

The Power of Connection.

First Quarter Report

Quarterly Report for the period
ended March 31, 2021



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 unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021 and 2020, as well as its audited consolidated financial statements for the years ended December 31, 2020 and 2019 ("2020 Annual Report") and Northland's most recent Annual Information Form dated February 22, 2021 ("2020 AIF"). This material is available on SEDAR at www.sedar.com and on Northland's website at www.northlandpower.com.

This MD&A contains forward-looking statements that are based on certain estimates and assumptions that were considered reasonable on May 12, 2021; actual results may differ materially. 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 unaudited interim condensed 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 May 12, 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 include statements that 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 Northland's expectations or ability to complete the acquisition of the Spanish Portfolio in the third quarter of 2021, on the terms negotiated by Northland or at all, Northland's ability to integrate the Spanish Portfolio if the acquisition closes, the source of proceeds to pay for the acquisition of the Spanish Portfolio, future Adjusted EBITDA, Free Cash Flows (and as adjusted) and per share amounts, dividend payments and dividend payout ratios, guidance, and the closing date of the Offering, the completion of construction, completion, attainment of commercial operations, the potential for future production from project pipelines, 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. Although these forward-looking statements are based upon management's current reasonable expectations and assumptions, they are subject to numerous risks and uncertainties. Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the ability to satisfy all closing conditions to the acquisition of the Spanish Portfolio and the Offering, respectively, risks associated with assets such as those in the Spanish Portfolio, Northland's ability to integrate the Spanish Portfolio, revenue contracts, impact of COVID-19 pandemic, Northland's reliance on the performance of its offshore wind facilities at Gemini, Nordsee One and Deutsche Bucht for approximately 60% of its adjusted EBITDA and Free Cash Flow, 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. Northland's actual results could differ materially from those

expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur. The forward-looking statements contained in this MD&A are based on assumptions that were considered reasonable as of the date hereof. 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 4.5: Adjusted EBITDA* for a reconciliation of consolidated net income (loss) under IFRS to reported Adjusted EBITDA and *SECTION 4.6: 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

Commencing with the 2020 Annual Report, Northland introduced Adjusted Free Cash Flow, a 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 4.3: 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: NORTHLAND'S OPERATING FACILITIES

As of March 31, 2021, 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 unaudited interim condensed 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 March 31, 2021, Northland's economic interest was unchanged from December 31, 2020.

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

SECTION 3: CONSOLIDATED HIGHLIGHTS

3.1: Significant Events

Significant events during the first quarter of 2021 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.

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.

There have been no material adverse effects on Northland’s ability to meet working capital requirements, debt covenants, or continue future growth activities as a result of COVID-19. As such, there are currently no impairment indicators identified for Northland’s financial and non-financial assets. As the situation evolves, management will continue to assess if any material changes to the key assumptions for the recoverable amounts of Northland’s assets have taken place.

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 and to unpaid curtailment from negative prices. Refer to 4.1: *Operating Results* for additional information. Refer to SECTION 12: *FINANCIAL RISKS AND UNCERTAINTIES* for additional information on risks associated with COVID-19.

Management believes Northland continues to have sufficient liquidity available to address the impact of COVID-19, while executing on its growth objective. As at March 31, 2021, Northland had access to \$622 million of cash and liquidity, comprising \$482 million of liquidity available under a syndicated revolving facility and \$140 million of corporate cash on hand.

Equity Offering

On April 21, 2021, Northland completed a bought deal equity offering (the “**Offering**”) for 22.5 million common shares for aggregate gross proceeds of \$990 million. The net proceeds of the Offering will be used to fund the cash purchase price of the Spanish Portfolio, with the remainder of the net proceeds applied to capital requirements including acquisition of Baltic Power, expected near-term capital commitments for identified development projects and to repay borrowings under Northland’s corporate revolving credit facility, which was fully repaid subsequent to the Offering. As a result, the Company will have approximately \$875 million of liquidity on hand to fund growth initiatives, including its identified pipeline of offshore wind projects and other opportunities.

Spanish Renewables Acquisition

On April 14, 2021, Northland announced it had entered into an agreement to acquire 96.5% of a portfolio of operating onshore renewable assets in Spain (the “**Spanish Portfolio**”) with a total combined net capacity of 540 MW. The Spanish Portfolio includes 33 operating assets comprised of onshore wind (424 MW), solar photovoltaic (66 MW), and a concentrated solar (50 MW) located throughout Spain. Total expected cash consideration for the Spanish Portfolio upon closing will be €345 million (\$520 million) together with the assumption of debt totaling €716 million (\$1,075 million), subject to working capital and other adjustments at closing date.

Closing of the acquisition is expected to occur in the third quarter of 2021 subject to regulatory approvals and customary closing conditions. The acquisition places Northland as one of the top ten renewable power operators in Spain and creates a platform for growth in an attractive market for renewables. Refer to SECTION 8: *CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES* for additional information on all acquisitions completed in the period.

Baltic Power, Polish Offshore Wind Project Acquisition

On March 24, 2021, Northland successfully completed its previously announced acquisition of a 49% interest in the Baltic Power offshore wind project (“**Baltic Power**”) in the Baltic Sea with a total capacity of up to 1,200 MW of offshore Wind generation, for a total cash consideration of PLN 255 million (\$82 million). Pursuant to the joint venture agreement, Northland has made an additional purchase price commitment of €33 million (\$49 million) to be funded over the next two years.

Following Northland's acquisition of its interest in the project, Baltic Power filed a first-round application with Poland's Energy Regulatory Office to secure a 25-year Contract for Differences ("CfD") as part of the Polish Government's commitment, through the Polish Offshore Wind Act, to support an initial phase of 5.9 GW of offshore wind. First round of CfD awards are expected to be announced by mid-year 2021. Construction activities for Baltic Power are expected to start in 2023 with commercial operations anticipated in 2026.

Enhanced Dispatch Contract (EDC) executed for Kirkland Lake Facility

In March 2021, Northland entered into an EDC for its Kirkland Lake facility with Ontario's Independent Electricity System Operator. The EDC is effective from the third quarter of 2021 and will succeed the existing baseload PPA for the remainder of its term to 2030. The arrangement results in reduced greenhouse gas emissions and cost savings for Ontario electricity consumers while improving economics for Northland as a result of savings from reduced costs related to greenhouse gas emissions, maintenance, natural gas and gas transportation, as well as other variable cost savings. The economic benefits of the EDC in 2021 are expected to be offset by one-time capital expenditures at the facility, but it is expected to benefit Free Cash Flow for the remaining term of the PPA.

New York 300 MW Onshore Wind Project Update

Northland continues to progress its onshore wind projects in New York State ("NY Wind"). In February 2021, Northland received and accepted contract price offers from the New York State Energy Research and Development Authority for 20-year indexed renewable energy credit offtake contracts for NY Wind. In addition, Northland is in the final stages of negotiations regarding key agreements for the projects and expects to be able to sign the Turbine Supply, Service and Maintenance and the Balance of Plant Agreements in 2021.

Hai Long 1,044 MW Offshore Wind Project Update

On April 12, 2021, Hai Long received confirmation from the Taiwan Bureau of Energy that Hai Long 2A has secured approval for the Industrial Relevance Plan, which sets out Northland's commitments to local supply chain and procurement, marking the achievement of a significant milestone.

Deutsche Bucht Refinancing

In March 2021, Deutsche Bucht amended its debt facility agreement to reduce the interest rate on the facility's senior debt to 2.3% (from approximately 2.6%). The amendment also included the addition of a debt service reserve facility, which released €50 million (\$74 million) from funds previously restricted for debt service, immediately enhancing Northland's corporate liquidity.

Northland Corporate Credit Rating Re-affirmed

In March 2021, 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+.

3.2: Operating Highlights

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

	Three months ended March 31,	
	2021	2020
FINANCIALS		
Sales	\$ 612,766	\$ 667,695
Gross profit	548,747	618,775
Operating income	306,306	394,551
Net income (loss)	151,389	275,019
Adjusted EBITDA (a non-IFRS measure)	359,804	420,771
Cash provided by operating activities	408,454	367,594
Free Cash Flow (a non-IFRS measure)	134,448	211,462
Adjusted Free Cash Flow (a non-IFRS measure)	147,289	224,454
Cash dividends paid to common and Class A shareholders	39,953	62,717
Total dividends declared ⁽¹⁾	60,740	64,159
Per Share		
Weighted average number of shares - basic (000s)	202,388	192,581
Net income (loss) - basic	\$ 0.44	\$ 1.02
Free Cash Flow - basic (a non-IFRS measure)	\$ 0.66	\$ 1.10
Adjusted Free Cash Flow - basic (a non-IFRS measure)	\$ 0.73	\$ 1.17
Total dividends declared	\$ 0.30	\$ 0.30
ENERGY VOLUMES		
Electricity production in gigawatt hours (GWh)	2,603	2,974

(1) Represents total dividends paid to common shareholders including dividends in cash or in shares under the DRIP.

SECTION 4: RESULTS OF OPERATIONS

4.1: Operating Results

Offshore Wind Facilities

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

	Three months ended March 31,	
	2021	2020
Sales/gross profit ^{(1) (2)}	\$ 371,219	\$ 444,984
Operating costs ⁽²⁾	38,515	36,312
Operating income	242,536	320,961
Adjusted EBITDA	242,103	304,483
Free Cash Flow ⁽²⁾	86,466	162,106

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

(2) For 2020, the sales/gross profit and operating costs includes \$93 million pre-completion revenue and \$9 million related operating costs at Deutsche Bucht. 2020 free cash flow included excess pre-completion revenue in form of the Deutsche Bucht Completion Distribution.

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. In addition, variability in offshore wind resource results in similar fluctuations in quarter-to-quarter financial results. For the three months ended March 31, 2021, Gemini, Nordsee One and Deutsche Bucht contributed approximately 27%, 19% and 18%, respectively, of Northland's reported Adjusted EBITDA from 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 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 are subject to an annual production ceiling (the "**Gemini Subsidy Cap**"), beyond which production earns revenue at the wholesale market price. 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 subsidy tops up the average Dutch wholesale market price for the year (the "**APX**") to a fixed contractual rate per megawatt hour (**MWh**), though subject to a floor price ("**SDE floor**") of approximately €44/MWh. The SDE floor exposes Gemini to some market price risk if the APX falls below the SDE floor. The APX has averaged below the SDE Floor for four of the facility's five years of operation.

In 2020, Gemini experienced a significant decline in the APX below the SDE floor as a result of reduced energy consumption caused by pandemic-related lockdowns in Europe. As a result of this and the uncertainty relating to the duration of the pandemic, in the second quarter of 2020, Northland entered into financial derivatives for 2021, and to a lesser extent 2022 and 2023. These derivatives were effective in mitigating downside risk, with some exposure to lost revenues should the APX increase above the SDE Floor.

