

Dividends

Northland's Board of Directors and management are committed to maintaining the current monthly dividend of \$0.10 per share (\$1.20 on an annual basis) and are confident that Northland has adequate access to funds to meet its dividend commitment, including operating cash flows and corporate funds. The Board of Directors reviews the dividend policy periodically as part of Northland's overall capital allocation strategy to balance growth requirements and investor preferences.

In August 2020, Northland announced a change to the discount rate applicable to its DRIP, whereby common shareholders may elect to reinvest their dividends in common shares of Northland, to a 3% discount, from the previous 0% discount. Additionally, Northland elected to issue shares from treasury for purposes of the DRIP, but continues to reserve the right to source shares through market purchases. This change was effective with the dividend payment on September 15, 2020, to shareholders of record on August 31, 2020. The net result has been a reinvestment of cash dividends into Northland, thus contributing to the funding of growth initiatives.

Equity and Convertible Unsecured Subordinated Debentures

The change in shares and class A shares during 2020 and 2019 was as follows:

	December 31, 2020	December 31, 2019
Shares outstanding, beginning of year	179,441,219	179,201,743
Conversion of subscription receipts	14,289,000	—
Conversion of debentures	6,896,136	239,476
Conversion of Class A shares	1,000,000	—
Shares issued under the DRIP	544,720	—
Shares outstanding, end of period	202,171,075	179,441,219
Class A shares	—	1,000,000
Total common and convertible shares outstanding, end of period	202,171,075	180,441,219

Preferred shares outstanding as at December 31, 2020 and December 31, 2019 were as follows:

As at	December 31, 2020	December 31, 2019
Series 1	4,762,246	4,501,565
Series 2	1,237,754	1,498,435
Series 3	4,800,000	4,800,000
Total	10,800,000	10,800,000

In their most recent report issued in March 2020, Standard & Poor's reaffirmed Northland's corporate credit rating of BBB (Stable). In addition, Northland's preferred share rating was reaffirmed on Standard & Poor's Canada scale of BB+.

On August 31, 2020, Northland announced the fixed quarterly dividends on the cumulative rate reset preferred shares, series 1 ("**Series 1 Preferred Shares**") will be payable at an annual rate of 3.2% (\$0.2001 per share per quarter) until September 29, 2025. Holders of Series 1 Shares and the cumulative rate reset preferred shares, series 2 ("**Series 2 Preferred Shares**") had the right, at their option to convert all or part of their Series 1 Shares or Series 2 Shares, as applicable, on a one-for-one basis, into shares of the other series, effective September 30, 2020. Consequently, Northland now has 4,762,246 Series 1 Preferred Shares and 1,237,754 Series 2 Preferred Shares outstanding.

On September 24, 2020, the 1,000,000 Class A shares previously held by a Director of the Company, were converted into common shares on a one-for-one basis. Refer to the 2020 AIF for additional details on shareholdings by Directors.



As at December 31, 2020, Northland had 202,171,075 common shares outstanding (as at December 31, 2019 - 179,441,219). During 2020, \$149 million of convertible debentures were converted into 6.9 million common shares largely due to the early redemption of the 2020 Debentures on May 11, 2020. As at December 31, 2020, there were no Debentures outstanding.

As of February 22, 2021, Northland has 202,457,949 common shares outstanding with no change in preferred shares outstanding from December 31, 2020.

Normal Course Issuer Bid

Northland had a Normal Course Issuer Bid (NCIB) in place through December 16, 2020. Northland did not make any purchases under the NCIB and elected to not renew the NCIB when it ended. Management will monitor market conditions and determine whether to reinstate a NCIB in the future.

Liquidity and Capital Resources

The following table reconciles Northland's opening cash and cash equivalents to closing cash and cash equivalents:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Cash and cash equivalents, beginning of period	\$ 487,037	\$ 302,682	\$ 268,193	\$ 278,400
Cash provided by operating activities	310,499	333,626	1,321,601	1,224,415
Cash used in investing activities	(82,336)	(106,833)	(839,272)	(757,995)
Cash (used in) provided by financing activities	(281,611)	(260,208)	(389,533)	(471,102)
Effect of exchange rate differences	1,400	(1,074)	74,000	(5,525)
Cash and cash equivalents, end of period	\$ 434,989	\$ 268,193	\$ 434,989	\$ 268,193

Fourth Quarter

Cash and cash equivalents for the fourth quarter of 2020 decreased \$52 million from September 30, 2020, due to cash provided by operations of \$310 million, partially offset by cash used by investing activities of \$82 million, cash used in financing activities of \$282 million and \$1 million effect of foreign exchange translation.

The decrease in cash and cash equivalents during the quarter was largely due to:

- Scheduled debt and interest payments; and
- Higher EBSA capital expenditure in the fourth quarter.

2020

Cash and cash equivalents for the year ended December 31, 2020, increased \$167 million due to cash provided by operations of \$1.3 billion and \$74 million effect of foreign exchange translation, partially offset by \$839 million of cash used in investing activities and \$390 million in financing activities.

Cash provided by operating activities for the year ended December 31, 2020, was \$1 billion comprising:

- \$485 million of net income; and
- \$869 million in non-cash and non-operating items such as depreciation and amortization, finance costs, changes in fair value of financial instruments and deferred taxes.

Cash provided by operating activities was partially offset by \$32 million in changes in working capital due to the timing of payables, receivables and deposits.

Cash used in investing activities for the year ended December 31, 2020, was \$839 million, primarily comprising:

- \$736 million paid primarily for the acquisition of EBSA, NP Energia and New York Wind projects, net of cash acquired;
- \$227 million used for the purchase of property, plant and equipment, mainly for the completion of construction at Deutsche Bucht and ongoing construction at La Lucha and Hai Long; and
- \$65 million in changes in working capital primarily related to the timing of construction payables at Deutsche Bucht.

Factors partially offsetting cash used in investing activities include:

- \$91 million release of restricted cash mainly related to Deutsche Bucht achieving term conversion; and
- \$98 million received for the settlement of outstanding warranty obligations with Nordsee One's turbine manufacturer.

Cash used in financing activities for the year ended December 31, 2020, was \$390 million, primarily comprising:

- \$167 million in net drawdown under the corporate syndicated revolving facility;
- \$341 million received from common shares issued on the conversion of the subscription receipts; and
- \$571 million of proceeds drawn on project debt from borrowings under Deutsche Bucht's construction loan, and North Battleford and EBSA up-financings.

Factors partially offsetting cash used in financing activities include:

- \$367 million of common, Class A and preferred share dividends as well as dividends to non-controlling shareholders;
- \$15 million change in restricted cash, primarily from funds set aside for debt service at Deutsche Bucht partially offset by release from debt service reserve at Gemini;
- \$314 million in interest payments; and
- \$790 million in principal repayments on project debt.

Movement of foreign currencies, including primarily the euro and Colombian peso, against the Canadian dollar increased cash and cash equivalents by \$74 million for the year ended December 31, 2020. Northland aims to mitigate the effects of exchange rate fluctuations through a variety of mechanisms, including foreign exchange hedges and natural hedges by corporate debt denominated in USD or Euro for operating expenditures.

Property, Plant and Equipment

The following table provides a continuity of the cost of property, plant and equipment for the year ended December 31, 2020:

	Cost balance as at Dec. 31, 2019	Acquired	Additions	Other⁽¹⁾	Exchange rate differences	Transfers	Cost balance as at Dec. 31, 2020
Operations:							
Offshore wind	\$ 6,745,007	\$ —	\$ 39,256	\$ (61,999)	\$ 452,583	\$ —	\$ 7,174,847
Efficient natural gas ⁽²⁾	1,762,113	—	6,044	1,269	—	—	1,769,426
Onshore renewable	1,750,560	—	622	2,258	—	—	1,753,440
Utility	—	615,747	24,391	(615)	(41,792)	—	597,731
Construction:							
Onshore renewable	41,368	—	119,816	(153)	2,897	—	163,928
Corporate⁽³⁾	54,585	—	37,691	(1,976)	1,434	264	91,998
Total	\$ 10,353,633	\$ 615,747	\$ 227,820	\$ (61,216)	\$ 415,122	\$ 264	\$ 11,551,370

(1) Includes settlement received from warranty obligation, change in estimate for decommissioning provision and amounts accrued under the long term incentive plan ("LTIP").

(2) Excludes Spy Hill lease receivable accounting treatment.

(3) Additions primarily related to Hai Long capitalization in construction-in-progress.

Long-term Debt

Northland's operating facilities and projects under construction are financed primarily with non-recourse project debt with fixed or hedged interest rates and repayment schedules tied to the terms of the project offtake agreement. Each project is structured as a special-purpose entity so that an adverse event at one facility would not affect Northland's other facilities. By owning and operating high-quality assets and applying its deep, long-term experience, Northland expects to continue to enjoy a competitive cost of capital, which maximizes returns from growth opportunities.

The following table provides a continuity of Northland's debt for the year ended December 31, 2020:

	Balance as at Dec. 31, 2019	Acquired	Financings, net of costs	Repayments	Amort. of costs/fair value	Exchange rate differences	Transfers	Balance as at Dec. 31, 2020
Operations:								
Offshore wind	\$ 3,578,055	\$ —	\$ 2,333	\$ (482,328)	\$ 22,496	\$ 241,096	\$ 1,475,777	\$ 4,837,429
Efficient natural gas	951,487	—	44,000	(52,022)	9,993	—	—	953,458
Onshore renewable	1,055,402	—	—	(59,023)	882	—	—	997,261
Utility	—	219,163	445,050	(196,405)	1,343	(20,099)	—	449,052
Construction:								
Offshore wind	1,308,283	—	79,757	—	(617)	88,354	(1,475,777)	—
Corporate	171,384	—	1,551,131	(1,383,685)	3,042	9,530	—	351,402
Total	\$ 7,064,611	\$ 219,163	\$ 2,122,271	\$ (2,173,463)	\$ 37,139	\$ 318,881	\$ —	\$ 7,588,602

In addition to the loans outstanding in the above table, as at December 31, 2020, \$29 million of letters of credit were outstanding under non-recourse project-level credit facilities for operational use.

On June 30, 2020, Northland upsized the debt on the North Battleford loan, generating gross proceeds of \$52.5 million at an effective interest rate of 2.1%. The pricing was reflected through the bond principal increasing by \$44 million to \$577 million at the same 4.958% interest rate and amortization as the existing bonds.

In June 2020, Northland entered into a long-term, non-recourse financing agreement on behalf of EBSA for an aggregate amount of approximately \$465 million ("**EBSA Facility**"), inclusive of a Canadian dollar tranche and a Colombian peso tranche. The EBSA Facility replaced an interim bridge credit facility previously in place as well as facility-level borrowings. The EBSA Facility is structured as a \$450 million term loan and a \$15 million debt service reserve credit facility, for an initial two-year term, which Northland expects to renew annually and generate additional proceeds through asset level financing optimizations, subject to market conditions. The EBSA Facility has a blended interest rate of 5.3% and provides Northland with the ability to upsize EBSA's capital structure annually by increasing leverage commensurate with growth in EBSA's operating results.

Debt Covenants

Northland generally conducts its business indirectly through separate subsidiary legal entities and is dependent on the distribution of cash from those subsidiary entities to defray its corporate expenses, repay corporate debt and to pay cash dividends to common and preferred shareholders. Most operating subsidiaries hold non-recourse debt, which typically prohibits distributions if the loan is in default (notably for non-payment of principal or interest) or if the entity fails to achieve a benchmark debt service coverage ratio, which is the ratio of EBITDA to scheduled principal and interest payments over a specified time period. Northland and its subsidiaries were in compliance with all debt covenants for the period ended December 31, 2020.

Corporate Credit Facilities and Letters of Credit

Northland's corporate credit facilities are available for general corporate purposes, to support operational, construction and development opportunities and to provide letters of credit issued on behalf of Northland. The corporate credit facilities are summarized in the table below:

As at December 31, 2020	Facility size	Amount drawn	Outstanding letters of credit	Available capacity	Maturity date
Syndicated revolving facility	\$ 1,000,000	\$ 354,263	\$ 154,464	\$ 491,273	Jun. 2024
Bilateral letter of credit facility	150,000	—	146,972	3,028	Mar. 2022
Export credit agency backed letter of credit facility	100,000	—	36,956	63,044	Mar. 2021
Total	\$ 1,250,000	\$ 354,263	\$ 338,392	\$ 557,345	
Less: deferred financing costs		2,861			
Total, net		\$ 351,402			

- In the first quarter of 2020, the size of the bilateral letter of credit facility was increased to \$150 million from \$100 million.
- Of the \$338 million of corporate letters of credit issued as at December 31, 2020, \$124 million relates to projects under advanced development or construction.
- During the year ended December 31, 2020, Northland made net drawdowns of \$167 million on the syndicated revolving facility, with remaining movement in the period due to foreign exchange fluctuations.

Northland's corporate credit facilities include provisions that allow for renewals at Northland's option, subject to approval by the lenders.

Exposure to LIBOR and EURIBOR

LIBOR and EURIBOR are the two key global benchmark rates used to determine interest rates and value government and corporate bonds, loans, currency and interest rate swaps and many other financial products. Global regulators have been working with industry groups and policymakers over the past several years to identify and transition to more robust reference rates. In Europe, regulators have transitioned to a hybrid calculation methodology for EURIBOR. In the United States, regulators have identified the secured overnight financing rate (SOFR) as the successor rate for USD LIBOR. Regulators are expected to discontinue the use of USD LIBOR for new loans by the end of 2021 and for existing loans by June 2023.

As at December 31, 2020, Northland had €4.3 billion and US\$53 million of EURIBOR-linked borrowings and derivatives, respectively, that extend beyond 2021.

Management is monitoring industry developments and has developed a transition plan, which includes a comprehensive review of financial exposures, discussions with lenders as well as planning and implementing potential amendments to preserve the originally intended economics of loan arrangements. Management does not currently expect a material financial impact to Northland and continues to monitor and manage the transition.

Financial Commitments and Contractual Obligations

In the ordinary course of business, Northland enters into financial and derivative contracts. The contractual maturities of Northland's material financial liabilities as at December 31, 2020, are summarized below:

	2021	2022	2023	2024	2025	>2025
Derivative contracts						
Euro foreign exchange contracts	\$ 201,265	\$ 182,541	\$ 178,483	\$ 152,356	\$ 149,802	\$ 868,741
Financial natural gas contract	63,340	6,835	—	—	—	—
Colombian peso foreign exchange contracts	24,724	13,806	5,136	—	—	—
U.S. dollar foreign exchange contracts	21,647	—	—	—	—	—
US-Euro Cross Currency Swap	235,880	—	—	—	—	—
US La Lucha interest rate swaps	8,352	7,037	9,542	9,499	10,719	94,975
Power financial contracts	77,483	44,481	25,175	2,037	—	—
Facility-level debt at Northland's share						
Gemini	€ 84,201	€ 84,125	€ 89,411	€ 94,266	€ 99,437	€ 476,372
Nordsee One	94,200	92,009	90,311	90,988	86,053	123,604
Deutsche Bucht	76,116	76,507	78,071	78,853	77,778	416,236
Total in Euro	€ 254,517	€ 252,641	€ 257,793	€ 264,107	€ 263,268	€1,016,212
Total in Canadian dollar ⁽¹⁾	406,973	403,973	412,211	422,307	420,966	1,624,923
EBSA ⁽²⁾	—	450,202	—	—	—	—
All other facilities ⁽³⁾	101,473	114,254	130,880	128,891	125,269	1,096,610
Interest payments including swap derivative contracts	218,476	189,343	162,095	147,213	132,029	404,788
Corporate liabilities						
Corporate credit facilities, including interest	35,227	6,086	5,454	360,595	—	—
Total	\$1,394,840	\$1,418,558	\$ 928,976	\$1,222,898	\$ 838,785	\$4,090,037

(1) Using long-term foreign exchange rates.

(2) EBSA Facility is expected to be renewed annually.

(3) Other includes debt service costs of the efficient natural gas and onshore renewable facilities.

Non-Financial Commitments and Contractual Obligations

The following table summarizes all material fixed contractual commitments and obligations as at December 31, 2020, for non-financial contracts. The amounts are based on the assumptions of a 2% annual consumer price index increase, a Canadian dollar/euro exchange rate of \$1.60 and Canadian dollar/U.S. dollar exchange rate of \$1.28. The table includes maintenance and services agreements and natural gas transportation demand charges for which Northland is liable whether or not natural gas is shipped. The construction commitment relates to the construction of the Deutsche Bucht project. The cash obligations related to the leases for land and buildings, dismantlement and management fees to non-controlling interest partners are also included.

	2021	2022	2023	2024	2025	>2025
Maintenance agreements	\$ 174,127	\$ 159,304	\$ 154,812	\$ 145,464	\$ 143,478	\$ 969,438
Construction, excluding debt, interest and fees	18,308	1,207	1,231	1,255	1,281	41,836
Natural gas supply and transportation, fixed portion	33,128	33,768	34,443	9,367	9,555	41,404
Leases	11,436	9,658	8,504	7,830	7,513	50,123
Dismantlement funding	15,211	15,462	15,462	15,462	7,513	248,379
Management fees	1,046	1,057	1,069	1,080	1,092	11,250
Total	\$ 253,256	\$ 220,456	\$ 215,521	\$ 180,458	\$ 170,432	\$ 1,362,430

Except in circumstances where cancellation of the agreements would result in material penalties, the above table does not include variable contractual obligations of Northland (which typically relate directly to production or meeting performance

criteria). Such obligations include natural gas purchase costs, variable natural gas transportation costs and variable payments to maintenance providers. Except for certain onshore renewable and efficient natural gas facilities' PPAs, the electricity supply contracts contain no penalties for failure to supply.

SECTION 8: SUMMARY OF QUARTERLY CONSOLIDATED RESULTS

Northland's consolidated financial results are affected by seasonal factors, contract provisions and extraordinary items, which result in quarterly variations. Northland's quarterly net income (loss) also varies due to any non-cash impairments/recoveries and foreign exchange adjustments required to translate euro, U.S. dollar and Colombian peso denominated balances to the appropriate quarter-end Canadian dollar equivalent and due to fair value movements of financial derivative contracts.

Accounting policies and principles have been applied consistently for all periods presented in the table below.

<i>In millions of dollars, except per share information</i>	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Total sales	\$ 493	471	\$ 429	\$ 668	\$ 438	\$ 378	\$ 344	\$ 499
Operating income	177	179	149	395	203	177	146	288
Net income (loss)	27	109	74	275	61	111	76	204
Adjusted EBITDA	269	254	227	421	273	224	194	294
Cash provided by operating activities	310	278	365	368	334	242	341	308
Free Cash Flow	56	58	17	211	67	74	35	142
Adjusted Free Cash Flow	77	74	38	224	84	83	45	150
Per share statistics								
Net income (loss) - basic	\$ 0.11	\$ 0.40	\$ 0.26	\$ 1.02	\$ 0.23	\$ 0.42	\$ 0.28	\$ 0.78
Net income (loss) - diluted	0.11	0.40	0.26	0.99	0.23	0.41	0.28	0.76
Free Cash Flow - basic	0.28	0.30	0.09	1.10	0.37	0.41	0.20	0.79
Adjusted Free Cash Flow - basic	0.38	0.41	0.21	1.17	0.46	0.46	0.25	0.83
Total dividends declared ⁽¹⁾	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30

(1) Excludes \$0.40 of dividend equivalent payments declared and paid upon conversion of 14,289,000 subscription receipts in the first quarter of 2020.

SECTION 9: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES

In addition to acquisitions and investments completed over the course of the year, summarized below are Northland's most significant assets under construction and under development as at December 31, 2020 located in Mexico, Taiwan, the United States, Japan, and South Korea:

Baltic Power, 1,200 MW Polish Offshore Wind Project Acquisition

On January 29, 2021, Northland announced it had entered into an agreement with PKN ORLEN S.A. ("**PKN ORLEN**") to acquire (subject to regulatory approvals and customary closing conditions) 49% interest in an offshore wind project in the Baltic Sea ("**Baltic Power**"). Baltic Power is a mid-development stage project located approximately 23 kilometers offshore from Poland's coast in the Baltic Sea with a total capacity of up to 1,200 MW. The project, which has secured its location permit, filed its environmental permit application in mid-2020 and signed its grid connection agreement, will allow Northland to capitalize on the growth in renewable energy demand in a growing Central European market. Inclusive of the purchase price, Northland expects to invest approximately PLN 290 million (\$100 million) towards the Baltic Power development in 2021, including both growth expenditures and amounts expected to be capitalized on acquisition. Closing is expected in early 2021.

Northland and PKN ORLEN will co-develop the Baltic Power opportunity that is expected to secure a 25-year Contract for Difference (**CfD**) offtake agreement, providing Northland an investment consistent with the Company's objectives of creating high-quality projects underpinned by revenue contracts that deliver predictable cash flows. Construction activities



are scheduled to start in 2023 with commercial operations expected in 2026. Baltic Power adds to Northland’s offshore wind portfolio and provides a new market to enhance the geographic and regulatory diversity in its asset portfolio.

New York Wind, 300MW Onshore Wind Project Acquisition

In the third quarter of 2020, Northland expanded its North American portfolio with its entry into the U.S. renewables market through the closing of the acquisition of three onshore wind projects in New York State (“**NY Wind**”) with a total gross capacity of approximately 300 MW. The acquisition of NY Wind is a continuation of Northland’s long-standing strategy of early entry into a project and leveraging its experience and expertise in onshore wind to execute its first investment into the U.S. renewable energy sector. The project positions Northland to actively participate in the growing renewables market in New York State, which is expected to grow by 26 GW by 2030. As a result of the achievement of certain milestones, Northland commenced capitalization of associated development costs in the fourth quarter of 2020 in accordance with IFRS. In February 2021, Northland received contract price offers from the New York State Energy Research and Development Authority (“**NYSERDA**”) for 20-year indexed renewable energy credits (**REC**) offtake contracts for NY Wind.

La Lucha 130 MW Project Update

The construction of the 130 MW La Lucha solar project in the State of Durango, Mexico is expected to be completed in 2021. Activities at La Lucha were affected by COVID-19, requiring added precautions, including coordination of communications and protocols with contractors and subcontractors and added safety measures intended to minimize the potential transmission of the virus. Total capital cost for the project remains unchanged at approximately \$190 million.

