2021
Annual Report

NORTHLAND POWER

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Northland Power is a global power producer dedicated to helping the clean energy transition by producing electricity from clean renewable resources. Founded in 1987, Northland has a long history of developing, building, owning and operating clean and green power infrastructure assets and is a global leader in offshore wind. In addition, Northland owns and manages a diversified generation mix including onshore renewables, efficient natural gas energy, as well as supplying energy through a regulated utility.

Headquartered in Toronto, Canada, with global offices in eight countries, Northland owns or has an economic interest in 3.2 GW (net 2.8 GW) of operating capacity. The Company also has a significant inventory of projects in construction and in various stages of development encompassing over 14 GW of potential capacity.

Letter to Shareholders

Dear fellow shareholders,

In 2021, Northland delivered strong financial results, despite the continued impact of the global pandemic. Our strong performance is a testament to our entrepreneurial culture and the steps we have taken to evolve Northland into a more balanced and resilient company. We continue to strengthen our business by growing our global project pipeline within renewables and maximizing returns on the facilities we are currently operating.

Being A Key Player in The Global Energy Transition

The global energy transition is accelerating as industries, businesses, and governments across the globe work towards net-zero plans and focus on their 2030 decarbonization and climate targets. Our 35-year history developing power projects combined with being a global leader in offshore wind, we are well positioned to be a key participant in the energy transition and contributing to a significant build-out of renewable energy. Over the past year, we made several key moves to position our company for success by delivering reliable cash flow from our facilities, executing on our development projects and growing our development pipeline. Our leadership and entrepreneurial DNA has helped us grow into a global company that will play a significant role in this energy transformation.

As we look ahead, we have a clear strategy to develop large volumes of onshore and offshore renewable power projects in key global markets and the capabilities to optimize their value through efficient financing, best-in-class operations, corporate offtake origination, energy storage and, in time, hydrogen production. As outlined at our Investor Day in early February, we have almost 3 gigawatts (GW) of installed capacity (over 95% with long-term revenue contracts) and a 14GW development pipeline. We have established a strong presence in select onshore renewable power markets to augment our offshore wind growth which provides near-term growth in cash flow as demonstrated over the past year.

(continued on page 5)

Advanced Growth

1.2 GW
Closed Baltic Power

1.3 GW
Formed German Nordsee cluster

Double production by 2027 to
6.5 GW

Letter to Shareholders Continued

Keeping A Strategic Focus in Key Markets

Reflecting on our accomplishments over the past year, we closed on our entry into the 1.2 GW Baltic Power offshore wind project in Poland, for which we also secured a 25-year indexed CfD or Power Purchase Agreement (PPA). Work is progressing on moving the project towards achieving financial close in 2023 with commercial operations expected in 2026. We expanded our presence in the German offshore wind market with the formation of the 1.3GW North Sea cluster with our partner, RWE, and exercised our step-in rights on the first of three projects within that cluster: Nordsee Two. The formation of the cluster is expected to allow the realization of synergies in development, construction as-well as operating costs, leading to enhanced returns for the projects. Similar to Nordsee Two, Northland and RWE have the same step-in rights for the remaining projects, Nordsee Three and Delta, which are expected to come to auction in 2023. Northland holds a 49% interest in the new joint venture (with RWE holding 51%). The projects will be developed and managed on a joint basis by both parties and are expected to achieve commercial operations between 2026 and 2028.

In Asia, we made significant advancements on our offshore wind development projects. The most notable is our 1,044-megawatt (MW) Hai Long project in Taiwan where we are preparing to move the project to financial close later this year. In the past year, we completed key milestones for Hai Long, including obtaining the localization plan after working closely with local supply chain and government. Tendering of the main components has resulted in preferred supplier agreements being signed and securing the supply chain for the project. In South Korea, we secured our first two electricity business licenses as part our progression of a larger portfolio of projects through early development. In Japan, two of our early-stage projects have been designated under the government's auction process as promising areas with bidding expected to commence later this year.

With respect to near-term growth and cash flow, we acquired a 551MW portfolio of wind and solar operating assets in Spain – one of the most promising growth markets for renewables. To-date, this portfolio has been outperforming our underwritten assumptions. This acquisition provided us with immediate cash flow and has helped to position Northland as a top 10 operator within Span. As we build on this momentum, we expect to grow this platform through greenfield development and opportunistic acquisitions.

"In Asia, we made significant advancements on our offshore wind development projects. The most notable is our 1,044-megawatt (MW) Hai Long project in Taiwan"

We solidified our entry into the United States renewables market by beginning construction on two of our New York State onshore wind projects, which are progressing on schedule and on budget. The two projects, Ball Hill and Bluestone, have a combined operating capacity of 220MW and will benefit from a 20-year indexed Renewable Energy Certificate (REC) agreements with the New York State Energy Research and Development Authority.

Lastly, we began to deliver on our Colombian renewable growth strategy. Leveraging our position in our EBSA utility, we advanced the 16MW Helios solar project and the 130MW Suba solar projects. Helios achieved financial close and commenced with construction activities in 2021 with commercial operations expected by the end of 2022. Northland has a 50 percent interest in the Suba projects with commercial operations expected in 2023. Both projects will benefit from long-term offtake agreements, with Helios having secured a 12-year PPA and Suba a 15-year PPA.

Continued Financial Strength to Support Our Growth

Another testament to the strength of our global company is the resilience we showed when adverse wind conditions at our offshore wind facilities in the North Sea disrupted performance. Offshore wind makes up the largest component of our EBITDA and cash flow and while we experienced low wind speeds at these three facilities, we optimized their performance by operating at high availability levels. Our remaining operating facilities are also performing at historically high levels of availability, contributing to our strong performance.

Through to our commitment to operational excellence, we exceeded our guidance expectations for both Adjusted EBITDA and Free Cash Flow, with the results coming in at $1.14 billion and $1.40 per share in 2021.

Our financial position, liquidity and strong balance sheet continues to help Northland remain in excellent position to fund our growth objectives. In April, we closed the largest equity raise in our history (nearly $1 billion) that funded the Spain portfolio acquisition, supported our entry into Baltic Power, advanced the New York wind projects and provided additional corporate liquidity. We executed several re-financings and debt optimizations that resulted in over $200 million of additional liquidity and have access to a $1.0 billion corporate revolving credit facility (with approximately $0.8 billion of total available liquidity as of December 31, 2021). This flexibility can now be utilized to fund growth projects that have a strong probability of advancing to financial close.

"We expanded our presence in the German offshore wind market with the formation of the 1.3GW North Sea cluster"

Driving Towards a Carbon Free World

Our purpose to build a sustainable and carbon-free world is reflected in our Environmental, Social and Governance (ESG) strategy. At Northland, we safely supply reliable, affordable and clean energy to global communities, while delivering long-term economic value for shareholders. This has been our commitment for 35 years and is core to how projects are developed, constructed, and operated. The focus of our ESG framework is on continued decarbonization efforts through our renewable energy developments, while effectively managing our resources. This results in us developing and empowering our people, creating meaningful and collaborative relationships and partnerships with local and Indigenous communities and upholding the highest standards of good and responsible governance. In 2021, we formalized several ESG-related strategies and policies, including: Sustainable Procurement, Climate Change, and Community Investment, to further solidify our commitment to our ESG objectives. As we focus on enhancing the reporting around ESG-related activities, programs, and performance, we will aim to report in line with the recommendations of the Task Force for Climate Related Disclosure (TCFD).

Strengthening Our Bench

We bolstered our talent by adding key people in roles across the globe. These experts are vital as we build out our capacity, grow our global footprint and strengthen our ability to compete. These additional roles included:

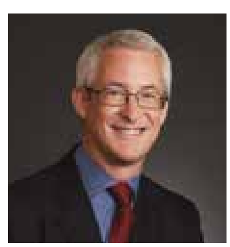
- Setting up a Project Management Office
- Creating a global procurement group
- Establishing Corporate PPA origination capabilities
- Fortifying our regional development offices including the establishment of the Madrid growth platform
- Establishing an investment management team
- Augmenting our already strong teams with storage and hydrogen talent

Looking ahead

We've come a long way since being a solely Canadian based independent power producer. Today, we are a true global renewable energy company in a world that has a significant need for new renewable energy capacity and has plenty of capital to invest in those assets. We believe we are well positioned as an originator and developer of projects. Currently, Northland has 366MW of additional capacity in construction, with the expectation for completion in 2022. We have almost 3GW of gross capacity, which are projects that are scheduled for financial close and commencement of construction within the next two years. Once these projects are complete, our total gross capacity will nearly double to more than 6.5GW by 2027. As we look longer-term, we continue to advance a pipeline of over 10GW encompassing identified projects and additional opportunities to support our sustained growth.

On behalf of our employees and our directors, we would like to express our sincerest appreciation to our shareholders for the confidence you continue to demonstrate as we achieve our growth ambitions. Thank you for your continued support and we look forward to updating you on our progress in 2022.

Sincerely,



John Brace
Director and
Chair of the Board

Mike Crawley
President and
Chief Executive Officer

Northland's Global Footprint

Facility and Office Types

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

4th
Largest offshore wind operator globally
measured by operating capacity

1.14
Billion
2021 Adjusted EBITDA

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

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SECTION 1: OVERVIEW

Introduction

The purpose of this Management's Discussion and Analysis ("**MD&A**") is to explain the financial results of Northland Power Inc. ("**Northland**" or the "**Company**") and to assist the reader in understanding the nature and importance of changes and trends as well as the risks and uncertainties that may affect the operating results and financial position of the Company. This MD&A should be read in conjunction with Northland's audited consolidated financial statements for the year ended December 31, 2021, and 2020, and Northland's most recent Annual Information Form ("2021 **AIF**"). This material is available on SEDAR at www.sedar.com and on Northland's website at www.northlandpower.com.

This MD&A, dated February 24, 2022, compares Northland's financial results and financial position for the year ended December 31, 2021, with those for the year ended December 31, 2020. Certain prior period disclosures have been reclassified for consistency with the current period presentation. Northland's Audit Committee reviewed this MD&A and the associated audited consolidated financial statements and notes, and its Board of Directors approved these documents prior to their release.

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

Forward-Looking Statements

This MD&A contains forward-looking statements that are based on certain estimates and assumptions that were considered reasonable on February 24, 2022; actual results may differ materially. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans. Readers are cautioned that such statements may not be appropriate for other purposes. Northland's actual results could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, the events anticipated by the forward-looking statements may or may not transpire or occur. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects," "anticipates," "plans," "predicts," "believes," "estimates," "intends," "targets," "projects," "forecasts" or negative versions thereof and other similar expressions or future or conditional verbs such as "may," "will," "should," "would" and "could." These statements may include, without limitation, statements regarding future Adjusted EBITDA, Free Cash Flow and Adjusted Free Cash Flow, respective per share amounts, dividend payments and dividend payout ratios, guidance, the timing for the completion of construction, attainment of commercial operations, the potential for future production from project pipelines, cost and output of development projects, litigation claims, plans for raising capital, and the future operations, business, financial condition, financial results, priorities, ongoing objectives, strategies and the outlook of Northland and its subsidiaries. These statements are based upon certain material factors or assumptions that were applied in developing the forward-looking statements, including the design specifications of development projects, the provisions of contracts to which Northland or a subsidiary is a party, management's current plans and its perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. Although these forward-looking statements are based upon management's current reasonable expectations and assumptions, they are subject to numerous risks and uncertainties. Some of the factors include, but are not limited to, risks associated with sales contracts, impact of COVID-19 pandemic, Northland's reliance on the performance of its offshore wind facilities at Gemini, Nordsee One and Deutsche Bucht for approximately 50% of its Adjusted EBITDA and Free Cash Flow, counterparty risks, contractual operating performance, variability of sales from generating facilities powered by intermittent renewable resources, offshore wind concentration, natural gas and power market risks, operational risks, recovery of utility operating costs, Northland's ability to resolve issues/delays with the relevant regulatory and/or government authorities, 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 2021 AIF. Northland's actual results could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur. The forward-looking statements contained in this MD&A are based on assumptions that were considered reasonable as of the date hereof. Other than as specifically required by law, Northland undertakes no obligation to update any forward-looking statements to reflect events or circumstances after such date or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Non-IFRS Financial Measures

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

Adjusted EBITDA

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

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

Free Cash Flow

Free Cash Flow represents the cash generated from the business that management believes is representative of cash available to pay dividends, while preserving the long-term value of the business. Free Cash Flow is calculated as Northland's share of cash provided by operating activities adjusted for short-term changes in operating working capital; non-expansionary capital expenditures; interest incurred on outstanding debt; scheduled principal repayments and upfinancings; major maintenance and debt reserves; interest income from Northland's subordinated loan to Gemini; proceeds from government grants; preferred share dividends; net proceeds from sale of development assets and where net proceeds are received in respect of certain transactions entered in to generate cash flow as part of an active asset management strategy of the overall portfolio; and other adjustments as appropriate. Free Cash Flow excludes pre-completion sales required to service debt and related operating costs for projects under construction and excludes costs attributable to an asset or business acquisition.

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

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

Adjusted Free Cash Flow

Adjusted Free Cash Flow is calculated by excluding growth-related expenditures from Free Cash Flow. Management believes this measure provides a relevant presentation of cash flow generated from the business before investment-related decisions (refer to *Section 5.3: Growth Expenditures* for additional information). Management believes Adjusted Free Cash Flow is a meaningful measure of Northland's ability to generate cash flow, after on-going obligations, to reinvest in growth and fund dividend payments.