Through the first quarter of 2021, the APX increased above the SDE floor, in part prompted by continued rising natural gas and carbon prices in the European Union, resulting in \$4 million of lost revenue, compared to \$10 million in the prior year period. Subsequent to the first quarter, the APX has continued to increase and as a result, Northland commenced entering into financial derivatives that will limit Gemini's lost revenue for 2021 to similar levels as 2020.

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:

	Three months ended March 31,		
	2021 ⁽¹⁾	2020 ⁽¹⁾	LTA ⁽²⁾
Electricity production (GWh)			
Gemini	689	826	724
Nordsee One	312	408	344
Deutsche Bucht	279	349	314
Total	1,280	1,583	1,382

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

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

Electricity production for the three months ended March 31, 2021, decreased 19% or 304 GWh compared to the same quarter of 2020 primarily due to low wind resource in the North Sea compared to last year, although consistent with quarterly and seasonal variability for offshore wind.

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**”).

Sales of \$371 million for the three months ended March 31, 2021, decreased 17% or \$74 million compared to the same quarter of 2020 primarily due to lower wind resource in the North Sea, as described above. Foreign exchange rate fluctuations resulted in \$10 million higher sales for the three months ended March 31, 2021, compared to the same quarter of 2020.

The following table summarizes Northland’s share of lost revenues from factors other than the low wind resource:

	Three months ended March 31,	
	2021	2020
Effect of Gemini price hedge (2021) or effect of APX below the SDE floor (2020) ⁽¹⁾	\$ 4,421	\$ 9,784
Unpaid curtailment due to negative prices in Germany	1,846	14,485
Unpaid curtailment due to grid outages in Germany	2,010	111

(1) 2021 figure represents a realized hedge loss as a result of a wholesale price of €53/MWh. 2020 figure represents lost revenue as a result of a wholesale price of €28/MWh, below the SDE floor of €44/MWh.

For the three months ended March 31, 2021, lost revenue at the offshore wind facilities improved compared to the same quarter of 2020 primarily as a result of a higher APX in the quarter, offset by the effect of the Gemini price hedge, and the German offshore wind facilities having incurred fewer unpaid curtailments due to fewer periods of negative prices, partially offset by an increase in unpaid curtailments due to grid repairs by the German system operator.

At Nordsee One, management has identified a component issue on a number of wind turbines. While production was not significantly affected in the first quarter of 2021, management continues to evaluate the potential effects on production and on maintenance outages in 2021 and beyond. Management does not currently expect a material effect on the financial guidance range for Adjusted EBITDA or the free cash flow measures.

Operating costs of \$39 million for the three months ended March 31, 2021, increased 6% or \$2 million compared to the same quarter of 2020 primarily due to an increase in grid connection costs at Gemini and profit-sharing with the turbine manufacturer at Deutsche Bucht as a result of exceeding availability targets.

Operating income and *Adjusted EBITDA* of \$243 million and \$242 million, respectively, for the three months ended March 31, 2021, decreased 24% or \$78 million and 20% or \$62 million compared to the same quarter of 2020 primarily due to low wind resource in the North Sea compared to the same quarter last year.

Efficient Natural Gas Facilities

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

	Three months ended March 31,	
	2021	2020
Electricity production (GWh)	968	1,024
Sales ⁽¹⁾	\$ 120,443	\$ 114,865
Less: cost of sales	33,812	27,818
Gross profit	\$ 86,631	\$ 87,047
Operating costs	11,808	11,956
Operating income	52,348	65,483
Adjusted EBITDA ⁽²⁾	76,409	76,645
Free Cash Flow	49,454	50,127

(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 three months ended March 31, 2021, Northland’s six efficient natural gas facilities contributed approximately 20% of reported Adjusted EBITDA from facilities, with North Battleford, Iroquois Falls and Thorold accounting for approximately 18%.

Electricity production for the three months ended March 31, 2021, was 5% or 56 GWh lower than 2020 primarily due to lower overall production, including fewer dispatches at Thorold and lower off-peak production at North Battleford despite high availability across all facilities.

Sales for the three months ended March 31, 2021, increased 5% or \$6 million compared to the same quarter of 2020 primarily due to higher flow through gas costs at North Battleford and annual price escalation at North Battleford and Thorold.

Operating income of \$52 million for the three months ended March 31, 2021, decreased 20% or \$13 million compared to the same quarter of 2020 primarily due to an increase in depreciation at Iroquois Falls as a result of the expiry of the facility’s PPA in December 2021.

Financial results and *Adjusted EBITDA* were in line with the same quarter of 2020 largely due to the contractual structure of the efficient natural gas facilities which generally ensures stable operating results as long as the facilities remain available.

Onshore Renewable Facilities

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

	Three months ended March 31,	
	2021	2020
Electricity production (GWh) ⁽¹⁾	355	367
LTA production (GWh) ^{(1) (2)}	352	352
Sales/gross profit ⁽³⁾	\$ 53,344	\$ 52,980
Operating costs	6,731	6,794
Operating income	24,244	23,935
Adjusted EBITDA	35,420	34,138
Free Cash Flow	15,243	15,266

(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 three months ended March 31, 2021, Northland's onshore renewable facilities contributed approximately 9% of reported Adjusted EBITDA from facilities.

Electricity production at the onshore renewable for the three months ended March 31, 2021 was in line with the same quarter of 2020 due to a higher solar resource partially offset by a lower wind resource.

Financial results and Adjusted EBITDA for the three months ended March 31, 2021 were also largely in line with the same quarter of 2020 for the factors described above.

Utility

The following table summarizes the operating results of EBSA:

	Three months ended March 31,	
	2021	2020
Sales ⁽¹⁾	\$ 57,118	\$ 49,671
Less: cost of sales	17,410	16,729
Gross profit	\$ 39,708	\$ 32,942
Operating costs	14,413	11,750
Operating income	14,800	11,682
Adjusted EBITDA	22,935	21,247
Free Cash Flow	8,080	11,106

(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 2021. For the three months ended March 31, 2021, utility operations contributed approximately 6% of reported Adjusted EBITDA from facilities.

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 \$57 million for the three months ended March 31, 2021, increased 15% or \$7 million compared to the same quarter of 2020 primarily due to partial contribution from EBSA last year as a result of its acquisition effective January 14, 2020 and due to optimization of operations under the regulated framework since the acquisition.

Gross profit of \$40 million for the three months ended March 31, 2021, increased 21% or \$7 million compared to the same quarter of 2020 primarily due to the factors described above.

Operating income of \$15 million for the three months ended March 31, 2021, increased 27% or \$3 million compared to the same quarter of 2020 primarily due to the factors described above, partially offset by higher tax contributions and higher amortization.

Adjusted EBITDA of \$23 million for the three months ended March 31, 2021, increased 8% or \$2 million compared to the same quarter of 2020 primarily due to the factors described above, partially offset by the effect of differences in timing of recognition of regulated sales and associated pass-through costs.

Interest costs increased 94% or \$3 million compared to the same quarter of 2020 as a result of the higher debt balance from EBSA loan facility refinancing that was completed post-acquisition, in July 2020.

For EBSA, non-expansory capital expenditure is 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. Starting in 2021, under the terms of the EBSA loan facility, management expects to execute an 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.

4.2: General and Administrative Costs

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

	Three months ended March 31,	
	2021	2020
Corporate G&A	\$ 9,175	\$ 6,417
Operations G&A ⁽¹⁾	6,722	6,066
Total G&A costs	\$ 15,897	\$ 12,483

(1) Operations G&A is included in the segment Adjusted EBITDA and Free Cash Flow presented in *Section 4.1 Operating Results*.

Corporate G&A costs for the three months ended March 31, 2021, increased 43% or \$3 million compared to the same quarter in 2020 primarily due to higher personnel costs to support Northland's growth.

Operations G&A is incurred at the operating facilities, and for the three months ended March 31, 2021, increased 11% or \$1 million compared to the same quarter of 2020 primarily due to the integration of EBSA, and its associated G&A costs.

4.3: Growth Expenditures

The following table summarizes development costs under IFRS and growth expenditures for non-IFRS financial measures:

	Three months ended March 31,	
	2021	2020
Business development	\$ 5,357	\$ 3,869
Project development	—	3,076
Development overhead	6,729	5,398
Acquisition costs ⁽¹⁾	1,619	6,833
Development costs	\$ 13,705	\$ 19,176
Share of joint venture project development costs	755	649
Growth expenditures ⁽²⁾	\$ 12,841	\$ 12,992
Growth expenditures on a per share basis	\$ 0.06	\$ 0.07

(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 with the growth opportunities currently secured, such as NY 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 operation 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 the 2020 Annual Report 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 include costs incurred for projects not ultimately pursued to acquisition or to completion. Business development costs for the three months ended March 31, 2021, were higher compared to the same quarter of 2020 due to the timing of development activities.

Project development costs are attributable to select early- to mid-stage development projects under active development that are likely to generate cash flow in the long-run. For the three months ended March 31, 2021, project development costs were nil since capitalization had previously commenced under IFRS for the Hai Long and NY Wind projects. Refer to *SECTION 8: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES* for additional information on some of these projects.

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 long-term growth opportunities 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 March 31, 2021, acquisition costs totaled \$2 million based on costs incurred on successful acquisition pursuits.

4.4: Consolidated Results

The following discussion of the significant factors contributing to the consolidated financial results should be read in conjunction with Northland's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021.

First Quarter

Sales of \$613 million decreased 8% or \$55 million compared to the same quarter of 2020 primarily due to a lower wind resource in the North Sea partially offset by the effect of favourable foreign exchange rate fluctuations and positive performance across the other operating facilities.

Gross profit of \$549 million decreased 11% or \$70 million compared to the same quarter of 2020 primarily due to lower sales at the offshore wind facilities.

Operating costs of \$71 million increased 7% or \$5 million compared to the same quarter of 2020 primarily due to increased costs at two offshore wind facilities and a full quarter of results from EBSA compared to partial quarter in 2020 due to its acquisition in January 2020.

G&A costs of \$16 million increased 27% or \$3 million compared to the same quarter of 2020 primarily due to integration of EBSA, and its associated G&A costs as well as higher personnel costs to support Northland's growth.

Development costs of \$14 million decreased 29% or \$5 million compared to the same quarter of 2020 mainly due to the effect of the commencement of capitalization of the Hai Long project in the third quarter of 2020 and timing of acquisition costs incurred, partially offset by the increased business development and personnel costs.

Finance costs, net (primarily interest expense) of \$87 million decreased 7% or \$6 million compared to the same quarter of 2020 primarily due to lower facility-level loan balances as a result of scheduled principal repayments. The first quarter of 2020 also included interest on the convertible debentures which were redeemed in the second quarter of 2020.

Foreign exchange loss of \$30 million is primarily due to unrealized losses from fluctuations in the closing foreign exchange rate.

Fair value gain on derivative contracts was \$55 million compared to a \$35 million loss in the same quarter of 2020 primarily due to the movement in the fair value of interest rate swaps and foreign exchange contracts.

Impairment expense of \$30 million as a result of a goodwill write-off on Iroquois Falls facility, as well as accelerated *depreciation expense* of \$14 million on Iroquois Falls's property, plant and equipment were recognized due to the expiry of its PPA in December 2021.

