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%.

NORTHLAND POWER

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 though 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.

NORTHLAND POWER

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* or 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-expansionary 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-expansionary 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.

NORTHLAND POWER

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.

In millions of dollars, except per share information	**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 pursing 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.