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

Table of Contents

SECTION 1: OVERVIEW

Introduction

The purpose of this Management's Discussion and Analysis ("**MD&A**") is to explain the financial results 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 Northland Power Inc. ("**Northland**" or the "**Company**"). This MD&A should be read in conjunction with Northland's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 and 2019, as well as its audited consolidated financial statements for the years ended December 31, 2019 and 2018 ("**2019 Annual Report**") and Northland's most recent Annual Information Form dated February 25, 2020 ("**2019 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 November 10, 2020; actual results may differ materially. 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 are in 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 November 10, 2020; actual results may differ materially. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans. Readers are cautioned that such statements may not be appropriate for other purposes. Northland's actual results could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, the events anticipated by the forward-looking statements may or may not transpire or occur. Forward-looking statements are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects," "anticipates," "plans," "predicts," "believes," "estimates," "intends," "targets," "projects," "forecasts" or negative versions thereof and other similar expressions or future or conditional verbs such as "may," "will," "should," "would" and "could." These statements may include, without limitation, statements regarding future adjusted EBITDA, free cash flow, dividend payments and dividend payout ratios; the construction, completion, attainment of commercial operations, cost and output of development projects; litigation claims; plans for raising capital; and the future operations, business, financial condition, financial results, priorities, ongoing objectives, strategies and outlook of Northland and its subsidiaries. These statements are based upon certain material factors or assumptions that were applied in developing the forward-looking statements, including the design specifications of development projects, the provisions of contracts to which Northland or a subsidiary is a party, management's current plans and its perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. Forward-looking statements are subject to numerous risks and uncertainties, which include, but are not limited to, revenue contracts, impact of COVID-19 pandemic, counterparty risks, contractual operating performance, variability of revenue from generating facilities powered by intermittent renewable resources, offshore wind concentration, natural gas and power market risks, operational risks, recovery of utility operating costs, permitting, construction risks, project development risks, acquisition risks, financing risks, interest rate and refinancing risks, liquidity risk, credit rating risk, currency fluctuation risk, variability of cash flow and potential impact on dividends, taxation, natural events, environmental risks, health and worker safety risks, market compliance risk, government regulations and policy risks, utility rate regulation risks, international activities, reliance on information technology, labour relations, reputational risk, insurance risk, risks relating to co-ownership, bribery and corruption risk, legal contingencies, and the other factors described in this MD&A and the 2019 AIF. Other than as specifically required by law, Northland undertakes no obligation to update any forward-looking statements to reflect events or circumstances after such date or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Non-IFRS Financial Measures

This MD&A and certain of Northland's press releases includes references to the Company's adjusted earnings before interest, income taxes, depreciation and amortization ("**adjusted EBITDA**"), free cash flow and applicable payout ratio 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. Adjusted EBITDA and free cash flow 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 adjusted EBITDA, free cash flow and applicable payout ratio and per share amounts are widely accepted 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 measures to their nearest IFRS measure, refer to *SECTION 4.4: Adjusted EBITDA* for a reconciliation of consolidated net income (loss) under IFRS to reported adjusted EBITDA and *SECTION 4.5: Free Cash Flow* for a reconciliation of cash provided by operating activities under IFRS to reported 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; 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 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 capitalizing development expenditures. Free cash flow for EBSA includes proceeds from annual upsizing in excess of annual expansionary capital investments. 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 (except common share dividends), to invest in growth initiatives and fund dividend payments.

The free cash flow payout ratio indicates the proportion of free cash flow paid as dividends, whether in cash or in shares under Northland's dividend re-investment plan (**DRIP**). The net payout ratio indicates the proportion of free cash flow paid as cash dividends. The payout ratio generally reflects Northland's ability to fund expansionary capital expenditures and sustain dividends.

As a result of the pursuit of earlier stage project development, such as capital-intensive offshore wind projects, and similarly for projects under construction, it may be several years before such projects start to generate free cash flow. This factor may affect the comparability of Northland's free cash flow to that of industry peers.

SECTION 2: NORTHLAND'S OPERATING FACILITIES

As of September 30, 2020, Northland owns or has a net economic interest in 2,266 megawatts (**MW**) of power-producing facilities with a total operating capacity of approximately 2,681 MW. Northland's power-producing facilities produce electricity from clean energy sources for sale primarily under long-term 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 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
On-shore Renewable					
Cochrane Solar	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 on-shore renewable facilities are located in Canada.

(2) As at September 30, 2020, Northland's economic interest was unchanged from December 31, 2019, with the exception of EBSA, which Northland acquired on January 14, 2020. EBSA's results are consolidated in Northland's financial results effective on the acquisition date.

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

As at September 30, 2020, Northland had 130 MW of generating capacity under construction, representing the La Lucha solar project ("**La Lucha**") in Mexico, in addition to its 60% equity stake in the 1,044 MW Hai Long project ("**Hai Long**") under development in Taiwan (refer to *SECTION 8: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES* for additional information). Furthermore, Northland actively pursues projects in various stages of development in North America, Europe, Latin America and Asia.

Refer to the 2019 AIF for additional information on Northland's operating facilities and projects under construction or development as of December 31, 2019.

SECTION 3: CONSOLIDATED HIGHLIGHTS

3.1: Significant Events

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

Business Update

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

While the vast majority of Northland's revenues are contracted under long-term agreements with creditworthy counterparties, there is some, yet limited, exposure to the wholesale market price of electricity at the offshore wind facilities. Wholesale market prices in the first nine months of 2020 have had a moderately negative effect on Northland's revenues. The German offshore wind facilities were also affected by periods where the market power price remains negative for longer than six consecutive hours as well as unpaid curtailments by the German system operator for scheduled and unscheduled grid repairs. Refer to *4.1: Operating Results* for additional information.

Management believes Northland continues to have sufficient liquidity available to limit the impact of COVID-19. Primarily as a result of two facility-level financings completed in the first nine months of 2020, as at September 30, 2020, Northland had access to $704 million of cash and liquidity, comprising $125 million of corporate cash on hand and $579 million of liquidity available under its syndicated revolving facility.

Management continues to monitor developments globally and their potential impact on Northland's business activities and financial results. Refer to *SECTION 11: FINANCIAL RISKS AND UNCERTAINTIES* for additional information.

New York Onshore Wind Projects Acquisitions

In the third quarter of 2020, Northland expanded its North American portfolio with its entry into the U.S. renewables market through the closing of the acquisition of three onshore wind projects in New York State with a total gross capacity of approximately 300 megawatts and a purchase price of $5.6 million. Management expects to incur development costs related to the projects in 2020. These projects position Northland to actively participate in the growing renewables market in New York State, which is expected to grow by 26 GW by 2030. The acquisition of these projects is a continuation of Northland's long-standing strategy of early entry into a project and leveraging its substantial experience and expertise in offshore and onshore wind to execute its first investment into the U.S. renewable energy sector.

Preferred Shares Series 1 Rate Reset

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

NP Energía, Mexican Qualified Supplier Acquisition

As part of its development strategy in Mexico and to facilitate securing off-take agreements for La Lucha, Northland completed the acquisition, in the second quarter of 2020, of NP Energía, which holds a qualified supplier license in Mexico. NP Energía enables Northland to operate in the electricity sector in Mexico by contracting loads and generators, which also allows a more direct path to market for Northland's generation projects, including La Lucha.

Northland Reinstates the Treasury Dividend Reinvestment Plan

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

NORTHLAND POWER

EBSA, Colombian Regulated Power Distribution Utility Acquisition

In July 2020, Northland finalized the purchase price for its acquisition of a 99.2% interest in a power distribution utility, Empresa de Energía de Boyacá ("**EBSA**"), in Colombia for a total purchase price of COP 2,530 billion ($1,007 million) including existing debt of COP 550 billion ($219 million) (the "**EBSA Acquisition**"). Pursuant to the share purchase agreement, the purchase price had been subject to post-closing adjustments following a review of the final tariff resolution. Concurrent with the final tariff resolution, the final purchase price was adjusted from COP 2,412 billion ($960 million). Subsequent to September 30, 2020, EBSA completed an offer to minority shareholders to repurchase their shares of EBSA, as a result of which, Northland effectively now owns 99.4% of EBSA. Refer to *SECTION 8: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES* for additional information.