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

SECTION 2: STRATEGY AND KEY FACTORS SUPPORTING SUSTAINABLE PERFORMANCE AND GROWTH

Business Objective

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

Vision

Northland's vision is to be a top global developer, owner, and operator of sustainable infrastructure assets, with the ambition of helping develop a carbon free world by inspiring its people to achieve a sustainable and prosperous future for all of its stakeholders by embracing and living Northland's values on a daily basis.

Business Strategy

Northland's business strategy is centered on establishing a significant global presence as a sustainable power provider with a primary focus on offshore wind. Northland aims to increase shareholder value by leveraging its expertise and early mover advantage to create and operate high-quality, sustainable projects in key target markets that are supported by long-term sales contracts that deliver predictable cash flows. Northland utilizes its operational knowledge and the application of appropriate technology to optimize the performance of its operating facilities to ensure delivery of essential power to its offtake counterparties.

To successfully execute its strategy, Northland focuses on each of the following strategic objectives:

(i) Winning Business

The global shift to renewable energy is accelerating as government de-carbonization polices and corporate net-zero targets are expected to drive significant growth in renewable development over the next decade. This creates significant opportunities for renewable energy developers, like Northland, who are seeking to help reduce greenhouse gas emissions to meet de-carbonization targets. Northland is well positioned through its regional development offices to capture development opportunities that should help facilitate the global advancement of renewable energy targets. Northland develops, constructs, and operates sustainable infrastructure projects across a range of clean and green technologies, such as wind (offshore and onshore), solar as well as supplying energy through a regulated utility. Northland is focused on pursuing renewable growth opportunities in jurisdictions that meet its risk management criteria such as North America, Europe, Latin America, and Asia. Northland seeks to manages its development processes prudently by regularly balancing the probability of success against associated costs and risks.

(ii) Building Facilities

Northland aims to increase shareholder value by creating high-quality projects that earn recurring income from long-term sales contracts with creditworthy counterparties (i.e. government or corporate offtakers). Northland exercises judgment, discipline and acumen in its construction activities to ensure maximum success. Northland's successful record of project execution results from these core strengths and contributes to consistent investor returns.

(iii) Operating Facilities

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

Northland's management aims to maximize returns through a focus on efficient and effective facility operations; longer-term asset management; and structuring sales supply and maintenance agreements to maximize sales, while carefully managing risk. In addition, Northland applies an active approach to overall portfolio management, which may result in optimizations from asset sales and financing/re-financing opportunities as part of its return objectives and funding strategy.

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

(iv) Organizational Effectiveness

Underpinning Northland's strategy is a focus on strong management of key corporate functions such as: human resources and talent management; construction; environmental management; health and safety; finance and accounting; management information systems, Environmental, Social and Governance (ESG) strategy and reporting, and communications. Our growth ambitions require a robust human capital strategy to ensure we have the necessary competencies and capabilities to delivery on our strategy. Within offshore wind, a key differentiator will be attracting and retaining the best talent to develop, construct, and operate large complex projects. Management is committed to organizational effectiveness as an essential component of Northland's long-term success and continued growth.

SECTION 3: NORTHLAND'S BUSINESS

As of December 31, 2021, Northland owns or has a net economic interest in 2,817 megawatts (**MW**) of power-producing facilities with a total gross operating capacity of approximately 3,240MW and a regulated utility. Northland's facilities produce electricity from clean energy sources for sale primarily under long-term PPAs or other revenue arrangements with creditworthy counterparties. 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, Spain and Colombia. Northland's significant assets under construction and development are located in Mexico, Taiwan, Poland, Germany, Colombia and the United States. Refer to the 2021 AIF for additional information on Northland's key operating facilities as of December 31, 2021, and refer to *SECTION 9: DEVELOPMENT, ACQUISITION AND CONSTRUCTION ACTIVITIES* for additional information on Northland's key development projects.

Northland's MD&A and audited consolidated financial statements include the results of its operating facilities, as summarized in the following table:

	Geographic region	**Gross Production Capacity (MW)**	**Net Production Capacity (MW)** (1)
Offshore Wind	The Netherlands/ Germany	1,184	894
Efficient Natural Gas	Canada	973	943
Onshore Renewable			
Canadian Wind	Canada	394	314
Canadian Solar	Canada	130	115
Spanish Wind	Spain	443	435
Spanish Solar	Spain	116	116
Utility	Colombia	n/a	n/a
Total		**3,240**	**2,817**

(1) Presented at Northland's economic interest.

(2) As at December 31, 2021, Northland's economic interest was unchanged from December 31, 2020, with the exception of the Spanish portfolio (refer to *Section 4.1: Significant Events)*, which Northland acquired on August 11, 2021. The Spanish portfolio's results are consolidated in Northland's financial results as of the acquisition date.

In addition to operational assets, summarized below are Northland's most significant projects under construction and under development as well as other identified projects. The table below excludes the Company's larger pipeline of earlier stage development opportunities which may or may not be secured.

Project	Geographic Region	Technology	Gross Capacity (MW)	Current ownership	Development Stage	Contract type	Estimated COD
Construction Projects							
Ball Hill	United States	Onshore Wind	108	100%	Under construction	20-year PPA	2022
Bluestone	United States	Onshore Wind	112	100%	Under construction	20-year PPA	2022
La Lucha	Mexico	Solar	130	100%	Under construction	TBD	2022
Helios	Colombia	Solar	16	100%	Under construction	12-year PPA	2022
Total			**366**				
Capitalized Growth Projects							
Suba	Colombia	Solar	130	50%	Late-Stage	15-year PPA	2023
High Bridge	United States	Onshore Wind	100	100%	Mid/Late-Stage	20-year PPA	2023
Hai Long	Taiwan	Offshore Wind	1,044	60%	Late-Stage	20-year PPA	2026/2027
Baltic Power	Poland	Offshore Wind	Up to 1,200	49%	Mid/Late-Stage	25-year CfD	2026
Nordsee Two	Germany	Offshore Wind	433	49%	Mid-Stage	TBD (1)	2026
Total			**2,907**				
Identified Growth Projects							
Nordsee Three	Germany	Offshore Wind	420	49%	Mid-Stage	2027 - 2030+	
Nordsee Delta	Germany	Offshore Wind	480	49%	Mid-Stage		
Chiba	Japan	Offshore Wind	600	50%	Early/Mid-Stage		
Dado Ocean	South Korea	Offshore Wind	Up to 1,000	100%	Early/Mid-Stage		
Scotwind	Scotland	Offshore Wind	2,340	100%	Early-Stage		
Hecate	Canada	Offshore Wind	400	100%	Early-Stage		
Total			**5,240**				
Total Pipeline (2)			**8,513**				

(1) Nordsee Two has secured interconnection rights for zero subsidy bid, with the intention to secure a long-term corporate power purchase agreement.

(2) Excludes ~5,900MW of other pipeline projects.

SECTION 4: CONSOLIDATED HIGHLIGHTS

4.1: Significant Events

Significant events during 2021 and through the date of this MD&A are described below. Refer to *SECTION 9: DEVELOPMENT, ACQUISITION AND CONSTRUCTION ACTIVITIES* for additional information on projects and acquisitions.

COVID-19 and Business Update

The COVID-19 pandemic ("**COVID-19**") has had significant effects across global economies and sectors, including reduced power demand within the renewable energy sector. Each of Northland's operating facilities are deemed to be essential infrastructure and, as such, operations have continued uninterrupted to date.

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

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

While the vast majority of Northland's sales are contracted under long-term agreements with creditworthy counterparties, there is some, yet limited, exposure to the wholesale market price of electricity at the offshore wind facilities and to unpaid curtailment from negative prices. Refer to *Section 5.1: Operating Results* for additional information. Refer to *SECTION 13: FINANCIAL RISKS AND UNCERTAINTIES* for additional information on risks associated with COVID-19.

The Company continues to have sufficient liquidity available to execute on its growth objectives. As at December 31, 2021, Northland had access to $776 million of cash and liquidity, comprising $748 million of liquidity available under a syndicated revolving facility and $28 million of corporate cash on hand.

Balance Sheet and Environmental, Social and Governance Advancements:

Renewal and upsizing of EBSA's Credit Facility to $533 million

In December 2021, Northland restructured and upsized EBSA's long-term, non-recourse financing (the "EBSA Facility"), resulting in $84 million of incremental cash proceeds to Northland, net of closing costs. The aggregate amount of the financing was upsized to $533 million, driven primarily by expected growth in EBSA's EBITDA. The restructured facility is denominated in Canadian dollars and the principal amount is 100% hedged against the Colombian peso.

Extension of $1 Billion Revolving Corporate Credit Facility and Completion of Sustainability Linked Loan Overlay

In September 2021, Northland extended its $1 billion revolving corporate credit facility with a syndicate of both Canadian and global financial institutions to 2026 (from 2024) and executed several amendments to increase liquidity available to fund growth. Concurrently, the Company implemented a Sustainability Linked Loan (**SLL**) overlay. The SLL is based on achieving defined targets related to both increasing renewable generating capacity and reducing carbon emissions intensity and is expected to provide Northland with cost savings if the targets are met. The SLL is an important step in integrating Northland's ESG performance with its financing objectives. All margin savings are expected to be used to fund the Company's global sustainability initiatives.

Nordsee One Component Issue

As disclosed in early 2021, Northland identified a component defect on several wind turbines at Nordsee One affecting the main rotor shaft assembly (**RSA**) and upon further assessment, management concluded the defect could affect all 54 of the wind turbines, and commenced replacement of the rotor shaft assembly of all turbines. Refer to the *Section 5.1: Operating Results* for additional information.

Green Financings Executed

Northland introduced its Green Financing Framework in February 2021, to allow the Company and its subsidiaries to issue green bonds, loans (corporate and project level) and other financing instruments for Eligible Green Projects. Northland successfully executed its first two green financings with its onshore wind projects in New York and Helios solar project in Colombia; the latter being one of the first renewable project financings in the country.

Canadian Solar Portfolio Debt Restructuring

In the third quarter of 2021, Northland restructured and upsized the senior debt on a number of its Canadian solar facilities, resulting in one-time cash distributions to Northland totaling $40 million. This refinancing constitutes green project financing supporting Northland's ESG initiatives.

Fitch Rating

In September 2021, Northland received a second corporate credit rating of BBB (stable) from Fitch Ratings Inc., a global rating agency, in addition to S&P which also has a BBB (stable) rating.

Equity Offering

In April 2021, Northland completed a bought deal equity offering (the "2021 Share Offering") of 22.5 million common shares for aggregate gross proceeds of $990 million. The net proceeds of the 2021 Share Offering were used to fund the cash purchase price of the Spanish portfolio and equity capital requirements.

Deutsche Bucht Refinancing

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

Growth Updates:

To achieve our long-term growth objectives, Northland has established regional development offices to secure certain growth opportunities across the globe. The activity from these offices has generated a robust portfolio of projects at various stages of development and construction. The successful achievement of commercial operations of these projects is expected to deliver long-term, sustainable growth in the Company's Adjusted EBITDA, Free Cash Flow and Adjusted Free Cash Flow. The following provides updates on the progress being made on Northland's active development portfolio.

Spanish Renewables Acquisition

In August 2021, Northland completed the acquisition of the Spanish portfolio with a total combined net capacity of 551MW. Total cash consideration at closing was €348 million ($511 million), including working capital amounts, with the assumption of debt totaling €766 million ($1,124 million).

Enhanced Dispatch Contract (EDC) executed for Kirkland Lake Facility

In March 2021, Northland entered into an EDC for its Kirkland Lake facility with Ontario's Independent Electricity System Operator. Effective July 2021, the EDC succeeded the baseload PPA for the remainder of its term to 2030.

New York Onshore Wind Projects

Two of Northland's New York State ("**NY Wind**") onshore wind projects, Ball Hill and Bluestone, comprising 220MW, achieved financial close and the start of construction in 2021. The projects secured green financing in the form of a non-recourse project/construction loan, tax equity bridge loan and letters of credit. Northland expects to secure permanent tax equity investments for the two projects ahead of commercial operations in 2022. In early 2020, the three projects were awarded 20-year indexed Renewable Energy Certificate (REC) agreements with the New York State Energy Research and Development Authority as part of renewable energy solicitations.

La Lucha Mexican Solar Project Update

The 130MW solar project in the State of Durango, Mexico, completed its activities relating to the physical construction, however, certain activities relating to the energization of the project continue to be delayed. Final approvals, energization, testing and interconnection of renewable power projects have generally been delayed in Mexico by pandemic related government and CFE temporary office closures and reduced operating capacity. In addition, these processes have seen further delays that are likely related to the uncertainty created by the Mexican government's so far unsuccessful attempts to amend electricity sector regulations and constitutionally embedded legislation and timelines remain uncertain as a result. Efforts to secure commercial offtake and project financing are expected to be finalized only after commercial operations.

Helios Colombian Solar Project

Northland's 16MW Helios solar project in Colombia achieved financial close in 2021. The project secured a green loan and commenced construction, with commercial operations expected in the first quarter of 2022. Helios secured a 12-year PPA with EBSA, which, in turn, will secure offtake agreements with non-regulated customers.