Net income decreased \$124 million for the three months ended March 31, 2021 compared to the same quarter of 2020 mainly due to the factors described above, partially offset by \$2 million lower tax expense.

4.5: Adjusted EBITDA

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

	Three months ended March 31,	
	2021	2020
Net income (loss)	\$ 151,389	\$ 275,019
Adjustments:		
Finance costs, net	87,090	93,376
Gemini interest income	3,981	3,901
Acquisition costs	1,619	6,833
Provision for (recovery of) income taxes	52,265	54,612
Depreciation of property, plant and equipment	145,300	129,665
Amortization of contracts and intangible assets	9,940	9,342
Fair value (gain) loss on derivative contracts	(54,983)	34,665
Foreign exchange (gain) loss	29,666	(74,047)
Impairment loss	29,981	—
Elimination of non-controlling interests	(94,778)	(114,591)
Finance lease (lessor) and equity accounting	(1,855)	739
Other adjustments	189	1,257
Adjusted EBITDA	\$ 359,804	\$ 420,771

Gemini interest income reflects interest earned on Northland's €117 million subordinated debt to Gemini. Semi-annual principal payments to Northland 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.

First Quarter

Adjusted EBITDA of \$360 million for the three months ended March 31, 2021, decreased 14% or \$61 million compared to the same quarter of 2020. The significant factors decreasing Adjusted EBITDA include:

- \$25 million decrease in operating results from Gemini primarily due to low wind resource and lost revenue from the Gemini price hedge, partially offset by the effect of higher wholesale market price; and
- \$37 million decrease in operating results from the German wind facilities primarily due to low wind resource.

Factors partially offsetting these decreases in Adjusted EBITDA were:

- \$4 million increase in operating results primarily due to partial contribution from EBSA last year and improved solar resource at the solar facilities.

4.6: 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 March 31,	
	2021	2020
Cash provided by operating activities	\$ 408,454	\$ 367,594
Adjustments:		
Net change in non-cash working capital balances related to operations	(15,049)	70,697
Non-expansory capital expenditures	(8,958)	(3,744)
Restricted funding for major maintenance, debt and decommissioning reserves	(1,533)	(2,959)
Interest paid, net	(49,892)	(46,537)
Scheduled principal repayments on facility debt	(33,810)	(14,061)
Funds set aside (utilized) for scheduled principal repayments	(131,669)	(140,465)
Preferred share dividends	(2,699)	(2,928)
Consolidation of non-controlling interests	(41,740)	(63,604)
Deutsche Bucht Completion Distribution	—	93,144
Cash from operating activities from projects under construction	—	(66,853)
Lease payments	(2,561)	(2,462)
Investment income ⁽¹⁾	5,165	6,175
Nordsee One proceeds from government grant and warranty settlement	7,766	8,165
Share of joint venture project development costs	(755)	(649)
Foreign exchange	1,741	3,341
Other ⁽²⁾	(12)	6,608
Free Cash Flow	\$ 134,448	\$ 211,462
Add back: Growth expenditures	12,841	12,992
Adjusted Free Cash Flow	\$ 147,289	\$ 224,454

(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 in the period.

Adjusted Free Cash Flow, is a supplementary non-IFRS cash flow measure including 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 4.3: 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 equally weighted. For 2021, Northland's share of Gemini, Nordsee One and Deutsche Bucht's principal repayments are €84 million, €94 million and €76 million, respectively (2020 - €82 million, €80 million and €84 million).

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 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 final cash payments expected in 2023 for production in 2022. Proceeds under the grant attributable to Nordsee One's production are included in Free Cash Flow. For the three months ended March 31, 2021 and March 31, 2020, proceeds from this program, based on production, totaled \$5 million and \$7 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 March 31,	
	2021	2020
Cash dividends paid to common and Class A shareholders	\$ 39,953	\$ 62,717
Free Cash Flow payout ratio - cash dividends ⁽¹⁾	73 %	58 %
Adjusted payout ratio - cash dividends ⁽¹⁾	58 %	52 %
Total dividends paid to common and Class A shareholders ⁽²⁾	\$ 60,694	\$ 62,717
Free Cash Flow payout ratio - total dividends ^{(1) (2)}	90 %	58 %
Adjusted payout ratio - total dividends ⁽¹⁾	71 %	52 %
Weighted avg. number of shares - basic (000s) ⁽³⁾	202,388	192,581
Weighted avg. number of shares - diluted (000s) ⁽⁴⁾	202,388	199,511
Per share (\$/share)		
Dividends paid ⁽⁵⁾	\$0.30	\$0.30
Free Cash Flow — basic	\$0.66	\$1.10
Free Cash Flow — diluted	\$0.66	\$1.07
Adjusted Free Cash Flow — basic	\$0.73	\$1.17
Adjusted Free Cash Flow — diluted	\$0.73	\$1.13

(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.

First Quarter

Free Cash Flow of \$134 million for the three months ended March 31, 2021, was 36% or \$77 million lower than the same quarter of 2020. The significant factors decreasing Free Cash Flow include:

- \$61 million decrease in overall earnings primarily due to factors affecting Adjusted EBITDA in the quarter, most notably lower wind resource in the North Sea;
- \$9 million decrease in the contribution from Deutsche Bucht due to the effect of the one-time net pre-completion revenues recognized in free cash flow at term conversion in the first quarter of last year;
- \$4 million increase in scheduled principal repayments at the offshore wind facilities;
- \$5 million increase in non-expansory capital expenditures primarily at North Battleford and Nordsee One; and
- \$7 million increase in net financing costs, including a \$3 million one-time refinancing fee paid at Deutsche Bucht and higher interest on corporate borrowings.

The decrease in Free Cash Flow was partially offset by a \$10 million decrease in current tax expense primarily due to lower contribution from offshore wind facilities.

Adjusted Free Cash Flow of \$147 million for the three months ended March 31, 2021, was 34% or \$77 million lower than the same quarter of 2020 due to the same factors affecting Free Cash Flow.

As at March 31, 2021, the rolling four quarter Free Cash Flow and the adjusted net payout ratio were 73% and 58%, respectively, calculated on the basis of cash dividends paid, compared to 58% and 52% for same quarter ending March 31, 2020. The increase in both net payout ratios was primarily due to lower Free Cash Flow and Adjusted Free Cash Flow partially offset by the reinstatement of the DRIP since September of 2020.

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. Additional liquidity sourced by management during the three months ended March 31, 2021 is summarized as follows:

	Three Months Ended March 31,	
	2021	2020
Release of funds from debt service reserve facilities ⁽¹⁾	\$ 73,723	\$ 60,079
Dividend Reinvestment Program (DRIP)	20,726	—
Total	\$ 94,449	\$ 60,079

(1) Represents debt service funds released from Deutsche Bucht's refinancing arrangement in 2021, and debt service funds released from implementation of Gemini's debt service reserve facilities in 2020.

Subsequent to March 31, 2021, Northland completed a bought deal offering for aggregate gross proceeds of \$990 million. The net proceeds of the Offering will be used to fund the cash purchase price of the Spanish Portfolio, with the remainder of the net proceeds applied to capital requirements including acquisition of Baltic Power, expected near-term capital commitments for identified development projects and to repay borrowings under Northland's corporate revolving credit facility, which was fully repaid subsequent to the Offering.

SECTION 5: CHANGES IN FINANCIAL POSITION

The following table provides a summary of account balances derived from the unaudited interim condensed consolidated balance sheets as at March 31, 2021 and December 31, 2020.

As at	March 31, 2021	December 31, 2020
Assets		
Cash and cash equivalents	\$ 549,948	\$ 434,989
Restricted cash	119,756	192,530
Trade and other receivables	454,657	372,137
Other current assets	74,355	66,379
Property, plant and equipment	8,230,043	8,679,959
Contracts and other intangible assets	498,747	533,171
Equity Investment	132,859	1,759
Other assets ⁽¹⁾	944,633	1,017,433
	\$ 11,004,998	\$ 11,298,357
Liabilities		
Trade and other payables	293,543	252,691
Interest-bearing loans and borrowings	6,935,123	7,237,200
Net derivative liabilities ⁽²⁾	426,393	582,631
Net deferred tax liability ⁽²⁾	328,226	300,567
Other liabilities ⁽³⁾	960,173	922,497
	\$ 8,943,458	\$ 9,295,586
Total equity	2,061,540	2,002,771
	\$ 11,004,998	\$ 11,298,357

(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 unaudited interim condensed consolidated balance sheets were as follows:

- *Restricted cash* decreased by \$73 million primarily due to the release of funds set aside for debt service at Deutsche Bucht, which were reclassified to cash during the quarter, as a result of an amendment to Deutsche Bucht's debt facility agreement.
- *Property, plant and equipment* decreased by \$450 million primarily due to depreciation and foreign exchange fluctuation, partially offset by construction-related activities at Northland's identified projects.
- *Equity investment* increased by \$131 million mainly as a result of the purchase price of Baltic Power and the additional equity contribution accrued in pursuance of the purchase agreement.
- *Other assets* decreased by \$73 million mainly due to the write-off of Iroquois Falls goodwill, as a result of the expiry of its purchase price agreement in December 2021 and foreign exchange fluctuation.
- *Trade and other payables* increased by \$41 million primarily due to the aforementioned purchase price commitments payable to Baltic Power.
- *Facility-level loans and borrowings* decreased by \$302 million mainly due to the scheduled principal repayments on facility-level debt and foreign exchange fluctuation, partially offset by the additional refinancing fees related to the amendment to Deutsche Bucht's debt facility agreement.
- *Other liabilities* increased by \$38 million primarily due to a higher corporate borrowings to fund the initial investment in Baltic Power in March 2021.

SECTION 6: 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.

Equity and Convertible Unsecured Subordinated Debentures

The change in shares and class A shares during 2021 and 2020 was as follows:

	March 31, 2021	December 31, 2020
Shares outstanding, beginning of year	202,171,075	179,441,219
Conversion of subscription receipts	—	14,289,000
Conversion of debentures	—	6,896,136
Conversion of Class A shares	—	1,000,000
Shares issued under the DRIP	455,933	544,720
Shares outstanding, end of period	202,627,008	202,171,075

Preferred shares outstanding as at March 31, 2021 and December 31, 2020 were as follows:

As at	March 31, 2021	December 31, 2020
Series 1	4,762,246	4,762,246
Series 2	1,237,754	1,237,754
Series 3	4,800,000	4,800,000
Total	10,800,000	10,800,000

In their most recent report issued in March 2021, 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+.

As at March 31, 2021, Northland had 202,627,008 common shares (as at December 31, 2020 - 202,171,075), 4,762,246 Series 1 Preferred Shares (as at December 31, 2020 - 4,762,246) and 1,237,754 Series 2 Preferred Shares (as at December 31, 2020 - 1,237,754) outstanding.

As of May 12, 2021, Northland has 225,265,613 common shares outstanding with no change in preferred shares outstanding from March 31, 2021.