NP Energía, Mexican Qualified Supplier Acquisition

In the second quarter of 2020, as part of its development strategy in Mexico and to facilitate securing off-take agreements for La Lucha, Northland completed the acquisition of NP Energía, which holds a Qualified Supplier license in Mexico. NP Energía allows Northland a more direct path to market for Northland’s generation projects, including La Lucha.

EBSA, Colombian Regulated Power Distribution Utility Acquisition

In July 2020, Northland finalized the purchase price for its January 14, 2020, of a 99.2% interest in the Colombian regulated power distribution utility, EBSA for a total purchase price of COP 2,530 billion (\$1,007 million) including existing debt of COP 550 billion (\$219 million). Pursuant to the share purchase agreement, the purchase price had been subject to post-closing adjustments following a review of the final tariff resolution by the Colombian regulator in respect of EBSA’s rate structure. In the fourth quarter, EBSA completed an offer to minority shareholders to repurchase their shares of EBSA, as a result of which, Northland effectively now owns 99.4% of EBSA.

Dado Ocean, South Korean Offshore Wind Development Project Acquisition

In February 2020, Northland completed its acquisition of Dado Ocean Wind Farm Co. Ltd (“**Dado Ocean**”), an offshore wind development company based in South Korea with access to multiple early-stage development sites off the southern coast. Subsequent to the announcement of the acquisition, the Company commenced early stage development on sites in proximity of the original sites. These sites could provide the opportunity to increase the development capacity of up to 1,000 MW of offshore wind.

Joint Venture with Shizen Energy for Offshore Wind Projects in Japan

Northland and Shizen Energy Inc. (“**Shizen Energy**”) have jointly established Chiba Offshore Wind Inc. (“**Chiba**”) to develop early-stage offshore wind development opportunities in Japan. The prospective projects have an expected combined capacity of approximately 600 MW. In late 2020, Shizen divested a portion of its investment to Tokyo Gas.

Hai Long 1,044 MW Offshore Wind Development Project Update

The Hai Long project owned by Northland and its 40% partner, Yushan Energy, is allocated a total of 1,044 MW (626 MW net to Northland) by the Bureau of Energy of Taiwan under a FIT program and an auction process. Key aspects of the Hai Long project are presented below:

Sub-project	Gross Capacity (MW)	Net Capacity (MW)⁽¹⁾	Year of Grid Connection	Type of Procurement
Hai Long 2A	300	180	2024	FIT
Hai Long 2B	232	139	2025	Auction
Hai Long 3	512	307	2025	Auction
Total	1,044	626		

(1) Represents Northland’s 60% economic interest.

Following a 20-year PPA executed with Taipower for the 300 MW Hai Long 2A offshore wind project in 2019, Northland expects to execute offtake agreements for Hai Long 2B and Hai Long 3 sub-projects in 2021, though opportunities also exist to enter into economically favourable commercial PPAs to augment the economics of the sub-projects. In the second quarter of 2020, Hai Long entered into an interim agreement to use 14MW wind turbines for Hai Long 2A. The larger turbines are expected to generate economic benefits through realized cost savings by using fewer turbines. In 2019, Northland entered into preferred supplier agreements for turbine supply and balance of plant components for Hai Long 2 and 3. Northland and Yushan Energy continue to engage with the Taiwan government on finalization of the project's investments into the local supply chain.

SECTION 10: OUTLOOK

2021 FINANCIAL GUIDANCE

Adjusted EBITDA

In 2021, management expects Adjusted EBITDA to be in the range of \$1.1 billion to \$1.2 billion, remaining consistent relative to 2020 financial guidance, primarily due to the following factors (all amounts approximate):

- Higher contribution from German offshore wind facilities as a result of anticipated fewer periods of negative market prices and un-compensated curtailments (\$30 million);
- Higher contributions from Gemini primarily as a result of higher assumed 2021 wholesale market price (\$10 million); and
- Contribution from the La Lucha solar project in Mexico (\$10 million), with the project expected to begin producing power in March 2021, with commercial operations expected to follow later in 2021.

Factors offsetting the increase in 2021 Adjusted EBITDA include:

- Lower anticipated contribution from efficient natural gas facilities primarily due to a scheduled extended maintenance outage at the North Battleford facility in Saskatchewan (\$15 million decrease); and
- Higher expected growth expenditures relating to activities intended to advance Northland's identified projects including New York Wind, Baltic Power, Chiba and Dado Ocean and Nordsee Two projects (\$35 million), as well as higher G&A and other costs to support this growth (\$25 million).

Free Cash Flow

In 2021, management expects Free Cash Flow to be in the range of \$1.30 to \$1.50 per share. 2021 Free Cash Flow per share is expected to be lower than the revised 2020 financial guidance of \$1.60 to \$1.70 per share primarily due to the following factors (all amounts approximate):

- Higher contribution from German offshore wind facilities as a result of fewer periods of negative market prices and un-compensated curtailments net of higher interest, taxes and other items (\$15 million);
- Higher contribution from Gemini primarily as a result of higher assumed market prices net of higher debt repayments and other items (\$5 million); and
- Contribution from La Lucha (\$5 million) and from EBSA (\$10 million), including proceeds from anticipated upward financing of the EBSA Facility that is expected to occur annually based on growth in EBSA's rate base.

Factors more than offsetting the aforementioned increases include:

- Lower anticipated contribution from the efficient natural gas facilities, amounts as noted above; and
- Higher growth expenditures and corporate G&A costs to support growth, amounts, as noted above, which is the primary driver for the decrease in Free Cash Flow.

To achieve its growth objectives, Northland will deploy increasing amounts of early-stage investment capital (growth expenditures) to advance its projects. As in 2020, with the regional development offices fully functional and certain growth opportunities secured, such as New York Wind and Baltic Power, Northland expects to incur higher growth expenditures and capital investment in 2021. Early-stage growth expenditures will reduce near-term Free Cash Flow and short-term liquidity until the projects achieve commercial operations but should deliver long-term, sustainable growth in Free Cash Flow.



As such, the 2021 Free Cash Flow guidance range reflects increasing growth expenditures in pursuit of the Company's continued execution of its global growth strategy. These expenditures relate to advancement of Baltic Power, New York Wind, Chiba Energy in Japan, Dado Ocean in South Korea and other offshore wind projects. 2021 growth expenditures are expected to be approximately \$100 million or \$0.50 of 2021 Free Cash Flow per share, which is included in the aforementioned financial guidance explanations.

In addition to growth expenditures, the Company expects to incur capital investments of \$100 million in 2021 to advance Hai Long and other advanced-stage projects. Capital investments are largely expected to be funded through cash on hand and through Northland's corporate credit facilities and do not impact Free Cash Flow.

Adjusted Free Cash Flow (Free Cash Flow Excluding Growth Expenditures)

Northland is introducing a new supplementary non-IFRS Free Cash Flow per share measure, Adjusted Free Cash Flow, which excludes growth expenditures from Free Cash Flow, since these growth expenditures are incurred for the purposes of generating future cash flow. Management believes Adjusted Free Cash Flow is a meaningful measure of Northland's ability to generate cash flow, after on-going obligations, to reinvest in growth and fund dividend payments.

Excluding the effect of growth expenditures from 2021 free cash flow guidance results in Northland's Adjusted Free Cash Flow for 2021 to be in the range of \$1.80 to \$2.00 per share and in management's view, allow for a better representation of cash flow generated from the business before investment-related decisions. For comparison, the 2020 Adjusted Free Cash Flow supplementary guidance range would have been \$1.95 to \$2.15 per share relative to the revised Free Cash Flow per share guidance of \$1.60 to \$1.70 per share as disclosed in November 2020.

Iroquois Falls Update

Northland's 120 MW Iroquois Falls natural gas facility achieved commercial operation in 1997 and has contributed significantly to the Company's financial performance through a 25-year power purchase agreement (PPA) with the government of Ontario. The PPA is set to expire at the end of 2021 and given the current forecasted Ontario market capacity needs, Northland anticipates participating in the Ontario market through Capacity Auctions as a generation resource, offering capacity for both the summer and winter commitment periods. In addition, Management intends to seek other offtake opportunities.

Currently, Iroquois Falls contributes approximately \$75 million annually in Adjusted EBITDA and this contribution is expected to materially decline starting in 2022 contributing less than \$10 million in Adjusted EBITDA annually.

LONG-TERM OUTLOOK AND GROWTH IN ADJUSTED EBITDA

Northland's growth trajectory is expected to continue given the accelerating global trend towards de-carbonization and electrification, and its extensive portfolio of offshore wind development. The Company has advanced and secured the rights to a number of development projects, primarily offshore wind, which if successful will increase Northland's installed gross capacity by at least 4 to 5 GW and require approximately \$15 to \$20 billion (\$10 to \$14 net) of total gross capital investment over the next five years. These projects, once operational by the latter half of the decade, are expected to more than double the Company's Adjusted EBITDA, after taking into account the Company's ownership interest.

SECTION 11: LITIGATION, CLAIMS AND CONTINGENCIES

Litigation, claims and other contingencies arise from time to time in the ordinary course of business for Northland. None of these contingencies, individually or in aggregate, are expected to result in a liability that would have a material adverse effect on Northland. Refer to Note 25 of the audited consolidated financial statements for additional information including any contingencies arising as a result of completed acquisitions.

SECTION 12: SUSTAINABILITY AND CLIMATE CHANGE

Sustainability and Northland's Business Model

Sustainability is integral to Northland's business and its ability to safely and reliably deliver the energy people need while delivering long-term economic value to its shareholders. Northland has been committed to delivering renewable and cleaner energy projects, health and safety and having a lasting, positive impact on its communities for 34 years. Northland is focused on advancing its Environment, Social and Governance (ESG) initiatives by integrating ESG into everyday activities, while enhancing its reporting on material ESG issues for stakeholders. These activities align with Northland's mission of helping develop a carbon-free world. Understanding, measuring, and managing the opportunities and risks arising from the global shift to renewable energy sources, as a result of climate change is a core component of Northland's business activities and critical to delivering on its vision. Northland holds the view that demand for electricity from renewable sources will continue to rise as a result of growing recognition of the adverse effects of climate change and an increasing number of jurisdictions adopting de-carbonization policies and renewable energy targets.

Growth of Renewable Assets Portfolio

Northland sees significant growth opportunities in its renewable asset portfolio as a result of the general trend towards global de-carbonization, which encourages power generation from low-carbon technologies. Northland expects these opportunities to span short, medium and long-term time horizons as such policies spread to new parts of the globe and strengthen in advanced economies. Northland is currently pursuing such opportunities through active development of low-carbon projects in North America, Europe, Latin America and Asia. Refer to the 2020 AIF for a summary of regulatory developments in the markets where Northland operates.

Enterprise Risk Management

Climate change, which increases the likelihood of unexpected, severe and more frequent weather-related natural disasters such as severe storms, droughts and water stress, heat waves, forest fires, rising temperatures and changing precipitation patterns, presents both risks and opportunities to Northland. Climate change has raised the importance of access to clean energy, energy security and energy efficiency, to which Northland is well-positioned to contribute.

Northland manages the business risks presented by climate change as part of its Enterprise Risk Management (ERM) program. Northland's ERM program builds risk identification, assessment, response planning, reporting and monitoring into routine business activities, with ownership of key risks delegated throughout the organization. Assessment, using quantification of business impacts wherever possible, occurs on an ongoing basis.

Climate Change Related Opportunities

New Business Opportunities

Northland continues to identify new business opportunities due to continued interest and growth in clean and renewable power technologies as well as increased investment by public and private entities in the sector. For example, many commercial and industrial entities are partnering with sustainable power producers for their energy needs. Such partnerships and capital investments are expected to lead to enhanced performance and reliability and/or reduced operating costs, improving Northland's operating and financial results. Continued investment in clean technology may also uncover new applications for existing technologies and entirely new business models, which Northland is well-positioned to benefit from.

Greater Access to Capital

Northland expects to benefit from direct business partnerships as well as the trend of increasing capital allocations by large institutional investors to companies pursuing environmentally sustainable business models. Northland's current shareholder base includes large institutional investors and "green funds" that have found Northland to meet their criteria. Newer financial products, such as green bonds, present additional opportunities to raise capital in the future.

Reputational Advantage

Northland's business model has and is expected to continue to attract and retain top talent due to employees' growing preference to work for companies whose actions and strategy align with their own beliefs. Northland's sustainability focus provides an advantage in the competition for top talent at all levels of the organization. Similarly, Northland benefits from its positive brand image and reputation when seeking new business partners, exploring new jurisdictions and obtaining regulatory approvals.

Climate Change Related Risks

Increased Variability of Results

Climate change may increase the potential for increased variability of renewable resources, resulting in higher variability of electricity production and financial results, across all time horizons. Research on the impact of climate change on wind and solar patterns in areas of concentrated renewable power production, though growing, remains in early stages. Under high emissions scenarios, in the long-term, it is not expected that there will be a significant change in mean wind speeds in the areas where Northland currently operates, but increased variability is possible. Thus, Northland's concentration of offshore wind farms in the North Sea presents a performance and operating risk. Over the long-term, the effects of climate change and severe weather events may also change energy demand patterns and market prices in the regions where Northland operates to the benefit or detriment of Northland.

Acute and Chronic Effect on Physical Assets

Northland's facilities and projects are exposed to various hazards today that are expected to increase in the future under various climate scenarios, including temperature extremes, heat waves, drought, extreme precipitation, flooding (sea and river), forest fires and extreme wind. Extreme weather conditions and natural disasters can cause downtime, construction delays, production losses and/or damage to equipment. Natural events may also make it impossible for operations and maintenance crews to access the disabled equipment to deliver parts and provide services.

Northland is exposed to weather risk and subsurface risk during the construction and operation of its offshore wind facilities. Northland attempts to mitigate these risks through the purchase of insurance and/or the inclusion of provisions under applicable construction agreements with contractors. However, insurance policies and/or construction agreements may not provide coverage for certain events, or coverage may be insufficient to compensate for all of the losses suffered by a project. Such insurance may not continue to be available at all or at economically feasible cost.

Northland's operations rely on assets such as transmission grids, towers and substations owned and operated by third-parties. These assets may also be adversely affected by extreme weather events and climate change of which Northland has little ability to control. Similarly, Northland's operating and construction activities could be affected by the impact of extreme weather events on its supply chain.

Regulatory Compliance Risks

With the growing scrutiny of environmental impacts of business activities, Northland faces the risk of increased costs for regulatory compliance such as carbon pricing programs for efficient natural gas facilities, maintenance of air and water quality standards, limiting greenhouse gas emissions and costs of compliance during the construction phase.

Northland continually monitors global regulatory developments and acts to manage the related financial and business risks associated with its activities.

Northland discloses its direct greenhouse gas and air emissions in its Sustainability Report and plans to continue to measure and report on these metrics annually. Northland recognizes the long-term importance of sustainability and the role of renewable energy in counteracting climate change and is focused on increasing the capacity of its renewable asset portfolio in response to the threat of climate change.

Climate change related compliance requirements did not have a significant financial or operational impact on Northland's earnings or capital expenditures in 2020.

SECTION 13: FINANCIAL RISKS AND UNCERTAINTIES

Northland's activities expose it to a variety of risks. Refer to the 2020 AIF for a summary of factors in addition to those discussed below that could significantly affect the operations and financial results of Northland.

Northland's risk management objective is to mitigate fluctuations in cash flows and ensure stable levels of cash available to pay dividends to shareholders. Northland does not seek to mitigate fair value risk. Northland classifies financial risks into market risk, counterparty risk and liquidity risk. Northland manages financial risks by identifying, evaluating and mitigating financial risks in compliance with internal policies and external requirements under non-recourse project financing arrangements. Northland uses derivative financial instruments to manage certain financial risks but does not engage in speculative activity. Material financial risks are monitored and reported regularly to the Audit Committee of the Board of Directors. The risks associated with Northland's financial instruments and Northland's policies for mitigating these risks are described below.

Market Risk

Market risk is the risk that the fair value of Northland's future cash flows from financial instruments will fluctuate because of changes in market prices. Financial instruments affected by market risk include loans and borrowings and derivative financial instruments. Types of market risk to which Northland is exposed are discussed below.

(i) Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Northland manages this risk by securing fixed-rate debt or entering into interest rate swap agreements that effectively convert floating rate interest exposures to a fixed rate.

Changes in the fair value of interest rate swap contracts designated for hedge accounting are recorded in Northland's consolidated statements of comprehensive income (loss) to the extent that the hedge arrangements are effective. The fair values for these interest rate swap contracts are based on calculations and valuation models using observable market rates.

(ii) Credit Spread Risk

Credit spread risk as it affects Northland refers to the risk that the loan margin charged by current or future lenders (a borrower-specific margin added to the underlying interest rate) will increase, making the cost of debt capital more expensive. Credit spread risk cannot be hedged. Northland manages this risk by: (i) entering into long-term financings with defined credit spreads over the amortization period whenever possible; (ii) ensuring loans are fully amortized (repaid) by maturity; and (iii) monitoring credit markets and making prudent decisions about the timing and method of original financings, refinancing and repricing opportunities.

(iii) Currency Risk

Currency risk arises because the Canadian dollar equivalent of transactions, assets or liabilities denominated in foreign currencies may vary due to changes in foreign exchange rates. Northland is exposed to changes in the euro, U.S. dollar, Colombian peso, Taiwan dollar, Polish Zloty, and to a lesser degree, Japanese Yen and Korean Won for the early stage projects in those countries. Primary exposure to Northland results from the euro-denominated financial statements and cash distributions at Gemini, Nordsee One and Deutsche Bucht, and Colombian peso-denominated financial statements and cash distributions from EBSA, and development spending at Hai Long and Baltic Power. Management manages this risk by hedging material net foreign currency cash flows to the extent practical and economical to minimize material cash flow fluctuations.

Northland has entered into long-term foreign exchange contracts to fix foreign exchange conversion rates on the majority of forecasted euro-denominated cash inflows from Gemini, Nordsee One and Deutsche Bucht. Northland has entered into a short-term rolling hedge program to fix foreign exchange conversion rates on a portion of distributions from EBSA.

(iv) Commodity Price Risk

Commodity price risk arises where: (i) PPA revenues for efficient natural gas facilities are fixed, not linked to natural gas prices or the cost of natural gas is not substantively passed through to the off-taker; (ii) PPA revenues or components of PPA revenues depend upon certain electricity market indices; (iii) a portion of revenue is not contracted and subject to changes in electricity prices; or (iv) the value of a financial instrument or cash flows associated with the instrument fluctuates due to changes in commodity prices. Northland is exposed to changes in the Dutch wholesale power price at Gemini.

Northland manages this risk by: (i) entering into PPAs that provide a fixed price for all, or substantially all, electricity production, provide a price linked to commodity prices or include pass-through of commodity costs to the off-taker; (ii) entering into financial power and natural gas hedges to stabilize contractual economics, including natural gas costs and electricity prices; and (iii) entering into fixed price gas supply contracts. Northland has entered into derivatives to stabilize the effect of changes in Dutch wholesale power prices.

Counterparty Risk

Counterparty risk is the risk that a counterparty fails to perform its contractual obligations which could result in losses in financial assets. Northland is exposed to counterparty risk in several areas including: (i) cash and cash equivalents held with banks and financial institutions; (ii) counterparty exposures arising from: (a) contractual obligations, which include but are not limited to sales contracts, equipment supply and maintenance contracts, fuel supply and fuel transportation agreements, energy marketing contracts and construction contracts, (b) derivative financial instruments, (c) trade receivables due from customers, (d) loan receivables due from partners and other entities, and (e) claims payable by an insurer; and (iii) unfunded loan commitments from financial institutions for the construction of projects. The maximum exposure to counterparty risk, other than for the loan commitments, is equal to the carrying value of the financial assets.

Northland manages counterparty risk by contracting with highly creditworthy counterparties wherever possible, such as government-related entities and large financial institutions. Northland's cash, derivative financial instruments, unfunded loan commitments and insurance policies are contracted with creditworthy financial institutions and/or cleared on exchanges. Northland's gas, transportation, equipment, maintenance and construction contracts are with highly rated and/or large, well-capitalized counterparties wherever possible. Northland also manages counterparty risk by conducting comprehensive initial credit analyses on potential counterparties to material and/or long-term contracts and monitoring counterparties over time.

The nature of Northland's business and contractual arrangements, and the quality of its counterparties generally serves to minimize counterparty risk.

Liquidity Risk

Liquidity risk is the risk that Northland: (i) may not have sufficient funds to settle a transaction on the due date; (ii) may be forced to sell financial assets or terminate financial liabilities at a value that is not the fair market value; or (iii) may be unable to settle or recover a financial asset at all. Liquidity risk arises through an excess of financial obligations over available financial assets at any point in time.

Northland manages liquidity risk to maintain sufficient cash or readily-available funding in order to meet expected liquidity requirements. Northland achieves this by: (i) maintaining prudent cash balances, availability under committed credit facilities and access to capital markets; (ii) selecting derivatives and hedging strategies that minimize the risk of material cash flow impacts; and (iii) actively monitoring open positions to assess and proactively adapt to possible market liquidity concerns.

Northland is also subject to internal liquidity risk because it conducts its business activities through separate legal entities (subsidiaries and affiliates) and is dependent on cash distributions from those entities to defray corporate expenses and pay dividends. Most operating subsidiaries hold non-recourse debt. Such non-recourse financing agreements typically prohibit distributions if the loan is in default (notably for non-payment of principal or interest) or if the entity fails to achieve a benchmark debt service coverage ratio, which is the ratio of Adjusted EBITDA to scheduled loan principal and interest payments over a specified time period. For the year ended December 31, 2020, Northland and its subsidiaries were in compliance with all debt covenants.

Northland will be required to refinance, renew or extend debt instruments as they become due. The ability to refinance, renew or extend debt instruments is dependent on the capital markets up to the time of maturity, which may affect the availability, pricing or terms and conditions of replacement financing.

Refer to Note 25 in the audited consolidated financial statements for the year ended December 31, 2020, for additional information related to Northland's commitments and obligations.