Hai Long 1,044MW Offshore Wind Project

In July 2021, Hai Long received an amendment to the project's Environmental Impact Assessment ("**EIA**") from Taiwan's Environmental Protection Agency to accommodate a larger, 14MW turbine with longer blade lengths and in April 2021, the project received confirmation from the Taiwan Bureau of Energy that Hai Long 2A had secured approval for the Industrial Relevance Proposal, which sets out Northland's commitments to local supply chain and procurement. The project continues to progress towards financial close expected in the second half of 2022.

Baltic Power, Polish Offshore Wind Project

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

In June 2021, the Baltic Power project, secured a 25-year Contract for Differences ("**CfD**") from Poland's Energy Regulatory Office under the Polish Offshore Wind Act at a guaranteed a price of PLN 319.60 per MWh. Construction of Baltic Power is expected to commence in 2023 following financial close, with commercial operations anticipated in 2026.

Nordsee Offshore Wind Cluster

Subsequent to December 31, 2021, Northland and its German partner, RWE Renewables GmbH (**RWE**), announced the formation of a 1,333MW Nordsee Offshore Wind Cluster partnership encompassing Nordsee Two (433MW), Nordsee Three (420MW) and Nordsee Delta (480MW).

Northland holds a 49% interest in the new partnership, with RWE holding 51%. The projects are expected to be developed and managed on a joint basis by both parties and are expected to achieve commercial operations between 2026 and 2028.

Colombian 130MW Solar Projects

In November 2021, Northland, in partnership with EDF Renewables, a subsidiary of Électricité de France S.A. (EPA:EDF), were awarded the right to build two solar projects with a total combined capacity of 130MW. The solar projects will benefit from a 15-year Power Purchase Agreement (**PPA**) with multiple energy distribution and commercial entities in Colombia, starting in 2023. Northland has a 50% interest in the projects with commercial operations expected in the second half of 2023.

Japan Offshore Wind Projects

In September 2021, the Japanese government designated four new sea areas as "promising areas" for the development of offshore wind projects under its Round Three process. Included in these four areas was Isumi City, Chiba Prefecture, and the Akita Prefecture, where Northland is exploring the Chiba and Katagami offshore wind projects. These two projects could have a total productive capacity of up to 900MW when complete.

Scotwind Offshore Wind Project

On January 17, 2022, Northland announced that it was awarded two offshore wind leases in the Crown Estate Scotland auction with a total combined capacity of 2,340MW. The two leases, one fixed foundation (840MW) and one floating foundation (1,500MW), will extend Northland's development runway into the next decade, with commercial operations expected at the end of 2029/2030 for the fixed and early 2030s for the floating.

4.2: Operating Highlights

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

Summary of Consolidated Results

Year ended December 31,	2021	2020	2019
FINANCIALS			
Sales	**$ 2,093,255**	$ 2,060,627	$ 1,658,977
Gross profit	**1,879,762**	1,858,298	1,542,689
Operating income	**808,650**	900,213	813,700
Net income (loss)	**269,879**	485,057	451,754
Adjusted EBITDA (a non-IFRS measure)	**1,137,004**	1,170,097	984,736
Cash provided by operating activities	**1,609,295**	1,321,601	1,224,415
Free Cash Flow (a non-IFRS measure)	**307,401**	343,588	318,480
Adjusted Free Cash Flow (a non-IFRS measure)	**386,366**	415,398	362,275
Cash dividends paid (1)	**172,755**	217,918	216,373
Total dividends declared (2)	**264,200**	245,067	216,373
Total assets (3)	**12,877,331**	11,399,470	10,478,668
Total non-current liabilities (3)	**$ 8,507,075**	$ 8,336,835	$ 7,569,921
Per Share			
Weighted average number of shares - basic (000s)	**218,861**	198,774	180,322
Net income (loss) - basic	**$ 0.82**	$ 1.86	$ 1.71
Free Cash Flow - basic (a non-IFRS measure)	**1.40**	1.73	1.77
Adjusted Free Cash Flow - basic (a non-IFRS measure)	**1.77**	2.09	2.01
Total dividends declared (4)	**$ 1.20**	$ 1.20	$ 1.20
ENERGY VOLUMES			
Electricity production in gigawatt hours (**GWh**)	**8,879**	9,449	9,060

(1) Reduction in cash dividends paid in 2021 compared to 2020 is due to the reinstatement of the DRIP in September 2020.

(2) Represents total dividends paid to common and class A shareholders including dividends in cash or in shares under the DRIP. In September 2020, all Class A shares were converted into common shares on a ono-for-one basis.

(3) As at December 31.

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

SECTION 5: RESULTS OF OPERATIONS

5.1: Operating Results

Offshore Wind Facilities

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

	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
Sales/gross profit (1) (2)	**$ 334,034**	$ 263,430	**$ 1,107,236**	$ 1,179,779
Operating costs (2)	**49,136**	42,247	**173,742**	166,282
Operating income	**195,091**	127,153	**569,453**	653,792
Adjusted EBITDA	**205,972**	179,101	**665,351**	759,692
Free Cash Flow (2)	**$ 80,145**	$ 40,393	**$ 142,466**	$ 217,145

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

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

Northland's three offshore wind facilities, Gemini, Nordsee One and Deutsche Bucht, are located off the coasts of the Netherlands and Germany. Wind power generation harnesses renewable wind energy by converting the kinetic energy of wind into electrical energy. Wind facilities are subject to seasonality, and accordingly, tend to produce more electricity during winter due to denser air and higher winds compared to summer, the effect of which is reflected in the respective fiscal quarter's results. In addition, variability in offshore wind facilities results in similar fluctuations in quarter-to-quarter financial results. Factors such as exposure to market prices, and turbine or grid availability can also have a significant effect on financial results, though typically to a lesser extent than variability in wind resource. For the year ended December 31, 2021, Gemini, Nordsee One and Deutsche Bucht contributed approximately 20%, 17% and 17%, respectively, of Northland's reported Adjusted EBITDA from facilities.

Results for Northland's offshore wind facilities are also affected by foreign exchange rate fluctuations between the Euro and Canadian dollar, which primarily affect sales, net income and Adjusted EBITDA. Northland has entered into long-term foreign exchange rate hedges, at an average rate of 1.60/€ for 2022 compared to $1.60/€ for 2021 ($1.59/€ for 2020) for a substantial portion of anticipated euro-denominated Free Cash Flow, mitigating the effects of foreign exchange rate fluctuations with respect to this metric.

Variability within Operating Results

Gemini has subsidy agreements with the Government of the Netherlands which expire in 2031. Under these agreements, revenue is earned through a combination of annual average Dutch wholesale market price (**APX**), a subsidy top-up (**SDE**) and a markup to compensate for annual profile and imbalance (**P&I**) costs, which are variable from year to year. The SDE mechanism tops-up the APX to effectively a set price of €211 per MWh for up to 1,908 gigawatt hours of annual production ("**Gemini Subsidy Cap**"). The SDE mechanism is designed to ensure the full subsidy is received by Gemini annually. For production beyond the Gemini Subsidy Cap, revenue is earned at the APX less P&I costs. Full APX prices are earned only when production exceeds 2,385GWh.

The SDE is subject to an annual contractual floor price ("**SDE floor**"), thereby exposing Gemini to market price risk when the APX falls below the effective annual SDE floor of €51/MWh for 2021. The APX has been below the SDE floor for the majority of Gemini's five years of operation, with the exception of 2021. Northland has purchased financial put contracts for the majority of production in 2022 to mitigate risk should the APX fall below the SDE floor. These put options were entered into with a strike price approximately equal to the SDE floor, and only became commercially viable in 2021 as the APX increased substantially above the SDE floor. The incremental cost of the put options acquired is $2 million for 2022 and is expected to be similar for 2023. Management intends to enter into further put contracts as appropriate for future years, in accordance with Northland's risk management policy.

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

Gemini APX Hedges

In 2020, Gemini experienced a significant decline in the APX below the SDE floor as a result of reduced energy consumption caused by COVID-19 pandemic-related lockdowns in Europe. As a result, and due to the uncertainty relating to the duration of the pandemic, in the second quarter of 2020, Northland entered into financial derivatives for 2021, and to a lesser extent 2022 and 2023. At the time, with APX declining below the SDE floor, these derivatives were intended to mitigate further deterioration of the APX, with some exposure to lost sales should the APX increase above the SDE floor.

Through the first quarter of 2021, the APX commenced increasing above the SDE floor, in part prompted by continued rising natural gas and carbon prices in Europe, resulting in lost sales for Gemini. As a result, in the second quarter 2021, Northland entered into offsetting financial derivatives to limit the potential lost sales for 2021 to 2023 under the original financial derivatives. While limiting sales losses in the future, the offsetting derivatives crystallized financial losses ("**APX hedge losses**") for Northland. For the year ended December 31, 2021, the aforementioned factors resulted in the recognition of $37 million of financial losses. Losses crystallized for 2022 have been incorporated within Financial Guidance in *SECTION 10: FINANCIAL OUTLOOK*.

Nordsee One Component Issue

As disclosed in early 2021, Northland identified a component defect on several wind turbines at Nordsee One affecting the main rotor shaft assembly (**RSA**) and upon further assessment, management concluded the defect could affect all 54 of the wind turbines, and commenced replacement of the rotor shaft assembly of all turbines (the "**replacement campaign**").

In 2021, Nordsee One replaced 10 of 54 RSAs and will continue the replacement campaign in 2022 and 2023. Management expects to replace all remaining RSAs between 2022 and 2023 during seasonally low wind resource periods. In some cases, Nordsee One may curtail the performance of turbines in order to briefly extend their life, which will reduce electricity production ("**turbine availability**") and sales in 2022 and, to a lesser extent, 2023. This issue is not expected at Gemini and Deutsche Bucht, which utilize different turbines.

Management expedited the replacement campaign in 2021 to minimize future downtime of the wind turbines, however, Nordsee One incurred lost sales, due to turbine availability, of €7 million ($9 million at Northland's share) in 2021. The ten RSAs were replaced at a cost of €13 million ($16 million at Northland's share) and the total cost to replace the remaining 44 RSAs is expected to be within a range of €40 million and €50 million ($50 million and $60 million at Northland's share). The costs are expected to be almost fully covered by the warranty bond settlement received in 2020 relating to outstanding warranty obligations of Nordsee One's turbine manufacturer. Management's estimate of lost sales in 2022 of €12 million ($15 million Northland share) resulting from the Nordsee One component issue have been included within its 2022 Financial Guidance summarized in *SECTION 10: FINANCIAL OUTLOOK.*

An important indicator for the offshore wind facilities is the historical average of the power production of each offshore wind facility, where available. The following table summarizes actual electricity production and the historical average, high and low for the applicable operating periods of each offshore facility:

	Three months ended December 31,				
	2021 (1)	**2020 (1)**	**Historical Average (2)**	**Historical High (2)**	**Historical Low (2)**
Electricity production (GWh)					
Gemini	**743**	786	771	824	739
Nordsee One	**333**	299	324	346	298
Deutsche Bucht	**320**	310	315	320	310
Total	**1,396**	1,395			

	Year ended December 31,				
	2021 (1)	2020 (1)	Historical Average (2)	Historical High (2)	Historical Low (2)
Electricity production (GWh)					
Gemini	**2,193**	2,496	2,358	2,496	2,193
Nordsee One	**968**	1,065	1,050	1,084	968
Deutsche Bucht	**927**	978	948	968	927
Total	**4,088**	4,539			

(1) Includes GWh produced and excludes unpaid curtailments.

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

Electricity production for the three months ended December 31, 2021, was in line with the same quarter of 2020 primarily due to lower wind resource, partially offset by fewer uncompensated outages. Electricity production for the year ended December 31, 2021, decreased 10% or 451GWh compared to 2020 primarily due to the historically low wind resource, as well as reduced turbine availability at Nordsee One due to the RSA replacement campaign discussed above, partially offset by fewer uncompensated outages in Germany.

Sales of $334 million for the three months ended December 31, 2021, increased 27% or $71 million compared to the same quarter of 2020 largely due to higher electricity prices on Gemini production above the Subsidy Cap and the factors affecting electricity production, as shown below. Foreign exchange rate fluctuations resulted in $26 million lower sales compared to the same quarter of 2020. Sales of $1,107 million for the year ended December 31, 2021, decreased 6% or $73 million compared to 2020 primarily due to lower wind resource in the North Sea compared to last year and losses at Nordsee One due to turbine availability, partially offset by fewer periods of uncompensated outages and of negative prices in Germany. Foreign exchange rate fluctuations resulted in $32 million lower sales for the year ended December 31, 2021, compared to 2020.

Sales were also adversely affected by factors other than wind resource, as summarized in the following table:

	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
Effect of Gemini price hedge (2021) or effect of APX below the SDE floor (2020) (1)	**$ 13,773**	$ 4,692	**$ 37,215**	$ 26,696
Lower turbine availability at Nordsee One (due to RSA campaign)	**3,142**	—	**8,887**	—
Unpaid curtailment due to negative prices and grid outages in Germany	**$ 4,094**	$ 23,397	**$ 21,843**	$ 60,023

(1) Realized APX hedge losses in 2021 are not reported in Sales but do affect Adjusted EBITDA and Free Cash Flow. Lost sales in 2020 was a result of the APX of €28/MWh, below the SDE floor of €44/MWh.