EBSA Financing

On June 24 2020, Northland entered into a long-term, non-recourse financing agreement on behalf of EBSA for an aggregate amount of approximately $465 million ("**EBSA Facility**"), inclusive of a Canadian dollar tranche and a Colombian peso tranche. The EBSA facility replaced the interim bridge credit facility ("**EBSA Bridge**") previously in place as well as facility-level borrowings. The EBSA Facility is structured as a $450 million term loan and a $15 million debt service reserve credit facility, for an initial two-year term, which Northland expects to renew annually and generate upfinancing proceeds, subject to market conditions. The facility has a blended interest rate of 5.3% and provides Northland with the ability to upsize EBSA's capital structure annually by increasing leverage commensurate with expected growth in EBSA's operating results.

North Battleford Upsizing of Non-Recourse Debt

In June 2020, Northland upsized the debt on the North Battleford loan, generating gross proceeds of $52 million at an effective interest rate of 2.1%. The bond principal increased by $44 million to $577 million. Net proceeds will be used for general corporate purposes and to fund growth.

Additions to Northland's Executive Team

Rachel Stephenson will join Northland as Chief People Officer, effective January 1, 2021. Ms. Stephenson will succeed Mr. John Hannah, who will be retiring in early 2021. Ms. Stephenson will be responsible for leading all of Northland's human resources functions globally. Ms. Stephenson brings to Northland more than 15 years of leadership in human resources, including extensive experience leading human resources strategies and functions for national and global organizations across multiple sectors, and technologies covering North America, Europe, Asia and Latin America. Most recently, Ms. Stephenson served as Vice President Human Resources for a leading consumer goods company, where she led and oversaw the execution of the human resources strategic growth objectives for over 6,000 employees.

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

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

Base Shelf Prospectus Renewal

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

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

In May 2020, Northland completed the early redemption of its outstanding 4.75% extendible convertible unsecured subordinated debentures, Series C, due June 30, 2020 ("**2020 Debentures**"). Holders converted approximately $147 million of their 2020 Debentures into 6.8 million new common shares prior to the May 11, 2020 redemption date.

Hai Long 1,044 MW Offshore Wind Development Project Update

Northland and its 40% partner, Yushan Energy, continue to engage with the Taiwan government on finalization of the project's investments into the local supply chain, however, COVID-19 has added uncertainty to timing of near-term development milestones. Northland continues to develop the Hai Long 2B and Hai Long 3 sub-projects, allocated a total of 744 MW under auction, and expects to execute their respective offtake agreements in 2021. In addition, recent market developments continue to indicate opportunities exist to enter into economically favourable commercial PPAs to augment the economics of Hai Long 2B and 3 sub-projects. As a result of the achievement of certain milestones, Northland commenced capitalization of Hai Long development costs in the third quarter in accordance with IFRS. For the nine months ended September 30, 2020, Northland incurred $29 million of development expenditures related to Hai Long, of which $16 million were expensed. Refer to *SECTION 8: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES* for additional information.

Deutsche Bucht 252 MW Project Update

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

Hecate Wind, Canadian Offshore Wind Development Project Acquisition

In September 2020, Northland completed its previously announced acquisition of Hecate Wind Offshore Wind Farm ("**Hecate Wind**") from NaiKun Wind Energy Group Inc. Hecate Wind is located in the Hecate Strait off the coast of British Columbia, Canada. This is an early stage development opportunity for the potential development of offshore wind in Canadian waters. The purchase price paid, net identifiable assets acquired and transaction costs related to the acquisition were immaterial.

Northland Corporate Credit Rating Re-affirmed

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

Dado Ocean, South Korean Offshore Wind Development Project Acquisition

In February 2020, Northland completed its acquisition of Dado Ocean Wind Farm Co. Ltd ("**Dado Ocean**"), an offshore wind development company based in South Korea with access to multiple early-stage development sites off the southern coast. Subsequent to the announcement of the acquisition, the Company commenced early stage development on sites in proximity of the original sites. These sites could provide the opportunity to increase the development capacity to approximately 1.0 gigawatts of offshore wind.

3.2: Operating Highlights

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

Summary of Consolidated Results

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
FINANCIALS				
Sales	**$ 470,867**	$ 378,437	**$ 1,567,793**	$ 1,220,799
Gross profit	**418,403**	355,945	**1,422,687**	1,136,871
Operating income	**179,477**	176,900	**723,169**	610,433
Net income (loss)	**108,964**	110,621	**458,260**	391,085
Adjusted EBITDA (a non-IFRS measure)	**254,297**	224,312	**901,581**	712,021
Cash provided by operating activities	**278,381**	241,554	**1,011,102**	890,789
Free cash flow (a non-IFRS measure)	**60,582**	74,112	**289,494**	251,125
Cash dividends paid (1)	**55,399**	54,119	**177,266**	162,243
Total dividends declared (1)	**60,147**	54,122	**184,126**	162,265
Shares and per share amounts				
Weighted average number of shares - basic (000s)	**201,626**	180,403	**197,697**	180,285
Common and class A shares outstanding (000s) (2)	**201,753**	180,392	**201,753**	180,392
Net income (loss) - basic	**$ 0.40**	$ 0.42	**$ 1.66**	$ 1.48
Free cash flow - basic	**$ 0.30**	$ 0.41	**$ 1.46**	$ 1.39
Total dividends declared (3)	**$ 0.30**	$ 0.30	**$ 0.90**	$ 0.90
ENERGY VOLUMES				
Electricity production in gigawatt hours (GWh) (4)	**2,045**	2,058	**6,804**	6,394

(1) Represents total dividends paid or declared to common and class A shareholders, including dividends in cash or in shares under the DRIP, as well as the dividend equivalent payment to subscription receipt holders upon conversion to common shares on January 14, 2020.

(2) As at September 30.

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

(4) Includes Deutsche Bucht's pre-completion production volumes. Refer to Section 4.1 Operating Results for additional information.

SECTION 4: RESULTS OF OPERATIONS

4.1: Operating Results

Offshore Wind Facilities

The following table summarizes operating results the offshore wind facilities:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Electricity production (GWh) (1)	**851**	850	**3,145**	2,520
Sales/gross profit (2) (3)	**$ 256,601**	$ 231,164	**$ 916,349**	$ 734,525
Operating costs (3)	**46,557**	29,435	**124,035**	95,469
Operating income	**119,150**	126,531	**526,639**	425,208
Adjusted EBITDA	**$ 150,523**	$ 139,144	**$ 580,591**	$ 432,616

(1) Includes GWh both produced and attributed to paid curtailments as well as pre-completion production for Deutsche Bucht in 2020.

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

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

Northland's three offshore wind facilities, Gemini, Nordsee One and Deutsche Bucht, are located off the coasts of the Netherlands and Germany. Wind facilities are subject to seasonality, and accordingly, tend to produce more electricity during winter due to denser air and higher winds compared to summer, the effect of which is reflected in the respective fiscal quarter's results. For the nine months ended September 30, 2020, Gemini, Nordsee One and Deutsche Bucht contributed approximately 29%, 18% and 17%, respectively, of Northland's reported adjusted EBITDA from facilities. Refer to the 2019 AIF for additional information on Northland's offshore wind facilities.

Results for Northland's offshore wind facilities are affected by foreign exchange rate fluctuations between the Euro and Canadian dollar, which primarily affect sales, net income and adjusted EBITDA. Northland has foreign exchange rate hedges at an average rate of $1.59/€ for 2020 ($1.56/€ for 2019) for a substantial portion of anticipated euro-denominated free cash flow, mitigating some of the effects of foreign exchange rate fluctuations.

Gemini has subsidy agreements with the Government of the Netherlands which expire in 2031. The subsidies top up the wholesale market-based revenue generated by Gemini to a fixed, contractual rate per megawatt hour (**MWh**) and are subject to an annual production ceiling (the "**Gemini Subsidy Cap**"), beyond which production earns revenue at wholesale market prices. Based on management's expectations of wind resources and resultant electricity production volumes, the Gemini Subsidy Cap and the associated earnings would be achieved during the fourth quarter of the calendar year. The top up to a fixed contractual rate is subject to a floor price, thereby exposing Gemini to market price risk if the average wholesale market price for the year falls below the contractual floor price ("**SDE floor**") of approximately €44/MWh.

Nordsee One and Deutsche Bucht have a Feed-In Tariff contract with the German government whereby the associated tariff is added to the 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 repairs**") of up to 28 days annually at each facility, which can have a significant effect on earnings depending on the season.

Subsequent to the end of the third quarter, Northland Power Europe (**NPE**), a subsidiary of Northland Power Inc. signed a service agreement with Nordsee One whereby NPE will provide turbine O&M services on behalf of Nordsee One. The contract will be effective December 2020 through 2027. The advantages to Northland of being able to provide these services include gaining a better fundamental understanding of the cost assumptions underpinning this offshore wind investment and will position the Company for cost-competitiveness in the post-tariff landscape. Furthermore, with the expertise and knowledge gained though the execution of these services, Northland will be able to apply these learnings to future offshore developments to enhance project profitability while ensuring a more balanced operational risk profile.