Risks related to COVID-19 pandemic

Each of Northland's operating facilities are deemed to be essential infrastructure and, as such, operations have continued uninterrupted to date. Accordingly, management has taken prudent and comprehensive measures to safeguard the health and well-being of all employees, contractors as well as host communities. All of Northland's facilities continue to operate as expected and preventative measures remain in place in accordance with Northland's crisis response plans and applicable local government directives. Management continues to actively monitor the situation, which remains uncertain, and may take further actions as required or recommended by authorities.

Risks related to COVID-19 as a result of lower demand for power globally include increased negative pricing at Nordsee One and Deutsche Bucht, lower wholesale market-based prices at Gemini, higher unpaid curtailments in general, increased volatility in the value of financial instruments and reduction in sales and net earnings. Other risks include potential delays in construction timelines as a result of construction services and contractor unavailability or unavailability of key personnel resulting in the interruption of production and lower availability of power infrastructure, thus affecting sales, operating costs and net earnings.

SECTION 14: CRITICAL ACCOUNTING ESTIMATES

Preparing the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Northland's operating facilities and investments primarily operate under long-term contracts with creditworthy counterparties. As a result, management believes it is not exposed to critical accounting estimates to the same degree as merchant businesses of comparable size. For Northland, the amounts recorded for depreciation of property, plant and equipment and contracts, fair value of financial assets and financial liabilities, decommissioning liabilities, deferred development costs, leases, LTIP, impairment of non-financial assets, income taxes and accounting for non-wholly owned subsidiaries are based on estimates and management's judgment. By their nature, these estimates are subject to measurement uncertainty, and changes in these estimates may affect the audited consolidated financial statements of future periods. Estimates and accounting judgments are based on historical experience, current trends and other assumptions that are believed to be reasonable under the circumstances.

In making these estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as appropriate. These estimates and judgments have been applied in a manner consistent with that in the prior year and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in this annual report.

Additional information on the significant estimates, judgments and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in Note 3 in the audited consolidated financial statements for the year ended December 31, 2020.

SECTION 15: FUTURE ACCOUNTING POLICIES

Management assesses each new IFRS or amendment to determine whether it may have a material impact on Northland's consolidated financial statements. As at December 31, 2020, there have been no accounting pronouncements by the International Accounting Standards Board expected to materially affect Northland's consolidated financial statements beyond those described in Note 2.17 of the audited consolidated financial statements.

SECTION 16: CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer (**CEO**) and Chief Financial Officer (**CFO**), on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of the effectiveness of the design and operation of Northland's disclosure controls and procedures was conducted as of December 31, 2020, by and under the supervision of management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that Northland's disclosure controls and procedures, as defined in National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", are effective to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules and forms.

Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of audited financial statements for external purposes in accordance with IFRS.

Northland's internal controls over financial reporting are designed and operating effectively to provide reasonable assurance regarding: (i) prevention or timely detection of the unauthorized transactions that could have a material effect on Northland's audited consolidated financial statements, and (ii) the reliability of financial reporting and preparation of audited consolidated financial statements for external use purposes in accordance with policies, procedures and IFRS.

As a result of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance, not absolute, and may not prevent or detect all misstatements. Further, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions.

An evaluation of the effectiveness of the design and operation of Northland's internal controls over financial reporting was conducted as of December 31, 2020, by and under the supervision of management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that Northland's internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting and the preparation of the audited consolidated financial statements in accordance with IFRS.

No changes were made in Northland's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, Northland's internal controls over financial reporting in the year ended December 31, 2020.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation of Northland's consolidated financial statements and annual report. Management has prepared the accompanying consolidated financial statements in accordance with International Financial Reporting Standards, and the financial information included in the annual report is consistent with the consolidated financial statements. Where appropriate, these consolidated financial statements reflect estimates based on the judgments of management. When alternative methods exist, management has chosen those it deems most appropriate in the circumstances in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

Management is responsible for the development and maintenance of systems of internal accounting and administrative cost controls of high quality, consistent with a suitable cost. Such systems are designed to provide reasonable assurance that the financial information is accurate, relevant and reliable and that Northland and its subsidiaries' assets are appropriately accounted for and adequately safeguarded.

The Board of Directors and Audit Committee (consisting of independent directors) are responsible for reviewing the consolidated financial statements of Northland and the accompanying management's discussion and analysis and ensuring that management fulfills its responsibilities for financial reporting.

Ernst & Young LLP, the independent auditor, have examined the consolidated financial statements of Northland. The independent auditor's responsibility is to express a professional opinion on the fairness of the consolidated financial statements. The auditor's report outlines the scope of their examination and sets forth their opinion on the consolidated financial statements. Their report as auditor is set out on page 44.

The Audit Committee of Northland meets periodically with management and the independent auditor to discuss internal controls, auditing matters and financial reporting issues and to satisfy itself that each party is properly discharging its responsibilities. The Audit Committee also reviews the consolidated financial statements, management's discussion and analysis and the external auditor's report; examines the fees and expenses for audit services; and considers the engagement or reappointment of the external auditor. The Audit Committee reports its findings to the Board of Directors for consideration prior to the issuance of the Northland consolidated financial statements to the shareholders. Ernst & Young LLP have full access to the Audit Committee and meet with the committee both in the presence of management and separately.

(signed, Mike Crawley)

Mike Crawley

President and Chief Executive Officer

(signed, Pauline Alimchandani)

Pauline Alimchandani

Chief Financial Officer

Toronto, Canada

February 22, 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Northland Power Inc.

Opinion

We have audited the consolidated financial statements of Northland Power Inc. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the consolidated statements of income (loss), consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter**How our audit addressed the key audit matter****Impairment of Goodwill, Contracts and other intangible assets, and Property, plant and equipment**

As at December 31, 2020, the Group's goodwill, contracts and other intangible assets, and property, plant, and equipment were \$709 million, \$533 million and \$8,680 million, respectively. For goodwill and other intangible assets with indefinite lives, management assesses at least annually, or at any time if an indicator of impairment exists, whether there has been an impairment loss in the carrying value of these assets. For intangible assets with finite lives and property, plant, and equipment, any time an indicator of impairment or reversal exists, management assesses whether there has been an impairment loss in the carrying value of these assets. When performing impairment tests, the Group estimates the recoverable amount for each cash generating unit ("CGU") or group of CGUs to which goodwill and contracts and other intangible assets and property, plant and equipment assets have been allocated using the value-in-use method, whereby the net cash flow is determined based on current business plans and budgets approved by management. The Group discloses significant judgements, estimates and assumptions and the results of their analysis in respect of impairment in Notes 3 and 21 to the consolidated financial statements.

Auditing management's impairment tests was complex, given the degree of judgement and subjectivity in evaluating management's estimates and assumptions in determining the recoverable amounts of CGUs or group of CGUs. The significant assumptions and inputs noted in the value-in-use models were revenues, operating costs, terminal values, and discount rates.

Based on our risk assessment, we performed the following procedures, among others, on a sample of management's cash generating unit impairment tests:

- Assessed the appropriateness of revenues, operating costs, and terminal values by comparing them to executed power generation contracts and regulatory power distribution rates, historical results, third-party data and current industry, market or economic trends;
- With the assistance of our valuation specialists, evaluated the discount rates utilized by management, which involved assessing comparable market data;
- Performed sensitivity analysis on the significant assumptions and inputs to evaluate changes in the recoverable amount of the CGU; and
- Assessed the adequacy of the disclosures included in Note 21 of the accompanying consolidated financial statements in relation to this matter.

Key audit matter

How our audit addressed the key audit matter

Business Combination

On January 14, 2020, Northland Power Inc. acquired 99.2% of the issued and outstanding shares of Empresa de Energía de Boyacá S.A E.S.P (“EBSA”) for aggregate purchase consideration of \$798 million, as disclosed in Note 4 of the consolidated financial statements. As described in Note 2, *Significant Accounting Policies and Changes* in the consolidated financial statements, the cost of an acquisition is measured as the aggregate fair values of the assets acquired and liabilities incurred or assumed as at the date of the exchange of control of the acquiree. Where the amounts allocated to the assets and liabilities are less than the overall consideration paid, the difference is accounted for as goodwill.

Auditing this business combination was complex due to the subjective nature of estimating the fair values of identified assets and liabilities of EBSA as at the date of acquisition, particularly property, plant and equipment. The Group used a discounted cash flow model to measure the business enterprise value and the acquired property, plant and equipment, where the significant assumptions and inputs were revenues, capital expenditures, and discount rate.

To test the Group’s estimated fair valuation of business enterprise value and property, plant, and equipment we performed the following procedures, among others:

- Read the purchase agreement to obtain an understanding of the key terms and conditions and assessed the appropriateness of management’s analysis over the necessary accounting considerations;
- Involved our valuation specialists to assess the valuation methodology applied, and the various inputs utilized to determine the discount rate by referencing current industry and comparable company information as well as cash-flow specific risk premiums;
- Assessed the appropriateness of revenues and capital expenditures by comparing them to long term forecasts for the Colombian power market, historical results, the local regulatory framework for electric utilities, and other third-party data;
- Developed independent expectations of the fair value of property, plant and equipment by performing sensitivity analysis of several significant assumptions; and
- Assessed the adequacy of the disclosures included in Note 4 of the consolidated financial statements in relation to this matter.

Other Information

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

- Management’s Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor’s report thereon, in the Annual Report

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis and the Annual Report prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

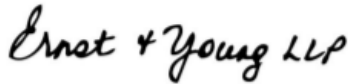
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Scott Kerr.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, ON

February 22, 2021

Consolidated Financial Statements

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Consolidated Balance Sheets

In thousands of Canadian dollars

As at	December 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents	\$ 434,989	\$ 268,193
Restricted cash [Note 15.4, 16]	192,530	623,007
Trade and other receivables [Note 9.3, 16]	372,137	295,427
Other current assets [Note 9.1]	66,379	44,521
Derivative assets [Note 18.2]	10,649	47,637
Total current assets	\$ 1,076,684	\$ 1,278,785
Property, plant and equipment [Note 5, 21]	8,679,959	8,072,519
Contracts and other intangible assets [Note 6]	533,171	521,050
Goodwill [Note 7]	708,706	204,942
Finance lease receivable [Note 8.1]	136,198	140,724
Derivative assets [Note 18.2]	22,838	33,604
Long-term deposits [Note 9.2]	79,787	66,332
Deferred tax asset [Note 22]	67,626	50,812
Other assets [Note 9.3]	94,501	109,900
Total assets	\$ 11,399,470	\$ 10,478,668
Liabilities and equity		
Trade and other payables [Note 8.2]	\$ 252,691	\$ 193,160
Interest-bearing loans and borrowings [Note 11]	608,446	567,936
Subscription receipts [Note 15.4]	—	339,181
Convertible debentures [Note 12.2]	—	150,102
Dividends payable	20,217	18,044
Derivative liabilities [Note 18.2]	178,510	129,572
Total current liabilities	\$ 1,059,864	\$ 1,397,995
Interest-bearing loans and borrowings [Note 11]	6,628,754	6,325,291
Corporate credit facilities [Note 12.1]	351,402	171,384
Provisions and other liabilities [Note 8.2, 13,14]	550,878	439,767
Derivative liabilities [Note 18.2]	437,608	390,441
Deferred tax liability [Note 22]	368,193	243,038
Total liabilities	\$ 9,396,699	\$ 8,967,916
Equity		
Common and Class A shares [Note 15.1]	\$ 2,955,840	\$ 2,443,209
Preferred shares [Note 15.2]	260,880	260,880
Contributed surplus	3,225	351
Accumulated other comprehensive loss	(283,197)	(174,597)
Deficit	(1,361,730)	(1,466,235)
Equity attributable to shareholders	1,575,018	1,063,608
Non-controlling interests [Note 16]	427,753	447,144
Total equity	2,002,771	1,510,752
Total liabilities and equity	\$ 11,399,470	\$ 10,478,668

See accompanying notes.

(signed, John W. Brace)

John W. Brace
Director and Chair of the Board

(signed, Russell Goodman)

Russell Goodman
Director and Chair of the Audit Committee

Consolidated Statements of Income (Loss)

In thousands of Canadian dollars except per Share and Share information

	Year ended December 31,	
	2020	2019
Sales		
Electricity and related products	\$ 1,848,846	\$ 1,658,977
Regulated electricity	210,709	—
Other	1,072	—
Total sales	\$ 2,060,627	\$ 1,658,977
Cost of sales		
Fuel purchases	132,762	116,288
Regulated electricity purchases	69,567	—
Total cost of sales	202,329	116,288
Gross profit	\$ 1,858,298	\$ 1,542,689
Expenses		
Operating costs	300,916	214,176
General and administrative costs	68,293	46,629
Development costs [Note 4]	74,615	44,200
Depreciation of property, plant and equipment [Note 5]	529,569	438,804
Total expenses	\$ 973,393	\$ 743,809
Investment income	3,285	2,466
Finance lease income [Note 8.1]	12,023	12,354
Operating income	\$ 900,213	\$ 813,700
Finance costs, net [Note 20]	365,168	331,168
Amortization of contracts and other intangible assets [Note 6]	43,361	24,848
Impairment of property, plant and equipment [Note 21]	—	97,782
Foreign exchange (gain) loss	(71,344)	5,177
Fair value (gain) loss on derivative contracts [Note 18.1]	(11,271)	(161,356)
Other (income) expense [Note 18.1, 25.2]	(25,769)	(14,400)
Income (loss) before income taxes	\$ 600,068	\$ 530,481
Provision for (recovery of) income taxes [Note 22]		
Current	90,282	49,236
Deferred	24,729	29,491
Total income taxes	115,011	78,727
Net income (loss)	\$ 485,057	\$ 451,754
Net income (loss) attributable to:		
Non-controlling interests [Note 16]	124,121	130,990
Common shareholders	360,936	320,764
Net income (loss)	\$ 485,057	\$ 451,754
Weighted average number of Shares outstanding - basic (000s) [Note 19]	198,774	180,322
Weighted average number of Shares outstanding - diluted (000s) [Note 19]	201,169	187,625
Net income (loss) per share - basic [Note 19]	\$ 1.76	\$ 1.71
Net income (loss) per share - diluted [Note 19]	\$ 1.75	\$ 1.68

See accompanying notes.

Consolidated Statements of Comprehensive Income (Loss)

In thousands of Canadian dollars

	Year ended December 31,	
	2020	2019
Net income (loss)	\$ 485,057	\$ 451,754
Items that may be re-classified into net income (loss):		
Exchange rate differences on translation of foreign operations	(29,804)	(87,408)
Change in fair value of hedged derivative contracts [Note 18]	(128,864)	(88,677)
Deferred tax recovery (expense) [Note 22]	40,800	16,814
Items that will not be re-classified into net income (loss):		
Re-measurement of pension obligation [Note 4.5]	1,094	—
Other comprehensive income (loss)	\$ (116,774)	\$ (159,271)
Total comprehensive income (loss)	\$ 368,283	\$ 292,483
Total comprehensive income (loss) attributable to:		
Non-controlling interests [Note 16]	115,947	77,657
Common shareholders	252,336	214,826
Total comprehensive income (loss)	\$ 368,283	\$ 292,483

See accompanying notes.

Consolidated Statements of Changes in Equity

In thousands of Canadian dollars

	Common and Class A shares	Preferred shares	Deficit	Contributed surplus	Accumulated other comprehensive income (loss)	Equity attributable to shareholders'	Non- controlling interests	Total equity
December 31, 2019	\$ 2,443,209	\$ 260,880	\$ (1,466,235)	\$ 351	\$ (174,597)	\$ 1,063,608	\$ 447,144	\$ 1,510,752
Net income (loss)	—	—	360,936	—	—	360,936	124,121	485,057
Deferred tax recovery (expense) [Note 22]	1,597	—	—	—	40,492	42,089	308	42,397
Exchange rate differences on translation of foreign operations	—	—	—	—	(45,113)	(45,113)	15,309	(29,804)
Change in fair value of hedged derivative contracts [Note 18.2]	—	—	—	—	(105,064)	(105,064)	(23,800)	(128,864)
Re-measurement of pension obligation	—	—	—	—	1,085	1,085	9	1,094
Total comprehensive income (loss)	1,597	—	360,936	—	(108,600)	253,933	115,947	369,880
Deferred rights [Note 15.1]	—	—	—	3,287	—	3,287	—	3,287
Recognition of put option [Note 4.5]	—	—	—	(413)	—	(413)	—	(413)
Conversion of subscription receipts [Note 15.1]	340,147	—	—	—	—	340,147	—	340,147
Non-controlling interest acquired [Note 4]	—	—	—	—	—	—	2,645	2,645
Common and Class A share and non-controlling interest dividends declared [Note 15.3, 16]	21,979	—	(245,067)	—	—	(223,088)	(137,983)	(361,071)
Preferred share dividends [Note 15.2]	—	—	(11,364)	—	—	(11,364)	—	(11,364)
Conversion of debentures [Note 15.1]	148,908	—	—	—	—	148,908	—	148,908
December 31, 2020	\$ 2,955,840	\$ 260,880	\$ (1,361,730)	\$ 3,225	\$ (283,197)	\$ 1,575,018	\$ 427,753	\$ 2,002,771

See accompanying notes.

Consolidated Statements of Changes in Equity - continued

In thousands of Canadian dollars

	Common and Class A shares	Preferred shares	Deficit	Contributed surplus	Accumulated other comprehensive income (loss)	Equity attributable to shareholders'	Non- controlling interests	Total equity
December 31, 2018	\$ 2,438,036	\$ 260,880	\$ (1,558,875)	\$ 326	\$ (68,659)	\$ 1,071,708	\$ 468,914	\$ 1,540,622
Net income (loss)	—	—	320,764	—	—	320,764	130,990	451,754
Deferred income taxes [Note 22]	—	—	—	—	16,065	16,065	749	16,814
Change in translation of net investment in foreign operations	—	—	—	—	(69,230)	(69,230)	(18,178)	(87,408)
Change in fair value of hedged derivative contracts [Note 18.2]	—	—	—	—	(52,773)	(52,773)	(35,904)	(88,677)
Total comprehensive income (loss)	—	—	320,764	—	(105,938)	214,826	77,657	292,483
Deferred rights [Note 15.1]	—	—	—	25	—	25	—	25
Common and Class A share and non- controlling interest dividends declared [Note 15.3, 16]	—	—	(216,396)	—	—	(216,396)	(99,427)	(315,823)
Preferred share dividends [Note 15.2]	—	—	(11,728)	—	—	(11,728)	—	(11,728)
Conversion of debentures [Note 15.1]	5,173	—	—	—	—	5,173	—	5,173
December 31, 2019	\$ 2,443,209	\$ 260,880	\$ (1,466,235)	\$ 351	\$ (174,597)	\$ 1,063,608	\$ 447,144	\$ 1,510,752

See accompanying notes.

Consolidated Statements of Cash Flows

In thousands of Canadian dollars

	Year ended December 31,	
	2020	2019
Operating activities		
Net income (loss)	\$ 485,057	\$ 451,754
Items not involving cash or operations:		
Depreciation of property, plant and equipment [Note 5]	529,569	438,804
Amortization of contracts and other intangibles [Note 6]	43,361	24,848
Impairment of property, plant and equipment [Note 21]	—	97,782
Finance costs, net	351,685	328,572
Fair value (gain) loss on derivative contracts [Note 18.2]	(11,271)	(161,356)
Unrealized foreign exchange (gain) loss	(71,344)	5,177
Deferred tax expense (recovery) [Note 22]	24,729	29,491
Other	2,148	(7,754)
	\$ 1,353,934	\$ 1,207,318
Net change in working capital related to operations	(32,333)	17,097
Cash provided by operating activities	\$ 1,321,601	\$ 1,224,415
Investing activities		
Purchase of property, plant and equipment [Note 5]	(226,574)	(766,038)
Acquisitions, net [Note 4]	(735,882)	(2,507)
Restricted cash utilization (funding)	91,369	58,104
Interest received	5,290	3,606
Warranty settlement and proceeds [Note 25.2]	97,804	—
Other	(6,539)	4,466
Net change in working capital related to investing activities	(64,740)	(55,626)
Cash used in investing activities	\$ (839,272)	\$ (757,995)
Financing activities		
Proceeds from borrowings, net of transaction costs [Note 11]	2,122,271	1,194,927
Repayment of borrowings [Note 11, 12]	(2,173,463)	(1,118,804)
Interest paid	(314,367)	(292,326)
Restricted cash utilization (funding)	14,631	80,410
Common and Class A share dividends [Note 15.3]	(220,261)	(216,373)
Dividends to non-controlling interests [Note 16]	(137,622)	(99,427)
Preferred share dividends [Note 15.2]	(11,364)	(11,728)
Conversion of subscription receipts [Note 6.4]	341,388	—
Other	(10,746)	(7,781)
Cash (used in) provided by financing activities	\$ (389,533)	\$ (471,102)
Effect of exchange rate differences on cash and cash equivalents	74,000	(5,525)
Net change in cash and cash equivalents during the period	166,796	(10,207)
Cash and cash equivalents, beginning of period	268,193	278,400
Cash and cash equivalents, end of period	\$ 434,989	\$ 268,193

See accompanying notes.

Notes to the Consolidated Financial Statements

1. Description of Northland's Business

Northland Power Inc. (“**Northland**”) owns or holds net economic interests, through its subsidiaries, in power-producing facilities and a power distribution utility as well as in projects under construction or in development phases. Northland’s power-producing facilities produce electricity from clean energy sources for sale primarily under long-term power purchase agreements (**PPAs**) or other revenue arrangements with creditworthy customers. Northland’s utility is a distributor and retailer of electricity compensated under a regulated framework. These operating assets provide stable cash flow and are primarily located in Canada, Germany, the Netherlands and Colombia. Northland’s significant assets under construction and under development are located in Mexico and Taiwan and New York, respectively.

Northland is incorporated under the laws of Ontario, Canada with common shares (“**Shares**”), Series 1 cumulative rate reset preferred shares (“**Series 1 Preferred Shares**”), Series 2 cumulative floating rate preferred shares (“**Series 2 Preferred Shares**”) and Series 3 cumulative rate reset preferred shares (“**Series 3 Preferred Shares**”) that are publicly traded on the Toronto Stock Exchange (“**TSX**”). Series C convertible unsecured subordinated debentures (“**2020 Debentures**”) outstanding on December 31, 2019 were converted to Shares or redeemed in exchange for cash in the first half of 2020. Northland is the parent company for the subsidiaries that operate Northland’s business. Northland’s registered office is located in Toronto, Ontario.