Liquidity and Capital Resources

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

	Three months ended March 31,	
	2021	2020
Cash and cash equivalents, beginning of period	\$ 434,989	\$ 268,193
Cash provided by operating activities	408,454	367,594
Cash used in investing activities	(134,081)	(679,098)
Cash (used in) provided by financing activities	(75,118)	604,611
Effect of exchange rate differences	(84,296)	67,854
Cash and cash equivalents, end of period	\$ 549,948	\$ 629,154

First Quarter

Cash and cash equivalents for the three months ended March 31, 2021, increased \$115 million due to cash provided by operations of \$408 million and \$84 million effect of foreign exchange translation, partially offset by \$134 million of cash used in investing activities and \$75 million in financing activities.

Cash provided by operating activities for the three months ended March 31, 2021, was \$408 million comprising:

- \$151 million of net income; and
- \$212 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.
- \$15 million in changes in working capital due to the timing of payables, receivables and deposits.

Cash used in investing activities for the three months ended March 31, 2021, was \$134 million, primarily comprising:

- \$82 million paid for the acquisition of Baltic Power, net of cash acquired;
- \$51 million used for the purchase of property, plant and equipment, mainly for the ongoing construction at New York Wind, La Lucha and Hai Long; and

Cash used in financing activities for the three months ended March 31, 2021, was \$75 million, primarily comprising:

- \$40 million in net drawdown under the corporate syndicated revolving facility;
- \$9 million of aforementioned Deutsche Bucht's refinancing fee;
- \$34 million in principal repayments on project debt;
- \$50 million in interest payments; and
- \$84 million of common and preferred share dividends as well as dividends to non-controlling shareholders;

Factors partially offsetting cash used in financing activities include:

- \$67 million change in restricted cash, primarily from funds released from debt service reserve at Deutsche Bucht, partially offset by funds set aside for debt service at North Battleford;

Movement of foreign currencies, including primarily the euro and Colombian peso, against the Canadian dollar decreased cash and cash equivalents by \$84 million for the three months ended March 31, 2021. 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 three months ended March 31, 2021:

	Cost balance as at Dec 31, 2020	Additions	Other ⁽¹⁾	Exchange rate differences	Cost balance as at Mar 31, 2021
Operations:					
Offshore wind	\$ 7,174,847	\$ 1,905	\$ (1,501)	\$ (374,543)	6,800,708
Efficient natural gas ⁽²⁾	1,769,426	2,706	—	—	1,772,132
Onshore renewable	1,753,440	929	6	—	1,754,375
Utility	597,731	6,783	(242)	(45,362)	558,910
Construction:					
Onshore renewable	163,928	7,316	—	(6,659)	164,585
Corporate ⁽³⁾	91,998	32,860	(792)	(1,704)	122,362
Total	\$ 11,551,370	\$ 52,499	\$ (2,529)	\$ (428,268)	\$ 11,173,072

(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 and New York Wind projects capitalization to construction-in-progress.

Long-term Debt

Northland's operating facilities and projects under construction are financed primarily with non-recourse project-level debt with fixed or hedged interest rates and repayment schedules generally aligned with the term of the project's offtake agreement. Typically, each project is structured as a special-purpose entity so that an adverse event at one would not affect Northland's other projects or facilities. By owning and operating high-quality assets and applying its deep, long-term experience, Northland expects to continue to enjoy a strong and competitive access to capital, to pursue growth and development activities.

The following table provides a continuity of Northland's debt for the three months ended March 31, 2021:

	Balance as at Dec 31, 2020	Financings, net of costs ⁽¹⁾	Repayments	Amort. of costs/fair value	Exchange rate differences	Balance as at Mar 31, 2021
Operations:						
Offshore wind	\$ 4,837,429	\$ (9,094)	\$ (16,483)	\$ 8,980	\$ (254,311)	4,566,521
Efficient natural gas	953,458	—	(7,363)	343	—	946,438
Onshore renewable	997,261	—	(9,964)	257	—	987,554
Utility	449,052	1,102	—	837	(16,381)	434,610
Construction:						
Offshore wind	—	—	—	—	—	—
Corporate	351,402	178,993	(139,159)	304	(5,071)	386,469
Total	\$ 7,588,602	\$ 171,001	\$ (172,969)	\$ 10,721	\$ (275,763)	\$ 7,321,592

(1) includes \$9 million refinancing fee paid on Deutsche Bucht debt facility agreements amendment.

In addition to the loans outstanding in the above table, as at March 31, 2021, \$29 million of letters of credit were outstanding under non-recourse project-level credit facilities for operational use.

In March 2021, Deutsche Bucht amended its debt facility agreement to reduce the interest rate on the facility's senior debt to 2.3% (from approximately 2.6%). The amendment also included the addition of a debt service reserve facility, which released €50 million (\$74 million) from funds previously restricted for debt service.

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 March 31, 2021.

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 March 31, 2021	Facility size	Amount drawn	Outstanding letters of credit	Available capacity	Maturity
Syndicated revolving facility	\$ 1,000,000	\$ 388,933	\$ 129,478	\$ 481,589	Jun. 2024
Bilateral letter of credit facility	150,000	—	144,132	5,868	Mar. 2023
Export credit agency backed letter of credit facility	100,000	—	94,921	5,079	Mar. 2022
Total	\$ 1,250,000	\$ 388,933	\$ 368,531	\$ 492,536	
Less: deferred financing costs		2,464			
Total, net		\$ 386,469			

- Of the \$369 million of corporate letters of credit issued as at March 31, 2021, \$182 million relates to projects under advanced development or construction.
- During the three months ended March 31, 2021, Northland made net drawdowns of \$40 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.

SECTION 7: SUMMARY OF QUARTERLY CONSOLIDATED RESULTS

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

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

<i>In millions of dollars, except per share information</i>	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	2021	2020	2020	2020	2020	2019	2019	2019
Total sales	\$ 613	\$ 493	471	\$ 429	\$ 668	\$ 438	\$ 378	\$ 344
Operating income	306	177	179	149	395	203	177	146
Net income (loss)	151	27	109	74	275	61	111	76
Adjusted EBITDA	360	269	254	227	421	273	224	194
Cash provided by operating activities	408	310	278	365	368	334	242	341
Free Cash Flow	134	56	58	17	211	67	74	35
Adjusted Free Cash Flow	147	79	74	38	224	84	83	45
Per share statistics								
Net income (loss) - basic	\$ 0.44	\$ 0.11	\$ 0.40	\$ 0.26	\$ 1.02	\$ 0.23	\$ 0.42	\$ 0.28
Net income (loss) - diluted	0.44	0.11	0.40	0.26	0.99	0.23	0.41	0.28
Free Cash Flow - basic	0.66	0.28	0.30	0.09	1.10	0.37	0.41	0.20
Adjusted Free Cash Flow - basic	0.73	0.38	0.41	0.21	1.17	0.46	0.46	0.25
Total dividends declared ⁽¹⁾	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30

(1) Q1 2020 excludes \$0.40 of dividend equivalent payments declared and paid upon conversion of 14,289,000 subscription receipts.

SECTION 8: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES

In addition to completed acquisitions and investments made this year, summarized below are Northland's most significant assets under construction and under development:

Spanish Renewables Acquisition

On April 14, 2021, Northland announced it had entered into an agreement to acquire 96.5% of a portfolio of operating onshore renewable assets in Spain (the "**Spanish Portfolio**") with a total combined net capacity of 540 MW. The Spanish Portfolio includes 33 operating assets comprised of onshore wind (424 MW), solar photovoltaic (66 MW), and a concentrated solar (50 MW) located throughout Spain. Total expected cash consideration for the Spanish Portfolio upon closing will be €345 million (\$520 million) together with the assumption of debt totaling €716 million (\$1,075 million), subject to working capital and other adjustments at closing date. Closing of the acquisition is expected to occur in the third quarter of 2021 subject to regulatory approvals and customary closing conditions. The acquisition places Northland as one of the top ten renewable power operators in Spain and creates a platform for growth in an attractive market for renewables.

In 2020, the Spanish government made a commitment to achieve 70% of electricity generation from renewable energy sources by 2030 as part of the Law on Climate Change and Energy Transition. The 2030 target translates into a requirement for an estimated 35 to 40 GW of additional renewables capacity. In support of its 2030 goal, the Spanish government is expected to auction a further 16.5 GW of solar and onshore wind capacity over the next five years. In addition, the Spanish market has developed into one of the most active corporate offtake markets in Europe, which together with the expected procurements noted above and an attractive merchant power market, offer several routes to market for new renewables. Spain has also announced a 2030 target of 4 GW of hydrogen and 20 GW of storage, which align with Northland's energy transition growth objectives. Northland intends to leverage the acquisition of the Spanish Portfolio to build a platform with

asset management, development, and operations and maintenance capabilities that can competitively pursue onshore renewables acquisition and development opportunities across Europe over the next decade.

The Spanish Portfolio aligns well with Northland's priority to diversify and add high-quality, contracted or regulated cash flows to the business. All the acquired assets are governed under the Spanish regulatory framework, which provides a regulated return based on a standard set of operating parameters. Once an asset reaches the end of its regulatory life, it is expected that the project will either sell its generation output in the merchant power market in Spain or secure a commercial or utility PPA. The framework provides the assets with a regulated revenue stream for the remaining regulatory life, which averages 13 years across the Spanish Portfolio, increasing Northland's average contracted life of its entire power generation portfolio.

The assumed net debt of €716 million (\$1,075 million) is non-recourse, fixed rate debt, with maturities matching the regulatory lives of the assets. Based on the transaction metrics upon closing, Northland expects the acquisition to be immediately accretive to Free Cash Flow per share and Adjusted Free Cash Flow per share. In addition, Northland has entered into long-term Euro denominated foreign exchange hedges, at an average rate of \$1.73/€, for the cash flow generated from the Spanish assets to mitigate foreign exchange rate volatility, consistent with its corporate risk mitigation strategy.

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

On March 24, 2021, Northland successfully completed its previously announced acquisition of a 49% interest in the Baltic Power offshore wind project ("**Baltic Power**") in the Baltic Sea with a total capacity of up to 1,200 MW of offshore Wind generation, for a total cash consideration of PLN 255 million (\$82 million). 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.

Pursuant to the joint venture agreement, Northland has made an additional purchase price commitment of €33 million (\$49 million) to be funded over the next two years.

Northland and PKN ORLEN are working together to develop Baltic Power. Following Northland's acquisition of its interest in the project, Baltic Power filed a first-round application with Poland's Energy Regulatory Office to secure a 25-year Contract for Differences ("**CfD**") as part of the Polish Government's commitment, through the Polish Offshore Wind Act, to support an initial phase of 5.9 GW of offshore wind. All first round CfD awards are expected to be announced by mid-year 2021. Construction activities for Baltic Power are expected to start in 2023 with commercial operations anticipated 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 300 MW Onshore Wind Project Update

Northland continues to progress its onshore wind projects in New York State ("**NY Wind**"). In February 2021, Northland received and accepted contract price offers from the New York State Energy Research and Development Authority for 20-year indexed renewable energy credit offtake contracts for NY Wind. In addition, Northland is in the final stages of negotiations regarding key agreements for the projects and expects to be able to sign the Turbine Supply, Service and Maintenance and the Balance of Plant Agreements in 2021. 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 with a target of 70% renewable energy by 2030, which results in an incremental 13 GW of onshore renewable power generation.