Operating costs of $49 million for the three months ended December 31, 2021, increased 16% or $7 million primarily due to timing of repairs and maintenance as well as the expected renewal of the turbine maintenance contract at Gemini. Operating costs of $174 million for the year ended December 31, 2021, increased 4% or $7 million compared to 2020 primarily due to same factor as above.

Operating income of $195 million for the three months ended December 31, 2021, increased 53% or $68 million compared to the same quarter of 2020 largely due to higher wholesale market prices at Gemini. Operating income of $569 million for the year ended December 31, 2021, decreased 13% or $84 million compared to 2020 primarily due to low wind resource in the North Sea and losses at Nordsee One due to turbine availability, partially offset by fewer periods of uncompensated outages and of negative prices in Germany.

Adjusted EBITDA of $206 million for the three months ended December 31, 2021, increased 15% or $27 million largely due to higher electricity prices at Gemini and fewer periods of unpaid curtailments at the two German facilities. Adjusted EBITDA of $665 million for the year ended December 31, 2021, decreased 12% or $94 million compared 2020 largely due to low wind resource in the North Sea, losses at Nordsee One due to turbine availability and foreign exchange fluctuations partially offset by fewer periods of uncompensated outages and of negative prices in Germany.

Onshore Renewable Facilities

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

	Three months ended December 31,		Year ended December 31,	
	2021	**2020**	**2021**	**2020**
Electricity production (GWh) (1) (4)	**598**	376	**1,603**	1,364
LTA production (GWh) (1) (2)	**303**	353	**1,220**	1,273
Sales/gross profit (3) (4)	**$ 113,623**	$ 51,078	**$ 299,325**	$ 217,705
Operating costs (4)	**17,766**	8,041	**45,532**	29,418
Operating income	**58,547**	20,535	**133,009**	98,784
Adjusted EBITDA	**83,692**	31,452	**211,591**	145,946
Free Cash Flow	**$ 37,137**	$ 12,950	**$ 80,851**	$ 57,550

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

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

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

(4) For 2021, production, sales/gross profit and operating costs include results from the Spanish portfolio acquired on August 11, 2021.

Northland's onshore renewables comprise onshore wind and solar facilities located in Canada and Spain. Onshore wind facilities 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 other renewable power technologies. Electricity production from solar facilities tends to be less variable than wind but is limited to available sunlight, which is generally higher in the summer than in the winter. For the year ended December 31, 2021, Northland's onshore renewable facilities in Canada and Spain contributed approximately 17% of reported Adjusted EBITDA from facilities.

The Spanish portfolio, acquired in August 2021, includes 33 operating assets comprised of onshore wind (435MW), solar photovoltaic (66MW), and a concentrated solar (50MW) located throughout Spain. The portfolio operates under a regulated asset base (RAB) framework that guarantees a specified pre-tax rate of return of 7.4% for 23 sites and 7.1% for 10 sites, over the full regulatory life of the facilities, regardless of settled wholesale power prices ("**pool prices**"). Under the regulatory framework, regulated revenues are adjusted at the start of every 3- or 6-year periods, for onshore wind and solar, respectively, to offset the variability of spot wholesale market prices in the preceding 3- or 6-year regulatory period. The next regulatory semi-period will start January 2023.

Under the Spanish framework, the majority of Northland's Spanish facilities are entitled to receive a guaranteed rate of return until 2032, with ten solar sites' rate of return to be reassessed in 2026. As of December 31, 2021, the weighted average remaining regulatory life of the portfolio is 12 years, with estimated useful life of an additional ten years. The average remaining regulatory life of onshore wind facilities and solar facilities is 8 year and 19 years, respectively, after which, power can be re-contracted with alternate offtake and/or sold at prevailing wholesale pool prices.

Revenue from the Spanish facilities is primarily comprised of two main components, return on investment ("**Ri**") as well as a larger component based on pool prices. While a renewables operator may collect the settled pool price per MWh produced, under IFRS 15, revenue is only recognized at the pool price originally forecasted by the Spanish regulator at the start of the regulatory semi-period. Under IFRS, any pool price revenue collected significantly in excess of (or below) the stated pool price in the current regulatory semi-period (known as "**band adjustments**") is deferred and recognized over the remaining regulatory periods. Accordingly, cash amounts collected from higher pool prices in the second half of 2021 are expected to be primarily realized in sales commencing in 2023, over the remaining regulatory life of the asset, in adherence with IFRS.

In addition, Northland has entered into long-term Euro denominated foreign exchange hedges, at an average rate of $1.73/€, which hedges approximately 76% of projected distributions from the Spanish portfolio from 2021-2035 to mitigate foreign exchange rate volatility, consistent with its corporate risk mitigation strategy.

Electricity production at the onshore renewable facilities for the three months ended December 31, 2021, was 59% or 222 GWh higher than the same quarter of 2020 due to the contribution from the Spanish portfolio. Electricity production for the year ended December 31, 2021, was 18% or 239GWh higher than 2020 due to the same.

From August 11, 2021 to December 31, 2021, the Spanish portfolio generated 286GWh from onshore wind and 81GWh from onshore solar.

Financial results and *Adjusted EBITDA* for the three months and year ended December 31, 2021, were higher than 2020 due to the acquisition of the portfolio of solar and wind facilities in Spain. Excluding the contribution from the Spanish portfolio, for the three months ended December 31, 2021, production, sales and Adjusted EBITDA were 12%, 7% and 10% lower, respectively, primarily due to lower resource.

The Spanish portfolio generated sales, Adjusted EBITDA and Free Cash Flow of $92 million, $74 million and $30 million, respectively.

Efficient Natural Gas Facilities

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

	Three months ended December 31,				Year ended December 31,			
		2021		**2020**		**2021**		**2020**
Electricity production (GWh)		**956**		876		**3,188**		3,546
Sales (1)	**$**	**127,475**	$	112,516	**$**	**433,554**	$	415,551
Less: cost of sales		**38,065**		28,484		**123,533**		103,334
Gross profit	**$**	**89,410**	$	84,032	**$**	**310,021**	$	312,217
Operating costs		**14,787**		17,391		**51,483**		54,154
Operating income		**56,856**		57,064		**172,160**		219,624
Adjusted EBITDA (2)		**83,159**		67,618		**274,155**		264,094
Free Cash Flow	**$**	**60,535**	$	41,715	**$**	**168,580**	$	155,907

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

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

The contractual structures of Northland's efficient natural gas facilities ensure each facility's gross profit is generally stable, within a seasonal profile, regardless of production or sales levels, so long as the plant is available. Under some PPAs, the facility is reimbursed for certain costs of sales by the counterparty. Management also aims to maximize returns through the re-marketing of natural gas storage and transportation ("**gas optimization**") through its energy marketing initiatives. For the year ended December 31, 2021, Northland's six efficient natural gas facilities contributed approximately 22% of reported Adjusted EBITDA from facilities, with the three largest, North Battleford, Iroquois Falls and Thorold accounting for approximately 19%.

Electricity production for the three months ended December 31, 2021, increased 9% or 80GWh compared to the same quarter of 2020 due to higher on-peak production and an increase in dispatches, partially offset by the effect of Kirkland Lake operating under the enhanced dispatch contract compared to the baseload PPA in prior periods. Electricity production for the year ended December 31, 2021, decreased 10% or 359GWh compared to 2020 due to planned major maintenance outages at two facilities and due to Kirkland Lake operating under the terms of the EDC. The EDC has the effect of lower electricity production under dispatch, lower sales but higher gross profit.

Sales of $127 million for the three months ended December 31, 2021, increased 13% or $15 million compared to the same quarter of 2020 largely due to higher production and annual rate escalations at multiple facilities. Sales of $434 million for the year ended December 31, 2021, increased 4% or $18 million compared to 2020 largely due to annual rate escalations at multiple facilities offset by the effect of Kirkland Lake's EDC.

Operating income of $57 million for the three months ended December 31, 2021, was in line with the same quarter of 2020 as a result of higher gross profits offset by an increase in amortization expense at Iroquois Falls as a result of the expiry of its PPA in December 2021. Operating income of $172 million for the year ended December 31, 2021, decreased 22% or $47 million compared to 2020 primarily due to planned outages and the increase in amortization expense noted.

Adjusted EBITDA of $83 million and $274 million for the three months and year ended December 31, 2021, increased 23% or $16 million and 4% or $10 million compared to the same periods of 2020 largely due to the factors described above.

Utility

The following table summarizes the operating results of EBSA:

	Three months ended December 31,		Year ended December 31,	
	2021	**2020**	**2021**	**2020**
Sales [1]	**$ 58,949**	$ 58,065	**$ 225,349**	$ 218,982
Less: cost of sales	**18,567**	18,001	**68,923**	69,567
Gross profit	**$ 40,382**	$ 40,064	**$ 156,426**	$ 149,415
Operating costs	**14,939**	14,047	**57,137**	51,062
Operating income	**16,360**	15,157	**59,798**	52,567
Adjusted EBITDA	**24,112**	23,053	**91,510**	89,765
Free Cash Flow	**$ 16,532**	$ 886	**$ 45,659**	$ 27,925

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

EBSA holds the sole franchise rights for electricity distribution in the Boyacá region of Colombia and is an electricity retailer for the regulated residential sector in the region. EBSA owns and operates an extensive distribution network, serving about half a million customers. EBSA's net sales are almost entirely regulated, of which the vast majority is earned from its distribution business and the remainder primarily from its electricity retail business. EBSA's results are affected by exchange rate fluctuations between the Canadian dollar and the Colombian peso. For 2021 Free Cash Flow, Northland hedged the foreign exchange rate at COP$2880:CAD$1 for nearly all of the anticipated Colombian peso-denominated cash flow, mitigating the effects of fluctuations with respect to this metric (2020: COP$2,704:CAD$1). For the year ended December 31, 2021, utility operations contributed approximately 7% of reported Adjusted EBITDA from facilities.

EBSA earns revenue by charging customers a rate approved under the regulatory framework administered by the local regulator, the Comisión de Regulación de Energía y Gas ("**CREG**"). The rate charged is set for an expected five-year period and includes amounts retained by EBSA, as retailer and distributor, and amounts passed through to other electricity system participants, such as the transmission operator. The rate base takes into account the depreciated cost of existing equipment and anticipated future investments for maintenance and growth. EBSA's portion of the rate also includes standardized allowances set by the regulator intended to cover fixed and variable operating costs, including expected increases in corporate tax rates in 2022. The rate is designed to ensure EBSA earns a predictable and stable return.

Sales and Gross profit of $59 million and $40 million for the three months ended December 31, 2021, were in line with the same quarter of 2020. Sales and Gross profit of $225 million and $156 million for the year ended December 31, 2021, increased 3% or $6 million and 5% or $7 million compared to 2020 primarily due to certain optimizations of operations.

Operating income of $16 million and $60 million for the three months and year ended December 31, 2021, increased 8% or $1 million and 14% or $7 million compared to the same periods of 2020 primarily due to the factors described above.

Adjusted EBITDA of $24 million for the three months ended December 31, 2021, increased 5% or $1 million compared to the same quarter of 2020 mainly due to the factors described above. Adjusted EBITDA of $92 million for the year ended December 31, 2021, was slightly higher compared to 2020.

In December 2021, Northland restructured and upsized EBSA's long-term, non-recourse financing (the "EBSA Facility"), resulting in $84 million of incremental cash proceeds to Northland, net of closing costs. The aggregate amount of the financing was upsized to $533 million, driven primarily by expected growth in EBSA's EBITDA.

Upsizing proceeds in excess of EBSA's expansionary capital expenditures of approximately $4 million are included in Free Cash Flow for the fourth quarter, prorated for the timing of closing. Depending on the level of expansionary capital investments in 2022, management expects to recognize $35 to $45 million of net proceeds into Free Cash Flow in 2022, which has been included within the Financial Guidance presented in *SECTION 10: FINANCIAL OUTLOOK*.

For EBSA, non-expansionary capital expenditure is the expenditure required to maintain its regulated asset base under the requirements of the local regulator. Such expenditure is largely driven by the requirements of the regulatory framework, though the timing of the capital expenditures can vary from year to year and can be seasonal, therefore, affecting Free Cash Flow as reported.

5.2: General and Administrative Costs

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

	Three months ended December 31,		Year ended December 31,	
	2021	**2020**	**2021**	**2020**
Corporate G&A	**$ 16,328**	$ 15,366	**$ 43,303**	$ 36,158
Operations G&A (1)	**5,611**	13,024	**24,380**	32,135
Total G&A costs	**$ 21,939**	$ 28,390	**$ 67,683**	$ 68,293

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

Corporate G&A costs of $16 million and $43 million for the for the three months and year ended December 31, 2021, were 6% or $1 million and 20% or $7 million higher than the same periods of 2020, respectively, primarily due to higher personnel and other costs in support of Northland's global growth.

Operations G&A is incurred at the operating facilities, and for the for the three months and year ended December 31, 2021, were 57% or $7 million and 24% or $8 million lower than 2020 primarily due to certain non-recurring costs incurred at EBSA in 2020 and lower facility personnel costs in the fourth quarter of 2021.