These audited consolidated financial statements (“**Consolidated Financial Statements**”) include the results of Northland and its subsidiaries, of which the most significant are listed in the following table:

	Geographic region ⁽¹⁾	% voting ownership as at Dec. 31, 2020 ⁽²⁾
Offshore Wind		
Buitengaats C.V. and ZeeEnergie C.V. (“ Gemini ”)	The Netherlands	60.0 %
Nordsee One GmbH (“ Nordsee One ”)	Germany	85.0 %
Northland Deutsche Bucht GmbH (“ Deutsche Bucht ”)	Germany	100.0 %
Efficient Natural Gas		
Iroquois Falls Power Corp. (“ Iroquois Falls ”)	Ontario, Canada	100.0 %
Kingston CoGen Limited Partnership (“ Kingston ”)	Ontario, Canada	100.0 %
Kirkland Lake Power Corp. (“ Kirkland Lake ”) ⁽³⁾	Ontario, Canada	100.0 %
North Battleford Power L.P. (“ North Battleford ”)	Saskatchewan, Canada	100.0 %
Spy Hill Power L.P. (“ Spy Hill ”)	Saskatchewan, Canada	100.0 %
Thorold CoGen L.P. (“ Thorold ”)	Ontario, Canada	100.0 %
Onshore Renewable		
Four solar facilities (“ Cochrane ”)	Ontario, Canada	62.5 %
Grand Bend Wind L.P. (“ Grand Bend ”)	Ontario, Canada	50.0 %
Saint-Ulric Saint-Léandre Wind L.P. (“ Jardin ”)	Québec, Canada	100.0 %
McLean’s Mountain Wind L.P. (“ McLean’s ”)	Ontario, Canada	50.0 %
Mont-Louis Wind L.P. (“ Mont Louis ”)	Québec, Canada	100.0 %
Nine solar facilities (“ Solar ”)	Ontario, Canada	100.0 %
NP Energia La Lucha SA de CV (“ La Lucha ”)	Mexico	100.0 %
Utility		
Empresa de Energía de Boyacá S.A E.S.P (“ EBSA ”) ⁽²⁾	Colombia	99.4 %

(1) Geographic region corresponds to place of incorporation or, in the case of partnerships, registration, for all entities listed except North Battleford and Spy Hill, which are registered in Ontario, Canada.

(2) As at December 31, 2020, Northland’s economic interest was unchanged from December 31, 2019, with the exception of EBSA, which Northland acquired on January 14, 2020. EBSA’s results are consolidated in Northland’s financial results effective the acquisition date.

(3) Northland holds a 68% controlling interest in Canadian Environmental Energy Corporation (CEEC), which holds 100% of the voting shares of Kirkland Lake. Northland’s effective net economic interest in Kirkland Lake is approximately 77%.

2. Significant Accounting Policies and Changes

2.01 Basis of Preparation and Statement of Compliance

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and are presented in Canadian dollars. All values are presented in thousands except when otherwise indicated. The comparative Consolidated Financial Statements have been reclassified from the statements previously presented to conform to the presentation of the 2020 Consolidated Financial Statements.

The Consolidated Financial Statements for the year ended December 31, 2020 were approved by the Board of Directors on February 22, 2021.

2.02 Basis of Consolidation

The Consolidated Financial Statements include Northland’s direct and indirect subsidiaries, which are fully consolidated on the date that Northland obtains control and continue to be consolidated until the date that such control ceases. Northland determines that it has control over an investee if facts and circumstances indicate that Northland is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power. All intra-group balances and transactions are eliminated on consolidation.

2.03 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The acquired identifiable assets, liabilities and contingent consideration that meet the conditions for recognition under IFRS 3, “Business Combinations” are recognized at their fair values at the acquisition date, except for (i) income taxes, which are measured in accordance with IAS 12, “Income Taxes”; (ii) share-based payments, which are measured in accordance with IFRS 2, “Share-based Payment”; and (iii) non-current assets that are classified as held for sale, which are measured at fair value less costs to sell in accordance with IFRS 5, “Non-Current Assets Held for Sale and Discontinued Operations.” Northland did not designate any assets as held for sale in 2020 and 2019. Any goodwill arising from business combinations is, from the date of acquisition, allocated to each of Northland’s cash-generating units (**CGUs**) that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units and tested annually for impairment (see Note 2.07). Goodwill is initially measured at cost, being the excess of the purchase price over Northland’s share in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities.

2.04 Property, Plant and Equipment

Property, plant and equipment (**PP&E**) are recorded at cost, net of accumulated depreciation and any accumulated impairment losses. The cost of PP&E includes the cost of replacing part of the PP&E and borrowing costs for long-term construction projects, if the recognition criteria are met. Likewise, when a major overhaul as described below is performed, its cost is recognized in the carrying amount of the related PP&E as a replacement if the recognition criteria are met. All other repair and maintenance costs are recognized in profit and loss as incurred. The present value of the expected cost for decommissioning is included in the cost of the related asset if the recognition criteria for a provision are met. See Note 2.8 for further information about the measurement of the decommissioning liabilities.

Depreciation expense is recognized on a straight-line basis over its estimated useful lives of the asset primarily as follows:

Plant and operating equipment	10 to 30 years
Buildings and foundations	20 to 40 years
Lease ROU asset	1 to 34 years
Leasehold improvements	Over the term of the lease
Other equipment - Vehicles and meteorological towers	5 years
Other equipment - Office equipment, furniture and fixtures	5 years
Other equipment - Computers and computer software	2 years

In general, Northland expects to use its PP&E to their full useful lives and considers residual values, where appropriate, in calculating depreciation.

Assets included in construction-in-progress (**CIP**) are transferred to the appropriate PP&E category and amortized once the assets are available for use, such as when the test period ends and the PP&E begins commercial operations.

The costs of all maintenance provided under long-term, fixed-price contracts are charged to the consolidated statements of income (loss) based on the terms of the contract. All major overhaul expenditures that are not incurred under long-term maintenance contracts are capitalized and amortized over the average expected period between major overhauls.

An item of PP&E is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit and loss in the period of derecognition.

Government grants related to the construction of capital assets are recorded as a reduction to the cost of the related asset and amortized over the useful life of the related asset.

2.05 Intangible Assets

The cost of intangible assets acquired is initially recorded at their fair value at the date of acquisition. Intangible assets acquired separately are measured on initial recognition at cost. Internally generated intangible assets, other than deferred development costs, are not capitalized, and the expenditure is reflected in profit and loss.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Development costs

Development expenditures on an individual project are recorded as assets on the consolidated balance sheet when Northland can demonstrate:

- The technical feasibility of completing the project so that it will be available for use or sale;
- The intention to complete, and ability to use or sell, the project;
- The project will generate future economic benefits;
- The availability of resources to complete the project; and
- The ability to measure reliably the expenditures during development.

During the period of development, the asset is tested annually for impairment or if any indicators of impairment are identified.

Deferred development costs include pre-construction costs directly related to new projects. Capitalization begins once it is determined by management that a given project has a high likelihood of being pursued through to completion. Costs are capitalized up to the closing of project financing and/or the start of construction, at which time they are reclassified to the cost of PP&E or recorded as intangible assets, as appropriate. All indirect research and development costs not eligible for asset recognition are expensed as “development costs” on the consolidated statements of income (loss).

Contracts

Contracts relate primarily to the fair value of PPAs and management agreements when they were acquired by Northland and are recorded net of accumulated amortization. Contract amortization is recorded on a straight-line basis over the term of the agreement.

2.06 Leases or Arrangements Containing a Lease

Lessee accounting

At the inception of a contract, Northland assesses whether the arrangement is, or contains, a lease in accordance with IFRS 16, “Leases”. If the arrangement meets the definition of a lease, a lease obligation and a related right-to use (ROU) asset will be recorded on the applicable lease commencement date. A lease liability initially measured at the present value of the unpaid lease payments discounted using the interest rate implicit in the lease (if readily determinable) or otherwise on Northland’s incremental borrowing rate. A ROU asset is initially measured based on the initial amount of the related lease obligation, subject to certain adjustments. The lease obligation is remeasured when there are adjustments to future lease payments arising from a change in applicable indices or rates or changes in lease terms. Upon any such remeasurement, a corresponding adjustment is made to the carrying amount of the related ROU asset.

Northland applies the cost model to subsequently measure lease ROU assets and applies the same impairment policy as other PP&E. Lease ROU assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. The lease term includes any renewal or termination Northland is reasonably certain to exercise. In the case of land leased for future development, Northland assumes an initial lease term of 5 years. Where leased assets are required for the operation of the facility, Northland assumes the lease will be renewed to match the term of the facility’s PPA. Northland reassesses the lease term in response to significant events or changes in circumstances. If a lease transfers ownership of the

underlying asset or Northland expects to exercise a purchase option, the related ROU asset is depreciated over the useful life of the underlying asset.

Lessor accounting

Northland enters into PPAs to provide electricity and electricity-related products at predetermined prices. At inception of the contract, Northland assesses whether it is, or contains, a lease in accordance with IFRS 16. If the PPA meets the definition of a lease and the terms of the contract do not transfer substantially all of the benefits and risks of ownership of PP&E, it is classified as an operating lease. Where the terms do transfer substantially all of the benefits and risks of ownership, it is classified as a finance lease.

Finance lease receivables are initially measured at amounts equal to the present value of the net investment in the lease. Finance lease income is recognized in a manner that produces a constant rate of return on Northland's net investment in the lease and is included in operating income.

At the commencement of the lease, which generally coincides with start of commercial operations of the facility, Northland separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

2.07 Impairment of Non-financial Assets

Northland assesses at each reporting date whether there is an indication that an asset may be impaired or that previously recognized impairment losses may no longer exist or have decreased. If any indication exists or when annual impairment testing for an asset is required, Northland estimates the asset's or CGU's recoverable amount. The estimated recoverable amount is the higher of (i) an asset's or CGU's estimated fair value less costs to sell or (ii) its value in use. Where the carrying amount of an asset or CGU exceeds its estimated recoverable amount, the asset is considered impaired and is written down to its estimated recoverable amount. When the recoverable amount exceeds the carrying amount for an asset or CGU previously impaired, the reversal is limited to ensure the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment been previously recognized.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and risk specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used and calculations are corroborated by valuation multiples or other available fair value indicators.

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount for each CGU to which the goodwill relates. Where the estimated recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

2.08 Provisions

General

Provisions are recognized when Northland has a present obligation (legal or constructive) as a result of a past event and where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Where Northland expects some or all of a provision to be reimbursed (for example, under an insurance policy or warranty agreement), the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit and loss net of any reimbursement.

Decommissioning liabilities

Provisions for decommissioning costs are recorded at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the related asset. The cash flows are discounted at a current pre-tax rate. Where the estimated cash flows reflect the risks specific to the decommissioning liability, a risk-free discount rate is used; otherwise, a discount rate reflective of the risks specific to the decommissioning liability is used. The unwinding of the discount is expensed as incurred and recognized in the consolidated statements of income (loss) as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

2.10 Share-Based Payments

As part of Northland's Long-Term Incentive Plan (**LTIP**), Northland provides share-based compensation to management and certain employees when projects achieve predetermined milestones ("**Development LTIP**") or to recognize achievements, attract and retain executives ("**Deferred Rights**"). Northland has the option to settle the LTIP in shares or in cash. The fair value of the awards is based on the grant date share price and, to the extent that services are provided in advance of the grant date, Northland's reporting date share price. The estimated forfeiture rate reflects the shares that will vest upon achieving project milestone and is revised if there is any indication that the number of Shares expected to vest has changed. For Development LTIP awards, the cost of the LTIP Shares awarded is recognized over the estimated vesting period and is capitalized for employees providing services directly involved in the development and construction of the project. The awards vest when the associated project meets established performance expectations. For Deferred Rights awards, the cost of LTIP Shares awarded is expensed over the estimated vesting period.

2.11 Cash and Cash Equivalents and Restricted Cash

Cash equivalents comprise only highly liquid investments with maturities of less than 90 days. Restricted cash comprises amounts contractually restricted for specific uses including amounts funded against future maintenance, debt service and construction costs at certain Northland subsidiaries.

2.12 Financial Instruments

(a) Financial assets and liabilities

Northland recognizes financial assets and financial liabilities initially at fair value and subsequently remeasure these at either fair value or amortized cost based on their classification as described below. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and Northland has transferred substantially all the risks and rewards of ownership.

Fair value through profit and loss:

Financial assets with the intention of generating earnings in the near term, and derivatives other than cash flow hedges, are classified as fair value through profit and loss (FVPL). A gain or loss on a financial asset measured at FVPL that is not part of a hedging relationship is recognized in profit and loss and presented on a net basis in the period in which it arises. For derivative financial assets, gains and losses are shown within "fair value (gain) loss on derivative contracts". Northland classifies loans provided to First Nations partners (Note 16) at FVPL due to the fact that they do not meet the criteria for classification as amortized cost because the contractual cash flows are not solely payments of principal and interest. This is the only non-derivative financial asset measured at FVPL and related gains and losses are shown within "other (income) expense" in the consolidated statements of income (loss). Interest income from FVPL financial assets is included in "investment income".

Financial liabilities held for trading, such as those acquired for the purpose of selling in the near term, and derivative financial instruments entered into by Northland that do not meet hedge accounting criteria are classified as fair value through profit and loss. Gains or losses on this type of liabilities are recognized in profit and loss.

Amortized cost:

Financial assets held for collection of contractual cash flows that represent solely payments of principal and interest are measured at amortized cost, and include Northland's trade receivables, long-term deposits and other receivables. Interest income from these financial assets is included in "finance costs, net" using the effective interest rate method.

All other financial liabilities are classified as amortized cost using the effective interest rate method. Gains and losses are recognized in profit and loss when the liabilities are derecognized as well as through the amortization process. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate. This category includes trade and other payables, dividends payable, interest-bearing loans and borrowings, corporate credit facilities, convertible debentures and subscription receipts.

A third category, fair value through other comprehensive income (FVOCI), is available; however, Northland has not classified any financial assets or financial liabilities in this category.

(b) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheets if and only if there is a currently enforceable legal right to offset the recognized amounts and an intention to settle on a net basis

or to realize the assets and settle the liabilities simultaneously.

The individual derivative financial instruments, that a subsidiary enters into, will not be realized or settled simultaneously, and therefore derivative assets and derivative liabilities are not offset on the consolidated balance sheets.

(c) Fair value of financial instruments

Northland determines the fair value of its financial instruments at each balance sheet date based on the following hierarchy:

- Level 1 - Where financial instruments are traded in an active financial market, fair value is established by reference to the appropriate quoted market price at the reporting date. Active markets are those in which transactions occur with significant frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - If there is no active market, fair value is established using valuation techniques, including discounted cash flow models. The inputs to these models are taken from observable market data where possible, including recent arm's-length market transactions, and comparisons to the current fair value of similar instruments; but where this is not feasible, inputs such as liquidity risk, counterparty risk and volatility are used.
- Level 3 - Valuations at this level are those with inputs that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgment; any changes in assumptions may affect the reported fair value of financial instruments.

The fair value of derivative financial instruments reflects the estimated amount that Northland would have been required to pay if forced to settle all unfavourable outstanding contracts or the amount that would be received if forced to settle all favourable contracts at year-end. The fair value represents a point-in-time estimate that may not be relevant in predicting Northland's future earnings or cash flows.

(d) Derivatives and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

Northland designates its derivatives as hedges of:

- Foreign exchange risk associated with the cash flows of highly probable forecast transactions (cash flow hedges);
- Foreign exchange risk associated with net investment in foreign operations (net investment hedges);
- Floating interest rate risk associated with payments of debts (cash flow hedges); and
- Commodity risk associated with payments under PPAs (cash flow hedges).

The fair values of various derivative financial instruments used for hedging purposes and movements in the hedge reserve within equity are shown in Note 18.

When a hedging instrument expires, is sold, is terminated, or no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remain in equity until the forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging are immediately reclassified to profit and loss.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit and loss at the time of the hedge relationship rebalancing.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income (OCI) and accumulated in reserves in equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit and loss, within "fair value (gain) loss on derivative contracts".

Gains and losses relating to the effective portion of the change in fair value of the entire forward contract are recognized in the cash flow hedge reserve within equity. Amounts accumulated in equity are reclassified in the period when the hedged item affects profit and loss.

Net investment hedges that qualify for hedge accounting

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in OCI and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit and loss within “fair value (gain) loss on derivative contracts”. Gains and losses accumulated in equity will be reclassified to profit and loss when the foreign operation is partially disposed of or sold.

Hedge ineffectiveness

Northland’s hedging policy only allows for the use of derivative instruments that form effective hedge relationships. Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. Northland enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, Northland uses the hypothetical derivative method to assess effectiveness.

(e) Impairment of Financial assets:

Northland accounts for impairment of financial assets based on a forward-looking expected credit loss (ECL) approach. ECL are measured as the difference in the present value of the contractual cash flows due to Northland under the contract and the cash flows that Northland expects to receive. Northland assesses all information available, including past due status, credit ratings, the existence of third-party insurance and forward-looking macro-economic factors in the measurement of the ECL associated with its assets carried at amortized cost and FVOCI. Northland measures ECL by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Impairment of cash and cash equivalents and restricted cash is evaluated by reference to the credit quality of the underlying financial institution or investee.

Trade receivables are reviewed qualitatively on a case-by-case basis to determine if impairment exists.

2.13 Revenue Recognition

Electricity related revenue is recognized over time as electricity and related products are delivered. Each of Northland’s PPAs contain a distinct performance obligation for the delivery of electricity, delivery of capacity (i.e. availability of generation), or a combination of the two. Determining what goods or services promised to the customer constitute a distinct performance obligation requires significant judgment. Northland considered all goods and services promised in its PPA contracts and determined that while certain promises do have standalone value to the customer, they are not distinct in the context of the contract. Refer to Note 23 for details on revenue streams disaggregated by technology and geography.

Northland views each megawatt hour (MWh) of electricity and/or capacity delivered to be a series of distinct goods that are substantially the same and have the same pattern of transfer to the customer as measured using an output method. The amount that Northland has a right to bill the customer reflects the pattern of transfer and value of the completed performance to the customer. As a result, Northland applies the “right to invoice” practical expedient under IFRS 15, “Revenue from Contracts with Customers”, to measure and recognize revenue.

Regulated utility revenues from generation, transmission, distribution and commercialization (i.e. retail) tariffs are recognized as electricity is delivered to customers. Revenues include amounts billed or billable to customers for generation and transmission tariffs, which are passed through to third parties. Northland records these revenues on a gross basis since Northland is responsible for procuring electricity and has collection risk for these amounts, virtually all of which was collected for the year ended December 31, 2020.

Payments to customers are recorded as an expense when the payments relate to a separate good or service provided by the customer and recorded as a reduction in revenue when the payments relate to Northland’s performance obligations under the contract (e.g. liquidated damages penalties).

Other sources of revenue

Revenue from the sale of electricity at facilities under development and included in CIP is recorded as an offset to PP&E until certain operational testing requirements are satisfied.

Northland recognizes management fees and operations-related incentive fees as earned based on the terms of its respective facility agreements as work is performed.

Interest and investment income

Interest and investment income are recognized as earned in accordance with the terms of the underlying financial contracts. Interest income earned on third-party loans is included in “investment income” while interest income earned on cash and cash equivalents balances is included in “finance costs, net” in the consolidated statements of income (loss).

2.14 Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset that takes a substantial period of time to prepare for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed as incurred. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

2.15 Taxes

Current income tax

Income tax assets and liabilities are measured at the amount expected to be recovered from or paid to tax authorities. Tax rates and tax laws that are enacted or substantively enacted at the reporting date are used in the computations.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of income (loss).

Deferred income tax

Deferred income tax is determined using the asset and liability method at the reporting date on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting income nor taxable income or loss; and
- Where the deferred income tax liability relates to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable income will be available against which the deductible temporary differences, carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting income nor taxable income or loss; and
- Where the deferred income tax asset relates to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized directly in equity is recognized in equity, not profit and loss.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to offset and the

deferred income taxes relate to the same taxable entity and the same taxation authority.

Sales taxes

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- Where receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from or payable to the taxation authority is included in the consolidated balance sheets.

2.16 Foreign Currency Translation

Northland's Consolidated Financial Statements are presented in Canadian dollars, which is Northland's functional currency. For each subsidiary, Northland determines the functional currency and measures items included in the financial statements of the subsidiary in that functional currency. The functional currency of Northland's significant subsidiaries reflects the primary economic environment in which each subsidiary operates and includes the Canadian dollar, euro, Mexican peso and Colombian peso.

The assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date and their consolidated statements of income (loss) are translated at the average exchange rate for each quarterly period. The exchange differences arising on the translation are recognized in accumulated OCI in equity. On disposal of a foreign operation, the cumulative amount recognized in equity relating to the foreign operation is recognized in profit and loss.

2.17 Future Accounting Policies

In 2019, the International Accounting Standards Board (**IASB**) issued narrow-scope amendments to IFRS 3, *Business Combinations*, including revising the definition of a business and introducing an optional concentration test. The amendments are intended to assist companies in determining whether a transaction should be accounted for a business combination or an asset acquisition. The amendments are effective for annual reporting periods beginning on or after January 1, 2020 and applied prospectively. In addition, the IASB has previously issued additional narrow-scope amendments to various standards including related to Interest Rate Benchmark Reform. Northland adopted these amendments as of January 1, 2020 and there has been no impact on the Consolidated Financial Statements as of December 31, 2020.

2.18 Change in Accounting Policies

Northland assesses each new IFRS or amendment to determine whether it may have a material impact on its consolidated financial statements. As at December 31, 2020, there have been no accounting pronouncements by the IASB that would materially affect Northland's Consolidated Financial Statements.

3. Accounting Policy Judgments and Estimates

When preparing the Consolidated Financial Statements, Northland undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses and in applying accounting policies. The actual results are likely to differ from the judgments, estimates and assumptions and will seldom precisely equal the estimated results.

The significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

PP&E and intangible assets

PP&E and intangible assets are depreciated over their useful lives, taking into account estimated residual values, where appropriate. Residual values and useful lives are reviewed annually and adjusted prospectively, if appropriate. In assessing residual values, Northland considers the remaining life of the asset, its projected disposal value and future market conditions. Useful lives take into account factors such as technological innovation, maintenance programs, relevant market information and management considerations. Management judgment is also required when Northland acquires entities and must allocate the purchase price to the fair value of the assets and liabilities acquired, which includes PP&E and intangible

assets. See Note 4.5 for additional details. The carrying amounts of PP&E and intangible assets are analyzed in Notes 5 and 6, respectively.

Deferred development costs

Management monitors the progress of development projects in the prospecting, development and advanced development phases by using a project management system. Advanced development costs are recognized as an asset in accordance with IFRS, once management determines a project is economically feasible and risks to project completion have been sufficiently mitigated, whereas prospecting and development phase project costs are expensed as incurred.

Determining which projects will continue to be pursued and when to begin deferring costs for advanced development phase projects requires judgment. Management reviews on a regular basis the feasibility of each project that is being developed and, should management determine that development of a particular project is no longer feasible to be pursued to completion, the deferred costs are expensed in the period the determination is made.

Decommissioning liabilities

Northland's decommissioning liabilities relate to wind, solar and closed efficient natural gas facilities. Future remediation costs, whether required under contract or by law, are recognized based on best estimates. These estimates are calculated at completion of construction and reviewed annually or more often if there is reason to believe the estimate has changed. Cost estimates depend on labour costs, efficiency of site restoration and remediation measures, inflation rates and, where possible, risks specific to the liability. Estimates of pre-tax interest rates that reflect current market conditions, the time value of money and, where applicable, the risks specific to the liability also affect the liability. Northland estimates the timing of expenses, which may change depending on the viability of continuing operations. Expected future costs are inherently uncertain and could materially change over time. Subject to plant closures, Northland expects to use assets at the efficient natural gas facilities and regulated utility operations for an indefinite period due to continuing equipment overhauls and rights to the underlying land. As a result, management considers that a reasonable estimate of the fair value of any related decommissioning liability cannot be made until it is known that the facility will be closed. See Note 13 for additional details.

Accounting for investments in non-wholly owned subsidiaries

Northland exercises judgment in determining whether non-wholly owned subsidiaries are controlled by Northland. Northland's judgment included the determination of (i) how the relevant activities of the subsidiary are directed (either through voting rights or contracts); (ii) whether Northland's rights are substantive or protective in nature; and (iii) Northland's ability to influence the returns of the subsidiary. Where subsidiaries are subject to joint control, Northland applies judgment in determining whether its rights are to the net assets or individual assets and liabilities of the joint arrangement, which results in accounting for the subsidiary as a joint venture or joint operation, respectively. Refer to Note 4 for a summary of the acquisitions made in the year and subsequent to the year end as well as Note 16 for details on non-wholly owned subsidiaries.

Fair value of financial assets and financial liabilities

Where the fair values of financial assets and financial liabilities cannot be derived from active markets, they are determined using valuation techniques, including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments, see Note 18 for additional details on fair values of financial instruments.

Impairment of non-financial assets

Northland tests impairment of goodwill, other intangible assets and PP&E based on value-in-use calculations using a discounted cash flow model. The cash flows are derived from forecasts over the remaining useful lives of the assets of the CGUs, less an allocation of forecasted corporate costs. The estimated recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows. The key assumptions used to estimate the recoverable amount for the different CGUs are further explained in Note 21.

Income taxes

Preparation of the Consolidated Financial Statements requires an estimate of income taxes in each of the jurisdictions in which Northland operates. The process involves an estimate of Northland's current tax exposure and an assessment of temporary differences resulting from differing treatment of items such as depreciation and amortization for tax and accounting purposes. These differences result in deferred tax assets and liabilities that are included in Northland's consolidated balance sheets.

An assessment is also made to determine the likelihood that Northland's deferred income tax assets will be recovered from future taxable income.

Judgment is required to continually assess changing tax interpretations, regulations and legislation to ensure liabilities are complete and to ensure assets, net of valuation allowances, are realizable. The impact of different interpretations and applications could be material.

4. Acquisitions

4.1 Announcement of Investment in Polish Offshore Wind Development Project in Baltic Sea

Subsequent to December 31, 2020, Northland announced it had entered into an agreement to acquire a 49% interest (subject to regulatory approvals) in a offshore wind project in the Baltic Sea ("**Baltic Power**") with a total capacity of up to 1,200 MW of offshore wind generation. Baltic Power is a mid-development stage project located approximately 23 kilometers offshore from Poland's coast in the Baltic Sea.

4.2 Acquisition of New York State Onshore Wind Development Projects

In the third quarter of 2020, Northland completed the asset acquisition of three onshore wind projects in New York State to expand its North American portfolio with its entry into the U.S. renewables market. The total purchase price paid was \$5.6 million and primarily allocated to contracts and other intangibles, including construction related permits acquired through these three projects. For the year ended December 31, 2020, transaction costs related to the acquisition were immaterial.

4.3 Acquisition of Qualified Supplier in Mexico

On March 31, 2020, Northland completed the acquisition of an 88% ownership interest in a Mexican company, Northland Power Energía S.A. de C.V. ("**Energía**"), that holds a qualified supplier license, which enables it to enter into contract with power generators and commercial and industrial customers as well as provide retail electricity services at unregulated prices.

Northland paid \$7 million, including future funding obligations, to complete the acquisition and acquire control of Energía. The consideration paid was primarily allocated to working capital and contracts and other intangibles, net of non-controlling interests. Contracts and other intangibles acquired related to Energía's qualified supplier license.

The determination of the fair value of assets acquired and liabilities assumed is based on estimates and certain assumptions with respect to the fair values of the assets acquired and liabilities assumed.

For the three months and year ended December 31, 2020, transaction costs related to the acquisition were immaterial.

4.4 Acquisition of Dado Ocean, South Korean Offshore Wind Development Project

On February 28, 2020, Northland completed its acquisition of Dado Ocean Wind Farm Co. Ltd ("**Dado Ocean**"), an offshore wind development company based in South Korea with access to multiple early-stage development sites off the southern coast. The purchase price paid, net identifiable assets acquired and transaction costs related to the acquisition were immaterial.

4.5 Acquisition of EBSA Regulated Utility

In July 2020, Northland finalized the purchase price for its January 14, 2020 acquisition of a 99.2% interest in the Colombian regulated power distribution utility, Empresa de Energía de Boyacá S.A. E.S.P ("**EBSA**"). Pursuant to the share purchase agreement, the purchase price had been subject to post-closing adjustments following a review of the final tariff resolution by the Colombian regulator in respect of EBSA's rate structure. In the fourth quarter, EBSA completed an offer to minority shareholders to repurchase their shares of EBSA, as a result of which, Northland effectively now owns 99.4% of EBSA.

The total consideration for the acquisition was allocated to the fair value of the net assets acquired and liabilities assumed as follows:

As at	January 14, 2020
Cash and restricted cash	\$ 17,440
Accounts receivable	42,100
Other current assets	14,842
Property, plant and equipment	614,587
Intangible assets	10,915
Goodwill	540,427
Other long-term assets	1,562
Accounts payable	(46,485)
Interest-bearing loans and borrowings [Note 5.3]	(219,163)
Deferred tax liability	(125,654)
Other long-term liabilities, including pension liability	(50,536)
Total identifiable net assets acquired	\$ 800,035
Less: Non-controlling interests	1,594
Final purchase consideration	\$ 798,441

Consideration transferred

The EBSA Acquisition purchase price was settled by transferring cash of \$798 million, including the post-closing cash settlement. The transferring cash was funded through net proceeds from the subscription receipts offering, proceeds drawn under a fully committed bridge credit facility (“**EBSA Bridge**”) and Northland’s existing corporate credit facilities. The post-closing cash settlement based on the final tariff resolution was determined to be \$47 million and was paid in the third quarter of 2020.

Identifiable Net Assets

The determination of the fair value of assets acquired and liabilities assumed is based on estimates and certain assumptions with respect to the fair values of the assets acquired and liabilities assumed, except for deferred taxes, which are based on the full amount required under IAS 12. Identifiable net assets decreased by \$44 million mainly due to the decrease of property, plant and equipment as a result of the final tariff resolution.

The purchase consideration in excess of the net identifiable assets acquired of \$540 million was allocated to goodwill in the consolidated balances sheets.

EBSA’s Contribution to Northland’s Results

EBSA’s results are consolidated in Northland’s financial results effective January 14, 2020. For the year ended December 31, 2020, EBSA contributed \$53 million to Northland’s consolidated operating income. Transaction costs of \$7 million were included in “development costs” in the consolidated statements of income (loss). Refer to utility segment in Note 23 for details on EBSA’s assets and results.

5. Property, Plant and Equipment

The following table illustrates movements in Northland's PP&E cost balance by category:

	Construction -in-progress	Plant and operating equipment	Land, buildings and leasehold improvements	Lease ROU asset	Other equipment ⁽¹⁾	Total
Cost						
January 1, 2019	\$ 825,346	\$ 7,183,162	\$ 1,958,688	\$ —	\$ 27,323	\$ 9,994,519
Initial recognition of IFRS 16 ⁽⁴⁾	—	(1,980)	—	62,740	(1,092)	59,668
Additions	769,535	2,430	975	11,733	4,639	789,312
Transfer from CIP	(1,456,924)	1,327,135	128,958	—	831	—
Foreign exchange	(68,905)	(302,401)	(88,933)	(1,825)	(312)	(462,376)
Pre-completion revenue ⁽³⁾	(11,541)	—	—	—	—	(11,541)
Impairment [Note 21]	(97,782)	—	—	—	—	(97,782)
Provisions, disposals and other ⁽²⁾	84,720	(2,874)	(13)	—	—	81,833
December 31, 2019	\$ 44,449	\$ 8,205,472	\$ 1,999,675	\$ 72,648	\$ 31,389	\$ 10,353,633
Additions	148,214	65,337	1,904	6,870	5,495	227,820
Transfer from CIP		264				264
Foreign exchange	1,508	322,435	88,588	2,002	589	415,122
Acquired [Note 4]	18,574	579,220	8,163	806	8,984	615,747
Provisions, disposals and other ⁽²⁾	(264)	(59,050)	(968)	1,786	(2,720)	(61,216)
December 31, 2020	\$ 212,481	\$ 9,113,678	\$ 2,097,362	\$ 84,112	\$ 43,737	\$ 11,551,370

(1) Other equipment includes vehicles, meteorological towers, office equipment, furniture and fixtures, computers, and computer software.

(2) Provisions, disposals and other for 2020 includes additional decommission liability for Gemini and recognition of accruals net of amounts paid under the LTIP. Provisions, disposals and other for 2019 recognition of the decommission liability for Deutsche Bucht and amounts accrued net of amounts paid under the LTIP.

(3) Pre-completion revenue is netted against purchases in the consolidated statements of cash flows.

(4) Includes leases previously classified as finance leases for which a lease asset was recognized in the consolidated balance sheets at December 31, 2018 as well as leases for which a lease ROU asset was initially recognized on January 1, 2019 under IFRS 16.

As at December 31, 2020, construction-in-progress relates primarily to the capitalization for La Lucha project in Mexico and Hai Long project in Taiwan.

As a result of the achievement of certain milestones, Northland commenced capitalization of Hai Long development costs in the third quarter in accordance with IFRS. For the year ended December 31, 2020, \$28 million development expenditures were capitalized in Construction-in-progress.

The following table illustrates movements in Northland's PP&E accumulated depreciation balance by category:

	Construction -in-progress	Plant and operating equipment	Land, buildings and leasehold improvements	Lease ROU asset	Other equipment ⁽¹⁾	Total
Accumulated depreciation						
January 1, 2019	\$ —	\$ 1,510,507	\$ 357,447	\$ —	\$ 20,720	\$ 1,888,674
Initial recognition of IFRS 16 ⁽²⁾	—	(98)	—	264	(166)	—
Foreign exchange	—	(35,447)	(10,652)	(119)	(146)	(46,364)
Depreciation	—	338,558	91,035	6,986	2,225	438,804
December 31, 2019	\$ —	\$ 1,813,520	\$ 437,830	\$ 7,131	\$ 22,633	\$ 2,281,114
Foreign exchange	—	45,683	14,870	326	397	61,276
Depreciation	—	410,851	102,798	9,490	6,430	529,569
Disposals	—	(9)	—	—	(539)	(548)
December 31, 2020	\$ —	\$ 2,270,045	\$ 555,498	\$ 16,947	\$ 28,921	\$ 2,871,411
Net book value						
December 31, 2019	44,449	6,391,952	1,561,845	65,517	8,756	8,072,519
December 31, 2020	\$ 212,481	\$ 6,843,633	\$ 1,541,864	\$ 67,165	\$ 14,816	\$ 8,679,959

(1) Other equipment includes vehicles, meteorological towers, office equipment, furniture and fixtures, computers and computer software.

(2) Reflects leases previously classified as finance leases for which a lease asset was recognized under IFRS 16 in the balance sheets at December 31, 2019.

6. Contracts and Other Intangible Assets

The following table illustrates movements in Northland's intangible asset contract balances:

Year ended December 31,	2020	2019
Cost		
Total, beginning of year	\$ 758,609	\$ 795,160
Acquired ⁽¹⁾	24,732	—
Foreign exchange	33,716	(36,551)
Total, end of year	\$ 817,057	\$ 758,609
Accumulated Amortization		
Total, beginning of year	\$ 237,559	\$ 214,063
Amortization	43,361	24,848
Foreign exchange	2,966	(1,352)
Total, end of year	\$ 283,886	\$ 237,559
Net book value	\$ 533,171	\$ 521,050

(1) Reflects contracts and intangibles acquired in various acquisitions. See note 4.

7. Goodwill

Acquired goodwill was allocated to CGUs expected to benefit from the synergies of the acquisition. As at December 31, 2020, \$709 million of goodwill (2019 - \$205 million), from past acquisitions, including EBSA (See note 4.5), is included in the consolidated balance sheets.

For the year ended December 31, 2020 and 2019, no impairment to goodwill was recognized. The goodwill balance as at December 31, 2020 includes accumulated impairments of \$78 million (2019 - \$78 million) and foreign exchange movement. Refer to Note 21 for additional information on impairment testing.

8. Leases

8.1 Northland as Lessor

Spy Hill's long-term PPA is classified as a finance lease arrangement, whereby Northland is considered to have leased the Spy Hill facility to Saskatchewan Power Corporation ("**SaskPower**") for 25 years ending in 2036. For the year ended December 31, 2020, finance lease income of \$12 million (2019 - \$12 million) was recognized.

The amounts receivable under finance lease accounting are as follows:

As at	December 31, 2020		December 31, 2019	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one year	\$ 16,188	\$ 4,525	\$ 16,188	\$ 4,165
After one year but not more than five years	64,751	22,372	64,752	20,591
More than five years	173,818	113,826	190,006	120,133
	\$ 254,757	\$ 140,723	\$ 270,946	\$ 144,889
Less: Unearned finance income	(114,034)		(126,057)	—
Total finance lease receivable	\$ 140,723	\$ 140,723	\$ 144,889	\$ 144,889
Current portion		\$ 4,525		\$ 4,165
Long-term		136,198		140,724

The interest rate inherent in the lease was fixed for the entire lease term at the lease inception date at approximately 8.4% per annum. The current portion of finance lease receivable is included in "other current assets" on the consolidated balance sheets.

8.2 Northland as Lessee

Northland and several of its subsidiaries have entered into leases for land with private and public landowners as well as leases for buildings and operating equipment. The original terms of these leases range from one to 37 years.

The amount of the lease ROU asset and associated depreciation by type of underlying asset as at December 31, 2020 is as follows:

		Land	Vehicle	Equipment	Building	Total
As at January 1, 2019	\$	—	\$ —	\$ 2,808	\$ —	2,808
Acquired		35,311	182	10,902	13,273	59,668
Additions		419	189	9,402	1,723	11,733
Provisions, disposals and other		—	—	—	—	—
Depreciation expense		(2,274)	(88)	(2,489)	(2,135)	(6,986)
Foreign exchange		(288)	(7)	(718)	(693)	(1,706)
As at December 31, 2019	\$	33,168	\$ 276	\$ 19,905	\$ 12,168	65,517
Acquired		—	—	—	806	806
Additions		2,890	341	537	3,102	6,870
Provisions, disposals and other		99	—	1,269	418	1,786
Depreciation expense		(2,622)	(203)	(3,683)	(2,982)	(9,490)
Foreign exchange		(35)	15	1,045	651	1,676
As at December 31, 2020	\$	33,500	\$ 429	\$ 19,073	\$ 14,163	67,165

The lease ROU asset balance is included in “property, plant and equipment” in the consolidated balance sheets.

Northland expenses payments for leases that are short-term (i.e. term of 12 months or less) and low value as well as variable payments that are excluded from lease payments, such as usage-based fees or utilities charges. For the year ended December 31, 2020, lease expense of \$5 million (2019 - \$4 million) was recognized in “general and administrative costs” and “operating costs” in the consolidated statements of income (loss).

The following table illustrates movements in Northland’s lease liabilities:

Year ended December 31,		2020	2019
Total, beginning of the year	\$	67,008	\$ 2,797
Acquired		464	59,668
Additions		6,626	11,733
Accretion of interest [Note 20]		1,840	1,685
Payments		(10,398)	(7,125)
Foreign exchange		1,933	(1,750)
Total, end of the year	\$	67,473	\$ 67,008
Current (included in “trade and other payables”)		9,730	7,756
Non-current (included in “provision and other liabilities”)		57,743	59,252

9. Other Assets

9.1. Other current assets

Other current assets consist of the following:

As at December 31,	2020	2019
Natural gas inventory	\$ 384	\$ 484
Spare parts and other inventory	23,753	21,030
Prepaid expenses	37,717	18,842
Finance lease receivable (current portion) [Note 8.1]	4,525	4,165
Total	\$ 66,379	\$ 44,521

9.2. Long-term Deposits

Long-term deposits consist of the following:

As at December 31,	2020	2019
Decommissioning deposit	\$ 78,377	\$ 66,167
Other	1,410	165
Total	\$ 79,787	\$ 66,332

Gemini provided a letter of credit to the Dutch government to secure future decommissioning liability for Gemini. The letter of credit is collateralized by a long-term deposit held by project lenders in a money market fund due in 2042 and earns interest at a rate of 6-month EURIBOR plus 0.8%.

9.3. Other Assets

Other assets consist of the following:

As at December 31,	2020	2019
Government grant receivable	\$ 42,703	\$ 60,397
Receivable from Cochrane Solar First Nations Partner [Note 16]	32,453	33,207
Other ⁽¹⁾	19,345	16,296
Total	\$ 94,501	\$ 109,900

(1) Includes investment in associate, investment in joint venture and long-term prepaid expenses.

As at December 31, 2020, Nordsee One had accrued a government grant in amount of \$63 million (€40 million) (2019 - \$73 million or €57 million), including \$43 million (€27 million) in "other assets" and \$20 million (€13 million) classified as current and included in "trade and other receivables". The grant relates to the construction of the wind facility and will be collected from 2021 to 2022.

10. Management of Capital

Northland's strategy to finance general development efforts and investments in project entities utilizes internally generated cash flows, equity issuances and corporate debt, notably corporate credit facility borrowings and convertible debentures. Refer to Note 12 for additional information.

Northland defines capital that it manages as the aggregate of its equity, including non-controlling interests, interest-bearing loans and borrowings, corporate credit facilities, convertible debentures and subscription receipts. Northland's objectives when managing capital are to (i) ensure the stability and long-term sustainability of dividends to shareholders and (ii) finance assets with non-recourse debt that is fully amortized over the term of the underlying revenue arrangements.

As at December 31, 2020, total managed capital was \$9.6 billion (2019 - \$9.1 billion), comprising equity of \$2.0 billion (2019 - \$1.5 billion), non-recourse facility-level loans and borrowings totaling \$7.2 billion (2019 - \$6.9 billion) and corporate credit facilities totaling \$0.4 billion (2019 - \$0.2 billion). There were no convertible unsecured subordinated debentures (2019 - \$0.2 billion) and subscription receipts (2019 - \$0.3 billion) outstanding.

Northland exercises discretion in the amount of dividends declared to shareholders, the terms of its Dividend Reinvestment

Plan (DRIP), return of capital to shareholders, issuance of new Shares or preferred shares, repurchase of Shares under its Normal Course Issuer Bid (NCIB) and the issuance or redemption of convertible debentures.

Northland's strategy has been to finance its operating entities (which are subsidiaries of Northland) using primarily non-recourse debt at the subsidiary level. The interest rate on the debt at Northland's power generation facilities is fixed (or effectively fixed using interest rate swaps) and principal is fully repaid (amortized) generally over each facility's PPA term. This ensures a power generation facility is debt-free at the expiry of its original revenue arrangement, after which its economics become less predictable. For EBSA, the interest rate on the non-recourse debt is effectively fixed over the lending period, but the principal is expected to be refinanced prior to the due dates because of the perpetual nature of the business.

11. Facility-level Loans and Borrowings

Northland generally finances projects and its operating facilities through non-recourse, secured credit arrangements at the subsidiary level. These loans and borrowing are summarized in the table below:

	Rate ⁽¹⁾	Maturity	Amount drawn as at Dec. 31, 2020 ⁽²⁾	Amount drawn as at Dec. 31, 2019 ⁽²⁾
EBSA ⁽³⁾	5.2 %	2022	449,052	—
Kirkland Lake	2.0 %	2023	11,800	11,800
Jardin ⁽³⁾	2.2 %	2026	80,141	86,776
Thorold ⁽³⁾	6.0 %	2029	245,820	263,090
Nordsee One ⁽³⁾	6.7 %	2030	897,478	957,164
Gemini ⁽³⁾⁽⁵⁾	4.1 %	2030	2,596,382	2,620,897
Mont Louis	6.6 %	2031	68,690	73,468
Solar Phase I ⁽³⁾⁽⁴⁾	4.4 %	2032	175,114	187,758
Solar Phase II ⁽⁴⁾	5.4 %	2032	92,948	99,461
North Battleford ⁽³⁾	5.0 %	2032	566,720	543,260
Cochrane Solar ⁽³⁾	5.3 %	2033	154,531	163,587
Deutsche Bucht ⁽³⁾	2.6 %	2033	1,343,573	1,308,283
McLean's	6.0 %	2034	112,771	118,708
Grand Bend	4.3 %	2035	313,065	325,645
Spy Hill ⁽³⁾	4.1 %	2036	129,115	133,330
Weighted average and total	3.6 %		\$ 7,237,200	\$ 6,893,227
Current			608,446	567,936
Long-term			6,628,754	6,325,291

(1) The weighted average all-in interest rates of the subsidiary borrowings.