La Lucha 130 MW Solar Project Update

Construction of the 130 MW La Lucha solar project in the State of Durango, Mexico is nearing completion. Certain construction activities related to the energization have been delayed primarily due to COVID-19 related restrictions, however, Northland expects to commence commercial operations in 2021, following which, commercial offtake and project financing are expected to be secured. Total capital cost for the project remains unchanged at approximately \$190 million.

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 in Chiba to Tokyo Gas.

Hai Long 1,044 MW Offshore Wind 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.

On April 12, 2021, Hai Long received confirmation from the Taiwan Bureau of Energy that Hai Long 2A has secured approval for the Industrial Relevance Plan, which sets out Northland's commitments to local supply chain and procurement, marking the achievement of a significant milestone. 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.

SECTION 9: OUTLOOK

Northland is committed to increasing shareholder value by creating high-quality projects underpinned by revenue arrangements that deliver predictable cash flows. Management actively seeks to invest in technologies and jurisdictions where Northland can benefit from an early-mover advantage and establish a meaningful presence while striving for excellence in managing Northland's operating facilities by enhancing their performance and value.

COVID-19

Management does not expect a material impact as a result of COVID-19 on Northland's operations, financial condition, liquidity and capital resources or on critical accounting estimates as described in the 2020 Annual Report.

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 and to unpaid curtailment from negative prices.

While there continues to be uncertainty with regard to the potential impact of COVID-19, as a result of the relative stability of Northland's revenues and free cash flow profile, management does not anticipate a change to Northland's 2021 financial guidance due to COVID-19.

As of May 12, 2021, management continues to expect Adjusted EBITDA in 2021 to be in the range of \$1.1 billion to \$1.2 billion, Free Cash Flow per share in 2021 to be in the range of \$1.30 to \$1.50 and Adjusted Free Cash Flow per share in 2021 to be in the range of \$1.80 to \$2.00.

Northland continues to have sufficient liquidity available to address the impact of COVID-19, while executing on its growth objective.

As a result, the Company will have approximately \$875 million of liquidity on hand to fund growth initiatives, including its identified pipeline of offshore wind projects and other opportunities.

Management continues to monitor global developments and their potential impacts on Northland's business activities and financial results.

SECTION 10: 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 13 of the unaudited interim condensed consolidated financial statements for additional information including any contingencies arising as a result of completed acquisitions.

SECTION 11: FUTURE ACCOUNTING POLICIES

In 2020, the International Accounting Standards Board (**IASB**) issued narrow-scope amendments to IAS 16, *Property, Plant and Equipment*. The amendments, to be effective for annual reporting periods beginning on or after January 1, 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. Northland will assess the standard to determine if it has an impact on its consolidated financial statements. Management anticipates that the amendments will be adopted for the first period beginning on their respective effective dates.

SECTION 12: FINANCIAL RISKS AND UNCERTAINTIES

For information on Northland's key risks, uncertainties, financial instruments and contractual commitments refer to Northland's 2020 Annual Report and the 2020 AIF filed electronically at www.sedar.com under Northland's profile. Other than risks described below, management does not believe there have been material changes in the business environment or risks faced by Northland during the period that have not been disclosed in the 2020 Annual Report or the 2020 AIF.

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. Refer to Note 17 of the 2020 Annual Report for additional information on Northland's risk management.

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. Additionally, Northland's long-term agreements with creditworthy counterparties have significantly reduced the risk of material expected credit losses. However, certain risks relating to 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.

Management has considered the risks above and determined that there have been no material adverse effects on Northland's ability to meet working capital requirements, debt covenants, or continue future growth activities due to COVID-19. As such, there are currently no impairment indicators as a result of COVID-19 identified for Northland's financial and non-financial assets. As the situation evolves, management will continue to assess if any changes to the key assumptions for the recoverable amounts of Northland's assets have taken place.

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.

SECTION 13: CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

A rigorous and comprehensive financial governance framework is in place at Northland and its subsidiaries. Northland's 2020 Annual Report contains a statement signed by Northland's Chief Executive Officer (**CEO**) and Chief Financial Officer (**CFO**) outlining management's responsibility for financial information contained in the report. Northland filed certifications, signed by the CEO and CFO, with the Canadian Securities Administrators in February 2021 in association with the filing of the 2020 Annual Report and other annual disclosure documents. In those filings, Northland's CEO and CFO certified, as required in Canada by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, the appropriateness of the financial disclosures in Northland's annual filings and the effectiveness of Northland's disclosure controls and procedures. The CEO and CFO have certified to securities regulators the appropriateness of the financial disclosures in Northland's interim filings for the period ended March 31, 2021, and that they are responsible for the design of disclosure controls and procedures and internal controls over financial reporting. The interim filings include this MD&A and the accompanying unaudited interim condensed consolidated financial statements.

There have been no changes in the design of internal controls over financial reporting during the quarter ended March 31, 2021, that have materially affected or are reasonably likely to materially affect Northland's internal controls over financial reporting.

Interim Condensed Consolidated Financial Statements

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Interim Condensed Consolidated Balance Sheets

In thousands of Canadian dollars

<i>(Unaudited)</i>			
As at		March 31, 2021	December 31, 2020
Assets			
Cash and cash equivalents	\$	549,948	\$ 434,989
Restricted cash		119,756	192,530
Trade and other receivables		454,657	372,137
Other current assets		74,355	66,379
Derivative assets (Note 9)		18,467	10,649
Total current assets	\$	1,217,183	\$ 1,076,684
Property, plant and equipment (Note 4)		8,230,043	8,679,959
Contracts and other intangible assets		498,747	533,171
Goodwill		640,704	708,706
Finance lease receivable		135,007	136,198
Derivative assets (Note 9)		48,112	22,838
Long-term deposits		76,694	79,787
Deferred tax asset		57,184	67,626
Investment in joint venture (Note 3)		132,859	1,759
Other assets		92,228	92,742
Total assets	\$	11,128,761	\$ 11,399,470
Liabilities and equity			
Trade and other payables	\$	293,543	\$ 252,691
Facility-level loans and borrowings (Note 5)		586,792	608,446
Dividends payable		20,263	20,217
Derivative liabilities (Note 9)		132,397	178,510
Total current liabilities	\$	1,032,995	\$ 1,059,864
Facility-level loans and borrowings (Note 5)		6,348,331	6,628,754
Corporate credit facilities (Note 6.1)		386,469	351,402
Provisions and other liabilities		553,441	550,878
Derivative liabilities (Note 9)		360,575	437,608
Deferred tax liability		385,410	368,193
Total liabilities	\$	9,067,221	\$ 9,396,699
Equity			
Common shares (Note 7.1)	\$	2,976,566	\$ 2,955,840
Preferred shares		260,880	260,880
Contributed surplus		4,027	3,225
Accumulated other comprehensive loss		(293,074)	(283,197)
Deficit		(1,332,831)	(1,361,730)
Equity attributable to shareholders		1,615,568	1,575,018
Non-controlling interests (Note 8)		445,972	427,753
Total equity		2,061,540	2,002,771
Total liabilities and equity	\$	11,128,761	\$ 11,399,470

See accompanying notes.

(signed, John W. Brace)

John W. Brace
Director and Chair of the Board

(signed, Russell Goodman)

Russell Goodman
Director and Chair of the Audit Committee

Interim Condensed Consolidated Statements of Income (Loss)

In thousands of Canadian dollars except per Share and Share information

<i>(unaudited)</i>	Three months ended March 31,	
	2021	2020
Sales		
Electricity and related products	\$ 557,547	\$ 619,714
Regulated electricity	55,128	47,752
Other	91	229
Total sales	\$ 612,766	\$ 667,695
Cost of sales		
Fuel purchases	46,609	32,191
Regulated electricity purchases	17,410	16,729
Total cost of sales	64,019	48,920
Gross profit	\$ 548,747	\$ 618,775
Expenses		
Operating costs	71,467	66,812
General and administrative costs	15,897	12,483
Development costs	13,705	19,176
Depreciation of property, plant and equipment	145,300	129,665
Total expenses	\$ 246,369	\$ 228,136
Investment income	977	874
Finance lease income	2,951	3,038
Operating income	\$ 306,306	\$ 394,551
Finance costs, net (Note 11)	87,090	93,376
Amortization of contracts and other intangible assets	9,940	9,342
Impairment (Note 12)	29,981	—
Foreign exchange (gain) loss	29,666	(74,047)
Fair value (gain) loss on derivative contracts (Note 9)	(54,983)	34,665
Other (income) expense	958	1,584
Income (loss) before income taxes	\$ 203,654	\$ 329,631
Provision for (recovery of) income taxes		
Current	34,575	45,126
Deferred	17,690	9,486
Total income taxes	52,265	54,612
Net income (loss)	\$ 151,389	\$ 275,019
Net income (loss) attributable to:		
Non-controlling interests (Note 8)	59,051	76,212
Common shareholders	92,338	198,807
Net income (loss)	\$ 151,389	\$ 275,019
Weighted average number of Shares outstanding - basic (000s) (Note 10)	202,388	192,581
Weighted average number of Shares outstanding - diluted (000s) (Note 10)	202,388	199,511
Net income (loss) per share - basic (Note 10)	\$ 0.44	\$ 1.02
Net income (loss) per share - diluted (Note 10)	\$ 0.44	\$ 0.99

See accompanying notes.

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

In thousands of Canadian dollars

<i>(unaudited)</i>	Three months ended March 31,	
	2021	2020
Net income (loss)	\$ 151,389	\$ 275,019
Items that may be re-classified into net income (loss):		
Exchange rate differences on translation of foreign operations	(81,877)	(91,640)
Change in fair value of hedged derivative contracts (Note 9)	81,131	(73,675)
Deferred tax recovery (expense)	(9,970)	31,306
Items that will not be re-classified into net income (loss):		
Re-measurement of pension obligation	132	—
Other comprehensive income (loss)	\$ (10,584)	\$ (134,009)
Total comprehensive income (loss)	\$ 140,805	\$ 141,010
Total comprehensive income (loss) attributable to:		
Non-controlling interests (Note 8)	58,344	78,173
Common shareholders	82,461	62,837
Total comprehensive income (loss)	\$ 140,805	\$ 141,010

See accompanying notes.