5.3: Growth Expenditures

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

	Three months ended December 31,		Year ended December 31,	
	2021	**2020**	**2021**	**2020**
Business development	**$ —**	$ 6,087	**$ 21,756**	$ 11,530
Project development	**13,861**	8,286	**14,968**	29,600
Development overhead	**11,229**	5,375	**33,270**	26,011
Acquisition costs (1)	**1,659**	—	**7,666**	7,474
Development costs	**$ 26,749**	$ 19,748	**$ 77,660**	$ 74,615
Joint venture project development costs (2)	**581**	2,679	**8,971**	4,669
Growth expenditures (3)	**$ 25,671**	$ 22,427	**$ 78,965**	$ 71,810
Growth expenditures on a per share basis			**$ 0.36**	$ 0.36

(1) Relates to successful acquisition costs only. Excluded from growth expenditures.

(2) Includes Northland's share of development costs incurred at Baltic Power ($3 million before its capitalization in the third quarter of 2021), Chiba and other joint venture projects.

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

To achieve its long-term growth objectives, Northland expects to deploy early-stage investment capital (growth expenditures) to advance its projects. With regional development offices in Europe, Asia, North America and Latin America fully functional and with a pipeline of growth opportunities currently secured, Northland expects to incur higher growth expenditures and capital investments in future years to fund its identified development pipeline and opportunities sourced through the regional development offices.

Early-stage growth expenditures reduce near-term Free Cash Flow until projects achieve commercial operation but should deliver sustainable growth in Free Cash Flow over the long-run. These growth expenditures are excluded from Adjusted Free Cash Flow.

Business development costs are incurred to identify and explore prospective business and development opportunities, which are expected to result in identifiable development projects intended to be pursued to completion, and include costs incurred for projects not ultimately pursued to acquisition or to completion. Business development costs for the year ended December 31, 2021, were higher compared to the same periods of 2020 due to a higher level of development activities pursuing opportunities.

Project development costs are attributable to identified early- to mid-stage development projects under active development that are likely to generate cash flow over the long-run. For the year ended December 31, 2021, project developments costs were lower due to timing of activities at the identified projects and the commencement of capitalization for the Hai Long project in mid-2020. Refer to *SECTION 9: DEVELOPMENT, ACQUISITION AND CONSTRUCTION ACTIVITIES* for additional information on identified development projects.

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

Acquisition costs are generally third-party transaction-related costs directly attributable to an executed business acquisition, such as the Spanish portfolio, and are excluded from Northland's non-IFRS financial measures. For the year ended December 31, 2021, acquisition costs totaled $8 million based on costs incurred on successful acquisition pursuits.

5.4: Consolidated Results

The following discussion of the significant factors contributing to the consolidated financial results should be read in conjunction with Northland's audited consolidated financial statements for the year ended December 31, 2021.

	Three months ended December 31,		Year ended December 31,	
	2021	**2020**	**2021**	**2020**
Electricity production (GWh)	**2,950**	2,646	**8,879**	9,449
Sales	**$ 640,090**	$ 492,834	**$ 2,093,255**	$ 2,060,627
Less: Cost of sales	**60,212**	57,223	**213,493**	202,329
Gross profit	**$ 579,878**	$ 435,611	**$ 1,879,762**	$ 1,858,298
Expenses				
Operating costs	**83,716**	81,726	**327,894**	300,916
General and administrative costs	**21,939**	28,390	**67,683**	68,293
Development costs	**26,749**	19,748	**77,660**	74,615
Depreciation of property, plant and equipment	**155,356**	132,392	**612,755**	529,569
	$ 287,760	$ 262,256	**$ 1,085,992**	$ 973,393
Investment income	**482**	716	**3,218**	3,285
Finance lease income	**2,880**	2,973	**11,662**	12,023
Operating income	**$ 295,480**	$ 177,044	**$ 808,650**	$ 900,213
Finance costs, net	**99,611**	95,094	**342,417**	365,168
Amortization of contracts and intangible assets	**(5,594)**	14,712	**23,284**	43,361
Impairment	**—**	—	**29,981**	—
Foreign exchange (gain) loss	**29,429**	19,654	**81,318**	(71,344)
Fair value (gain) loss on derivative contracts	**(53,021)**	(497)	**(116,621)**	(11,271)
Other expense (income)	**15,639**	(1,020)	**25,040**	(25,769)
Income (loss) before income taxes	**$ 209,416**	$ 49,101	**$ 423,231**	$ 600,068
Provision for (recovery of) income taxes				
Current	**35,112**	21,628	**84,410**	90,282
Deferred	**44,776**	676	**68,942**	24,729
Provision for (recovery of) income taxes	**$ 79,888**	$ 22,304	**$ 153,352**	$ 115,011
Net income (loss)	**$ 129,528**	$ 26,797	**$ 269,879**	$ 485,057
Net income (loss) per share - basic	**$ 0.45**	$ 0.11	**$ 0.82**	$ 1.86
Net income (loss) per share - diluted	**$ 0.45**	$ 0.11	**$ 0.82**	$ 1.85

Fourth Quarter

Sales and *gross profit* of $640 million and $580 million, respectively, increased 30% or $147 million and 33% or $144 million compared to the same quarter of 2020 primarily due to contributions from the Spanish portfolio acquired in August 2021 and improved results from the offshore wind facilities relative to 2020, partially offset by the effect of unfavourable foreign exchange rate fluctuations.

Operating costs of $84 million increased 2% or $2 million compared to the same quarter of 2020 primarily due to additional costs from the Spanish portfolio and the effect of foreign exchange rate fluctuations

G&A costs of $22 million decreased 23% or $6 million compared to the same quarter of 2020. Of this, operations G&A decreased by $7 million primarily due to certain non-recurring costs incurred at EBSA in 2020 and lower facility personnel costs in the fourth quarter of 2021 while corporate G&A costs increased by $1 million primarily due to the higher personnel and other costs in support of Northland's global growth.

Development costs of $27 million increased 35% or $7 million compared to the same quarter of 2020 primarily due to timing of costs incurred to advance early-stage development projects.

Finance costs, *net* (primarily interest expense) of $100 million increased 5% or $5 million compared to the same quarter of 2020 primarily as a result of the increase in Northland's debt associated with the acquisition of the Spanish Portfolio.

Fair value gain on derivative contracts was $53 million primarily due to net movements in the fair value of derivatives related to the Gemini market price, interest rates and foreign exchange contracts.

Foreign exchange loss of $29 million is primarily due to unrealized loss from fluctuations in the closing foreign exchange rates.

Net income increased $103 million in the fourth quarter of 2021 compared to the same quarter of 2020 primarily as a result of the factors described above, combined with a $58 million higher tax expense.

2021

Sales of $2.1 billion increased 2% or $33 million compared to 2020 primarily due to contributions from the Spanish portfolio acquired in August 2021 and rate escalations at the efficient natural gas facilities, primarily offset by lower offshore wind resource, lower production at Nordsee One due to lower turbine availability, and the effect of unfavourable foreign exchange rate fluctuations.

Gross profit of $1.9 billion increased 1% or $21 million compared to 2020 primarily due to the same factors affecting sales described above, partially offset by increased gas costs at the efficient natural gas facilities.

Operating costs of $328 million increased 9% or $27 million compared to 2020 primarily due to additional costs from Spanish portfolio, the expected renewal of the turbine maintenance contract at Gemini and the effect of foreign exchange rate fluctuations.

G&A costs of $68 million were in line with 2020 primarily due to higher personnel and other costs in support of Northland's global growth offset by lower operations G&A.

Development costs of $78 million increased 4% or $3 million compared to the compared to 2020 due to the timing and nature of development activities to pursue development projects and opportunities.

Finance costs, *net* (primarily interest expense) of $342 million decreased 6% or $23 million compared to 2020 primarily as a result of scheduled repayments on facility-level loans and repayment of borrowings on the corporate revolving facility in April 2021. 2020 also included interest on convertible debentures redeemed in May 2020.

Impairment expense of $30 million as a result of a goodwill write-off for Iroquois Falls, as its PPA expired in December 2021.

Foreign exchange loss of $81 million is primarily due to unrealized loss from fluctuations in the closing foreign exchange rate.

Fair value gain on derivative contracts was $117 million compared to a $11 million gain in 2020 primarily due to the movement in the fair value of interest rate swaps and foreign exchange contracts.

Other expenses of $25 million were $51 million higher for the year ended December 31, 2021, primarily due to share of increasing joint venture development costs and non-cash write-downs of receivables, while other income in 2020 included proceeds received from the sale of turbines at Deutsche Bucht as well as insurance proceeds related to its construction.

Net income decreased $215 million for the year ended December 31, 2021 compared to 2020 mainly due to the factors described above, partially offset by a $38 million higher tax expense.

5.5: Adjusted EBITDA

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

	Three months ended December 31,		Year ended December 31,	
	2021	**2020**	**2021**	**2020**
Net income (loss)	**$ 129,528**	$ 26,797	**$ 269,879**	$ 485,057
Adjustments:				
Finance costs, net	**99,611**	95,094	**342,417**	365,168
Gemini interest income	**3,843**	4,069	**15,810**	16,075
Share of joint venture project development costs	**3,510**	(2,679)	**(4,880)**	(4,669)
Acquisition costs	**1,659**	—	**7,666**	7,474
Provision for (recovery of) income taxes	**79,888**	22,304	**153,352**	115,011
Depreciation of property, plant and equipment	**155,356**	132,392	**612,755**	529,569
Amortization of contracts and intangible assets	**(5,594)**	14,712	**23,284**	43,361
Fair value (gain) loss on derivative contracts	**(78,047)**	(497)	**(153,536)**	(11,271)
Foreign exchange (gain) loss	**29,429**	19,654	**81,318**	(71,344)
Impairment loss	**—**	—	**29,981**	—
Elimination of non-controlling interests	**(74,593)**	(41,895)	**(260,567)**	(278,709)
Finance lease (lessor)	**(1,113)**	(5,657)	**(7,137)**	(1,803)
Other adjustments	**20,171**	4,222	**26,662**	(23,822)
Adjusted EBITDA	**$ 363,648**	$ 268,516	**$ 1,137,004**	$ 1,170,097

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

Other adjustments primarily include non-cash loss on equity investments for the year ended December 31, 2021. For the year ended December 31, 2020, other adjustments primarily include proceeds from sale of two turbines and insurance proceeds received.

Fourth Quarter

Adjusted EBITDA of $364 million for the three months ended December 31, 2021, increased 35% or $95 million compared to the same quarter of 2020. The significant factors increasing Adjusted EBITDA include:

- $55 million contribution from the Spanish portfolio of onshore wind and solar facilities acquired in August 2021;
- $30 million increase in operating results at Gemini primarily due to slightly higher hedged wholesale market prices realized on production above the Gemini Subsidy Cap relative to 2020; and
- $14 million increase in operating results from EBSA and the efficient natural gas facilities primarily due to contributions from optimized operations and annual escalations.

Full Year

Adjusted EBITDA of $1,137 million for the year ended December 31, 2021, decreased 3% or $33 million compared to the same period of 2020. The significant factors decreasing Adjusted EBITDA include:

- $49 million decrease in operating results at Gemini primarily due to historically low wind resource and realized APX hedge losses;

- $45 million decrease in operating results at the German offshore wind facilities primarily due to low wind resource and losses at Nordsee One due to turbine availability, partially offset by fewer periods of uncompensated outages and of negative prices in Germany; and
- $7 million increase in growth expenditures primarily driven by an increasing level of business development activities; and a $7 million increase in corporate G&A primarily due to higher personnel and other costs in support of Northland's global growth.

The factors partially offsetting the decrease in Adjusted EBITDA were:

- $74 million contribution from the Spanish portfolio of onshore wind and solar facilities acquired in August 2021; and
- $4 million increase in operating results primarily due to contributions from EBSA and the efficient natural gas facilities.

5.6: Free Cash Flow and Adjusted Free Cash Flow

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

	Three months ended December 31,		Year ended December 31,	
	2021	2020	**2021**	2020
Cash provided by operating activities	**$ 559,368**	$ 310,499	**$ 1,609,295**	$ 1,321,601
Adjustments:				
Net change in non-cash working capital balances related to operations	**(111,986)**	13,648	**(292,499)**	32,333
Non-expansionary capital expenditures	**(7,734)**	(15,793)	**(40,558)**	(28,324)
Restricted funding for major maintenance, debt and decommissioning reserves	**2,294**	(3,902)	**(7,505)**	(15,756)
Interest paid, net	**(100,842)**	(110,062)	**(277,908)**	(309,077)
Scheduled principal repayments on facility debt	**(278,667)**	(233,773)	**(635,901)**	(789,778)
Funds set aside (utilized) for scheduled principal repayments	**119,951**	104,140	**635**	179,792
Preferred share dividends	**(2,710)**	(2,707)	**(10,811)**	(11,364)
Consolidation of non-controlling interests	**(40,240)**	(26,151)	**(90,022)**	(123,609)
Deutsche Bucht Completion Distribution	**—**	—	**—**	93,144
Cash from operating activities from projects under construction	**—**	—	**—**	(66,853)
Lease payments	**(2,169)**	(2,447)	**(8,966)**	(9,210)
Investment income (1)	**4,750**	5,432	**20,153**	22,450
Nordsee One proceeds from government grant and warranty settlement	**10,764**	7,809	**38,636**	28,281
Share of joint venture project development costs	**(581)**	(2,679)	**(8,971)**	(4,669)
Foreign exchange	**(2,682)**	855	**9,902**	5,072
Other (2)	**6,825**	11,507	**1,921**	19,555
Free Cash Flow	**$ 156,341**	$ 56,376	**$ 307,401**	$ 343,588
Add back: Growth expenditures	**25,671**	22,427	**78,965**	71,810
Adjusted Free Cash Flow	**$ 182,012**	78,803	**$ 386,366**	$ 415,398

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

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

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

Scheduled principal repayments on facility debt reflect repayments as paid. *Funds set aside (utilized) for scheduled principal repayments* allocates repayments across the quarters in order to more clearly reflect the Company's performance. Gemini's principal repayment schedule is weighted towards the first payment of the year to align with Gemini's expected annual cash flow profile, while Nordsee One and Deutsche Bucht's principal repayments are equally weighted. For 2022, Northland's share of Gemini, Nordsee One and Deutsche Bucht's scheduled principal repayments are €84 million, €82 million and €77 million, respectively (2021 - €83 million, €87 million and €78 million; 2020 - €82 million, €80 million, €84 million, respectively). For 2022, the Spanish portfolio's principal repayment is €60 million (2021 - €23 million).