(2) Excludes letters of credit secured by facility or project-level credit agreements.

(3) Net of transaction costs and/or fair value adjustments.

(4) Solar Phase I and Solar Phase II include the nine entities that comprise Solar.

(5) Includes the amount drawn on the senior debt and the third-party portion of subordinated debt.

As at December 31, 2020, \$29 million of letters of credit secured by facility or project-level credit agreements was outstanding (2019 - \$40 million).

In May 2020, Gemini amended its debt facility agreement with a group of senior lenders to replace part of the debt service reserve amount with a debt service reserve facility, an undrawn facility that will be used if the Gemini is unable to make the scheduled senior debt payments, resulting in a release of approximately \$65 million (€42 million) to Northland.

In June 2020, Northland entered into a long-term, non-recourse financing agreement on behalf of EBSA for an aggregate amount of approximately \$465 million ("**EBSA Facility**"), inclusive of a Canadian dollar tranche and a Colombian peso tranche. The EBSA Facility replaced an interim bridge credit facility previously in place as well as facility-level borrowings. The EBSA Facility is structured as a \$450 million term loan and a \$15 million debt service reserve credit facility, for an initial

two-year term. The facility has a blended interest rate of 5.2% and provides Northland with the ability to upsize EBSA's capital structure annually by increasing leverage commensurate with growth in EBSA's operating results.

In June 2020, Northland upsized the debt on the North Battleford loan, generating gross proceeds of \$52 million at an effective interest rate of 2.1%. The bond principal increased by \$44 million to \$577 million.

Changes in facility-level loans and borrowings and corporate credit facilities (see Note 12) are summarized in the table below:

Year ended December 31, 2020	Facility-level loans and borrowings		Corporate credit facilities		Total
Total, beginning of the year	\$	6,893,227	\$	171,384	\$ 7,064,611
Acquired debt [Note 4.5]		219,163		—	219,163
Financings net of fees paid		571,140		1,551,131	2,122,271
Repayments		(789,778)		(1,383,685)	(2,173,463)
Other non-cash ⁽¹⁾		34,097		3,042	37,139
Foreign exchange		309,351		9,530	318,881
Total, end of the year	\$	7,237,200	\$	351,402	\$ 7,588,602

(1) Other non-cash changes include amortization of fair value adjustments and amortization of deferred financings costs.

The estimated fair value of facility-level loans and borrowings and corporate credit facilities as at December 31, 2020 is \$7.8 billion (2019 - \$7.4 billion).

12. Corporate Credit Facilities and Convertible Debentures

12.1 Corporate Credit Facilities

The corporate credit facilities are summarized in the table below:

	Facility size	Amount drawn as at December 31, 2020	Outstanding letters of credit	Available capacity	Maturity	Amount drawn as at Dec. 31, 2019
Syndicated revolving facility ⁽¹⁾	\$ 1,000,000	\$ 354,263	\$ 154,464	\$ 491,273	Jun. 2024	\$ 175,689
Bilateral letter of credit facility	150,000	—	146,972	3,028	Mar. 2022	—
Export credit agency backed letter of credit facility	100,000	—	36,956	63,044	Mar. 2021	—
Total	\$ 1,250,000	\$ 354,263	\$ 338,392	\$ 557,345		\$ 175,689
Less: deferred financing costs		2,861				4,305
Total, net		\$ 351,402				\$ 171,384

(1) The amount drawn on the syndicated revolving facility comprises \$234 million USD converted to CAD at the period-end exchange rate, \$35 million CAD and €14 million converted to CAD at the period-end exchange rate (December 31, 2019 - €107 million and \$20 million).

During the year ended December 31, 2020, Northland made net drawdowns of \$167 million on the syndicated revolving facility, with remaining movement in the period due to foreign exchange fluctuations.

In the first quarter of 2020, the size of the bilateral letter of credit facility was increased to \$150 million from \$100 million.

Amounts drawn under the syndicated revolving facility are collateralized by a debenture security and general security agreement that constitutes a first-priority lien on all of the real property and present and future property and assets of Northland.

12.2 Convertible Debentures

The 2020 Debentures had a maturity of June 30, 2020 and were convertible into Shares at a conversion price of \$21.60 per share at any time prior to the maturity date.

At issuance, Northland estimated the fair value of the embedded holder option as nominal, and as a result, the entire amount of the Debentures was classified as a liability. The payment of convertible unsecured subordinated debenture principal and interest was subordinated in right of payment to the prior payment of all senior indebtedness of Northland.



In the second quarter of 2020, Northland completed the early redemption of the 2020 Debentures. Holders converted approximately \$149 million of their 2020 Debentures into 6.9 million new common shares prior to the May 11, 2020, redemption date. Northland redeemed the remaining approximately \$2 million of the 2020 Debentures in cash. As at December 31, 2020, there are no Debentures outstanding.

13. Provisions and Other Liabilities

13.1 Decommissioning Liabilities

Decommissioning liabilities are recognized for renewable facilities. A portion of Northland's onshore wind and solar facilities are located on lands leased from private and public landowners. Upon the expiration of the leases, Northland is obligated to restore the leased lands to near to their original condition and remove all turbines, solar panels and equipment. Northland's obligations for decommissioning of its offshore wind facilities are based on the government regulations in the applicable jurisdictions.

Northland expects to use its installed assets for an indefinite period. No decommissioning liabilities are recognized for utility facilities and efficient natural gas facilities until the time Northland determines the facility will no longer be operated or maintained and should be decommissioned. As at December 31, 2020 and December 31, 2019, no provision were recognized related to efficient natural gas facilities.

Northland estimated the fair value of its total decommissioning liabilities to be \$365 million (2019 - \$309 million), based on an estimated total future liability. A discount rate of 0.5% to 3.9% (2019 - 1.0% to 3.9%) and an inflation rate, where applicable, of 2.0% (2019 - 2.0%) was used to calculate the fair value of the decommissioning liabilities.

The following table reconciles Northland's total decommissioning liabilities activity:

Year ended December 31,	2020	2019
Total, beginning of year	\$ 308,510	\$ 233,326
Additions ⁽¹⁾	35,315	82,482
Accretion	3,926	4,435
Foreign exchange	16,822	(11,733)
Total, end of year	\$ 364,573	\$ 308,510

(1) Additions for 2020 primarily reflect an adjustment to the decommissioning liability at Gemini as a result of a change in discount rate. Additions for 2019 reflect recognition of the decommissioning liability for Deutsche Bucht

13.2 Other Liabilities

As at December 31, 2020, provisions and other liabilities on the consolidated balance sheets included \$74 million payable by Nordsee One to the third-party partner in the wind facility under a shareholder loan arrangement (2019 - \$69 million). Under the shareholder loan arrangement, interest is accrued at an annual rate of 10% and repayments are made based on the partner's share of distributable funds from operations.

14. Pension and Post-Employment Benefits

One of Northland's facilities, EBSA, has a defined benefits pension plan ("pension plan") which is closed to new members, and only a small portion of plan members remain active employees of EBSA. The pension plan establishes the pension an employee will receive upon retirement based on factors such as employee age, years of service and compensation levels when employed.

The accounting of pensions involves estimating the cost of the benefit that will be paid in a remote time horizon and attributes this cost through the expected period in which each employee is expected to receive a pension in accordance with the plan conditions; this requires the extensive use of estimates and assumptions on inflation, mortality, employee turnover and discount rates, among other factors.

The liability recognized in the consolidated balance sheets, in respect of the defined benefits pensions, is the present value of the defined benefit obligation at December 31, 2020, together with the adjustments of actuarial gains or losses not recognized. The actuarial losses and gains are recorded against the net equity in other comprehensive income, in the period they arise.

The present value of the defined benefit obligation is calculated by independent actuaries by discounting the estimated cash outflows using the interest rates yield curve of the Public Debt Securities of the Government of Colombia adjusted for inflation for terms approximating the remaining pension obligations.

The movement of the pension obligations for the year ended December 31, 2020 was as follows:

Change in pension obligations	
As at January 14, 2020 [Note 4.5]	\$ 48,591
Interests net cost	2,453
Actuarial adjustments	1,450
Payments made directly by the Company	(3,759)
Foreign exchange	(3,680)
As at December 31, 2020	\$ 45,055

15. Equity

15.1 Common Shares and Class A Shares

Northland is authorized to issue an unlimited number of Shares. The terms and conditions of Northland's Class A Shares are defined in Northland's articles of incorporation. On September 24, 2020, 1,000,000 Class A shares were converted into common shares on a one-for-one basis.

The change in Shares and Class A Shares during 2020 and 2019 was as follows:

	December 31, 2020		December 31, 2019	
	Shares	Amount	Shares	Amount
Shares outstanding, beginning of year	179,441,219	\$ 2,428,594	179,201,743	\$ 2,423,421
Conversion of subscription receipts	14,289,000	340,147	—	—
Conversion of debentures [Note 12.2]	6,896,136	148,908	239,476	5,173
Conversion of Class A shares	1,000,000	14,615		
Shares issued under the DRIP	544,720	21,979	—	—
Change in deferred taxes	—	1,597	—	—
Shares outstanding, end of period	202,171,075	\$ 2,955,840	179,441,219	\$ 2,428,594
Class A shares	—	—	1,000,000	14,615
Total common and convertible shares outstanding, end of period	202,171,075	\$ 2,955,840	180,441,219	\$ 2,443,209

Dividend Reinvestment Plan

The DRIP provides shareholders and the Class A shareholder the right to reinvest their dividends in Shares with a discount to the market price as defined in the DRIP. Shares issued under the DRIP can be sourced from treasury or purchased on the secondary market at the election of Northland's Board of Directors. Northland's Board of Directors has the discretion to alter the discount or source of Shares issued under the DRIP.

Effective with the dividend paid on September 15, 2020, to shareholders of record on August 31, 2020, Northland changed the discount rate applicable to its DRIP, whereby common shareholders may elect to reinvest their dividends in common shares to 3% discount, from the previous 0% discount.

Share-based Compensation

Northland's Long-Term Incentive Plan (LTIP) provides for a maximum of 3.1 million Shares to be reserved and available for grant to employees of Northland and its subsidiaries. As at December 31, 2020, 1.2 million Shares remain available for future issuance under the LTIP. Shares may be awarded based on development profits, which arise from new projects or acquisitions ("Development LTIP"). The costs recognized for LTIP in the period depend on management's best estimate of a project's expected development profit and expected timing of project milestones. Awards under the LTIP may be settled in Shares or in cash, at the discretion of Northland's Board of Directors.

Shares may also be awarded under the LTIP to recognize achievements or attract and retain executives (“**Deferred Rights**”). Grants of Deferred Rights vest over a maximum of a three-year period, and the expected cost is expensed over the vesting period.

For the year ended December 31, 2020, Northland expensed \$4.1 million (2019 - \$0.4 million) of costs, respectively, under the LTIP. No forfeitures are assumed to occur. The balance of accrued awards related to the Development LTIP is included in liabilities since these awards are expected to be settled in cash. For the year ended December 31, 2020, Northland settled \$2.7 million of Development LTIP awards in cash related to Deutsche Bucht and EBSA.

In addition to the LTIP, stock-based compensation in the form of Restricted Share Units (RSU) and Deferred Share Units (DSU) may be granted by Northland to employees and directors. These awards are settled and paid in cash and accounted for as a liability until paid.

15.2 Preferred Shares

Northland’s preferred shares balance contains Series 1, Series 2 and Series 3 Preferred Shares.

Series 1 and 2 Preferred Shares

In 2010, Northland issued 6.0 million Series 1 Preferred Shares at a price of \$25.00 per share, for gross proceeds of \$150 million. The annual dividend rate was reset on September 30, 2015 to 3.51%, from 5.25% previously, and will reset every five years thereafter at a rate equal to the then five-year Government of Canada bond yield plus 2.80%. The holders of the Series 1 Preferred Shares are entitled to fixed cumulative dividends, payable quarterly, as and when declared by the Board of Directors.

On August 31, 2020, Northland announced the fixed quarterly dividends on the Series 1 Preferred Shares will be payable at an annual rate of 3.2% (\$0.2001 per share per quarter) until September 29, 2025.

Holders of Series 1 Shares and the cumulative rate reset preferred shares, series 2 (“Series 2 Preferred Shares”) had the right, at their option to convert all or part of their Series 1 Shares or Series 2 Shares, as applicable, on a one-for-one basis, into shares of the other series, effective September 30, 2020. Consequently, Northland now has 4,762,246 Series 1 Preferred Shares and 1,237,754 Series 2 Preferred Shares outstanding.

The Series 2 Preferred Shares carry the same features as the Series 1 Preferred Shares, except that holders are entitled to receive quarterly floating-rate cumulative dividends, as and when declared by the Board of Directors, at an annual rate equal to the then three-month Government of Canada treasury bill yield plus 2.80% (2.86% as of December 31, 2020). The holders of Series 2 Preferred Shares have the right to convert their shares into Series 1 Preferred Shares on September 30, 2025, and on September 30 of every fifth year thereafter.

As at December 31, 2020 there were 4,762,246 (2019 - 4,501,565) Series 1 Preferred Shares outstanding, representing equity of \$114 million (2019 - \$107 million).

As at December 31, 2020 there were 1,237,754 (2019 - 1,498,435) Series 2 Preferred Shares outstanding, representing equity of \$31 million (2019 - \$37 million).

Series 3 Preferred Shares

In 2012, Northland issued 4.8 million Series 3 Preferred Shares at a price of \$25.00 per share, for gross proceeds of \$120 million. The annual dividend rate was reset on December 31, 2017 to 5.08%, from 5.00% previously, and will reset every five years thereafter at a rate equal to the then five-year Government of Canada Bond yield plus 3.46%. The holders of the Series 3 Preferred Shares are entitled to fixed cumulative dividends, payable quarterly, as and when declared by the Board of Directors.

The holders of the Series 3 Preferred Shares have the right, at their option, to convert their shares into Series 4 Preferred Shares on December 31, 2022, and on December 31 of every fifth year thereafter, subject to certain conditions.

The Series 4 Preferred Shares, if issued at subsequent conversion dates, will carry the same features as the Series 3 Preferred Shares, except that holders will be entitled to receive quarterly floating-rate cumulative dividends, as and when declared by the Board of Directors at an annual rate equal to the then 90-day Government of Canada treasury bill yield plus 3.46%.

As at December 31, 2020 and December 31, 2019, there were 4,800,000 Series 3 Preferred Shares outstanding, representing equity of \$116 million.

Preferred share dividends, excluding tax, were paid as follows:

Year ended December 31,	2020	2019
Series 1	\$ 3,919	\$ 3,954
Series 2	1,349	1,678
Series 3	6,096	6,096
Total	\$ 11,364	\$ 11,728

15.3 Dividends

Dividends declared per Share and in aggregate were as follows:

Year ended December 31,	2020	2019
Dividends declared per Share	\$ 1.20	\$ 1.20
Aggregate dividends declared		
Dividends in cash	\$ 213,838	\$ 216,396
Dividends in shares ⁽¹⁾	31,229	—
Total	\$ 245,067	\$ 216,396

(1) \$2.6 million of dividends declared under the DRIP were sourced from the secondary market.

15.4 Subscription Receipts

As a result of the close of the EBSA Acquisition on January 14, 2020 [Note 4.5], gross proceeds of \$347 million from the subscription receipts, less applicable transaction costs, were converted to 14,289,000 common shares and a dividend equivalent cash payment equal to \$0.40 per subscription receipt, totaling \$6 million, was paid to subscription receipt holders. The net proceeds were held in escrow, and were included in “restricted cash “ on the consolidated balance sheet as at December 31, 2019.

16. Non-controlling Interests

Non-controlling interests relate to the interests not owned by Northland. Subsidiaries with non-controlling interests that are material to Northland’s consolidated financial statements include Gemini (40%), Nordsee One (15%) and CEEC (32%). CEEC has voting control of Kirkland Lake but ownership interest of 8.8% as a result of non-voting ownership interest held by third-parties.

Summarized financial information for subsidiaries with material non-controlling interests in the consolidated balance sheets (shown at 100% totals) are as follows:

As at December 31, 2020	Current assets ⁽¹⁾	Long-term assets	Current liabilities	Long-term liabilities
Gemini	\$ 273,947	\$ 3,284,280	\$ 303,065	\$ 2,757,878
Nordsee One	141,572	1,377,802	191,984	836,831
CEEC	24,332	25,219	7,996	10,924
Other ⁽²⁾	123,374	906,200	85,310	707,758
Total	\$ 563,225	\$ 5,593,501	\$ 588,355	\$ 4,313,391

As at December 31, 2019	Current assets ⁽¹⁾	Long-term assets	Current liabilities	Long-term liabilities
Gemini	\$ 352,841	\$ 3,232,175	\$ 280,529	\$ 2,744,762
Nordsee One	99,870	1,467,361	159,001	923,136
CEEC	30,220	24,440	9,529	10,674
Other ⁽²⁾	34,333	741,739	34,003	654,224
Total	\$ 517,264	\$ 5,465,715	\$ 483,062	\$ 4,332,796

(1) As at December 31, 2020, restricted cash of \$50.4 million (2019 - \$147 million) is included for Gemini, \$31.1 million (2019 - nil) for Nordsee One where the availability of funds is intended for debt repayments.

(2) Other includes subsidiaries with non-controlling interests that are not material to Northland's consolidated financial statements, including: McLean's (50%), Grand Bend (50%), Cochrane Solar (37.5%), Energia (12%) and EBSA (0.6%).

As at December 31, 2020, Northland had an outstanding receivable balance of \$35 million from Cochrane Solar's First Nations partner (2019 - \$39 million). This balance appears at a fair value of \$35 million (2019 - \$37 million) on the consolidated balance sheets, including \$3 million classified as "trade and other receivables" and the remaining portion as "other assets".

The change in material non-controlling interests during 2020 and 2019 is as follows:

	Gemini	Nordsee One	CEEC	Other ⁽²⁾	Total
As at January 1, 2019	\$ 218,504	\$ 51,951	\$ 141,574	\$ 56,885	\$ 468,914
Net income (loss) attributable ⁽¹⁾	92,830	17,963	11,633	8,564	130,990
Dividends and distributions declared ⁽¹⁾	(63,319)	(17,233)	—	(18,875)	(99,427)
Allocation of other comprehensive income (loss) ⁽¹⁾	(46,388)	(5,596)	—	(1,349)	(53,333)
As at December 31, 2019	\$ 201,627	\$ 47,085	\$ 153,207	\$ 45,225	\$ 447,144
Non-controlling interest acquired [Note 4]	—	—	—	2,645	2,645
Net income (loss) attributable ⁽¹⁾	89,321	17,365	8,433	9,002	124,121
Dividends and distributions declared ⁽¹⁾	(103,065)	(16,165)	—	(18,753)	(137,983)
Allocation of other comprehensive income (loss) ⁽¹⁾	(7,245)	3,181	—	(4,110)	(8,174)
As at December 31, 2020	\$ 180,638	\$ 51,466	\$ 161,640	\$ 34,009	\$ 427,753

(1) Net income (loss), dividends and distributions, and other comprehensive income (loss) are shown at the respective non-controlling interest share.

(2) Other includes subsidiaries with non-controlling interests that are not material to Northland's consolidated financial statements, including: McLean's (50%), Grand Bend (50%), Cochrane Solar (37.5%), Energia (12%) and EBSA (0.6%).

17. Financial Risk Management

Northland's risk management objective is to mitigate fluctuations in cash flows and ensure stable levels of cash available to pay dividends to shareholders. Northland does not seek to mitigate fair value risk. Northland classifies financial risks into market risk, counterparty risk and liquidity risk. Northland manages financial risks by identifying, evaluating and mitigating financial risks in compliance with internal policies and external requirements under non-recourse project financing arrangements. Northland uses derivative financial instruments to manage certain financial risks but does not engage in speculative activity. Material financial risks are monitored and reported regularly to the Audit Committee of the Board of Directors. The risks associated with Northland's financial instruments and Northland's policies for mitigating these risks are described below.

17.1 Market Risk

Market risk is the risk that the fair value of Northland's future cash flows from financial instruments will fluctuate because of changes in market prices. Financial instruments affected by market risk include loans and borrowings and derivative financial instruments. Types of market risk to which Northland is exposed are discussed below.

(i) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Northland manages this risk by securing fixed-rate debt or entering into interest rate swap agreements that effectively convert floating rate interest exposures to a fixed rate.

Changes in the fair value of interest rate swap contracts designated for hedge accounting are recorded in Northland's consolidated statements of comprehensive income (loss) to the extent that the hedge arrangements are effective. The fair values for these interest rate swap contracts are based on calculations and valuation models using observable market rates.

For the year ended December 31, 2020, if interest rates had been 100 basis points higher or lower with all other variables held constant, income before income taxes from the change in fair value of the interest rate swaps prior to the application of hedge accounting would have been \$253 million higher or lower. This change would have had no impact on Northland's cash flows.

The counterparties to Northland's interest rate derivative contracts are well-capitalized financial institutions with strong credit ratings. See "Counterparty Risk" below.

(ii) Credit spread risk

Credit spread risk as it affects Northland refers to the risk that the loan margin charged by current or future lenders (a borrower-specific margin added to the underlying interest rate) will increase, making the cost of debt capital more expensive. Credit spread risk cannot be hedged. Northland manages this risk by: (i) entering into long-term financings with defined credit spreads over the amortization period whenever possible; (ii) ensuring loans are fully amortized (repaid) by maturity; and (iii) monitoring credit markets and making prudent decisions about the timing and method of original financings, refinancing and repricing opportunities.

(iii) Currency risk

Currency risk arises because the Canadian dollar equivalent of transactions, assets or liabilities denominated in foreign currencies may vary due to changes in foreign exchange rates. Northland is exposed to changes in the euro, U.S. dollar, Colombian peso, Taiwan dollar, Polish Zloty, and to a lesser degree, Japanese Yen and Korean Won for the early stage projects in those countries. Primary exposure to Northland results from the euro-denominated financial statements and cash distributions at Gemini, Nordsee One and Deutsche Bucht, and Colombian peso-denominated financial statements and cash distributions from EBSA, and development spending at Hai Long. Management manages this risk by hedging material net foreign currency cash flows to the extent practical and economical to minimize material cash flow fluctuations.