NORTHLAND POWER

At Deutsche Bucht, cash generated from pre-completion revenue was used to offset construction costs until responsibility transferred on a turbine by turbine basis from the contractor to Northland. Revenues and costs were recorded in operating income and adjusted EBITDA since wind turbines were operational during the construction stage. However, pre-completion revenue and operating costs are excluded from free cash flow during the construction phase since the funds are not yet distributable under the terms of lender agreements. Deutsche Bucht earned pre-completion revenues until it achieved final completion effective March 31, 2020, at which point net pre-completion revenue in excess of the amount required by project lenders to fund construction costs, was recognized as free cash flow totaling €63 million ($93 million) (the "**Deutsche Bucht Completion Distribution**"). In the second quarter of 2020, Deutsche Bucht received $11 million of proceeds from the sale of turbines intended for mono-bucket foundations ("**turbines proceeds**"), previously recorded as impaired. In the second quarter, Deutsche Bucht also accrued $21 million of proceeds from insurance related to construction of Deutsche Bucht ("**insurance proceeds**") that are included in income but not in free cash flow.

Electricity production for the three months ended September 30, 2020, was in line with the same quarter of 2019, after accounting for the incremental production from a full quarter of production from Deutsche Bucht in 2020. Excluding the contributions from Deutsche Bucht, production in the quarter was lower year over year with the decrease primarily due to low wind resource in the North Sea in the third quarter. Electricity production for the nine months ended September 30, 2020, increased 24.8% or 625 GWh compared to the same period of 2019 primarily due to contribution from Deutsche Bucht and high wind resource across all offshore facilities in the first quarter of 2020, partially offset by more periods of grid repairs and negative prices.

The table below summarizes total pre-completion production and revenue and the portion recognized in sales earned by Deutsche Bucht in 2020 and 2019:

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Pre-completion electricity production (GWh)	—	106	**349**	106
Pre-completion revenue in sales/gross profit [1]	—	17,271	**93,289**	17,271
Pre-completion revenue in construction-in-progress	—	10,813	—	10,813
Total pre-completion revenue	**$ —**	$ 28,084	**$ 93,289**	$ 28,084

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

Sales of $257 million for the three months ended September 30, 2020, increased 11.0% or $25 million compared to the same quarter of 2019 primarily due to $32 million of additional revenue from Deutsche Bucht and $15 million of favourable foreign exchange rate fluctuations partially offset by more periods of uncompensated outages and negative prices, as described above. Sales of $916 million for the nine months ended September 30, 2020, increased 24.8% or $182 million compared to the same period of 2019 primarily due to $166 million of additional revenue from Deutsche Bucht and higher production in the period, as described above. The following table summarizes the losses in sales from three factors:

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Wholesale market prices below SDE floor	**$ 9,841**	$ 2,994	**$ 22,004**	$ 3,990
Unpaid curtailment due to negative prices	**$ 668**	$ 75	**$ 20,720**	$ 6,398
Unpaid curtailment due to grid repairs	**$ 3,211**	$ 2,784	**$ 15,906**	$ 4,417

Operating costs of $47 million and $124 million for the three and nine months ended September 30, 2020, increased 58.2% or $17 million and 29.9% or $29 million compared to the same periods of 2019 primarily due to commencement of operations at Deutsche Bucht and the timing of repairs and maintenance activities compared to the same periods last year.

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

Operating income of $119 million for the three months ended September 30, 2020, decreased 5.8% or $7 million compared to the same quarter of 2019 largely due to higher sales and operating costs, as described above, combined with depreciation at Deutsche Bucht since reaching final completion. Operating income of $527 million for the nine months ended September 30, 2020, increased 23.9% or $101 million compared to the same period of 2019 primarily due to contributions from Deutsche Bucht and higher production at Gemini and Nordsee One in the first quarter of 2020.

Adjusted EBITDA of $151 million and $581 million, for the three and nine months ended September 30, 2020, respectively, increased 8.2% or $11 million and 34.2% or $148 million compared to the same periods of 2019 primarily due to the factors described above.

In the first quarter of 2020, earnings from Gemini became fully taxable due to prior utilization of tax loss carryforwards. Northland expects tax expense for Gemini to be €10 million ($16 million at Northland's share) for the full year 2020.

Efficient Natural Gas Facilities

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Electricity production (GWh)	**907**	937	**2,670**	**2,849**
Sales [1]	**$ 95,705**	$ 93,739	**$ 303,035**	$ 307,746
Less: cost of sales	**25,792**	21,682	**74,850**	76,620
Gross profit	**69,913**	72,057	**228,185**	231,126
Operating costs	**11,770**	13,550	**36,763**	38,521
Operating income	**48,407**	48,990	**162,560**	164,051
Adjusted EBITDA [2]	**$ 59,926**	$ 61,343	**$ 196,476**	$ 199,338

(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. When possible, management also aims to maximize returns through the re-marketing of natural gas storage and transportation ("**gas optimization**"). For the nine months ended September 30, 2020, Northland's six efficient natural gas facilities contributed approximately 22% of reported adjusted EBITDA from facilities, with North Battleford, Iroquois Falls and Thorold accounting for approximately 20%. Refer to the 2019 AIF for additional information on Northland's efficient natural gas facilities.

Electricity production for the three months ended September 30, 2020, was 3.3% or 31 GWh lower than the same quarter of 2019 primarily due to lower off-peak production at North Battleford, partially offset by higher production at Thorold due to favourable market conditions. Electricity production for the nine months ended September 30, 2020, was 6.2% or 178 GWh lower than the same period of 2019 primarily due to fewer dispatches at Thorold in the first quarter of 2020, lower off-peak production at North Battleford and fewer dispatches at another facility.

Sales of $96 million for the three months ended September 30, 2020, were 2.1% or $2 million higher than the same quarter of 2019, primarily due to price escalation at North Battleford and higher production at Thorold due to favourable market conditions. Sales of $303 million for the nine months ended September 30, 2020, were largely in line with the same periods of 2019 due to offsetting factors across the efficient natural gas facilities and their contractual structure which generally ensures stable operating results as long as the facility is available.

Gross profit of $70 million and $228 million for the three and nine months ended September 30, 2020 was largely in line with the same periods of 2019 primarily due primarily due to the factors described above.

Operating costs of $12 million and $37 million for the three and nine months ended September 30, 2020, were 13.1% or $2 million and 4.6% or $2 million lower than the same periods of 2019 primarily due to lower production and the timing of significant maintenance at a facility.

Operating income of $48 million and $163 million for the three and nine months ended September 30, 2020, were largely in line with the same periods of 2019 due to factors described above.

Adjusted EBITDA of $60 million and $196 million, respectively for the three and nine months ended September 30, 2020, was also largely in line with the same periods of 2019 due to factors described above.

On-shore Renewable Facilities

The following table summarizes the operating results of the on-shore renewable facilities:

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Electricity production (GWh) [(1)]	**287**	271	**989**	1,025
On-shore wind	**$ 22,558**	20,909	**$ 88,931**	$ 91,131
Solar	**30,303**	31,579	**77,696**	77,690
Sales/gross profit [(2)]	**52,861**	52,488	**166,627**	168,821
On-shore wind	**6,255**	6,878	**17,670**	20,009
Solar	**1,292**	1,202	**3,707**	3,765
Operating costs	**7,547**	8,080	**21,377**	23,774
Operating income	**22,810**	20,434	**78,249**	73,265
On-shore wind	**12,046**	10,121	**49,721**	49,746
Solar	**25,486**	26,730	**64,773**	64,261
Adjusted EBITDA	**$ 37,532**	$ 36,851	**$ 114,494**	$ 114,007

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

(2) On-shore renewable facilities do not have cost of sales and as a result, the reported sales figures equal gross profit.

Northland's on-shore renewable assets comprise on-shore wind and solar facilities located in Ontario and Québec. On-shore 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 thermal 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 nine months ended September 30, 2020, Northland's on-shore renewable facilities contributed approximately 13% of reported adjusted EBITDA from facilities. Refer to the 2019 AIF for additional information on Northland's on-shore renewable facilities.

Electricity production at the on-shore renewable facilities for the three months ended September 30, 2020, was 5.6% or 15 GWh higher than the same quarter of 2019 primarily due to a higher wind resource partially offset by lower solar resource. Electricity production for the nine months ended September 30, 2020, decreased 3.6% or 37 GWh compared to the same period of 2019 primarily due to a lower wind resource across all facilities.