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

In 2014, Nordsee One was awarded a grant under the European Commission's NER 300 program. The total grant value of €70 million was recorded as a reduction in property, plant and equipment upon completion of the project. Cash proceeds from the grant are based on production volumes, and with the final cash payments expected in 2023 for production in 2022. Proceeds under the grant attributable to Nordsee One's production are included in Free Cash Flow. For the year ended December 31, 2021, and December 31, 2020, proceeds from this program, based on production, totaled $16 million and $18 million, respectively.

Fourth Quarter

Free Cash Flow of $156 million for the three months ended December 31, 2021, was 177% or $100 million higher than the same quarter of 2020. The significant factors increasing Free Cash Flow were:

- $51 million increase in overall earnings across all facilities, excluding the Spanish portfolio, as described in Adjusted EBITDA, primarily at the offshore wind facilities due to fewer periods of unpaid curtailments and negative prices at the German facilities and higher electricity prices on Gemini production above the Subsidy Cap;
- $27 million contribution from the Spanish portfolio of onshore wind and solar facilities acquired in August 2021;
- $10 million decrease in net interest costs due to scheduled principal repayments on facility-level loans; and
- $9 million decrease in non-expansionary capital expenditures primarily at EBSA.

Adjusted Free Cash Flow, which excludes all non-capitalized growth expenditures, amounted to $182 million for the three months ended December 31, 2021, and was 131% or $103 million higher than the same quarter of 2020. The significant factors increasing Adjusted Free Cash Flow were as described for Free Cash Flow but exclude the $3 million increase in growth expenditures (refer to *Section 5.3: Growth Expenditures* for more information).

Full Year

Free Cash Flow of $307 million for the year ended December 31, 2021, was 11% or $36 million lower compared to 2020. The significant factors decreasing Free Cash Flow include:

- $88 million decrease in overall earnings across all facilities, as described in Adjusted EBITDA, but primarily due to low wind resource at the three offshore wind facilities and turbine availability issues at Nordsee One.

The factors partially offsetting the decrease in Free Cash Flow were:

- $30 million contribution, net of debt and interest payments, from the Spanish portfolio; and
- $18 million decrease in net interest costs due to lower interest costs as a result of scheduled principal repayments on facility-level loans.

Adjusted Free Cash Flow, which excludes growth expenditures, amounted to $386 million for the year ended December 31, 2021, and was 7% or $29 million lower than 2020 due to the same factors affecting Free Cash Flow but exclude the $7 million increase in growth expenditures.

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

	Three months ended December 31, 2021	Three months ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2020
Cash dividends paid to common and Class A shareholders	**$ 44,688**	$ 40,652	**$ 172,755**	$ 217,918
Free Cash Flow payout ratio - cash dividends (1)			**56 %**	63 %
Adjusted Free Cash Flow payout ratio - cash dividends (1)			**45 %**	52 %
Total dividends paid to common and Class A shareholders (2)	**$ 67,938**	$ 60,555	**$ 261,730**	$ 242,923
Free Cash Flow payout ratio - total dividends (1) (2)			**84 %**	71 %
Adjusted Free Cash Flow payout ratio - total dividends (1)			**67 %**	58 %
Weighted avg. number of shares - basic (000s) (3)	**226,568**	201,962	**218,861**	198,774
Weighted avg. number of shares - diluted (000s) (4)	**226,568**	201,962	**218,861**	201,169
Per share ($/share)				
Dividends paid (5)	**$ 0.30**	$ 0.30	**$ 1.20**	$ 1.20
Free Cash Flow — basic	**$ 0.69**	$ 0.28	**$ 1.40**	$ 1.73
Free Cash Flow — diluted	**$ 0.69**	$ 0.28	**$ 1.40**	$ 1.72
Adjusted Free Cash Flow — basic	**$ 0.80**	$ 0.39	**$ 1.77**	$ 2.09
Adjusted Free Cash Flow — diluted	**$ 0.80**	$ 0.39	**$ 1.77**	$ 2.07

(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. In September 2020, all Class A shares were converted into common shares on a one-for-one basis.

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

At December 31, 2021, the rolling four quarter Free Cash Flow and the Adjusted Free Cash Flow net payout ratio were 56% and 45%, respectively, calculated on the basis of cash dividends paid, compared to 63% and 52% for the same period ending December 31, 2020. The improvement in the Free Cash Flow net payout ratio, despite lower Free Cash Flow reported in 2021, was due a higher share count – see table below for DRIP amounts and Equity offering proceeds during the period. The Adjusted Free Cash Flow net payout ratio was similarly improved compared to the same period ending December 31, 2020.

Sources of Liquidity in Addition to Free Cash Flow to Fund Growth

In addition to generated Free Cash Flow, Northland utilizes additional sources of liquidity to fund growth and capital investments. Additional liquidity sourced by management during the year ended December 31, 2021, is summarized as follows:

		Year ended December 31,		
		2021		**2020**
Dividend Reinvestment Program (DRIP)	**$**	**88,975**	$	21,983
Release of funds from debt service reserve (1)		**73,723**		60,079
EBSA financing, net of prior debt repayment and costs (2)		**83,959**		113,645
Proceeds from Canadian facility up-financing(s)		**39,600**		51,942
Proceeds from sale of monobucket foundations and related and insurance proceeds		**—**		32,367
Total Liquidity Generated Before Equity Offering	**$**	**286,257**	$	280,016
Equity offering (net proceeds)		**950,421**		—
Total Liquidity Generated After Equity Offering	**$**	**1,236,678**	$	280,016

(1) 2021 represents the release of cash from Deutsche Bucht's debt service reserve account following the implementation of a debt service reserve facility when the senior debt was restructured. 2020 represents the release of cash from Gemini's debt service reserve account following the implementation of a debt service reserve facility.

(2) Of the $84 million distribution received from the EBSA financing, a total of $3.9 million was included in Free Cash Flow.

SECTION 6: CHANGES IN FINANCIAL POSITION

The following table provides a summary of account balances derived from the audited consolidated statements of financial position as at December 31, 2021 and December 31, 2020.

As at		**December 31, 2021**		**December 31, 2020**
Assets				
Cash and cash equivalents	**$**	**673,692**	$	434,989
Restricted cash		**155,631**		192,530
Trade and other receivables		**383,308**		372,137
Other current assets		**77,950**		66,379
Property, plant and equipment		**9,586,466**		8,679,959
Contracts and other intangible assets		**497,635**		533,171
Investment in joint ventures		**131,134**		1,759
Other assets (1)		**1,037,913**		1,017,433
	$	**12,543,729**	$	11,298,357
Liabilities				
Trade and other payables		**504,583**		252,691
Facility-level loans and borrowings		**7,592,214**		7,237,200
Net derivative liabilities (2)		**215,618**		582,631
Net deferred tax liability (2)		**470,015**		300,567
Other liabilities (3)		**795,588**		922,497
	$	**9,578,018**	$	9,295,586
Total equity		**2,965,711**		2,002,771
	$	**12,543,729**	$	11,298,357

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

(2) Presented on a net basis.

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

Significant changes in Northland's audited consolidated statements of financial position were as follows:

- *Restricted cash* decreased by $37 million primarily due to the release of funds set aside for debt service at Deutsche Bucht, which were reclassified to cash, as a result of an amendment to Deutsche Bucht's debt facility agreement, partially offset by funds set aside for semi-annual bond payments.
- *Property, plant and equipment* increased by $907 million primarily due to the consolidation of the Spanish portfolio and construction-related activities at Northland's identified projects, partially offset by depreciation and foreign exchange fluctuation.
- *Equity investment* increased by $129 million mainly as a result of the purchase price of Baltic Power and the additional equity contribution accrued in pursuance of the purchase agreement.
- *Other assets* increased by $20 million primarily due to the consolidation of the Spanish portfolio, partially offset by the write-off of Iroquois Falls' goodwill, as a result of the expiry of its purchase price agreement in December 2021 and foreign exchange fluctuation.
- *Trade and other payables* increased by $252 million primarily due to consolidation of the Spanish portfolio, construction activities and purchase price commitments payable for Baltic Power.
- *Facility-level loans and borrowings* increased by $355 million mainly due to consolidation of the Spanish portfolio and the EBSA refinancing, partially offset scheduled principal repayments on facility-level debt and foreign exchange fluctuation.
- *Other liabilities* decreased by $127 million primarily due to repayment of the revolving corporate credit facility outstanding from the proceeds of the equity offering in May 2021.

SECTION 7: EQUITY, LIQUIDITY AND CAPITAL RESOURCES

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

Dividends

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

Equity and Convertible Unsecured Subordinated Debentures

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

	December 31, 2021	**December 31, 2020**
	Shares	Shares
Shares outstanding, beginning of year	**202,171,075**	179,441,219
Conversion of subscription receipts	**—**	14,289,000
Equity offering	**22,500,500**	—
Conversion of debentures	**—**	6,896,136
Conversion of Class A shares	**—**	1,000,000
Shares issued under the LTIP	**21,967**	—
Shares issued under the DRIP	**2,189,209**	544,720
Total common and convertible shares outstanding, end of period	**226,882,751**	202,171,075

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

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

In their most recent report issued in March 2021, Standard & Poor's reaffirmed Northland's corporate credit rating of BBB (Stable). In addition, Northland's preferred share rating was reaffirmed on Standard & Poor's Canada scale of BB+. In September 2021, Northland received a second corporate credit rating of BBB (stable) from Fitch Ratings Inc., a global rating agency.

At December 31, 2021, Northland had 226,882,751 common shares outstanding (as at December 31, 2020 - 202,171,075) with no change in preferred shares outstanding from December 31, 2020.

As of February 24, 2022, Northland has 227,268,708 common shares outstanding with no change in preferred shares outstanding from December 31, 2021.

Liquidity and Capital Resources

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

	Three months ended December 31,		**Year ended December 31,**	
	2021	**2020**	**2021**	**2020**
Cash and cash equivalents, beginning of period	**$ 533,079**	$ 487,037	**$ 434,989**	$ 268,193
Cash provided by operating activities	**559,368**	310,499	**1,609,295**	1,321,601
Cash (used in) investing activities	**(242,302)**	(82,336)	**(1,030,864)**	(839,272)
Cash (used in) provided by financing activities	**(151,112)**	(281,611)	**(225,678)**	(389,533)
Effect of exchange rate differences	**(25,341)**	1,400	**(114,050)**	74,000
Cash and cash equivalents, end of period	**$ 673,692**	$ 434,989	**$ 673,692**	$ 434,989

Fourth Quarter

Cash and cash equivalents for the fourth quarter of 2021 increased $187 million from September 30, 2021, due to cash provided by operations of $559 million, partially offset by cash used by investing activities of $242 million, cash used in financing activities of $151 million and $25 million effect of foreign exchange translation.

The increase in cash and cash equivalents during the quarter was largely due to higher cash provided by operations, partially offset by inclusion of the Spanish portfolio, construction-related activities at Northland's identified projects and foreign exchange rate differences.

2021

Cash and cash equivalents for the year ended December 31, 2021, increased $239 million due to cash provided by operations of $1.6 billion and $114 million effect of foreign exchange translation, partially offset by $1.0 billion of cash used in investing activities and $226 million in financing activities.

Cash provided by operating activities for the year ended December 31, 2021, was $1.6 billion comprising:

- $270 million of net income;
- $1.0 billion 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
- $292 million in changes in working capital due to the timing of payables, receivables and deposits.

Cash used in investing activities for the year ended December 31, 2021, was $1.0 billion, primarily comprising:

- $502 million paid primarily for the acquisition of the Spanish portfolio and Baltic Power, net of cash acquired;
- $470 million used for the purchase of property, plant and equipment, mainly for the ongoing construction at New York Wind, La Lucha and Hai Long projects; and
- $55 million of restricted cash used mainly related to the ongoing New York Wind construction.

Cash used in financing activities for the year ended December 31, 2021, was $226 million, primarily comprising:

- $897 million in principal repayments on project debt including EBSA refinancing in December 2021;
- $303 million in net repayment under the corporate syndicated revolving facility;
- $281 million of common and preferred share dividends as well as dividends to non-controlling shareholders; and
- $281 million in interest payments.

Factors partially offsetting cash used in financing activities include:

- $950 million received from common shares issued in April 2021;
- $518 million of draws on project debt primarily for EBSA refinancing and for construction of the projects in New York;
- $76 million change in restricted cash, primarily from funds released from debt service reserve at Deutsche Bucht, partially offset by funds set aside for debt service.