Exchange rate gains and losses on the currency derivatives that have been recognized in OCI are recognized in net income in the same period during which corresponding gains or losses arising from the translation of the consolidated financial statements of the self-sustaining foreign operation are recognized in net income.

At December 31, 2020, if the Canadian dollar had been 5% higher or lower against the U.S. dollar with all other variables held constant, income before taxes from the change in fair value of the U.S. dollar foreign exchange contracts prior to the application of hedge accounting would have been \$1 million higher or lower. If the Canadian dollar had been 5% higher or lower against the euro with all other variables held constant, income before taxes from the change in fair value of the euro foreign exchange contracts prior to the application of hedge accounting would have been \$84 million lower or higher. If the Canadian dollar had been 5% higher or lower against the Colombian peso with all other variables held constant, income before taxes from the change in fair value of the Colombian peso foreign exchange contracts (used to effectively fix the EBSA cash purchase price) would have been \$1 million lower or higher.

The counterparties to Northland's currency derivative contracts are well-capitalized financial institutions with strong credit ratings. See "Counterparty Risk" below.

(iv) Commodity price risk

Commodity price risk arises where: (i) PPA revenues for efficient natural gas facilities are fixed, not linked to natural gas prices or the cost of natural gas is not substantively passed through to the off-taker; (ii) PPA revenues or components of PPA revenues depend upon certain electricity market indices; (iii) a portion of revenue is not contracted and subject to changes in electricity prices; or (iv) the value of a financial instrument or cash flows associated with the instrument fluctuates due to changes in commodity prices. Northland is exposed to changes in the Dutch wholesale power price at Gemini.

Northland manages this risk by: (i) entering into PPAs that provide a fixed price for all, or substantially all, electricity production, provide a price linked to commodity prices or include pass-through of commodity costs to the off-taker; (ii) entering into financial power and natural gas hedges to stabilize contractual economics, including natural gas costs and electricity prices; and (iii) entering into fixed price gas supply contracts. Northland has entered into derivatives to stabilize the effect of changes in Dutch wholesale power prices.

Northland has exposure to Dutch electricity market prices under Gemini's PPA when the market price falls below the contractual floor price. For the year ended December 31, 2020, the average wholesale market price was below the contractual floor price, resulting in an estimated €24 million (CAD \$37 million) or 7.2% lower revenues from Gemini. Additionally, production in excess of the annual production ceiling under the PPA earns revenue at wholesale market rates.

Northland has indirect exposure to German electricity market prices under the Nordsee One and Deutsche Bucht PPAs whereby the facilities do not receive revenue for periods where the market power price remains negative for longer than six consecutive hours.

Northland has exposure to Ontario electricity market prices through variable components of certain efficient natural gas revenue contracts and at facilities, such as Kingston, that do not have a revenue contract. Northland has entered into power forward contracts to partially manage this exposure.

For the year ended December 31, 2020, if natural gas prices had been \$1/gigajoule higher or lower with all other variables held constant, the change in income before income taxes from the change in fair value of the gas forward contracts would have been \$3 million higher or lower. This change would have had no material impact on Northland's cash flows.

17.2 Counterparty Risk

Counterparty risk is the risk that a counterparty fails to perform its contractual obligations which could result in losses in financial assets. Northland is exposed to counterparty risk in several areas including: (i) cash and cash equivalents held with banks and financial institutions; (ii) counterparty exposures arising from: (a) contractual obligations, which include but are not limited to sales contracts, equipment supply and maintenance contracts, fuel supply and fuel transportation agreements, energy marketing contracts and construction contracts, (b) derivative financial instruments, (c) trade receivables due from customers, (d) loan receivables due from partners and other entities, and (e) claims payable by an insurer; and (iii) unfunded loan commitments from financial institutions for the construction of projects. The maximum exposure to counterparty risk, other than for the loan commitments, is equal to the carrying value of the financial assets.

Northland manages counterparty risk by contracting with highly creditworthy counterparties wherever possible, such as government-related entities and large financial institutions. Northland's cash, derivative financial instruments, unfunded loan commitments and insurance policies are contracted with creditworthy financial institutions and/or cleared on exchanges. Northland's gas, transportation, equipment, maintenance and construction contracts are with highly rated and/or large, well-capitalized counterparties wherever possible. Northland also manages counterparty risk by conducting comprehensive initial credit analyses on potential counterparties to material and/or long-term contracts and monitoring counterparties over time.

As at December 31, 2020, approximately 48.9% (2019 - 88.5%) of Northland's consolidated trade and other receivables, excluding third-party partner loan receivable, were receivable from creditworthy government-related entities.

In 2020, approximately 76.0% (2019 - 91.3%) of Northland's consolidated revenue was derived indirectly from the sale of electricity to government-related entities. For electricity and other sales, Northland and its subsidiaries have not provided allowance accounts and have not purchased credit derivatives to mitigate counterparty risk. All significant accounts receivable amounts are current as at December 31, 2020.

The nature of Northland's business and contractual arrangements, and the quality of its counterparties generally serves to minimize counterparty risk.

17.3 Liquidity Risk

Liquidity risk is the risk that Northland: (i) may not have sufficient funds to settle a transaction on the due date; (ii) may be forced to sell financial assets or terminate financial liabilities at a value that is not the fair market value; or (iii) may be unable to settle or recover a financial asset at all. Liquidity risk arises through an excess of financial obligations over available financial assets at any point in time.

Northland manages liquidity risk to maintain sufficient cash or readily-available funding in order to meet expected liquidity requirements. Northland achieves this by: (i) maintaining prudent cash balances, availability under committed credit facilities and access to capital markets; (ii) selecting derivatives and hedging strategies that minimize the risk of material cash flow impacts; and (iii) actively monitoring open positions to assess and proactively adapt to possible market liquidity concerns.

As at December 31, 2020, Northland and its subsidiaries were holding cash and cash equivalents of \$435 million (2019 - \$268 million), including \$68 million held corporately (2019 - \$41 million), and had available borrowing capacity under the

syndicated revolving facility of \$491 million.

The contractual maturities of Northland's financial liabilities at December 31, 2020 are as follows:

	2021	2022-2023	2024-2025	>2025
Derivative contracts				
Euro foreign exchange contracts	\$ 201,265	\$ 361,024	\$ 302,158	\$ 868,741
Financial natural gas contract	63,340	6,835	—	—
U.S. dollar foreign exchange contracts	21,647	—	—	—
Colombian peso foreign exchange contracts	24,724	18,942	—	—
US-Euro Cross Currency Swap	235,880	—	—	—
US La Lucha interest rate swaps	8,352	16,579	20,218	94,975
Power financial swap	77,483	69,656	2,037	—
Loans and borrowings				
Interest-bearing loans and borrowings - principal	621,916	1,738,491	1,346,082	3,612,047
Interest-bearing loans and borrowings - interest, including interest rate swaps	290,254	481,801	398,098	608,821
Corporate credit facilities, including interest	35,227	11,540	360,595	—
Total	\$ 1,580,088	\$ 2,704,868	\$ 2,429,188	\$ 5,184,584

Northland is also subject to internal liquidity risk because it conducts its business activities through separate legal entities (subsidiaries and affiliates) and is dependent on cash distributions from those entities to defray corporate expenses and pay dividends. Most operating subsidiaries hold non-recourse debt. Such non-recourse financing agreements typically prohibit distributions if the loan is in default (notably for non-payment of principal or interest) or if the entity fails to achieve a benchmark debt service coverage ratio, which is the ratio of Adjusted EBITDA to scheduled loan principal and interest payments over a specified time period. For the year ended December 31, 2020, Northland and its subsidiaries were in compliance with all debt covenants.

Northland will be required to refinance, renew or extend debt instruments as they become due. The ability to refinance, renew or extend debt instruments is dependent on the capital markets up to the time of maturity, which may affect the availability, pricing or terms and conditions of replacement financing.

18. Financial Instruments

18.1 Fair Value Measurement

The carrying values of Northland's financial instruments as at December 31, 2020 and 2019 are as follows:

As at December 31, 2020	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost ⁽¹⁾	\$ 627,519	\$ 649,968	\$ —	\$ 1,277,487
Financial assets at fair value through profit and loss ⁽²⁾	—	68,908	—	68,908
Financial liabilities at fair value through profit and loss ⁽²⁾	—	616,118	—	616,118
Financial liabilities at amortized cost ⁽³⁾	—	8,047,815	—	8,047,815

As at December 31, 2019	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost ⁽¹⁾	\$ 891,200	\$ 574,278	\$ —	\$ 1,465,478
Financial assets at fair value through profit and loss ⁽²⁾	—	118,248	—	118,248
Financial liabilities at fair value through profit and loss ⁽²⁾	—	520,013	—	520,013
Financial liabilities at amortized cost ⁽³⁾	489,283	7,407,071	—	7,896,354

(1) Includes cash and cash equivalents, restricted cash, trade and other receivables, finance lease receivable, long-term deposits and certain other assets.

(2) Includes derivative financial instruments and financial assets at fair value through profit and loss consisting of a third-party partner loan [Note 16].

(3) Includes trade and other payables, dividends payable, interest-bearing loans and borrowings, corporate credit facilities, convertible debentures, subscription receipts and other liabilities (excluding decommissioning liabilities).

During the year ended December 31, 2020, a fair value gain of \$1 million (2019 - gain of \$11 million) was recorded in relation to non-derivative financial assets at fair value through profit and loss which appears in "other (income) expense" on the consolidated statements of income (loss).

Additional details of Northland's income and expenses with respect to its financial instruments are as follows:

Year ended December 31,	2020	2019
Income (expense) on financial assets at amortized cost	\$ 20,598	\$ 18,426
Expense (income) on financial liabilities at amortized cost	366,532	330,339
Expense (income) on net financial liabilities at fair value through profit and loss	(11,937)	(172,185)

18.2 Derivative Financial Instruments

The derivative financial instruments consist of the following:

As at December 31, 2020	Current assets	Current liabilities	Long-term assets	Long-term liabilities	Total
Derivatives designated for hedge accounting					
Canadian dollar interest rate swaps	\$ —	\$ (12,672)	\$ —	\$ (50,166)	\$ (62,838)
Euro interest rate swaps	—	(88,709)	—	(326,841)	(415,550)
Euro foreign exchange contracts	1,461	(3,607)	7,589	(50,481)	(45,038)
Colombian peso foreign exchange contracts	—	(424)	—	(297)	(721)
Power forward contracts	—	(7,448)	—	(392)	(7,840)
Derivatives not designated for hedge accounting					
Canadian dollar interest rate swaps	—	(31,112)	—	—	(31,112)
U.S. dollar interest rate swaps	—	(544)	2,845	(900)	1,401
U.S. dollar foreign exchange contracts	57	(702)	—	—	(645)
Euro foreign exchange contracts	6,955	—	12,280	(443)	18,792
Cross-currency interest rate swaps	—	(7,698)	—	—	(7,698)
Colombian peso foreign exchange contracts	—	(86)	—	(41)	(127)
Gas forward contracts	2,011	(14,515)	124	(1,418)	(13,798)
Power forward contracts	165	(10,993)	—	(6,629)	(17,457)
Total	\$ 10,649	\$ (178,510)	\$ 22,838	\$ (437,608)	\$ (582,631)

As at December 31, 2019	Current assets	Current liabilities	Long-term assets	Long-term liabilities	Total
Derivatives designated for hedge accounting					
Canadian dollar interest rate swaps	\$ 75	\$ (7,199)	\$ 166	\$ (35,305)	\$ (42,263)
U.S. dollar foreign exchange contracts	424	—	—	—	424
Euro interest rate swaps	—	(82,713)	—	(287,495)	(370,208)
Euro foreign exchange contracts	4,240	(76)	10,668	(49,340)	(34,508)
Power forward contracts	138	(574)	—	(171)	(607)
Derivatives not designated for hedge accounting					
Canadian dollar interest rate swaps	—	(23,467)	—	—	(23,467)
U.S. dollar foreign exchange contracts	—	(512)	—	(273)	(785)
Euro foreign exchange contracts	11,508	(32)	22,189	(2,361)	31,304
Colombian peso foreign exchange contracts	28,593	—	—	—	28,593
Gas forward contracts	2,649	(14,883)	575	(15,496)	(27,155)
Power forward contracts	10	(116)	6	—	(100)
Total	\$ 47,637	\$ (129,572)	\$ 33,604	\$ (390,441)	\$ (438,772)

The change in derivative financial instruments for the year ended December 31, 2020 and 2019 is as follows:

	Designated in hedge relationships						
	Balance as at Dec. 31, 2019 asset (liability)	Changes in fair value recognized in OCI ⁽¹⁾	Cash and accrued payments/ (receipts) ⁽²⁾	Unrealized fair value changes ⁽²⁾	Fair value changes on derivatives not designated in hedge relationships ⁽²⁾	Foreign exchange gain (loss)	Balance as at Dec. 31, 2020 asset (liability)
Canadian dollar interest rate swaps	\$ (65,730)	\$ (26,788)	\$ 11,815	\$ (5,603)	\$ (7,644)	\$ —	\$ (93,950)
U.S. dollar Interest rate	—	—	—	—	1,401	—	1,401
Euro Interest rate swaps	(370,208)	(72,103)	69,801	(16,770)	—	(26,270)	(415,550)
Gas forward contracts	(27,155)	—	—	—	13,357	—	(13,798)
Power forward contracts	(707)	(6,507)	—	(750)	(17,337)	4	(25,297)
U.S. dollar foreign exchange contracts	(361)	(946)	(424)	946	140	—	(645)
Euro foreign exchange contracts	(3,204)	(21,849)	(2,756)	17,967	(16,404)	—	(26,246)
Cross-currency interest rate swaps	—	—	—	—	(7,698)	—	(7,698)
Colombian peso foreign exchange contracts	28,593	(671)	—	(125)	(28,645)	—	(848)
Total	\$ (438,772)	\$ (128,864)	\$ 78,436	\$ (4,335)	\$ (62,830)	\$ (26,266)	\$ (582,631)

(1) Amounts recognized in "Change in fair value of hedged derivative contracts" in the consolidated statements of comprehensive income (loss).

(2) Amounts recognized in "Fair value (gain) loss on derivative contracts" in the consolidated statements of income (loss).

	Designated in hedge relationships						
	Balance as at Dec. 31, 2018 asset (liability)	Changes in fair value recognized in OCI ⁽¹⁾	Cash and accrued payments/ (receipts) ⁽²⁾	Unrealized fair value changes ⁽²⁾	Fair value changes on derivatives not designated in hedge relationships ⁽²⁾	Foreign exchange gain (loss)	Balance as at Dec. 31, 2019 asset (liability)
Canadian dollar interest rate swaps	\$ (61,513)	\$ (7,668)	\$ 8,339	\$ (2,990)	\$ (1,898)	\$ —	\$ (65,730)
Euro interest rate swaps	(310,332)	(139,998)	71,489	(17,073)	—	25,706	(370,208)
Gas forward contracts	(41,674)	—	—	—	14,519	—	(27,155)
Power forward contracts	1,282	(1,701)	—	(188)	(100)	—	(707)
U.S. dollar foreign exchange contracts	1,824	(229)	(1,231)	92	(817)	—	(361)
Euro foreign exchange contracts	(126,744)	60,919	(364)	14,469	48,516	—	(3,204)
Colombian peso foreign exchange contracts	—	—	—	—	28,593	—	28,593
Total	\$ (537,157)	\$ (88,677)	\$ 78,233	\$ (5,690)	\$ 88,813	\$ 25,706	\$ (438,772)

(1) Amounts recognized in "Change in fair value of hedged derivative contracts" in the consolidated statements of comprehensive income (loss).

(2) Amounts recognized in "Fair value (gain) loss on derivative contracts" in the consolidated statements of income (loss).

The objective of Northland's hedges is to reduce volatility in its cash flow related to changes in foreign exchange, interest rates and market prices for gas and power. The nature of the risks that Northland is exposed to and the related hedge objectives did not change in the year ended December 31, 2020, with the exception of increased exposure to the Colombian peso as a result of financing portion of the purchase price made for the EBSA Acquisition.

The effects of applying hedge accounting on Northland's financial position and performance are described below.

(a) Foreign exchange risk

Foreign exchange forward contracts	December 31, 2020		December 31, 2019	
Carrying amount (asset/(liability))	\$	(45,759)	\$	(34,084)
Notional amount - EUR		854,587		922,686
Notional amount - USD		—		1,550
Notional amount - COP		96,108,588,173		—
Maturity date		January 2021-August 2032		January 2020-August 2032
Hedge ratio ⁽¹⁾		1:1		1:1
Change in discounted spot value of outstanding hedging instruments since January 1	\$	(10,593)	\$	77,700
Change in value of hedged item used to determine hedge effectiveness	\$	(79,827)	\$	79,199
Weighted average hedged rate for the year (including forward points):				
USD foreign exchange forward contracts		—		US\$0.981:CAD\$1
EUR foreign exchange forward contracts		€0.6153:CAD\$1		€0.615:CAD\$1
COP foreign exchange forward contracts		COP\$2,830:CAD\$1		—

(1) The foreign exchange forward contracts are denominated in the same currency as the highly probable future payments (US\$) and the net investment in foreign operations; therefore, the hedge ratio is 1:1.

Foreign exchange hedge reserve	Euro contracts		Colombian peso contracts		U.S. dollar contracts	Total foreign exchange hedge reserve in AOCI
	Cost of hedging	Forward component	Cost of hedging	Forward component	Forward component	
Total, beginning of the year 2019	\$ (26,820)	\$ (87,736)	\$ —	\$ —	\$ 1,175	\$ (113,381)
Add: Costs of hedging deferred during the year in OCI	7,068	—	—	—	—	7,068
Add: Change in fair value of hedging instrument recognized in OCI for the year (effective portion) ⁽¹⁾	—	79,428	—	—	(229)	79,199
Less: Re-classified to profit and loss	(25,578)	—	—	—	—	(25,578)
Total, end of the year 2019	\$ (45,330)	\$ (8,308)	\$ —	\$ —	\$ 946	\$ (52,692)
Add: Costs of hedging deferred during the year in OCI	80,828	—	(38)	—	—	80,790
Add: Change in fair value of hedging instrument recognized in OCI for the year (effective portion) ⁽¹⁾	—	(78,522)	—	(669)	(946)	(80,137)
Less: Re-classified to profit and loss	(24,156)	—	36	—	—	(24,120)
Total, end of the year 2020	\$ 11,342	\$ (86,830)	\$ (2)	\$ (669)	\$ —	\$ (76,159)

(1) The deferred tax applicable to the foreign exchange hedge reserve is a \$10 million recovery, which has been recognized in OCI.

Power forward hedge reserve	Power forward contract	
Total, beginning of the year 2019	\$	1,282
Add: Change in fair value of hedging instrument recognized in OCI for the year (effective portion) ⁽¹⁾	\$	(1,700)
Total, end of the year 2019	\$	(418)
Add: Change in fair value of hedging instrument recognized in OCI for the year (effective portion) ⁽¹⁾		(6,499)
Less: Re-classified to profit and loss		(8)
Total, end of the year 2020	\$	(6,925)

(1) The deferred tax applicable to the power forward hedge reserve is a \$0.3 million expense, which has been recognized in OCI.

The hedge ineffectiveness recognized in “fair value (gain) loss on derivative contracts” in the consolidated statements of income (loss) related to power swap contracts (cash flow hedges) for the year ended December 31, 2020 was \$1 million.

(d) Hedge ineffectiveness

The fair value of the hedged item used as the basis for recognizing hedge ineffectiveness for the year, by risk category, are:

Fair value of hedged items (hypothetical derivatives)	December 31, 2020		December 31, 2019	
Cash flow hedge – interest rate risk	\$	358,431	\$	257,085
Cash flow hedge – electricity price risk		1,380		(548)
Cash flow hedge – foreign currency risk		—		946
Net investment hedge – foreign currency risk		(87,189)		(8,307)

19. Net Income (Loss) per Share

The basic and diluted net income (loss) is calculated as follows:

	Year ended December 31,			
	2020		2019	
Net income (loss) for the period attributable to common shareholders	\$	360,936	\$	320,764
Less: preferred share dividends, net [Note 15.2]		(11,364)		(11,728)
Net income (loss) attributable to common shareholders for basic earnings	\$	349,572	\$	309,036
Add back: convertible unsecured subordinated debentures interest and amortization		1,995		6,436
Net income (loss) attributable to common shareholders for diluted earnings	\$	351,567	\$	315,472

The basic and diluted share amounts are calculated as follows:

	Year ended December 31,		
	2020		2019
Weighted average number of Shares outstanding	198,042,137	179,322,200	
Weighted average number of Class A shares	732,240	1,000,000	
Weighted average number of Shares outstanding, basic	198,774,377	180,322,200	
Effect of dilutive securities:			
Convertible unsecured subordinated debentures	2,394,728	7,302,353	
Weighted average number of Shares outstanding, diluted	201,169,105	187,624,553	

20. Finance Costs

Net finance costs consist of the following:

	Year ended December 31,	
	2020	2019
Interest on debt, borrowings and bank fees	\$ 327,850	\$ 292,457
Amortization of deferred financing costs	36,842	36,197
Discount on provisions for decommissioning liabilities [Note 13.1]	3,926	4,435
Lease interest [Note 8.2]	1,840	1,685
Finance income	(5,290)	(3,606)
Finance costs, net	\$ 365,168	\$ 331,168

For the year ended December 31, 2020, \$1.9 million interests (2019 - \$21.5 million) incurred from project financing related to facilities under construction were capitalized in construction-in-progress.

21. Impairment of Property, Plant and Equipment, Intangible Assets and Goodwill

Northland determined that assets at each facility will be grouped together to form a CGU for purposes of impairment testing. PP&E, intangible assets and goodwill have been allocated to CGUs to determine the carrying amount.