Sales of $53 million and $167 million for the three and nine months ended September 30, 2020, were in line with the same periods of 2019 primarily due to the variances in electricity production described above. Production variances at the solar facilities have a larger effect on sales than the wind facilities since solar facilities receive a higher contracted price per MW.

Operating costs of $8 million and $21 million, respectively, for the three and nine months ended September 30, 2020, were 6.6% or $1 million and 10.1% or $2 million lower than the same quarter of 2019 primarily as a result lower production and lower profit-sharing costs.

Operating income and *adjusted EBITDA* of $23 million and $38 million, respectively, for the three months ended September 30, 2020, increased 11.6% or $2 million and 1.8% or $1 million compared to the same quarter of 2019 primarily due to lower operating costs as described above. Operating income of $78 million for the nine months ended September 30, 2020 increased 6.8% or $5 million primarily due to lower operating costs while adjusted EBITDA of $114 million was in line with the same period last year.

Utility

The following table summarizes the operating results of EBSA:

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Sales [1]	$ **55,878**	$ **—**	$ **160,917**	
Less: cost of sales	**17,800**	**—**	**51,566**	
Gross profit	**38,078**	**—**	**109,351**	—
Operating costs	**13,118**	**—**	**37,015**	
Operating income	**12,253**	**—**	**37,410**	
Adjusted EBITDA [1]	$ **22,316**		$ **66,712**	

(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 approximately 480,000 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 the nine months ended September 30, 2020, utility operations contributed approximately 7% of reported adjusted EBITDA from facilities. Refer to the 2019 AIF for additional information on EBSA.

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

Sales of $56 million and $161 million, respectively for the three and nine months ended September 30, 2020, include revenues from the sale of electricity to regulated customers, which accounted for 96% of EBSA's total sales, as well as to non-regulated customers.

Cost of sales of $18 million and $52 million, respectively for the three and nine months ended September 30, 2020, relate to the purchase of electricity for sale to customers and was primarily sourced under bilateral power purchase contracts, with incremental amounts purchased in the spot market. EBSA recovers the cost of electricity purchased through tariffs charged to customers.

Operating costs of $13 million and $37 million, respectively for the three and nine months ended September 30, 2020, include the cost of transmission charges, loss reduction programs, materials used in maintenance activities and the portion of personnel costs that relate to operations. EBSA recovers the operating costs in full and recovers the cost of loss reduction programs at a regulated proportion through tariffs charged to customers.

Operating income and *adjusted EBITDA* of $12 million and $37 million and $22 million and $67 million, respectively, for the three and nine months ended September 30, 2020, are composed of the items described above.

4.2: General and Administrative Costs and Other Income

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Corporate overhead	**$ 6,236**	$ 8,035	**$ 20,792**	$ 23,383
Development overhead	**8,926**	4,702	**20,636**	13,685
Development projects	**6,327**	4,567	**26,757**	13,853
Corporate G&A costs	**21,489**	17,304	**68,185**	50,921
Operations G&A	**6,410**	3,199	**19,111**	9,397
Acquisition costs	**304**	978	**7,474**	978
Total G&A costs	**28,203**	21,481	**94,770**	61,296

Corporate G&A costs for the three and nine months ended September 30, 2020, increased 24.2% or $4 million and 33.9% or $17 million, respectively, compared to the same periods in 2019 primarily due to increasing level of project development activities and higher personnel costs to support Northland's growth. Project development costs for the nine months ended include higher costs related to the Hai Long offshore wind project of $11 million compared to the same period in 2019.

Development overhead costs relate primarily to personnel, rent and other office costs not directly attributable to identifiable development projects. Development project costs are generally third-party costs directly attributable to identifiable development projects, whose capitalization begins once management determines that the project has a high likelihood of being pursued through to completion (refer to the 2019 Annual Report for additional information on the policy for capitalization of development costs). As a result of the achievement of certain milestones, Northland commenced capitalization of Hai Long development costs in the third quarter in accordance with IFRS. For the nine months ended September 30, 2020, Northland incurred $29 million of development expenditures related to Hai Long, of which $16 million were expensed. For the nine months ended September 30, 2020, development overhead and projects costs expensed totaled $0.25 of free cash flow per share (including joint venture-related development costs).

Operations G&A costs for the three and nine months ended September 30, 2020, increased 100.4% or $3 million and 103.4% or $10 million, respectively, compared to the same periods of 2019 primarily due to EBSA and costs related to new energy marketing activities.

Acquisition costs are generally third-party transaction-related costs directly attributable to an asset or business acquisition and these costs are excluded from adjusted EBITDA and free cash flow. For the three months ended September 30, 2020, acquisition costs were immaterial, and for the nine months ended September 30, 2020, acquisition costs totaled $7 million and primarily relate to advisory fees and representations and warranties insurance costs, amortized over the insurance term in accordance with IFRS, for the EBSA Acquisition.

The following table presents the effect of corporate G&A costs and other income on adjusted EBITDA:

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Corporate G&A costs	**(21,489)**	(19,923)	**(68,185)**	(50,921)
Other development project costs (1)	**(705)**	—	**(1,990)**	—
Gemini interest income	**4,069**	3,915	**12,006**	14,429
Other (2)	**2,238**	3,334	**1,477**	2,904
Corporate items in Adjusted EBITDA	**$ (15,887)**	$ (12,674)	**$ (56,692)**	$ (33,588)

(1) Includes Northland's share of costs incurred by a joint venture.

(2) Includes corporate investment income, energy marketing income (net), and certain operations costs.

Gemini interest income represents interest earned on the subordinated debt receivable from Gemini to Northland. Since Northland consolidates the financial results of Gemini, the subordinated debt balances and related investment income and interest expense eliminate upon consolidation; nevertheless, Gemini interest income is included in Northland's consolidated adjusted EBITDA because it reflects returns generated from an investment in core assets.

4.3: 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 nine months ended September 30, 2020.

Third Quarter

Total sales and *gross profit* of $471 million and $418 million, respectively, increased 24.4% or $92 million and 17.5% or $62 million compared to the same quarter of 2019 primarily due to sales revenue at EBSA, revenues at Deutsche Bucht and the effect of favourable foreign exchange rate fluctuations. The positive performance was partially offset by lower production in the offshore wind segment due to lower wind resource in the North Sea during the quarter, wholesale market prices falling below the SDE floor at Gemini, and unpaid curtailments at Nordsee One and Deutsche Bucht due to grid repairs.

Operating costs of $79 million increased 54.7% or $28 million compared to the same quarter of 2019 primarily due to the addition of costs from EBSA and Deutsche Bucht.

Total G&A costs of $28 million increased 31.3% or $7 million compared to the same quarter of 2019, of which, corporate G&A costs increased $4 million primarily due to increasing level of project development activities and higher personnel costs to support Northland's growth. Operations G&A increased $3 million primarily due to the acquisition of EBSA and costs related to new energy marketing activities.

Finance costs, *net* (primarily interest expense) of $89 million increased 13.6% or $11 million compared to the same quarter of 2019 primarily due to the effect of previously capitalized interest costs on Deutsche Bucht loan ($6 million), interest and amortized transaction costs on EBSA's credit facilities and on borrowings to finance the EBSA Acquisition ($10 million), partially offset by lower interest costs as a result of scheduled principal repayments on facility-level loans ($2 million).

Fair value gain on derivative contracts was $15 million compared to a $41 million gain in the same quarter of 2019 primarily due to the movement in the fair value of interest rate swaps and foreign exchange contracts.

Foreign exchange gain of $37 million is primarily due to unrealized gains from fluctuations in the closing foreign exchange rates.

Other (income) expense totaled $5 million of income compared to a $1 million expense in 2019. The current year income primarily relates to several EBSA transactions.

Net income decreased $2 million in the third quarter of 2020 compared to the same quarter of 2019 primarily as a result of the factors described above, combined with a $5 million lower tax expense.

Year to Date

Total Sales of $1.6 billion increased 28.4% or $347 million compared to 2019 primarily due to revenues at Deutsche Bucht, sales revenue at EBSA, higher production at Gemini and the effect of favourable foreign exchange rate fluctuations. The positive performance was partially offset by $22 million lower wholesale market prices at Gemini and $37 million of higher unpaid curtailments at Nordsee One and Deutsche Bucht due to more periods of negative prices and grid repairs.

Gross profit of $1.4 billion increased 25.1% or $286 million compared to 2019 primarily due to the same factors affecting sales described above and lower gas costs at the efficient natural gas facilities.

Operating costs of $219 million increased 38.9% or $61 million compared to 2019 primarily due to the addition of costs from EBSA and Deutsche Bucht, partially offset by lower costs at Nordsee One from operating efficiencies, lower profit-sharing fees at two onshore wind facilities.