Movement of foreign currencies, including primarily the Euro and Colombian peso, against the Canadian dollar decreased cash and cash equivalents by $114 million for the year ended December 31, 2021. Northland aims to mitigate the effects of exchange rate fluctuations through a variety of mechanisms, including foreign exchange hedges and natural hedges by corporate debt denominated in USD or Euro for operating expenditures.

Property, Plant and Equipment

The following table provides a continuity of the cost of property, plant and equipment for the year ended December 31, 2021:

	Cost balance as at Dec 31, 2020	Acquired	Additions	Other [1]	Exchange rate differences	Cost balance as at Dec 31, 2021
Operations:						
Offshore wind	$ 7,174,847	$ —	$ 19,533	$ (2,620)	$ (546,819)	**$ 6,644,941**
Efficient natural gas[2]	1,769,426	—	14,461	(5,960)	—	**1,777,927**
Onshore renewable	1,753,440	1,573,274	1,929	1,934	(34,581)	**3,295,996**
Utility	597,731	—	32,984	(1,631)	(100,114)	**528,970**
Construction:						
Onshore renewable	163,928	—	369,124	(969)	(4,189)	**527,894**
Corporate [3]	91,998	—	89,122	(876)	(3,758)	**176,486**
Total	$ 11,551,370	**$ 1,573,274**	**$ 527,153**	**$ (10,122)**	**$ (689,461)**	**$ 12,952,214**

(1) Includes disposal of assets and amounts accrued under the long term incentive plan (“LTIP”).

(2) Excludes Spy Hill lease receivable accounting treatment.

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

Long-term Debt

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

The following table provides a continuity of Northland’s debt for the year ended December 31, 2021:

	Balance as at Dec 31, 2020	Acquired	Financings, net of costs	Repayments	Amort. of costs/fair value	Exchange rate differences	Balance as at Dec 31, 2021
Operations:							
Offshore wind	$ 4,837,429	$ —	$ (9,926)	$ (476,188)	$ 19,704	$ (360,983)	**$ 4,010,036**
Efficient natural gas	953,458	—	—	(52,280)	1,380	—	**902,558**
Onshore renewable	997,261	1,124,187	39,592	(107,431)	2,258	(23,959)	**2,031,908**
Utility	449,052	—	359,190	(261,433)	711	(29,424)	**518,096**
Construction:							
Onshore renewable	—	—	129,625	—	—	—	**129,625**
Corporate	351,402	—	371,315	(674,433)	(136)	(6,332)	**41,816**
Total	$ 7,588,602	**$ 1,124,187**	**$ 889,796**	**$ (1,571,765)**	**$ 23,917**	**$ (420,698)**	**$ 7,634,039**

Additionally, as at December 31, 2021, $94 million of letters of credit were outstanding under non-recourse project-level credit facilities for operational use.

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

In June 2021, Northland entered into non-recourse construction loan, tax equity bridge loan and term loan for Ball Hill and Bluestone onshore wind projects in New York, amounting to US$381 million (approximately C$475 million), at a 1.45% interest rate during construction. The maturity date of the loan is December 31, 2024, two years after COD.

In the third quarter, Northland restructured and upsized the senior debt on a number of its Canadian solar facilities, resulting in one-time cash distribution to Northland totaling $40 million. This refinancing constitutes green project financing supporting Northland's ESG initiatives. In 2021, Northland received cash distributions of $113 million from optimizing and upsizing project finance and other debt structures to further enhance liquidity to fund growth. These cash distributions are not included in Free Cash Flow or Adjusted Free Cash Flow.

In December 2021, Northland restructured and upsized EBSA's long-term, non-recourse financing resulting in $84 million of incremental cash proceeds to Northland, net of closing costs. The EBSA Facility is structured as a $521 million term loan and a $12 million debt service reserve credit facility. The restructured facility is denominated in Canadian dollars, and the principal amount is currently 100% hedged against the Colombian peso. The interest rate on the debt facility, before foreign exchange hedging costs is 3.7%. In addition, the EBSA Facility now has longer term (3 years compared to 2 years previously). The upsizing proceeds are expected provide Northland with additional liquidity to fund its Capitalized Growth Projects. Under the terms of the EBSA Facility, management intends to execute recurring upsizings of the debt, supported by continued growth in EBSA's EBITDA.

Debt Covenants

Northland generally conducts its business indirectly through separate subsidiary legal entities and is dependent on the distribution of cash from those subsidiary entities to defray its corporate expenses, repay corporate debt and to pay cash dividends to common and preferred shareholders. Most operating subsidiaries hold non-recourse debt, which typically prohibits distributions if the loan is in default (notably for non-payment of principal or interest) or if the entity fails to achieve a benchmark debt service coverage ratio, which is the ratio of EBITDA to scheduled principal and interest payments over a specified time period. Northland and its subsidiaries were in compliance with all debt covenants for the period ended December 31, 2021.

Corporate Credit Facilities and Letters of Credit

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

As at December 31, 2021	Facility size	Amount drawn	Outstanding letters of credit	Available capacity	Maturity date
Syndicated revolving facility	$ 1,000,000	$ 44,722	$ 206,802	$ 748,476	Sep. 2026
Bilateral letter of credit facility	150,000	—	143,765	6,235	Mar. 2023
Export credit agency backed letter of credit facility	100,000	—	50,801	49,199	Mar. 2022
Export credit agency backed letter of credit facility	50,000	—	39,367	10,633	n/a(1)
Total	**$ 1,300,000**	**$ 44,722**	**$ 440,735**	**$ 814,543**	
Less: deferred financing costs		2,897			
Total, net		**$ 41,825**			

(1) The $50 million facility does not have a specified maturity date.

- Of the $441 million of corporate letters of credit issued as at December 31, 2021, $235 million relates to projects under advanced development or construction.
- In September 2021, Northland extended its $1 billion revolving corporate credit facility with a syndicate of both Canadian and global financial institutions to 2026 (from 2024) and executed several amendments to increase liquidity available to fund growth. Concurrently, the Company implemented a Sustainability Linked Loan (**SLL**) overlay. The implementation of the SLL is an important milestone for Northland and is aligned with the Company's ESG initiatives and green financing framework introduced in February 2021. The SLL is based on achieving defined targets related to both increasing renewable generating capacity and reducing carbon emissions intensity and is expected to provide Northland with cost savings if the targets are met.
- In July 2021, Northland entered into a new $50 million export credit agency backed corporate letter of credit facility to support its global growth.
- During the year ended December 31, 2021, Northland made net repayments of $303 million on the syndicated revolving facility, with remaining movement in the period due to foreign exchange fluctuations.

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

Exposure to LIBOR and EURIBOR

LIBOR and EURIBOR are the two key global benchmark rates used to determine interest rates and value government and corporate bonds, loans, currency and interest rate swaps and many other financial products. Global regulators have been working with industry groups and policymakers over the past several years to identify and transition to more robust reference rates. In Europe, regulators have transitioned to a hybrid calculation methodology for EURIBOR. In the United States, regulators have identified the secured overnight financing rate (SOFR) as the successor rate for USD LIBOR. Effective December 31, 2021, USD LIBOR will not be used for new loans, and interest rate swaps will be converted to Term SOFR by June 30, 2023.

As at December 31, 2021, Northland had €3.8 billion and US$132 million of EURIBOR-linked borrowings and derivatives, respectively, that extend beyond 2021.

Management is monitoring industry developments and has developed a transition plan, which includes a comprehensive review of financial exposures, proactive discussions with lenders and an amendment to its corporate credit agreement and applicable project-level financing agreements to preserve the intended economics. Management does not currently expect a material financial impact to Northland and continues to monitor and manage the transition.

Financial Commitments and Contractual Obligations

In the ordinary course of business, Northland enters into financial and derivative contracts. The contractual maturities of Northland's material financial liabilities as at December 31, 2021, are summarized in the following table:

	2022	2023	2024	2025	2026	>2026
Derivative contracts						
Euro foreign exchange contracts	184,304	178,830	181,034	184,819	178,076	1,285,441
Colombian peso foreign exchange contracts	390,178	4,693	—	—	—	—
U.S. dollar foreign exchange contracts	18,394	129,625	—	—	—	—
U.S. dollar interest rate swaps	3,803	—	—	—	—	—
US La Lucha interest rate swaps	667	627	583	580	528	1,588
Power financial contracts	17,032	8,963	685	—	—	—
Facility-level debt at Northland's share						
Gemini	€ 84,125	€ 89,410	€ 94,266	€ 99,436	€ 101,405	€ 479,632
Nordsee One	88,411	86,767	88,119	83,029	92,194	14,100
Deutsche Bucht	76,507	78,071	78,853	91,091	92,824	393,120
Spain	60,901	62,764	63,868	64,138	62,855	406,318
Total in Euro	€ 309,944	€ 317,012	€ 325,106	€ 337,694	€ 349,278	€1,293,170
New York Wind	US$ —	US$ —	US$102,600	US$ —	US$ —	US$ —
Total in Canadian dollar (1)	467,453	478,112	490,320	509,305	526,776	1,950,338
EBSA (2)	—	—	514,987	—	—	—
All other facilities (3)	115,435	131,915	130,098	126,429	137,369	995,734
Total operating facility liabilities	582,889	610,029	1,266,922	635,733	664,144	2,946,072
Interest payments including swap derivative contracts	220,968	200,455	186,133	150,638	190,091	369,233
Corporate liabilities						
Corporate credit facilities, including interest	83	84	94	94	44,793	—
Total	**$1,418,318**	**$1,133,306**	**$ 1,635,451**	**$ 971,864**	**$1,077,632**	**$4,602,334**

(1) Debt balance was reported at 100% ownership.

(1) Using long-term foreign exchange rates.

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

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

Non-Financial Commitments and Contractual Obligations

The following table summarizes all material fixed contractual commitments and obligations as at December 31, 2021, for non-financial contracts. The amounts are based on the assumptions of a 2% annual consumer price index increase, a Canadian dollar/euro exchange rate of $1.51 and Canadian dollar/U.S. dollar exchange rate of $1.28. The table includes maintenance and services agreements and natural gas transportation demand charges for which Northland is liable whether or not natural gas is shipped. The construction commitment relates to the construction of the Deutsche Bucht project. The cash obligations related to the leases for land and buildings, dismantlement and management fees to non-controlling interest partners are also included.

	2022	2023	2024	2025	2026	>2026
Maintenance agreements	$ 180,194	$ 167,805	$ 154,813	$ 138,962	$ 666,548	$ 718,898
Construction, excluding debt, interest and fees	1,210	1,235	1,259	1,284	1,310	40,652
Natural gas supply and transportation, fixed portion	16,833	15,362	12,727	12,965	13,223	45,549
Leases	54,059	53,060	51,314	49,708	45,567	129,197
Decommissioning liabilities	14,301	14,301	14,301	14,302	14,304	59,685
Management fees	5,819	3,966	1,082	1,094	1,106	10,159
Total	**$ 272,416**	**$ 255,729**	**$ 235,496**	**$ 218,315**	**$ 742,058**	**$1,004,140**

Except in circumstances where cancellation of the agreements would result in material penalties, the above table does not include variable contractual obligations of Northland (which typically relate directly to production or meeting performance criteria). Such obligations include natural gas purchase costs, variable natural gas transportation costs and variable payments to maintenance providers. Except for certain onshore renewable and efficient natural gas facilities' PPAs, the electricity supply contracts contain no penalties for failure to supply.

SECTION 8: SUMMARY OF QUARTERLY CONSOLIDATED RESULTS

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

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

In millions of dollars, except per share information	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Total sales	$ 640	$ 432	$ 408	613	$ 493	$ 471	$ 429	$ 668
Operating income	295	89	118	306	177	179	149	395
Net income (loss)	130	(5)	(6)	151	27	109	74	275
Adjusted EBITDA	364	211	203	360	269	254	227	421
Cash provided by operating activities	559	280	361	408	310	278	365	368
Free Cash Flow	156	11	6	134	56	58	17	211
Adjusted Free Cash Flow	182	35	22	147	79	74	38	224
Per share statistics								
Net income (loss) - basic [1]	$ 0.45	$ (0.06)	$ (0.09)	$ 0.54	$ 0.11	$ 0.43	$ 0.28	$ 1.08
Net income (loss) - diluted [1]	0.45	(0.06)	(0.09)	0.54	0.11	0.42	0.28	1.04
Free Cash Flow - basic	0.69	0.05	0.03	0.66	0.28	0.30	0.09	1.10
Adjusted Free Cash Flow - basic	0.80	0.15	0.10	0.73	0.38	0.41	0.21	1.17
Total dividends declared [2]	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30

(1) Net income (Loss), basic and diluted per share are adjusted due to correction of historical net income allocated to common shareholders and non-controlling interests ("NCI") in 2021 and 2020.

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

SECTION 9: DEVELOPMENT, ACQUISITION AND CONSTRUCTION ACTIVITIES

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

Scotwind Offshore Wind Project

On January 17, 2022, Northland announced that it was awarded two offshore wind leases in the Crown Estate Scotland auction with a total combined capacity of 2,340MW. The two leases, one fixed foundation (840MW) and one floating foundation (1,500MW), will extend Northland's development runway into the next decade, with commercial operations expected at the end of 2029/2030 for the fixed and early 2030s for the floating.