The recoverable amount of the CGUs is determined using the value-in-use method, whereby the net cash flow is determined based on current business plans and budgets approved by management. The calculation of value-in-use for all of the above CGUs is most sensitive to the following assumptions:

- Growth rate of 2% - The rate is used to extrapolate CGU cash flow projections in the discounted cash flow approach. The rate is based on readily available published industry research.
- Discount rate - Pre-tax discount rates reflect the current market assessment of the risks specific to each CGU. The discount rate was estimated based on the weighted average cost of capital for the industry. The rate was further adjusted to reflect the market assessment of any risk specific to the CGU for which future estimates of cash flows have not been adjusted.

The rates are as follows:

Pre-tax discount rates	October 1, 2020	October 1, 2019
Applicable to PPA cash flows:	6.2 %	5.2 %
Applicable to other cash flows ⁽¹⁾ :	7.0 % - 8.2 %	7.2 %

(1) Other cash flows include post-PPA cash flows and utility cash flows.

During the fourth quarter of 2020, Northland completed its annual comprehensive impairment assessment based on value-in-use estimates derived from the long-range forecasts and market values observed in the marketplace. Northland did not identify any impairments of goodwill or reversals of prior impairments as a result of this review.

Deutsche Bucht Demonstrator Project

During the year ended December 31, 2019, Northland recognized an impairment of PP&E related to the Deutsche Bucht project. The Deutsche Bucht project consists of 31 turbines on monopile foundations and two turbines utilizing mono bucket foundations. Installation of the two turbines utilizing mono bucket foundations ("Demonstrator Project") was paused in the fourth quarter of 2019 following the identification of technical issues. A thorough evaluation of the cause of the technical issues is performed and Northland determined that the related construction-in-progress asset was impaired as at December 31, 2019 and recognized an impairment loss of \$98 million. The impairment reduced the Demonstrator Project construction-in-progress to nil.

22. Income Taxes

22.1 Tax Expense and Temporary Difference

The following table summarizes the tax expense reported in the consolidated statements of income (loss):

Year ended December 31,	2020	2019
Current taxes		
Based on taxable income of current year	\$ 85,737	\$ 44,545
Tax on dividend payments	4,545	4,691
Total current taxation expense	\$ 90,282	\$ 49,236
Deferred taxes		
Deferred tax on origination and reversal of temporary differences	\$ 36,472	\$ 37,194
Deferred tax due to changes in tax rates	(11,344)	(7,194)
Prior-year under (over) provision	(399)	(509)
Total deferred tax expense (recovery)	\$ 24,729	\$ 29,491
Total income tax expense (recovery)	\$ 115,011	\$ 78,727

The following table summarizes the tax expense reported directly in equity:

Year ended December 31,	2020	2019
Deferred taxes related to origination and reversal of temporary differences related to financing fees	\$ (1,597)	\$ —
Deferred taxes related to change in fair value of hedged derivative contracts	(31,074)	(14,933)
Deferred taxes related to pension expense	(332)	—
Deferred taxes related to foreign exchange	(9,394)	(1,881)
Total income tax expense (recovery) in equity	\$ (42,397)	\$ (16,814)

The following table summarizes the reconciliation of Northland's effective tax rate:

Year ended December 31,	2020	2019
Combined basic Canadian federal and provincial income tax rate	26.5 %	26.5 %
Income (loss) before income taxes	\$ 600,069	\$ 530,481
Income tax expense (recovery) based on statutory rate	159,018	140,577
Adjustment for non-deductible (taxable) expenses and incentives	(29,728)	(35,080)
Deferred tax expense (recovery) relating to changes in tax rates or change in legal structure	(11,344)	(7,194)
Rate difference related to temporary differences in foreign jurisdictions	4,835	3,437
Manufacturing and processing rate reduction	2,693	(4,914)
Tax expense associated with payment of preferred share dividends	4,546	4,691
Benefit not recognized	7,222	(1,277)
Minority interest	(22,400)	(21,147)
Other	169	(366)
Total income tax expense (recovery)	\$ 115,011	\$ 78,727

Northland, while resident in Canada, operates in a number of foreign jurisdictions. The enacted blended tax rates relevant to the computation of tax expense (recovery) are: Canada 26.5% (26.5% - 2019), Germany 29.2% (29.2% - 2019), Netherlands 25.0% (25.0% - 2019), Luxembourg 24.9% (24.9% - 2019), Mexico 30.0% (30.0% - 2019), and Colombia 32.0%. In December 2018, the Colombian government introduced a tax reform to decrease the corporate income rate to 31.0% for 2021 and 30.0% for 2022 and onwards. Future tax expense (recovery) for Dutch subsidiaries are recognized at 25.0% (21.7% - 2019) as the Dutch government has cancelled its previous plan to reduce corporate income tax rates to 21.7% for 2021 and onwards.

The following table summarizes the components of the deferred tax asset and liability:

As at December 31,	2020	2019
Deductible temporary differences		
Losses available for carryforward	\$ 12,803	\$ 35,058
Derivative financial instruments	111,837	86,640
Canadian renewable conservation expense	21,296	21,255
Financing fees	20,961	16,618
Tax credits	3,176	3,176
Interest available for carryforward	27,564	16,526
Other	7,330	—
	\$ 204,967	\$ 179,273
Taxable temporary differences		
Contracts	\$ 126,897	\$ 128,379
Fair value debt increments	3,146	12,745
Property, plant and equipment	375,491	229,644
Other	—	731
	\$ 505,534	\$ 371,499

The following table reconciles the opening and ending balance of Northland's net deferred tax liability:

As at December 31,	2020	2019
Opening balance, net deferred tax liability	\$ 192,226	\$ 179,549
Tax liability recognized in business combination	125,654	—
Tax expense (recovery) recognized in income statement	24,729	29,491
Tax expense (recovery) in OCI	(31,406)	(14,932)
Effect of foreign exchange recognized in OCI	(9,394)	(1,881)
Tax expense (recovery) recognized in equity	(1,597)	—
Other	355	(1)
Ending net, deferred tax liability	\$ 300,567	\$ 192,226

Northland has recognized a deferred tax asset of \$60.4 million (2019 - \$46 million) for Gemini, in respect of unused losses and other tax attributes available for carry forward. Management has assessed the probability of future taxable income arising within the available carry forward period of these tax benefits and has concluded that it is probable that the benefit will be realized based on its estimate of future cash flows.

The following temporary differences have not been recognized in Northland's consolidated financial statements:

Year ended December 31,	2020	2019
Non-capital losses carried forward	\$ 55,850	\$ 7,400
Net capital loss	725	2,222
Fair value change in debt instrument	107,051	115,638
Outside basis difference on shares of subsidiaries	1,684	5,184
Property, plant, and equipment	5,723	—
Other deductible temporary differences	228	—
Total deductible temporary differences	\$ 171,261	\$ 130,444

Northland has operating losses available for carry forward in Canada, Mexico and Germany, of \$77.7 million, \$13.5 million and \$19.4 million, which expire beginning in 2025.

The operating losses are expected to expire as follows:

	Canada		Germany		Mexico	
2025 – 2028	\$	13,002	\$	238	\$	2,527
2029 – 2033		13,195		19,165		10,982
2034 – 2038		45,290		—		—
2039 – 2040		6,227		—		—
Total	\$	77,714	\$	19,403	\$	13,509

22.2 Temporary Differences Associated with Northland Investments

The temporary difference associated with investments in Northland's subsidiaries is \$79 million (2019 - \$69 million). A deferred tax liability associated with these investments has not been recognized because Northland controls the timing of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future.

Northland periodically assesses its liabilities and contingencies for all tax years open to audit based upon the latest information available. For those matters where it is probable that an adjustment will be made, Northland has recorded its best estimate of these liabilities, including related interest charges. Inherent uncertainties exist in estimates of tax contingencies due to implementation of changes in tax laws. Although Northland believes it has adequately provided for the probable outcome of these matters, future results may include favourable adjustments to these estimated tax liabilities in the period the assessments are made or resolved or when the statute of limitation lapses. The final outcome of tax examinations may result in a materially different outcome than assumed in the tax liabilities.

23. Operating Segment Information

Northland identified the operating segments as outlined in the table below based on the nature of operations and asset class. Northland analyzes the performance of its operating segments based on their operating income, which is defined as revenue less operating expenses.

Significant information for each segment for the consolidated statements of income (loss) is as follows:

Year ended December 31, 2020	Offshore wind	Efficient Natural Gas	Onshore renewable	Utility	Other ⁽¹⁾	Eliminations	Total
External sales	\$ 1,179,779	\$ 415,551	\$ 217,705	\$ 218,982	\$ 28,610	\$ —	\$ 2,060,627
Inter-company sales ⁽¹⁾	—	—	—	—	183,245	(183,245)	—
Total sales	\$ 1,179,779	\$ 415,551	\$ 217,705	\$ 218,982	\$ 211,855	\$ (183,245)	\$ 2,060,627
Cost of sales	—	103,334	—	69,567	29,428	—	202,329
Operating costs	166,282	54,154	29,418	51,062	—	—	300,916
General and administrative costs ⁽²⁾	10,116	393	873	12,151	119,375	—	142,908
Depreciation of PP&E	349,589	50,069	88,630	33,635	7,646	—	529,569
Other income ⁽³⁾	—	(12,023)	—	—	(3,285)	—	(15,308)
Operating income	\$ 653,792	\$ 219,624	\$ 98,784	\$ 52,567	\$ 58,691	\$ (183,245)	\$ 900,213
Finance costs, net	\$ 214,847	\$ 53,901	\$ 57,139	\$ 9,501	\$ 29,780	\$ —	\$ 365,168

(1) Other external sales includes energy marketing activities. Other inter-segment sales include inter-company management fees, energy marketing activities and maintenance services, which are eliminated on consolidation.

(2) General and administrative costs includes development costs.

(3) Other income includes investment income and finance lease income.

Year ended December 31, 2019	Offshore wind	Efficient Natural Gas	Onshore renewable	Other ⁽¹⁾	Eliminations	Total
External sales	\$ 1,005,717	\$ 421,154	\$ 219,180	\$ 12,926	\$ —	1,658,977
Inter-company sales	—	—	—	155,937	(155,937)	—
Total sales	\$ 1,005,717	\$ 421,154	\$ 219,180	\$ 168,863	\$ (155,937)	1,658,977
Cost of sales	—	106,022	—	10,266	—	116,288
Operating costs	128,582	54,229	31,365	—	—	214,176
General and administrative costs	7,717	879	1,122	81,111	—	90,829
Depreciation of PP&E	292,237	49,977	92,820	3,770	—	438,804
Other income ⁽²⁾	—	(12,354)	—	(2,466)	—	(14,820)
Operating income	\$ 577,181	\$ 222,401	\$ 93,873	\$ 76,182	\$ (155,937)	813,700
Finance costs, net	\$ 192,271	\$ 56,055	\$ 59,111	\$ 23,731	\$ —	331,168

(1) Other external sales includes energy marketing activities. Other inter-segment sales include inter-company management fees, energy marketing activities and maintenance services, which are eliminated on consolidation.

(2) Other income includes investment income and finance lease income.

Significant information for each segment for the consolidated balance sheets is as follows:

As at December 31, 2020	PP&E, net	Contracts and other intangibles, net	Goodwill	Equity-accounted investments ⁽¹⁾	Total Assets
Offshore wind	\$ 5,913,397	\$ 462,052	\$ —	\$ —	7,139,292
Efficient Natural Gas	851,973	51,531	150,210	—	1,371,760
Onshore renewable	1,272,994	—	54,731	—	1,411,351
Utility	567,369	7,630	503,765	—	1,178,569
Other	74,226	11,958	—	1,759	298,498
Total	8,679,959	533,171	708,706	1,759	11,399,470

(1) Includes investments in associates and joint ventures.

As at December 31, 2019	PP&E, net	Contracts and other intangibles, net	Goodwill	Equity-accounted investments ⁽¹⁾	Total Assets
Offshore wind	\$ 5,896,431	\$ 463,363	\$ —	\$ —	7,121,648
Efficient Natural Gas	901,963	57,687	150,201	—	1,429,373
Onshore renewable	1,235,757	—	54,741	—	1,368,631
Other	38,368	—	—	5,263	559,016
Total	8,072,519	521,050	204,942	5,263	10,478,668

(1) Includes investments in associates and joint ventures.

Information on operations by geographic area is as follows:

Sales			
Year ended December 31,		2020	2019
Germany	\$	582,198	\$ 407,579
Netherlands		597,581	598,138
Canada		661,703	653,260
Latin America		219,145	—
Total	\$	2,060,627	\$ 1,658,977

Property, plant and equipment, net			
As at December 31,		2020	2019
Germany ⁽¹⁾	\$	2,759,069	\$ 2,767,302
Netherlands		3,194,656	3,149,359
Canada		1,995,012	2,114,748
Latin America		731,222	41,110
Total	\$	8,679,959	\$ 8,072,519

(1) Includes PP&E related to non-operating corporate assets.

24. Related-party Disclosures

24.1 Compensation of Key Management Personnel

Remuneration of key management personnel, consisting of the Board of Directors and members of executive management, expensed in the year ended December 31, 2020 and 2019 is outlined in the table below. In both 2019 and 2020, Northland did not grant any Shares to key management personnel to settle share-based compensation. Share-based compensation is tied directly to executive seniority and the success of development and construction projects as well as acquisition activities.

Year Ended December 31,		2020	2019
Salaries and short-term employee benefits	\$	6,814	\$ 5,457
Share-based compensation cash component		5,854	3,084
Total	\$	12,668	\$ 8,541

24.2 Transactions with Shareholders

On April 5, 2019, a secondary offering closed for Northland's Shares held by entities controlled by James Temerty, the Chair of the Board of Directors of Northland. A total of 36,938,000 Shares were sold at a price of \$23.35 per Share. Northland did not receive any proceeds from this transaction. Aside from this secondary offering, there were no material transactions during the year ended December 31, 2019 with shareholders of Northland. Mr. Temerty sold all his holding of Northland in 2020.

24.3 Entity with Significant Influence Over Northland

As of December 31, 2019, James C. Temerty, Director of Northland Power Inc., owns or has control or direction over 20,740,884 Shares, representing 11.6% of the outstanding Shares, (2018 - 57,625,884 Shares) and 1,000,000 Class A Shares, representing 100% of the Class A Shares. As of December 31, 2020, there was no outstanding shares held by Mr. Temerty.

25. Litigation, Claims, Contingencies and Commitments

Litigation, claims and other contingencies arise from time to time in the ordinary course of business for Northland. None of these contingencies, individually or in aggregate, are expected to result in a liability that would have a material adverse effect on Northland. Specific matters that arose during the year ended December 31, 2020 are described below.

25.1 COVID-19

Each of Northland's operating facilities are deemed to be essential infrastructure and, as such, operations have continued uninterrupted to date. Accordingly, management has taken prudent and comprehensive measures to safeguard the health and well-being of all employees, contractors as well as host communities. All of Northland's facilities continue to operate as expected and preventative measures remain in place in accordance with Northland's crisis response plans and applicable local government directives. Management continues to actively monitor the situation, which remains uncertain, and may take further actions as required or recommended by authorities.

Risks related to COVID-19 as a result of lower demand for power globally include increased negative pricing at Nordsee One and Deutsche Bucht, lower wholesale market-based prices at Gemini, higher unpaid curtailments in general, increased volatility in the value of financial instruments and reduction in sales and net earnings. Other risks include potential delays in construction timelines as a result of construction services and contractor unavailability or unavailability of key personnel resulting in the interruption of production and lower availability of power infrastructure, thus affecting sales, operating costs and net earnings.

25.2 Warranty Settlement and Other Proceeds

In the second quarter of 2020, Nordsee One received proceeds from its turbine manufacturer, which filed for insolvency in 2019, to settle all warranty obligations for the remaining term of the original service agreement. Following the receipt of the full settlement ("**warranty settlement**") in the second quarter of 2020, Nordsee One relinquished its rights to make further warranty claims against the manufacturer. Northland recognized the proceeds of \$87 million as a reduction in "property, plant and equipment" in the consolidated balance sheets.

25.3 Other Income

For the year ended December 31, 2020, other income includes €7 million (\$11 million) proceeds received from the sale of turbines originally intended for use with mono-bucket foundations at Deutsche Bucht as well as €14 million (\$21 million) insurance proceeds related to construction of Deutsche Bucht.

25.4 Milestone Payments for Development Project Acquisitions

In the course of business, Northland enters into acquisition agreements that may result in Northland making additional payments to the seller of a development project previously acquired upon the successful completion of certain milestones. As at December 31, 2020 these contingent payments were not recognized in the consolidated balance sheets and primarily relate to early stage offshore wind development projects.

25.5 Commitments

The following is a summary of the material commitments that Northland and its subsidiaries have entered into as at December 31, 2020, in addition to the commitments outlined in the above notes.

The majority of Northland's revenues are earned under long-term PPAs with government-related entities. In certain circumstances, if a facility fails to meet the performance requirements under its respective PPA, penalties may apply or the contract may be terminated after a specified period of time.

Certain Northland gas-fired facilities and corporate subsidiaries have entered into agreements for the purchase of natural gas and natural gas transportation for various terms. Certain contracts include penalties for failure to purchase a minimum annual volume of natural gas or, in the case of transportation agreements, include substantial demand charges incurred whether or not gas is shipped.

Northland's natural-gas-fired turbines and wind turbines are maintained under long-term contracts with the original equipment suppliers. In certain circumstances, if Northland were to terminate any of the agreements, the termination payment would be material.

Under certain circumstances, Northland provides parental guarantees to third-parties. As at December 31, 2020,

outstanding parental guarantees issued totaled \$98 million (\$135 million in 2019) and related primarily to the construction of La Lucha and New York Wind projects.

25.6 Capital Commitments

In the normal course of operations, as at December 31, 2020, Northland has committed to future spending of approximately \$65 million (\$123 million in 2019) on capital projects, primarily relating to the construction of La Lucha and New York Wind projects.

Corporate Information

Directors and Executive Officers Of Northland Power Inc.

Directors

Mr. John W. Brace (Chair)
Ms. Linda L. Bertoldi
Dr. Marie Bountrogianni
Ms. Lisa Colnett
Mr. Barry Gilmour
Mr. Russell Goodman
Mr. Keith Halbert
Mr. Ian Pearce

Executive Officers

Mr. Mike Crawley

President and Chief Executive Officer

Ms. Pauline Alimchandani

Chief Financial Officer

Ms. Wendy Franks

Executive Vice President, Strategy and Investment Management

Mr. Morten Melin

Executive Vice President, Construction

Mr. David Povall

Executive Vice President, Development

Mr. Michael D. Shadbolt

Vice President and General Counsel

Ms. Rachel Stephenson

Chief People Officer

Ms. Tracy Robillard

Secretary

General Information

Registrar and Transfer Agent

Computershare Trust Company of Canada
100 University Avenue
Toronto, Ontario, Canada
M5J 2Y1
Attention: Equity Services

Common Shares and Preferred Shares

Northland's common shares and Series 1, Series 2 and Series 3 preferred shares are listed on the Toronto Stock Exchange and trade under the symbols NPI, NPI.PR.A, NPI.PR.B and NPI.PR.C, respectively.

Tax Considerations

Northland's common shares, preferred shares and convertible unsecured subordinated debentures are qualified investments for RRSPs and DPSPs under the Income Tax Act (Canada).

Contact Information

Investor Relations

Mr. Wasseem Khalil
Senior Director, Investor Relations and Strategy
647-288-1019
investorrelations@northlandpower.com

Northland Power Inc.

30 St. Clair Avenue West
12th floor
Toronto, Ontario, Canada
M4V 3A1
416-962-6262
northlandpower.com



30 St. Clair Avenue West
12th Floor,
Toronto, Ontario, Canada
M4V 3A1

northlandpower.com
investorrelations@northlandpower.com



The hedge ineffectiveness recognized in “fair value (gain) loss on derivative contracts” in the consolidated statements of income (loss) related to foreign currency contracts (cash flow and net investment hedges) for the year ended December 31, 2020 was \$2 million.

(b) Interest rate risk

Interest rate swaps	December 31, 2020	December 31, 2019
Carrying amount (asset/(liability))	\$ (478,388)	\$ (412,471)
Notional amount - CAD	619,022	419,225
Notional amount - EUR	2,879,036	3,183,879
Maturity date	January 2021-June 2033	January 2020-June 2033
Hedge ratio ⁽¹⁾	1:1	1:1
Change in fair value of outstanding hedging instruments since January 1	\$ (96,616)	\$ (154,937)
Change in value of hedged item used to determine hedge effectiveness	\$ 101	\$ 167

(1) The interest rate swaps mirror the interest rate of the debts; therefore, the hedge ratio is 1:1.

Interest rate hedge reserve	Canadian interest rate swaps	Euro interest rate swaps	Total interest rate hedge reserve
Total, beginning of the year 2019	\$ 3,592	\$ (94,409)	\$ (90,817)
Add: Change in fair value of hedging instrument recognized in OCI for the year (effective portion) ⁽¹⁾	(7,490)	(139,845)	(147,335)
Less: Re-classified to profit and loss	(179)	(153)	(332)
Total, end of the year 2019	\$ (4,077)	\$ (234,407)	\$ (238,484)
Add: Change in fair value of hedging instrument recognized in OCI for the year (effective portion) ⁽¹⁾	(26,787)	(72,061)	(98,848)
Less: Re-classified to profit and loss	—	16	16
Total, end of the year 2020	\$ (30,864)	\$ (306,452)	\$ (337,316)

(1) The deferred tax applicable to the interest rate hedge reserve is a \$20.0 million recovery, which has been recognized in OCI.

The hedge ineffectiveness recognized in “fair value (gain) loss on derivative contracts” in the consolidated statements of income (loss) related to interest rate contracts (cash flow hedges) for the year ended December 31, 2020 was \$9 million.

(c) Electricity price risk

Power forward contracts	December 31, 2020	December 31, 2019
Carrying amount (asset/(liability))	\$ (7,840)	\$ (607)
Notional amount - CAD	6,719	14,395
Notional amount - EUR	10,822	—
Maturity date	January 2021-December 2021	January 2020-December 2021
Hedge ratio ⁽¹⁾	1:1	1:1
Change in fair value of outstanding hedging instruments since January 1	\$ (7,231)	\$ (1,888)
Change in value of hedged item used to determine hedge effectiveness	\$ 1,927	\$ 1,079

(1) The power financial swaps mirror the price and quantities of the electricity price exposure in the corresponding facility PPAs; therefore, the hedge ratio is 1:1.