Interim Condensed Consolidated Statements of Changes in Equity

In thousands of Canadian dollars

(Unaudited)

	Common shares	Preferred shares	Deficit	Contributed surplus	Accumulated other comprehensive income (loss)	Equity attributable to shareholders'	Non- controlling interests	Total equity
December 31, 2020	\$ 2,955,840	\$ 260,880	\$ (1,361,730)	\$ 3,225	\$ (283,197)	\$ 1,575,018	\$ 427,753	\$ 2,002,771
Net income (loss)	—	—	92,338	—	—	92,338	59,051	151,389
Deferred tax recovery (expense)	—	—	—	—	(9,868)	(9,868)	(102)	(9,970)
Exchange rate differences on translation of foreign operations	—	—	—	—	(69,773)	(69,773)	(12,104)	(81,877)
Change in fair value of hedged derivative contracts (Note 9)	—	—	—	—	69,633	69,633	11,498	81,131
Re-measurement of pension obligation	—	—	—	—	131	131	1	132
Total comprehensive income (loss)	—	—	92,338	—	(9,877)	82,461	58,344	140,805
Deferred rights (Note 7.1)	—	—	—	771	—	771	—	771
Recognition of put option	—	—	—	31	—	31	—	31
Dividends to non-controlling interest (Note 8)	—	—	—	—	—	—	(40,125)	(40,125)
Common share and non-controlling interest dividends declared (Note 7.1, 7.3)	20,726	—	(60,740)	—	—	(40,014)	—	(40,014)
Preferred share dividends (Note 7.2)	—	—	(2,699)	—	—	(2,699)	—	(2,699)
March 31, 2021	\$ 2,976,566	\$ 260,880	\$ (1,332,831)	\$ 4,027	\$ (293,074)	\$ 1,615,568	\$ 445,972	\$ 2,061,540

See accompanying notes.

Interim Condensed Consolidated Statements of Changes in Equity - continued

In thousands of Canadian dollars

<i>(Unaudited)</i>	Common and Class A shares		Preferred shares	Deficit	Contributed surplus	Accumulated other comprehensive income (loss)	Equity attributable to shareholders'	Non-controlling interests	Total equity							
December 31, 2019	\$	2,443,209	\$	260,880	\$	(1,466,235)	\$	351	\$	(174,597)	\$	1,063,608	\$	447,144	\$	1,510,752
Net income (loss)		—		—		198,807		—		—		198,807		76,212		275,019
Deferred income taxes		—		—		—		31,097		—		31,097		209		31,306
Change in translation of net investment in foreign operations		—		—		—		(108,652)		—		(108,652)		17,012		(91,640)
Change in fair value of hedged derivative contracts (Note 9)		—		—		—		(58,415)		—		(58,415)		(15,260)		(73,675)
Re-measurement of pension obligation		—		—		—		—		—		—		—		—
Total comprehensive income (loss)		—		—		198,807		(135,970)		—		62,837		78,173		141,010
Deferred rights		—		—		—		253		—		253		—		253
Recognition of put option		—		—		—		(4,723)		—		(4,723)		—		(4,723)
Conversion of subscription receipts		341,744		—		—		—		—		341,744		—		341,744
Non-controlling interest acquired		—		—		—		—		—		—		2,645		2,645
Common and Class A share and non-controlling interest dividends declared (Note 7.3)		—		—		(64,159)		—		—		(64,159)		(38,505)		(102,664)
Preferred share dividends (Note 7.2)		—		—		(2,928)		—		—		(2,928)		—		(2,928)
Conversion of debentures		2,379		—		—		—		—		2,379		—		2,379
March 31, 2020	\$	2,787,332	\$	260,880	\$	(1,334,515)	\$	(4,119)	\$	(310,567)	\$	1,399,011	\$	489,457	\$	1,888,468

See accompanying notes.

Interim Condensed Consolidated Statements of Cash Flows

In thousands of Canadian dollars

<i>(unaudited)</i>	Three months ended March 31,	
	2021	2020
Operating activities		
Net income (loss)	\$ 151,389	\$ 275,019
Items not involving cash or operations:		
Depreciation of property, plant and equipment	145,300	129,665
Amortization of contracts and other intangibles	9,940	9,342
Impairment of goodwill	29,981	—
Finance costs, net	61,381	55,091
Fair value (gain) loss on derivative contracts (Note 9)	(54,983)	34,665
Unrealized foreign exchange (gain) loss	29,666	(74,047)
Deferred tax expense (recovery)	17,690	9,486
Other	3,041	(930)
	\$ 393,405	\$ 438,291
Net change in working capital related to operations	15,049	(70,697)
Cash provided by operating activities	\$ 408,454	\$ 367,594
Investing activities		
Purchase of property, plant and equipment	(51,093)	(65,659)
Acquisitions, net (Note 3)	(81,621)	(734,170)
Restricted cash utilization (funding)	(1,068)	101,114
Interest received	543	3,528
Warranty settlement and proceeds (Note 13.2)	—	48,002
Other	580	1,306
Net change in working capital related to investing activities	(1,422)	(33,219)
Cash used in investing activities	\$ (134,081)	\$ (679,098)
Financing activities		
Proceeds from borrowings, net of transaction costs	171,001	1,069,706
Repayment of borrowings	(172,969)	(556,977)
Interest paid	(50,435)	(50,065)
Restricted cash utilization (funding)	66,541	(91,105)
Common and Class A share dividends (Note 7.3)	(39,953)	(62,717)
Dividends to non-controlling interests (Note 8)	(41,632)	(38,505)
Preferred share dividends (Note 7.2)	(2,699)	(2,928)
Conversion of subscription receipts	—	341,388
Other	(4,972)	(4,186)
Cash (used in) provided by financing activities	\$ (75,118)	\$ 604,611
Effect of exchange rate differences on cash and cash equivalents	(84,296)	67,854
Net change in cash and cash equivalents during the period	114,959	360,961
Cash and cash equivalents, beginning of period	434,989	268,193
Cash and cash equivalents, end of period	\$ 549,948	\$ 629,154

See accompanying notes.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

1. Description of Northland's Business

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

Northland is incorporated under the laws of Ontario, Canada with common shares (“**Shares**”), Series 1 cumulative rate reset preferred shares (“**Series 1 Preferred Shares**”), Series 2 cumulative floating rate preferred shares (“**Series 2 Preferred Shares**”) and Series 3 cumulative rate reset preferred shares (“**Series 3 Preferred Shares**”) that are publicly traded on the Toronto Stock Exchange (“**TSX**”). Northland is the parent company for the subsidiaries that operate Northland’s business. Northland’s registered office is located in Toronto, Ontario.

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

	Geographic region ⁽¹⁾	% voting ownership as at Mar. 31 2021 ⁽²⁾
Offshore Wind		
Buitengaats C.V. and ZeeEnergie C.V. (“ Gemini ”)	The Netherlands	60.0 %
Nordsee One GmbH (“ Nordsee One ”)	Germany	85.0 %
Northland Deutsche Bucht GmbH (“ Deutsche Bucht ”)	Germany	100.0 %
Efficient Natural Gas		
Iroquois Falls Power Corp. (“ Iroquois Falls ”)	Ontario, Canada	100.0 %
Kingston CoGen Limited Partnership (“ Kingston ”)	Ontario, Canada	100.0 %
Kirkland Lake Power Corp. (“ Kirkland Lake ”) ⁽³⁾	Ontario, Canada	100.0 %
North Battleford Power L.P. (“ North Battleford ”)	Saskatchewan, Canada	100.0 %
Spy Hill Power L.P. (“ Spy Hill ”)	Saskatchewan, Canada	100.0 %
Thorold CoGen L.P. (“ Thorold ”)	Ontario, Canada	100.0 %
Onshore Renewable		
Four solar facilities (“ Cochrane ”)	Ontario, Canada	62.5 %
Grand Bend Wind L.P. (“ Grand Bend ”)	Ontario, Canada	50.0 %
Saint-Ulric Saint-Léandre Wind L.P. (“ Jardin ”)	Québec, Canada	100.0 %
McLean’s Mountain Wind L.P. (“ McLean’s ”)	Ontario, Canada	50.0 %
Mont-Louis Wind L.P. (“ Mont Louis ”)	Québec, Canada	100.0 %
Nine solar facilities (“ Solar ”)	Ontario, Canada	100.0 %
NP Energía La Lucha SA de CV (“ La Lucha ”)	Mexico	100.0 %
Utility		
Empresa de Energía de Boyacá S.A E.S.P (“ EBSA ”)	Colombia	99.4 %

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

(2) As at March 31, 2021, Northland’s economic interest was unchanged from December 31, 2020.

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

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation and Statement of Compliance

These Interim Financial Statements of Northland and its subsidiaries were prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, utilizing the accounting policies Northland outlined in its December 31, 2020 audited annual consolidated financial statements, except for the change in accounting policies discussed in Note 2.3 below. The accounting policies are in line with International Financial Reporting Standards (IFRS) guidelines. The Interim Financial Statements do not include all of the information and disclosures required in the audited annual consolidated financial statements and therefore should be read in conjunction with Northland's 2020 audited annual consolidated financial statements.

These Interim Financial Statements are presented in Canadian dollars and all values are presented in thousands except where otherwise indicated. Certain prior period disclosures have been reclassified for consistency with the current period presentation.

The Interim Financial Statements for the three months ended March 31, 2021 were approved by the Board of Directors on May 12, 2021.

2.2 Basis of Consolidation

The Interim Financial Statements comprise the financial statements of Northland and its subsidiaries at and for the three months ended March 31, 2021. Subsidiaries are fully consolidated on the date that Northland obtains control and continue to be consolidated until the date that such control ceases. Control is achieved when Northland is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Northland reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated balance sheets and consolidated statements of income (loss) from the date Northland gains control until the date control ceases. All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

2.3 Change in Accounting Policies

There has been no change in IFRS with an impact on the interim consolidated financial statements as of March 31, 2021.

2.4 Future Accounting Policies

In 2020, the International Accounting Standards Board (IASB) issued narrow-scope amendments to IAS 16, *Property, Plant and Equipment*. The amendments, to be effective for annual reporting periods beginning on or after January 1, 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. Northland will assess the standard to determine if it has an impact on its consolidated financial statements. Management anticipates that the amendments will be adopted for the first period beginning on their respective effective dates.

3. Acquisitions

3.1 Joint Venture in Polish Offshore Wind Development Project in Baltic Sea

On March 24, 2021, Northland successfully completed its previously announced acquisition of a 49% interest in the Baltic Power offshore wind project in the Baltic Sea for a total cash consideration of PLN 255 million (\$82 million).

Baltic Power is structured as a standalone legal entity and Northland has interest in the net assets of Baltic Power. Accordingly, Northland has classified its interest in Baltic power as a joint venture, which will be accounted for under the equity method.

Additional purchase price commitment

Pursuant to the joint venture agreement, Northland has made an additional purchase price commitment of €33 million (\$49 million) to be funded over the next two years. These commitments have been recognized within trade and other payables and provisions and other liabilities in Northland's interim consolidated financial statements.