Total G&A costs of $95 million increased 54.6% or $33 million compared to 2019, of which, corporate G&A costs increased 33.9% or $17 million primarily due to increasing level of project development activities and higher personnel costs to support Northland's growth. Project development costs include $11 million of higher costs related to the Hai Long offshore wind project. Operations G&A costs increased 103.4% or $10 million primarily due to acquisition of EBSA and costs related to new energy marketing activities. G&A also includes $7 million of acquisition costs primarily related to EBSA.

Finance costs, *net* (primarily interest expense) of $270 million increased 13.7% or $33 million compared to 2019 primarily due to the effect of previously capitalized interest costs on Deutsche Bucht loan ($18 million), interest on EBSA's credit facilities and on borrowings to finance the EBSA Acquisition, partially offset by lower interest costs as a result of scheduled principal repayments on facility-level loans ($11 million).

Foreign exchange gain of $91 million is primarily due to unrealized gains from fluctuations in the closing foreign exchange rate.

Fair value gain on derivative contracts was $11 million compared to an $110 million gain in 2019 primarily due to the movement in the fair value of interest rate swaps and foreign exchange contracts.

Other (income) expense totaled $25 million of income primarily as a result of proceeds received from the sale of turbines originally intended for use with mono-bucket foundations at Deutsche Bucht as well as accrued insurance proceeds related to construction of Deutsche Bucht.

Net income increased $67 million for the nine months ended September 30, 2020 compared to 2019 mainly due to the factors described above, partially offset by a $12 million higher tax expense.

4.4: Adjusted EBITDA

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Net income (loss)	**$ 108,964**	$ 110,621	**$ 458,260**	$ 391,085
Adjustments:				
Finance costs, net	**88,787**	78,130	**270,074**	237,511
Gemini interest income	**4,069**	3,915	**12,006**	14,429
Provision for (recovery of) income taxes	**18,679**	23,604	**92,707**	80,970
Depreciation of property, plant and equipment	**135,473**	110,308	**397,177**	318,383
Amortization of contracts and intangible assets	**9,736**	4,663	**28,649**	14,157
Fair value (gain) loss on derivative contracts	**(15,449)**	(40,871)	**(10,774)**	(109,623)
Foreign exchange (gain) loss	**(36,683)**	(370)	**(90,998)**	5,093
Elimination of non-controlling interests	**(63,223)**	(67,734)	**(236,814)**	(231,269)
Finance lease (lessor) and equity accounting	**1,315**	835	**1,864**	2,610
Other adjustments	**2,629**	1,211	**(20,570)**	(11,325)
Adjusted EBITDA	**$ 254,297**	$ 224,312	**$ 901,581**	$ 712,021

Interest income reflects earned on Northland's €117 million subordinated debt to Gemini, including accrued interest. Semi-annual principal payments will commence in 2027 until maturity in 2032. Northland consolidates the financial results of Gemini and, as a result, Northland's loan balances, investment income, and interest expense are eliminated upon consolidation.

Other adjustments primarily include acquisition costs, turbine proceeds and insurance proceeds for the nine months ended September 30, 2020. For the nine months ended September 30, 2019, other adjustments primarily include a non-cash fair value adjustment on a loan receivable.

Third Quarter

Adjusted EBITDA of $254 million for the three months ended September 30, 2020, increased 13.4% or $30 million compared to the same quarter of 2019. The significant factors increasing adjusted EBITDA include:

- $22 million increase as a result of operations at EBSA, which is consolidated from the acquisition date of January 14, 2020; and
- $21 million increase as a result of operating results from Deutsche Bucht which achieved commercial operations on March 31, 2020;

Partially offsetting these increases in adjusted EBITDA were:

- $3 million increase in corporate items in adjusted EBITDA primarily due to an increasing level of project development activities;
- $6 million decrease in operating results from Gemini due to lower wind resource in the third quarter and a lower wholesale market price; and

- $4 million decrease in operating results from Nordsee One primarily due to lower wind resource and unpaid curtailments due to unscheduled grid repairs by the system operator.

Year-to-date

Adjusted EBITDA of $902 million for the nine months ended September 30, 2020, increased 27% or $190 million compared to the same period of 2019. The significant factors increasing adjusted EBITDA include:

- Higher contributions from the offshore wind operations due to:
  - $136 million increase in operating results from at Deutsche Bucht;
  - $7 million net increase in operating results from Nordsee One primarily due to higher wind resource in the first quarter of 2020, partially offset by unpaid curtailments due to periods of negative market pricing and grid repairs by the system operator;
  - $5 million net increase in operating results from Gemini primarily due to higher wind resource in the first quarter of 2020, partially offset by a lower wholesale market price.
- $67 million increase as a result of utility operations at EBSA, which are consolidated from the acquisition date of January 14, 2020.

Partially offsetting these increases in adjusted EBITDA were:

- $23 million increase in corporate items in adjusted EBITDA primarily due to an increasing level of project development activities, including $11 million higher development costs for the Hai Long offshore wind project.

4.5: Free Cash Flow

The following table reconciles cash flow from operations to free cash flow:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Cash provided by operating activities	**$ 278,381**	$ 241,554	**$ 1,011,102**	$ 890,789
Adjustments:				
Net change in non-cash working capital balances	**(9,082)**	12,096	**18,685**	(21,360)
Non-expansionary capital expenditures	**(5,163)**	(1,814)	**(12,531)**	(3,966)
Restricted funding for major maintenance, debt and decommissioning reserves	**(2,470)**	(2,098)	**(11,854)**	(10,900)
Interest paid, net	**(46,332)**	(46,008)	**(199,015)**	(184,061)
Scheduled principal repayments on facility debt	**(218,696)**	(18,051)	**(556,005)**	(257,760)
Funds set aside (utilized) for scheduled principal	**77,740**	(72,782)	**75,652**	(78,260)
Preferred share dividends	**(2,802)**	(2,936)	**(8,657)**	(8,796)
Consolidation of non-controlling interests	**(27,734)**	(29,926)	**(97,458)**	(84,171)
Deutsche Bucht Completion Distribution	**—**	—	**93,144**	—
Cash from operating activities from projects under construction	**—**	—	**(66,853)**	—
Lease payments	**(2,321)**	(1,953)	**(6,763)**	(4,799)
Investment income (1)	**5,662**	4,644	**17,018**	16,453
Nordsee One proceeds from government grant and warranty settlement	**6,486**	4,766	**20,472**	15,613
Foreign exchange	**2,051**	(1,904)	**4,217**	(5,235)
Other (2)	**4,862**	(11,476)	**8,340**	(12,422)
Free cash flow	**$ 60,582**	$ 74,112	**$ 289,494**	$ 251,125

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

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

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 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 yearly cash flow profile, while Nordsee One and Deutsche Bucht's principal repayments are scheduled semi-annually. For 2020, Northland's share of Gemini, Nordsee One and Deutsche Bucht principal repayments are expected to total €82 million, €80 million and €84 million, respectively of which $0.55, $0.44, and $0.50 have been reflected in free cash flow per share amounts reported for the nine months ended September 30, 2020 (2019 - €79 million, €72 million and €nil).

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

In 2014, Nordsee One was awarded a grant under the European Commission's NER 300 program. The total grant value of €70.0 million was recorded as a reduction in property, plant and equipment upon completion of the project. Cash proceeds from the grant are based on production volumes, with the first cash payment received in 2019 for production in 2018, with final cash payments expected to be received in 2023 for production in 2022. Proceeds under the grant attributable to Nordsee One's production during the respective periods are included in free cash flow.

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 September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Cash dividends paid to common and Class A shareholders	**$ 55,399**	$ 54,119	**$ 177,266**	$ 162,243
Free cash flow payout ratio - cash dividends (1)			**64.8 %**	60.7 %
Total dividends paid to common and Class A shareholders (2)	**$ 60,501**	$ 54,119	**$ 184,486**	$ 162,243
Free cash flow payout ratio - total dividends (1) (2)			**66.3 %**	63.4 %
Weighted avg. number of shares - basic (000s) (3)	**201,626**	180,403	**197,697**	180,285
Weighted avg. number of shares - diluted (000s) (4)	**201,626**	187,815	**200,896**	187,231
Per share ($/share)				
Dividends paid (5)	**$0.30**	$0.30	**$0.90**	$0.90
Free cash flow — basic	**$0.30**	$0.41	**$1.46**	$1.39
Free cash flow — diluted	**$0.30**	$0.40	**$1.45**	$1.36

(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.