The reconciliation between the summarized financial information to the carrying value of Northland's investment in Baltic Power as follows:

As at	March 31, 2021	
Current assets (including cash and cash equivalents) ⁽¹⁾	\$	116,962
Non-current assets ⁽¹⁾		157,019
Current liabilities		(1,709)
Net assets (100%)		272,272
Northland's share of net assets (49%)		132,216
Northland's share of net loss for the period ending March 31, 2021 (49%) ⁽²⁾		(281)
Carrying value	\$	131,935
Net loss for the period ending March 31, 2021 (100%)	\$	573
Northland's share of net loss for the period ending March 31, 2021 (49%) ⁽²⁾	\$	281

(1) Includes \$82M cash consideration and \$49M accounts receivable related to equity contributions to be received from Northland.

(2) Included within other (income) expense on the interim consolidated statement of income (loss).

3.2 Spanish Renewables Acquisition

Subsequent to March 31, 2021, Northland announced it entered into an agreement to acquire a portfolio of operating onshore renewable assets in Spain.

4. Property, Plant and Equipment

As at	March 31, 2021		December 31, 2020	
Property, plant and equipment, net	\$	7,918,417	\$	8,400,313
Construction-in-progress		252,954		212,481
Lease right-of-use (ROU) asset		58,672		67,165
Total property, plant and equipment, net	\$	8,230,043	\$	8,679,959

As at March 31, 2021, construction-in-progress primarily relates to the capitalization of construction projects including the La Lucha project in Mexico, the Hai Long project in Taiwan, the New York Wind project in the United States and a solar project in Colombia.

5. Facility-level Loans and Borrowings

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

	Rate ⁽¹⁾	Maturity	Amount drawn as at Mar. 31, 2021 ⁽²⁾	Amount drawn as at Dec. 31, 2020 ⁽²⁾
EBSA ⁽³⁾	5.1 %	2022	434,610	449,052
Kirkland Lake	2.0 %	2023	11,800	11,800
Jardin ⁽³⁾	6.0 %	2029	78,453	80,141
Thorold ⁽³⁾	6.7 %	2030	241,282	245,820
Nordsee One ⁽³⁾	2.2 %	2026	836,542	897,478
Gemini ⁽³⁾⁽⁵⁾	4.1 %	2030	2,462,205	2,596,382
Mont Louis	6.6 %	2031	67,474	68,690
Solar Phase I ⁽³⁾⁽⁴⁾	4.4 %	2032	175,153	175,114
Solar Phase II ⁽⁴⁾	5.4 %	2032	92,388	92,948
North Battleford ⁽³⁾	5.0 %	2032	566,536	566,720
Cochrane Solar ⁽³⁾	5.3 %	2033	153,633	154,531
Deutsche Bucht ⁽³⁾	2.3 %	2033	1,267,774	1,343,573
McLean's	6.0 %	2034	111,225	112,771
Grand Bend	4.3 %	2035	309,228	313,065
Spy Hill ⁽³⁾	4.1 %	2036	126,820	129,115
Weighted average and total	3.9 %		\$ 6,935,123	\$ 7,237,200
Current			586,792	608,446
Long-term			6,348,331	6,628,754

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

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

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

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

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

In March 2021, Deutsche Bucht amended its debt facility agreement to reduce the interest rate on the facility's senior debt to 2.3% (from approximately 2.6%). The amendment also included the addition of a debt service reserve facility, which released €50 million (\$74 million) from funds previously restricted for debt service.

As at March 31, 2021, \$29 million of letters of credit secured by facility or project-level credit agreements was outstanding (2020 - \$29 million).

6. Corporate Credit Facilities

6.1 Corporate Credit Facilities

The corporate credit facilities are summarized in the table below:

	Facility size	Amount drawn as at March 31, 2021	Outstanding letters of credit	Available capacity	Maturity	Amount drawn as at December 31, 2020
Syndicated revolving facility ⁽¹⁾	\$ 1,000,000	\$ 388,933	\$ 129,478	\$ 481,589	Jun. 2024	\$ 354,263
Bilateral letter of credit facility	150,000	—	144,132	5,868	Mar. 2023	—
Export credit agency backed letter of credit facility	100,000	—	94,921	5,079	Mar. 2022	—
Total	\$ 1,250,000	\$ 388,933	\$ 368,531	\$ 492,536		\$ 354,263
Less: deferred financing costs		2,464				2,861
Total, net		\$ 386,469				\$ 351,402

(1) The amount drawn on the syndicated revolving facility comprises \$216 million USD converted to CAD at the period-end exchange rate, \$20 million CAD and €66 million converted to CAD at the period-end exchange rate (December 31, 2020 - \$234 million, \$35 million and €14 million).

During the three months ended March 31, 2021, Northland made net drawdowns of \$40 million on the syndicated revolving facility, with remaining movement in the period due to foreign exchange fluctuations.

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

7. Equity

7.1 Common Shares

Northland is authorized to issue an unlimited number of Shares.

The change in Shares during 2021 and 2020 was as follows:

	March 31, 2021		December 31, 2020	
	Shares	Amount	Shares	Amount
Shares outstanding, beginning of year	202,171,075	\$ 2,955,840	179,441,219	\$ 2,428,594
Conversion of subscription receipts	—	—	14,289,000	340,147
Conversion of debentures	—	—	6,896,136	148,908
Conversion of Class A shares	—	—	1,000,000	14,615
Shares issued under the DRIP	455,933	20,726	544,720	21,979
Change in deferred taxes	—	—	—	1,597
Total common and convertible shares outstanding, end of period	202,627,008	\$ 2,976,566	202,171,075	\$ 2,955,840

Dividend Reinvestment Plan

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

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

Share-based Compensation

Northland's Long-Term Incentive Plan (**LTIP**) provides for a maximum of 3.1 million Shares to be reserved and available for grant to employees of Northland and its subsidiaries. As at March 31, 2021, 1.2 million Shares remain available for future issuance under the LTIP. Shares may be awarded based on development profits, which arise from new projects or acquisitions ("**Development LTIP**"). The costs recognized for LTIP in the period depend on management's best estimate of a project's expected development profit and expected timing of project milestones. Awards under the LTIP may be settled in Shares or in cash, at the discretion of Northland's Board of Directors.

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

For the three months ended March 31, 2021, Northland expensed \$0.4 million (2020 - \$0.3 million) of costs under the LTIP. No forfeitures are assumed to occur. The balance of accrued awards related to the Development LTIP is included in liabilities since these awards are expected to be settled in cash.

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

7.2 Preferred Shares

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

Three months ended March 31,	2021	2020
Series 1	\$ 953	\$ 989
Series 2	222	416
Series 3	1,524	1,523
Total	\$ 2,699	\$ 2,928

7.3 Dividends

Dividends declared per Share and in aggregate were as follows:

Three months ended March 31,	2021	2020
Dividends declared per Share	\$ 0.30	\$ 0.30
Aggregate dividends declared		
Dividends in cash	\$ 40,405	\$ 62,928
Dividends in shares	20,335	1,231
Total	\$ 60,740	\$ 64,159

7.4 Equity offering

On April 21, 2021, Northland completed a bought deal equity offering for 22.5 million common shares for aggregate gross proceeds of \$990 million.

8. Non-controlling Interests

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

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

As at March 31, 2021	Current assets ⁽¹⁾	Long-term assets	Current liabilities	Long-term liabilities
Gemini	\$ 336,748	\$ 3,065,867	\$ 288,947	\$ 2,597,116
Nordsee One	147,707	1,285,797	181,445	788,610
CEEC	29,339	25,029	7,866	10,937
Other ⁽²⁾	121,003	881,587	76,170	689,751
Total	\$ 634,797	\$ 5,258,280	\$ 554,428	\$ 4,086,414

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

(1) As at March 31, 2021, restricted cash of \$47 million (2020 - \$154 million) is included for Gemini, \$29 million (2020 - nil) for Nordsee One where the availability of funds is intended for debt repayments.

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

As at March 31, 2021, Northland had an outstanding receivable balance of \$36 million from Cochrane Solar's First Nations partner (2020 - \$39 million). This balance appears at a fair value of \$36 million (2020 - \$35 million) on the consolidated balance sheets, including \$3 million classified as "trade and other receivables" and the remaining portion as "other assets".

The change in material non-controlling interests during 2021 and 2020 is as follows:

	Gemini	Nordsee One	CEEC	Other ⁽²⁾	Total
As at January 1, 2019	\$ 201,627	\$ 47,085	\$ 153,207	\$ 45,225	\$ 447,144
Net income (loss) attributable ⁽¹⁾	—	—	—	2,645	2,645
Dividends and distributions declared ⁽¹⁾	89,321	17,365	8,433	9,002	124,121
Allocation of other comprehensive income (loss) ⁽¹⁾	(103,065)	(16,165)	—	(18,753)	(137,983)
As at December 31, 2020	\$ 180,638	\$ 51,466	\$ 161,640	\$ 34,009	\$ 427,753
Net income (loss) attributable ⁽¹⁾	45,652	5,743	4,636	3,020	59,051
Dividends and distributions declared ⁽¹⁾	(32,232)	(4,296)	—	(3,597)	(40,125)
Allocation of other comprehensive income (loss) ⁽¹⁾	(1,090)	(2,336)	—	2,719	(707)
As at March 31, 2021	\$ 192,968	\$ 50,577	\$ 166,276	\$ 36,151	\$ 445,972

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

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

9. Financial Instruments

The derivative financial instruments consist of the following:

As at March 31, 2021	Current assets	Current liabilities	Long-term assets	Long-term liabilities	Total
Derivatives designated for hedge accounting					
Canadian dollar interest rate swaps	\$ —	\$ (12,703)	\$ 30	\$ (32,151)	\$ (44,824)
Euro interest rate swaps	—	(62,768)	159	(277,603)	(340,212)
Euro foreign exchange contracts	2,942	(393)	18,850	(33,833)	(12,434)
Colombian peso foreign exchange contracts	950	—	709	—	1,659
Power forward contracts	489	(4,595)	—	(2,864)	(6,970)
Derivatives not designated for hedge accounting					
Canadian dollar interest rate swaps	—	(23,147)	—	—	(23,147)
U.S. dollar interest rate swaps	—	(513)	8,335	(288)	7,534
U.S. dollar foreign exchange contracts	86	(738)	—	—	(652)
Euro foreign exchange contracts	11,141	—	20,214	(1,103)	30,252
Cross-currency interest rate swaps	—	1,212	—	—	1,212
Colombian peso foreign exchange contracts	299	—	104	—	403
Gas forward contracts	2,157	(12,013)	—	—	(9,856)
Power forward contracts	403	(16,739)	(289)	(12,733)	(29,358)
Total	\$ 18,467	\$ (132,397)	\$ 48,112	\$ (360,575)	\$ (426,393)

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

The change in derivative financial instruments for the three months ended March 31, 2021 and 2020 is as follows:

	Designated in hedge relationships						Balance as at Mar. 31, 2021 asset (liability)
	Balance as at Dec. 31, 2020 asset (liability)	Changes in fair value recognized in OCI ⁽¹⁾	Cash and accrued payments/ (receipts) ⁽²⁾	Unrealized fair value changes ⁽²⁾	Fair value changes on derivatives not designated in hedge relationships ⁽²⁾	Foreign exchange gain (loss)	
Canadian dollar interest rate swaps	\$ (93,950)	\$ 16,256	\$ 3,335	\$ (1,577)	\$ 7,965	\$ —	\$ (67,971)
U.S. dollar Interest rate	1,401	—	—	—	6,133	—	7,534
Euro Interest rate swaps	(415,550)	39,832	17,721	(2,148)	—	19,933	(340,212)
Gas forward contracts	(13,798)	—	—	—	3,942	—	(9,856)
Power forward contracts	(25,297)	316	—	520	(12,133)	266	(36,328)
U.S. dollar foreign exchange contracts	(645)	—	—	—	(7)	—	(652)
Euro foreign exchange contracts	(26,246)	22,294	1,555	6,725	13,490	—	17,818
Cross-currency interest rate swaps	(7,698)	—	—	—	8,910	—	1,212
Colombian peso foreign exchange contracts	(848)	2,433	—	20	532	(75)	2,062
Total	\$ (582,631)	\$ 81,131	\$ 22,611	\$ 3,540	\$ 28,832	\$ 20,124	\$ (426,393)

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

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

	Designated in hedge relationships						Balance as at Mar. 31, 2020 asset (liability)
	Balance as at Dec. 31, 2019 asset (liability)	Changes in fair value recognized in OCI ⁽¹⁾	Cash and accrued payments/ (receipts) ⁽²⁾	Unrealized fair value changes ⁽²⁾	Fair value changes on derivatives not designated in hedge relationships ⁽²⁾	Foreign exchange gain (loss)	
Canadian dollar interest rate swaps	\$ (65,730)	\$ (27,765)	\$ 1,969	\$ (837)	\$ (9,857)	\$ —	\$ (102,220)
Euro interest rate swaps	(370,208)	(41,267)	17,493	1,323	—	(25,004)	(417,663)
Gas forward contracts	(27,155)	—	—	—	3,297	—	(23,858)
Power forward contracts	(707)	(1,753)	—	(440)	85	—	(2,815)
U.S. dollar foreign exchange contracts	(361)	167	—	1	3,300	—	3,107
Euro foreign exchange contracts	(3,204)	(3,057)	(360)	(143)	(17,462)	—	(24,226)
Cross-currency interest rate swaps	—	—	—	—	(4,441)	—	(4,441)
Colombian peso foreign exchange contracts	28,593	—	—	—	(28,593)	—	—
Total	\$ (438,772)	\$ (73,675)	\$ 19,102	\$ (96)	\$ (53,671)	\$ (25,004)	\$ (572,116)

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

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

The objective of Northland's hedges is to reduce volatility in its cash flow related to changes in foreign exchange, interest rates and market prices for gas and power. The nature of the risks that Northland is exposed to and the related hedge objectives did not change in the three months ended March 31, 2021, with the exception of increased exposure to the Colombian peso as a result of financing portion of the purchase price made for the EBSA Acquisition.

10. Net Income (Loss) per Share

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

	Three months ended March 31,	
	2021	2020
Net income (loss) for the period attributable to common shareholders	\$ 92,338	\$ 198,807
Less: preferred share dividends, net (Note 7.2)	(2,699)	(2,928)
Net income (loss) attributable to common shareholders for basic earnings	\$ 89,639	\$ 195,879
Add back: convertible unsecured subordinated debentures interest and amortization	—	1,573
Net income (loss) attributable to common shareholders for diluted earnings	\$ 89,639	\$ 197,452

The basic and diluted share amounts are calculated as follows:

	Three months ended March 31,	
	2021	2020
Weighted average number of Shares outstanding	202,388,213	191,581,281
Weighted average number of Class A shares	—	1,000,000
Weighted average number of Shares outstanding, basic	202,388,213	192,581,281
Effect of dilutive securities:		
Convertible unsecured subordinated debentures	—	6,930,028
Weighted average number of Shares outstanding, diluted	202,388,213	199,511,309

11. Finance Costs

Net finance costs consist of the following:

	Three months ended March 31,	
	2021	2020
Interest on debt, borrowings and bank fees	\$ 76,145	\$ 88,351
Amortization of deferred financing costs	10,079	7,048
Discount on provisions for decommissioning liabilities	972	1,127
Lease interest	437	378
Finance income	(543)	(3,528)
Finance costs, net	\$ 87,090	\$ 93,376

For the three months ended March 31, 2021, \$0.9 million interests (2020 - nil) incurred from project financing related to facilities under construction were capitalized in construction-in-progress.

12. Operating Segment Information

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

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

Three months ended March 31, 2021	Offshore wind	Efficient Natural Gas	Onshore renewable	Utility	Other ⁽¹⁾	Eliminations	Total
External sales	\$ 371,219	\$ 120,443	\$ 53,344	\$ 57,118	\$ 10,642	\$ —	\$ 612,766
Inter-company sales ⁽¹⁾	—	—	—	—	61,309	(61,309)	—
Total sales	\$ 371,219	\$ 120,443	\$ 53,344	\$ 57,118	\$ 71,951	\$ (61,309)	\$ 612,766
Cost of sales	—	33,812	—	17,410	12,797	—	64,019
Operating costs	38,515	11,808	6,731	14,413	—	—	71,467
General and administrative costs ⁽²⁾	2,607	111	294	2,000	24,590	—	29,602
Depreciation of PP&E	87,561	25,315	22,075	8,495	1,854	—	145,300
Other income ⁽³⁾	—	(2,951)	—	—	(977)	—	(3,928)
Operating income	\$ 242,536	\$ 52,348	\$ 24,244	\$ 14,800	\$ 33,687	\$ (61,309)	\$ 306,306
Finance costs, net	\$ 51,550	\$ 13,130	\$ 13,774	\$ 139	\$ 8,497	\$ —	\$ 87,090

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

(2) General and administrative costs includes development costs.

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

Three months ended March 31, 2020	Offshore wind	Efficient Natural Gas	Onshore renewable	Utility	Other ⁽¹⁾	Eliminations	Total
External sales	\$ 444,984	\$ 114,865	\$ 52,980	\$ 49,671	\$ 5,195	\$ —	\$ 667,695
Inter-company sales	—	—	—	—	54,934	(54,934)	—
Total sales	\$ 444,984	\$ 114,865	\$ 52,980	\$ 49,671	\$ 60,129	\$ (54,934)	\$ 667,695
Cost of sales	—	27,818	—	16,729	4,373	—	48,920
Operating costs	36,312	11,956	6,794	11,750	—	—	66,812
General and administrative costs	2,280	79	197	1,594	27,509	—	31,659
Depreciation of PP&E	85,431	12,567	22,054	7,916	1,697	—	129,665
Other income ⁽²⁾	—	(3,038)	—	—	(874)	—	(3,912)
Operating income	\$ 320,961	\$ 65,483	\$ 23,935	\$ 11,682	\$ 27,424	\$ (54,934)	\$ 394,551
Finance costs, net	\$ 49,607	\$ 13,572	\$ 14,244	\$ 5,187	\$ 10,766	\$ —	\$ 93,376

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

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

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

As at March 31, 2021	PP&E, net	Contracts and other intangibles, net	Goodwill ⁽²⁾	Investment in joint venture ⁽¹⁾	Total Assets
Offshore wind	\$ 5,521,205	\$ 430,153	\$ —	\$ —	6,724,683
Efficient Natural Gas	827,435	49,959	120,229	—	1,326,879
Onshore renewable	1,252,591	—	54,731	—	1,407,842
Utility	522,829	6,678	465,744	—	1,090,147
Other	105,983	11,957	—	132,859	579,210
Total	8,230,043	498,747	640,704	132,859	11,128,761

(1) Includes investments in joint ventures.

(2) \$30M of goodwill relating to Iroquois Falls facility was written off in Q1 2021 due to the expiry of its power contract in December 2021.

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

(1) Includes investments in associates and joint ventures.

Information on operations by geographic area is as follows:

Sales

Three months ended March 31,	2021	2020
Germany	\$ 168,845	\$ 209,441
Netherlands	202,374	235,543
Canada	184,429	173,040
Latin America	57,118	49,671
Total	\$ 612,766	\$ 667,695

Property, plant and equipment, net

As at	March 31, 2021	December 31, 2020
Germany ⁽¹⁾	\$ 2,559,572	\$ 2,759,069
Netherlands	2,982,109	3,194,656
Canada	2,000,896	1,995,012
Latin America	687,466	731,222
Total	\$ 8,230,043	\$ 8,679,959

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

13. Litigation, Claims, Contingencies and Commitments

Litigation, claims and other contingencies arise from time to time in the ordinary course of business for Northland. None of these contingencies, individually or in aggregate, are expected to result in a liability that would have a material adverse effect on Northland.

13.1 COVID-19

Each of Northland's operating facilities are deemed to be essential infrastructure and, as such, operations have continued uninterrupted to date. Additionally, Northland's long-term agreements with creditworthy counterparties have significantly reduced the risk of material expected credit losses. However, certain risks relating to 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.

Management has considered the risks above and determined that there have been no material adverse effects on Northland's ability to meet working capital requirements, debt covenants, or continue future growth activities due to COVID-19. As such, there are currently no impairment indicators as a result of COVID-19 identified for Northland's financial and non-financial assets. As the situation evolves, management will continue to assess if any changes to the key assumptions for the recoverable amounts of Northland's assets have taken place.

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.

13.2 Warranty Settlement and Other Proceeds

In the three months ended March 31, 2020, Nordsee One received partial proceeds from its turbine manufacturer, which filed for insolvency in 2019, to settle all warranty obligations for the remaining term of the original service agreement. Following the receipt of the full settlement in the second quarter of 2020, Nordsee One relinquishes its rights to make further warranty claims against the manufacturer. Northland recognized the proceeds as a reduction in "property, plant and equipment" in the consolidated balance sheets.

13.3 Milestone Payments for Development Project Acquisitions

In the course of business, Northland enters into acquisition agreements that may result in Northland making additional payments to the seller and/or directly to the development project previously acquired, upon the successful completion of certain milestones. As at March 31, 2021, Northland's best estimate of the future contingent payments are approximately \$212 million of contingent payments under its development projects arrangements, with a maximum of \$363 million. These contingent payments were not recognized in the interim condensed consolidated balance sheets.

Corporate Information

Directors and Executive Officers Of Northland Power Inc.

Directors

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

Executive Officers

Mr. Mike Crawley

President and Chief Executive Officer

Ms. Pauline Alimchandani

Chief Financial Officer

Ms. Wendy Franks

Executive Vice President, Strategy and Investment Management

Mr. Morten Melin

Executive Vice President, Construction

Mr. David Povall

Executive Vice President, Development

Mr. Michael D. Shadbolt

Vice President and General Counsel

Ms. Rachel Stephenson

Chief People Officer

Ms. Tracy Robillard

Secretary

General Information

Registrar and Transfer Agent

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

Common Shares and Preferred Shares

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

Tax Considerations

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

Contact Information

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