Third Quarter

Free cash flow of $61 million for the three months ended September 30, 2020, was 18.3% or $14 million lower than the same quarter of 2019. The significant factors decreasing free cash flow include:

- $43 million increase in scheduled principal repayments, primarily due to Deutsche Bucht and Grand Bend, which began in the first quarter of 2020; refer to the SECTION 9: Outlook for additional information on Deutsche Bucht's scheduled principal repayment in 2020;
- $8 million increase in net interest expense primarily due to the effect of previously capitalized interest costs on Deutsche Bucht loan $6 million, interest on EBSA's credit facilities and on borrowings to finance the EBSA Acquisition, partially offset by lower interest costs as a result of scheduled principal repayments on facility-level loans ($2 million);
- $5 million increase in current tax expense primarily due to the addition of EBSA as well as higher current taxes at the offshore wind facilities, including Gemini becoming taxable in 2020; and
- $3 million of non-expansionary capital expenditures primarily at EBSA.

Partially offsetting the decrease in free cash flow was a $49 million increase in overall earnings primarily due to the factors improving adjusted EBITDA, such as contributions from Deutsche Bucht and EBSA.

Year-to-date

Free cash flow of $289 million for the nine months ended September 30, 2020, was 15.3% or $38 million higher than the same period of 2019. The significant factors increasing free cash flow include:

- $142 million increase in overall earnings primarily due to the factors improving adjusted EBITDA; and
- $93 million increase as a result of the Deutsche Bucht Completion Distribution related to the March 31, 2020 term conversion.

Factors partially offsetting the increase in free cash flow include:

- $121 million increase in scheduled principal repayments, primarily at Deutsche Bucht and at Grand Bend, which began in 2020; refer to the SECTION 9: Outlook for additional information on Deutsche Bucht's scheduled principal repayment in 2020;
- $34 million increase in current tax expense primarily due to the addition of EBSA as well as higher current taxes at the offshore wind facilities, including Gemini becoming taxable in 2020;
- $18 million increase in net interest expense primarily due to the effect of previously capitalized interest costs on Deutsche Bucht loan $18 million, interest on EBSA's credit facilities and on borrowings to finance the EBSA Acquisition, partially offset by lower interest costs as a result of scheduled principal repayments on facility-level loans ($11 million); and
- $14 million increase in corporate items in free cash flow primarily due to an increasing level of project development activities, including $11 million higher costs from the Hai Long offshore wind project.

As at September 30, 2020, the rolling four quarter free cash flow net payout ratio was 64.8%, calculated on the basis of cash dividends paid compared to 60.7% for same period ending September 30, 2019. The increase in the free cash flow payout ratio, calculated on the basis of dividends paid was primarily due to higher cash dividends paid upon conversion of subscription receipts in January 2020 and the redemption of the convertible debentures into common shares in May 2020.

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 September 30, 2020 and December 31, 2019.

As at	September 30, 2020	December 31, 2019
Assets		
Cash and cash equivalents	**$ 487,040**	$ 268,193
Restricted cash	**208,758**	623,007
Trade and other receivables	**422,899**	295,427
Other current assets	**70,159**	44,521
Property, plant and equipment	**8,760,640**	8,072,519
Contracts and other intangible assets	**542,868**	521,050
Other assets (1)	**982,711**	521,898
	$ 11,475,075	$ 10,346,615
Liabilities		
Trade and other payables	**299,347**	193,160
Interest-bearing loans and borrowings	**7,467,712**	6,893,227
Net derivative liabilities (2)	**581,749**	438,772
Net deferred tax liability (2)	**299,177**	192,226
Other liabilities (3)	**872,977**	1,118,478
	$ 9,520,962	$ 8,835,863
Total equity	**1,954,113**	1,510,752
	$ 11,475,075	$ 10,346,615

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

(2) Presented on a net basis.

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

Significant changes in Northland's unaudited interim condensed consolidated balance sheets were as follows:

- *Restricted cash* decreased by $414 million primarily due to the conversion of the subscription receipts and release of funds from escrow.
- *Trade and other receivables* increased by $127 million mainly due to consolidation of EBSA and exchange rate fluctuations.
- *Property, plant and equipment* increased by $688 million primarily due to the EBSA Acquisition, completion of construction at Deutsche Bucht, ongoing construction at La Lucha and exchange rate fluctuations.
- *Other assets* increased by $461 million mainly due to the recognition of goodwill related to the EBSA Acquisition.
- *Trade and other payables* increased by $106 million primarily due to consolidation of EBSA and the exchange rate fluctuations.
- *Interest-bearing loans and borrowings* increased by $574 million mainly due to the new EBSA Facility and exchange rate fluctuations, partially offset by scheduled principal repayments on facility-level debt.
- *Net deferred tax liability* (deferred tax asset less deferred tax liabilities) increased by $107 million due to movements in the differential between accounting and tax balances, particularly the movement in net derivative liabilities.
- *Other liabilities* decreased by $246 million, primarily due to the conversion of subscription receipts and the redemption of the 2020 Debentures into common share equivalents.

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 development 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, corporate credit facilities, convertible debentures and equity, such as common and preferred shares.

Equity and Convertible Unsecured Subordinated Debentures

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

	September 30, 2020	**December 31, 2019**
	Shares	Shares
Shares outstanding, beginning of year	**179,441,219**	179,201,743
Conversion of subscription receipts	**14,289,000**	—
Conversion of debentures	**6,896,136**	239,476
Conversion of Class A shares	**1,000,000**	
Shares issued under the DRIP	**126,645**	—
Shares outstanding, end of period	**201,753,000**	179,441,219
Class A shares	**—**	1,000,000
Total common and convertible shares outstanding, end of period	**201,753,000**	180,441,219

Preferred shares outstanding as at September 30, 2020 and December 31, 2019 are as follows:

As at	**September 30, 2020**	**December 31, 2019**
Preferred shares outstanding		
Series 1	**4,762,246**	4,501,565
Series 2	**1,237,754**	1,498,435
Series 3	**4,800,000**	4,800,000
Total	**10,800,000**	10,800,000

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

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

On September 24, 2020, the 1,000,000 Class A shares previously held by a current Director of the Company, were converted into common shares on a one-for-one basis, and in addition to 5,224,067 common shares, subsequently donated. As a result, the special appointment rights associated with the Class A shares were extinguished. Immediately following the donation, shares beneficially controlled indirectly and directly by the Director represented less than 10% of the outstanding common shares of the Company.

As at September 30, 2020, Northland had 201,753,000 common shares outstanding (as at December 31, 2019 - 179,441,219). During the first nine months of 2020, $149 million of convertible debentures were converted into 6,896,136 new common shares largely due to the early redemption of the 2020 Debentures on May 11, 2020.

As of the date of this MD&A, Northland has 201,892,039 common shares outstanding with no change in preferred shares outstanding from September 30, 2020.

Subscription Receipts

Upon closing of the EBSA Acquisition on January 14, 2020, gross proceeds of $347 million from the subscription receipts, less applicable transaction costs, were converted to 14,289,000 common shares on a one-to-one basis and a dividend equivalent cash payment equal to $0.40 per subscription receipt, totaling $6 million, was paid to subscription receipt holders. Following the issuance of common shares, there were no outstanding subscription receipts.

Normal Course Issuer Bid

In December 2019, the Toronto Stock Exchange (**TSX**) approved the renewal of Northland's Normal Course Issuer Bid (**NCIB**) commencing December 17, 2019, and ending December 16, 2020. Pursuant to the NCIB, Northland may purchase for cancellation up to 8,000,000 common shares representing approximately 4.5% of Northland's then issued and outstanding common shares. In accordance with TSX rules, any daily purchases (other than pursuant to a block purchase exemption) under the NCIB are limited to a maximum of 148,272 common shares, which represents 25% of the average daily trading volume on the TSX for the six months ended November 30, 2019. No purchases have been made under this NCIB to date.

Liquidity and Capital Resources

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Cash and cash equivalents, beginning of year	**$ 409,074**	$ 288,696	**$ 268,193**	$ 278,400
Cash provided by operating activities	**278,381**	241,554	**1,011,102**	890,789
Cash used in investing activities	**(46,734)**	(218,869)	**(756,936)**	(651,162)
Cash (used in) provided by financing activities	**(185,264)**	(10,243)	**(111,005)**	(210,894)
Effect of exchange rate differences	**31,583**	1,544	**75,686**	(4,451)
Cash and cash equivalents, end of period	**$ 487,040**	$ 302,682	**$ 487,040**	$ 302,682

Year-to-date

Cash and cash equivalents for the nine months ended September 30, 2020, increased $219 million due to cash provided by operations of $1,011 million, cash used in financing activities of $111 million and $76 million effect of foreign exchange translation, partially offset by $757 million of cash used in investing activities.

Cash provided by operating activities for the nine months ended September 30, 2020 was $1,011 million comprising:

- $458 million of net income;
- $572 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; and
- $19 million in changes in working capital due to the timing of payables, receivables and deposits.

Cash used in investing activities for the nine months ended September 30, 2020, was $757 million, primarily comprising:

- $736 million paid for the acquisition of EBSA and NP Energia, net of cash acquired;
- $192 million used for the purchase of property, plant and equipment, mainly for the completion of construction at Deutsche Bucht and ongoing construction at La Lucha; and
- $63 million in changes in working capital primarily related to the timing of construction payables at Deutsche Bucht.

Factors partially offsetting cash used in investing activities include:

- $130 million release of restricted cash mainly related to Deutsche Bucht achieving term conversion; and
- $98 million received for the settlement of outstanding warranty obligations with Nordsee One's turbine manufacturer.

Cash used in financing activities for the nine months ended September 30, 2020, was $111 million, primarily comprising:

- $107 million in net drawdowns under the corporate syndicated revolving facility and the EBSA Bridge;
- $341 million received from common shares issued on the conversion of the subscription receipts; and

- $126 million of proceeds drawn on project debt from borrowings under Deutsche Bucht's construction loan.

Factors partially offsetting cash used in financing activities include:

- $326 million of common, Class A and preferred share dividends as well as dividends to non-controlling shareholders;
- $40 million change in restricted cash, primarily from funds set aside for debt service at Deutsche Bucht;
- $204 million in interest payments; and
- $556 million in scheduled principal repayments on project debt.

Movement of foreign currencies, including primarily the euro and Colombian peso, against the Canadian dollar increased cash and cash equivalents by $76 million for the nine months ended September 30, 2020. Northland aims to mitigate the effects of exchange rate fluctuations through a variety of mechanisms, including foreign exchange hedges and natural hedges by corporate debt denominated in USD or Euro for operating expenditures.

Property, Plant and Equipment

The following table provides a continuity of the cost of property, plant and equipment for the nine months ended September 30, 2020:

	Cost balance as at Dec. 31, 2019	Acquired	Additions	Other [(1)]	Exchange rate differences	Cost balance as at Sept. 30, 2020
Operations:						
Offshore wind	$ 6,745,007	$ —	$ 38,639	$ (61,990)	$ 481,549	**$ 7,203,205**
Efficient natural gas[(2)]	1,762,113	—	3,127	2,249	—	**1,767,489**
On-shore renewable	1,750,560	—	538	440	—	**1,751,538**
Utility	—	614,587	12,666	—	(78,904)	**548,349**
Construction:						
On-shore renewable	41,368	—	115,471	(153)	(6,779)	**149,907**
Corporate [(3)]	54,585	—	21,882	(885)	3,271	**78,853**
Total	$ 10,353,633	$ 614,587	$ 192,323	$ (60,339)	$ 399,137	**$ 11,499,341**

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

(2) Excludes Spy Hill lease receivable accounting treatment.

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

Long-term Debt

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

The following table provides a continuity of Northland's debt for the nine months ended September 30, 2020:

	Balance as at Dec. 31, 2019	Acquired	Financings, net of costs	Repayments	Amort. of costs/fair value	Exchange rate differences	Transfers	Balance as at Sept. 30, 2020
Operations:								
Offshore wind	$ 3,578,055	$ —	$ 2,334	$ (282,784)	$ 12,348	$ 261,535	$ 1,475,777	**$ 5,047,265**
Efficient natural gas	951,487	—	44,000	(32,181)	9,500	—	—	**972,806**
On-shore renewable	1,055,402	—	—	(44,635)	773	—	—	**1,011,540**
Utility	—	219,163	445,050	(196,405)	886	(32,593)		**436,101**
Construction:								
Offshore wind	1,308,283	—	79,757	—	(617)	88,354	(1,475,777)	**—**
Corporate (1)	171,384	—	1,486,815	(1,379,484)	2,726	22,691	—	**304,132**
Total	$ 7,064,611	$ 219,163	$ 2,057,956	$ (1,935,489)	$ 25,616	$ 339,987	$ —	**$ 7,771,844**

(1) Excludes convertible unsecured subordinated debentures.

In addition to the loans outstanding in the above table, as at September 30, 2020, $29 million of letters of credit were outstanding under non-recourse project-level credit facilities for operational use.

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

On June 24 2020, Northland entered into a long-term, non-recourse financing agreement on behalf of EBSA for an aggregate amount of approximately $465 million ("**EBSA Facility**"), inclusive of a Canadian dollar tranche and a Colombian peso tranche. The EBSA facility replaced the interim bridge credit facility ("**EBSA Bridge**") previously in place as well as facility-level borrowings. The EBSA Facility is structured as a $450 million term loan and a $15 million debt service reserve credit facility, for an initial two-year term, which Northland expects to renew annually and generate upfinancing proceeds, subject to market conditions. The facility has a blended interest rate of 5.3% and provides Northland with the ability to upsize EBSA's capital structure annually by increasing leverage commensurate with expected growth in EBSA's operating results.

Debt Covenants

Northland generally conducts its business indirectly through separate subsidiary legal entities and is dependent on the distribution of cash from those subsidiary entities to defray its corporate expenses, repay corporate debt and to pay cash dividends to common and preferred shareholders. Most operating subsidiaries hold non-recourse debt, which typically prohibits distributions if the loan is in default (notably for non-payment of principal or interest) or if the entity fails to achieve a benchmark debt service coverage ratio, which is the ratio of EBITDA to scheduled principal and interest payments over a specified time period. Northland and its subsidiaries were in compliance with all debt covenants for the period ended September 30, 2020.

Corporate Credit Facilities and Letters of Credit

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

As at September 30, 2020	Facility size	Amount drawn	Outstanding letters of credit	Available capacity	Maturity date
Syndicated revolving facility	$ 1,000,000	$ 307,066	$ 113,859	$ 579,075	Jun. 2024
Bilateral letter of credit facility	150,000	—	148,805	1,195	Mar. 2022
Export credit agency backed letter of credit facility	100,000	—	13,908	86,092	Mar. 2021
Total	**$ 1,250,000**	**$ 307,066**	**$ 276,572**	**$ 666,362**	
Less: deferred financing costs		2,934			
Total, net		**$ 304,132**			

- In the first quarter of 2020, the size of the bilateral letter of credit facility was increased to $150 million from $100 million.
- Of the $277 million of corporate letters of credit issued as at September 30, 2020, $85 million relates to projects under advanced development or construction.

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.

In millions of dollars, except per share information	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Total sales	$ 471	$ 429	$ 668	$ 438	$ 378	$ 344	$ 499	$ 381
Operating income	179	149	395	203	177	146	288	171
Net income (loss)	109	74	275	61	111	76	204	65
Adjusted EBITDA	254	227	421	273	224	194	294	221
Cash provided by operating activities	278	365	368	334	242	341	308	291
Free cash flow	61	17	211	67	74	35	142	89
Per share statistics								
Net income (loss) - basic	$ 0.40	$ 0.26	$ 1.02	$ 0.23	$ 0.42	$ 0.28	$ 0.78	$ 0.23
Net income (loss) - diluted	0.40	0.26	0.99	0.23	0.41	0.28	0.76	0.22
Free cash flow - basic	0.30	0.09	1.10	0.37	0.41	0.20	0.79	0.50
Total dividends declared (1)	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30

(1) Excludes $0.40 of dividends declared and paid upon conversion of 14,289,000 subscription receipts on January 14, 2020.

NORTHLAND POWER

SECTION 8: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES

New York Onshore Wind Projects Acquisitions

In the third quarter of 2020, Northland expanded its North American portfolio with its entry into the U.S. renewables market through the closing of the acquisition of three onshore wind projects in New York State with a total gross capacity of approximately 300 megawatts and a purchase price of $5.6 million. Management expects to incur development costs related to the projects in 2020. These projects position Northland to actively participate in the growing renewables market in New York State, which is expected to grow by 26 GW by 2030. The acquisition of these projects is a continuation of Northland's long-standing strategy of early entry into a project and leveraging its substantial experience and expertise in offshore and onshore wind to execute its first investment into the U.S. renewable energy sector.

Hecate Wind, Canadian Offshore Wind Development Project Acquisition

In September 2020, Northland completed its previously announced acquisition of Hecate Wind Offshore Wind Farm ("**Hecate Wind**") from NaiKun Wind Energy Group Inc. Hecate Wind is located in the Hecate Strait off the coast of British Columbia, Canada. This is an early stage development opportunity for the potential development of offshore wind in Canadian waters. The purchase price paid, net identifiable assets acquired and transaction costs related to the acquisition were immaterial.

La Lucha 130 MW Project Update

The construction of the 130 MW La Lucha solar project in the State of Durango, Mexico is progressing relatively on schedule with completion expected by the end of 2020. Activities at La Lucha were affected by COVID-19, requiring added precautions, including coordination of communications and protocols with contractors and subcontractors, enhanced hygiene protocols, body temperature screening and other safety measures intended to minimize the potential transmission of the virus. Northland remains in close communication with suppliers and subcontractors to ensure the project remains on track. Total capital cost for the project remains unchanged at approximately $190 million.

NP Energía, Mexican Qualified Supplier Acquisition

As part of its development strategy in Mexico and to facilitate securing off-take agreements for La Lucha, Northland completed the acquisition, in the second quarter of 2020, of NP Energía, which holds a qualified supplier license in Mexico. NP Energía enables Northland to operate in the electricity sector in Mexico by contracting loads and generators, which also allows a more direct path to market for Northland's generation projects, including La Lucha.

EBSA, Colombian Regulated Power Distribution Utility Acquisition

In July 2020, Northland finalized the purchase price for its January 14, 2020, of a 99.2% interest in the Colombian regulated power distribution utility, EBSA for a total purchase price of COP 2,530 billion ($1,007 million) including existing debt of COP 550 billion ($219 million). Pursuant to the share purchase agreement, the purchase price had been subject to post-closing adjustments following a review of the final tariff resolution. Concurrent with the final tariff resolution, the final purchase price was adjusted from COP 2,412 billion ($960 million). Subsequent to September 30, 2020, EBSA completed an offer to minority shareholders to repurchase their shares of EBSA, as a result of which, Northland effectively now owns 99.4% of EBSA.

Deutsche Bucht 252 MW Project Update

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

Dado Ocean, South Korean Offshore Wind Development Project Acquisition

In February 2020, Northland completed its acquisition of Dado Ocean Wind Farm Co. Ltd ("**Dado Ocean**"), an offshore wind development company based in South Korea with access to multiple early-stage development sites off the southern coast. Subsequent to the announcement of the acquisition, the Company commenced early stage development on sites in proximity of the original sites. These sites could provide the opportunity to increase the development capacity to approximately 1.0 gigawatts of offshore wind.

Hai Long 1,044 MW Offshore Wind Development Project Update

In 2018, the Hai Long project owned by Northland and its 40% partner, Yushan Energy, was 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.

In early 2019, Northland and Yushan Energy executed a 20-year PPA with Taipower for the 300 MW Hai Long 2A offshore wind project. Preferred supplier agreements for turbine supply and balance of plant components were executed in late 2019 for both Hai Long 2 and 3. In the second quarter of 2020, Hai Long entered into an interim agreement to use 14MW wind turbines for the Hai Long 2A sub-project. The use of the larger turbines is expected to generate economic benefits through realized cost savings by using fewer turbines. Recent market developments continue to indicate opportunities exist to enter into economically favourable commercial PPAs to augment the economics of Hai Long 2B and 3 sub-projects. Northland and Yushan Energy continue to engage with the Taiwan government on finalization of the project's investments into the local supply chain, however, COVID-19 has added uncertainty to timing of nearer-term development milestones. Northland continues to develop the Hai Long 2B and Hai Long 3 sub-projects, allocated a total of 744 MW under auction, and expects to execute their respective offtake agreements in 2021 with Taipower.

SECTION 9: OUTLOOK

Northland has successfully established a global platform with geographic and technology diversification across four continents. The Company actively pursues new sustainable infrastructure opportunities that encompass a range of clean technologies, including onshore and offshore renewables as well as electricity grid networks and is an operator of a regulated utility. The Company's long-term growth strategy is centered on the development of its extensive pipeline of offshore wind projects in Europe and Asia which have the ability to increase long-term cash flow growth potential of the Company. These current projects encompass the 1,044 MW Hai Long, 600 MW Chiba and 1,000 MW Dado Ocean projects in Taiwan, Japan and South Korea, respectively. In addition to these projects, Northland continues to pursue further offshore development opportunities in Asia and Europe.

These longer-term opportunities are complemented by short- and mid-term development opportunities in onshore renewable projects in Europe, North America and Latin America. Current projects encompass the recently acquired 300 MW onshore wind projects in New York State and onshore renewable development opportunities in Colombia.

This strategy aligns with the view that the global decarbonization movement will result in profound growth within the industry. Successful implementation and execution of these development opportunities will position Northland to be key participant in this movement and will allow the Company to significantly grow its global position over the next 5 to 10 years. Today, Northland is a top-ten owner and developer of offshore wind assets globally by megawatt capacity.

Activity Update

Construction activities at Northland's La Lucha solar project in Mexico are progressing with completion expected by end of the year.

As noted earlier, Northland closed the acquisition of three onshore wind development projects in New York State during the quarter with a total gross capacity of approximately 300 MW. The U.S. has a growing renewable energy market and Northland intends to expand its presence by leveraging the New York wind portfolio to target other projects and markets in the Northeast U.S. and establish a portfolio of onshore renewable projects in excess of 1.0 GW. Commercial operations is expected in 2022 and Northland intends to use a common non-recourse financing structure for the projects that will take full advantage of the qualifying U.S. renewable energy production tax credits.

In Colombia, Northland has leveraged its acquisition of EBSA and is actively pursuing onshore renewable development opportunities as part of its strategy of developing a platform for growth.

Guidance Update

Management continues to expect 2020 adjusted EBITDA to be in the range of $1.1 to $1.2 billion, which speaks to strong operational results, which offset the lower offshore wind revenues realized due to negative and low wholesale market pricing experienced as a result of COVID-19 and unusually high third party grid outages affecting our German facilities.

For free cash flow, Northland has delivered strong results, amounting to $289 million or $1.46 per share for the first nine months of the year, in spite of the aforementioned lower revenues experienced within the offshore wind facilities. Within the financial guidance released in February 2020, Northland's assumptions included optimizing the Deutsche Bucht project by refinancing its $1.5 billion debt, including the deferral of a €38 million ($0.30 per share) scheduled principal debt repayment due in the second half of 2020. COVID-19 adversely affected lending markets, and as a result Northland opted to change its refinancing strategy for Deutsche Bucht. Taking advantage of an improving lending environment, the refinancing of Deutsche Bucht's debt is now expected to be completed in 2021. Consequently, the project's future cash flows from 2021 onwards are now expected to improve. The non-deferral of Deutsche Bucht scheduled debt repayment in December 2020 will reduce free cash flow by approximately $0.30 per share for the year, of which $0.15 has been deducted in the third quarter.

As a result of the above decision, management expects 2020 free cash flow per share to be in the range of $1.60 to $1.70 (formerly, $1.70 to $2.05).

Investor Day

Northland will be hosting a virtual Investor Day in January 2021 to showcase the Company's extensive development pipeline and outline its growth objectives for the next five years. In addition, the Company will provide an update on its environmental, social and governance (ESG) initiatives and other corporate developments. Additional details regarding the event will be provided in December 2020.

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

SECTION 11: FINANCIAL RISKS AND UNCERTAINTIES

For information on Northland's key risks, uncertainties, financial instruments and contractual commitments refer to Northland's 2019 Annual Report and the 2019 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 2019 Annual Report or the 2019 AIF.

Northland's overall risk management approach seeks to mitigate the financial risks to which it is exposed in order to maintain stable and sustainable levels of cash available to pay dividends to shareholders. Northland does not seek to mitigate fair value risk. Northland classifies financial risks into the categories of market risk, counterparty risk and liquidity risk. Refer to Note 16 of the 2019 Annual Report for additional information on Northland's risk management.

Risks related to COVID-19

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

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

SECTION 12: FUTURE ACCOUNTING POLICIES

Management assesses each new IFRS or amendment to determine whether it may have a material impact on Northland's consolidated financial statements. As at September 30, 2020, there have been no accounting pronouncements by the International Accounting Standards Board that expected to materially affect Northland's consolidated financial statements.

SECTION 13: CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING

A rigorous and comprehensive financial governance framework is in place at Northland and its subsidiaries. Northland's 2019 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 2020 in association with the filing of the 2019 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 September 30, 2020, 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 period ended September 30, 2020, that have materially affected or are reasonably likely to materially affect Northland's internal controls over financial reporting. Recent acquisitions, including EBSA, have been adequately integrated into the existing financial governance framework.