Nordsee Offshore Wind Cluster

Subsequent to December 31, 2021, Northland and its German partner, RWE announced the formation of a 1,333MW Nordsee Offshore Wind Cluster partnership encompassing Nordsee Two (430MW), Nordsee Three (420MW) and Nordsee Delta (480MW). The formation of the cluster is expected to allow the realization of synergies in development, construction as well as operating costs, leading to enhanced returns for the projects. In September 2021, Northland and RWE exercised their step-in rights to secure the lease for Nordsee Two, following a competitive auction that resulted in the winning bid being a zero bid. Northland and RWE also have similar step-in rights for Nordsee Three and Delta, which are expected to come to auction in 2023.

Northland holds a 49% interest in the new partnership, with RWE holding 51%. The projects are expected to be developed and managed on a joint basis by both parties and are expected to achieve commercial operations between 2026 and 2028.

Colombian 130MW Solar Projects

In November 2021, Northland, in partnership with EDF Renewables, a subsidiary of Électricité de France S.A. (EPA:EDF), successfully submitted a joint-bid into the renewables auction in Colombia and was awarded the right to build two solar projects with a total combined capacity of 130MW. The solar projects will benefit from a 15-year PPA with multiple energy distribution and commercial entities in Colombia, starting in 2023. The PPA will be denominated in Colombian pesos and will have annual indexation to the Colombian Producer Price index (**PPI**). In addition, the projects will receive a reliability charge in US dollars, which is expected to account for approximately 10% of total revenues of the projects. Northland has a 50% interest in the projects with commercial operations expected in the second half of 2023. These projects represent further execution on Northland's growth platform in Colombia, leveraging its existing position in EBSA to secure and develop additional renewable projects.

Japanese Offshore Wind Projects

In September 2021, the Japanese government designated four new sea areas as "promising areas" for the development of offshore wind projects under its Round Three process. Included in these four areas was Isumi City, Chiba Prefecture, where Northland is progressing with the development of its Chiba offshore wind project, in consortium with Shizen Energy Inc. (**Shizen Energy)** and Tokyo Gas. Additionally, Northland continues to explore an opportunity, the Katagami offshore wind project, in the Akita Prefecture, through a consortium with Mitsui and Osaka Gas, that was also designated in the promising areas list. The designation as "promising areas" for these two regions is a key milestone in the early-stage development processes for these two projects, that could have a total productive capacity of up to 900MW when complete.

Spanish Renewables Acquisition

In August 2021, Northland completed the acquisition of the Spanish portfolio with a total combined net capacity of 551MW. The transaction included the acquisition of minority interests not included in the initial announced transaction. The portfolio includes 33 operating assets comprised of onshore wind (435MW), solar photovoltaic (66MW), and a concentrated solar (50MW) located throughout Spain. Total cash consideration at closing was €348 million ($511 million), including working capital amounts $53 million, with the assumption of debt totaling €766 million ($1,124 million). The acquisition was funded using proceeds from Northland's common equity offering completed on April 14, 2021.

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

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

Based on the transaction metrics upon closing, Northland expects the acquisition to be immediately accretive to Free Cash Flow per share and Adjusted Free Cash Flow per share.

New York Onshore Wind Projects

Northland continues to progress its three onshore wind projects in New York State ("**NY Wind**"), with two of the projects, Ball Hill and Bluestone, comprising 220MW, having achieved financial close in the second quarter of 2021 and secured green financing in the form of a non-recourse project/construction loan, tax equity bridge loan and letters of credit, with a consortium of lenders totaling US$381 million (approximately C$476 million), at a 1.45% interest rate during construction. Northland funded investment in the two projects from the equity offering in April 2021 and also expects to secure permanent tax equity investments for the two projects ahead of commercial operations in 2022. Construction activities for both projects are in progress. The total capital cost for the first two projects is expected to be approximately $0.6 billion. Northland's third New York onshore wind project, High Bridge (100MW), is under active development. In early 2020, the three projects were awarded 20-year indexed Renewable Energy Certificate (**REC**) agreements with the New York State Energy Research and Development Authority as part of renewable energy solicitations.

The New York projects form part of Northland's broader strategy for onshore renewable development in the United States, where the Company is targeting a total portfolio of 1GW and has hired a dedicated local team of people to execute on this strategy. The projects will offer social, economic and environmental benefits to New York State and once complete, are expected to contribute to the State's green energy production, helping fulfill New York's clean energy transformation.

Helios Colombian Solar Project

Northland's 16MW Helios solar project in Colombia achieved financial close in 2021. The project secured a green loan and commenced construction, with commercial operations expected in the first quarter of 2022. Helios represents Northland's first development project in Colombia which capitalizes on EBSA's grandfathered rights, allowing it to expand into the energy generation market in Colombia, to service the power needs of non-regulated municipal, commercial and industrial (**C&I**) customers. Helios has secured a 12-year PPA with EBSA, which, in turn, will secure offtake agreements with non-regulated customers. The total capital cost for Helios is expected to be under $20 million.

Baltic Power Polish Offshore Wind Project

In March 2021, Northland completed its acquisition of a 49% interest in the Baltic Power offshore wind project ("**Baltic Power**") in the Baltic Sea with a total capacity of up to 1,200MW of offshore wind generation, for total cash consideration of PLN 255 million ($82 million). Baltic Power is a mid-development stage project located approximately 23 kilometers offshore from Poland's coast in the Baltic Sea with a total capacity of up to 1,200MW. The project, which has secured its location permit, filed its environmental permit application in 2020 and signed its grid connection agreement, will allow Northland to capitalize on the growth in renewable energy demand in a growing Central European market. Baltic Power adds to Northland's offshore wind portfolio and provides a new market to enhance the geographic and regulatory diversity in its asset portfolio.

In June 2021, the Baltic Power project, secured a 25-year Contract for Differences ("**CfD**") from Poland's Energy Regulatory Office under the Polish Offshore Wind Act. Under the 25-year contract, the project is guaranteed a price of PLN 319.60 per megawatt hour (MWh), which is adjusted to annual indexation by Poland's annual average consumer price index. The CfD is subject to review and final approval from Polish authorities and the European Commission. Upon successful achievement of all necessary approvals, construction of Baltic Power is expected to commence in 2023 following financial close, with commercial operations anticipated in 2026.

Pursuant to the joint venture agreement, Northland made development commitments of approximately €33 million ($49 million) to be funded over the next two years, of which $7 million was funded during 2021. As contractual milestones are met, Northland expects to contribute additional development funding.

La Lucha Mexican Solar Project

The 130MW solar project in the State of Durango, Mexico, completed its activities relating to the physical construction, however, certain activities relating to the energization of the project continue to be delayed. In order to achieve commercial operations, the facility requires energization followed by testing, which is conducted by CENACE (Independent System Operator) and CFE (Federal Electricity Commission). Final approvals, energization, testing and interconnection of renewable power projects have generally been delayed in Mexico by pandemic related government and CFE temporary office closures and reduced operating capacity. In addition, these processes have seen further delays that are likely related to the uncertainty created by the Mexican government's so far unsuccessful attempts to amend electricity sector regulations and constitutionally embedded legislation and timelines remain uncertain as a result. Efforts to secure commercial offtake and project financing are expected to be finalized only after commercial operations. As a result of the aforementioned delays, total capital costs for the project are expected to be around $200 million.

Chiba Offshore Wind Projects

Northland and Shizen Energy Inc. are jointly developing an early-stage offshore wind development opportunities ("**Chiba**") in Japan. The prospective projects have an expected combined capacity of approximately 600MW. In 2020, Shizen divested a portion of its investment in Chiba to Tokyo Gas, thereby reducing Northland's share of the growth expenditures.

Hai Long 1,044MW Offshore Wind Project

The Hai Long project owned 60% by Northland and its 40% partner, Yushan Energy, was allocated a total of 1,044MW (626MW net to Northland) by the Bureau of Energy of Taiwan under a FIT program and an auction process in 2019. Key aspects of the Hai Long project are presented in the following table:

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 July 2021, Hai Long received an amendment to the project's EIA from Taiwan's Environmental Protection Agency to accommodate a larger, 14MW turbine with longer blade lengths. Receipt of the EIA amendment allows Hai Long to complete further fieldwork to improve wind generation yields. In April 2021, Hai Long received confirmation from the Taiwan Bureau of Energy that Hai Long 2A had secured approval for the Industrial Relevance Proposal, which sets out Northland's commitments to local supply chain and procurement, marking the achievement of a significant milestone.

Hai Long expects to execute additional preferred supplier agreements with major contractors in the near-term. Having executed a 20-year PPA with Taipower for the Hai Long 2A offshore wind project in 2019, Northland expects to execute corporate and industrial offtake agreements for the two other sub-projects in the first half of 2022, though opportunities also exist to enter into economically favourable commercial PPAs to augment the economics of the sub-projects. The project continues to progress towards financial close expected in the second half of 2022.

SECTION 10: FINANCIAL OUTLOOK

Adjusted EBITDA

For 2022, management expects Adjusted EBITDA to be in the range of $1.15 billion to $1.25 billion.

Free Cash Flow and Adjusted Free Cash Flow

In 2022, management expects Free Cash Flow to be in the range of $1.20 to $1.40 per share and Adjusted Free Cash Flow to be in the range of $1.65 to $1.85 per share.

As a growth company with a significant pipeline of development projects, Northland is committed to unlocking the value in this pipeline by deploying early-stage investment capital (growth development expenditures) to advance its projects. As in 2021, with the regional development offices fully functional and several growth opportunities secured, Northland expects to incur higher development expenditures in 2022. These expenses are expected to be approximately $100 million in 2022 compared to $79 million in 2021, which are included in the aforementioned variance explanations. Early-stage development investments will reduce near-term Free Cash Flow until the projects achieve commercial operations but are expected to deliver long-term, sustainable growth in earnings and Free Cash Flow.

In addition, any gains from the future sell-down of ownership interests in development assets would be included in Free Cash Flow and Adjusted Free Cash Flow as they relate to capturing development profits at key milestones. Currently, the 2022 guidance for Free Cash Flow and Adjusted Free Cash Flow does not incorporate any sell-down proceeds and as such, net proceeds would increase reported Free Cash Flow in the event they occur in 2022.

Long-Term Outlook

Currently, Northland has 366MW of additional capacity in construction, with the expectation for completion in 2022. The Company also has almost 3GW of gross capacity mid- to late-stage development projects that are scheduled for financial close and commencement of construction within the next two years. Once these projects are complete, Northland's total gross capacity will nearly double to more than 6.5GW by 2027. Longer-term, the Company continues to advance a pipeline of over 10GW encompassing its identified projects and additional opportunities to support the sustained growth of the Company. Northland's investor day materials provide more details on our growth ambitions including an illustration of our funding plan and specific project milestones achieved since last year that are expected to create value for shareholders over the long-term.

The Company continues to have sufficient liquidity available to execute on its growth objectives. As at December 31, 2021, Northland had access to $776 million of cash and liquidity, comprising $748 million of liquidity available under a syndicated revolving facility and $28 million of corporate cash on hand.

SECTION 11: LITIGATION, CLAIMS AND CONTINGENCIES

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

SECTION 12: ESG AND CLIMATE CHANGE

ESG at Northland

Northland's primary focus of its Environmental, Social and Governance (ESG) strategy is to build a sustainable and carbon-free world. Northland's ability to achieve its objectives is based on its ability to safely supply reliable, affordable, and clean energy while delivering long-term economic value for shareholders. This has been Northland's commitment for over 34 years and continues to be core to how projects are developed, constructed, and operated.

The focus of Northland's ESG framework is on the continued decarbonization efforts through our renewable energy developments, while effectively managing our resources. This entails developing and empowering our people, creating meaningful and collaborative relationships and partnerships with local and Indigenous communities, and upholding the highest standards of good and responsible governance.

As Northland continue to focus on enhancing the reporting around its ESG-related activities, programs, and performance the Company will be reporting this in line with the recommendations of the Task Force for Climate Related Disclosure (TCFD).

Climate-related risks and opportunities

As a growth company with a significant pipeline of development projects, Northland is focused on growing its renewable energy portfolio to support ongoing global de-carbonization efforts. Building on its history of providing clean energy solutions, Northland's strategy reflects the demands and complexities of this transition in the short-, medium- and long-term. Over the next 1-5 years Northland will leverage its existing portfolio and expertise to build out its pipeline of greenfield and brownfield offshore and onshore development projects in key markets across North America, Latin America, Europe and Asia. Refer to the 2021 AIF for a summary of regulatory developments in the markets where Northland operates.

Longer-term the Company's efforts are centered on expanding its offshore wind presence through continued development of early-stage projects in Europe and Asia. In addition, Northland is also focused on establishing and expanding a position in new emerging technologies such as energy storage and green hydrogen. The goal is to create sustainable renewable and green infrastructure assets that meet the energy demands for accessible and reliable energy, while supporting global emissions reduction targets. Northland has also committed to reducing its own carbon intensity through the growth of its renewable energy portfolio and its commitment towards making no further investment in efficient natural gas assets.

Northland recognizes the risks and opportunities associated with climate (both from the transition to a lower carbon economy and from weather impact). Climate-related risks and opportunities are assessed throughout the project lifecycle.

Northland prioritizes risks and opportunities as part of its decision-making process and incorporates them into its planning assumptions, investment decision process, project development and operational processes. Northland employs a strategy that focuses on identifying opportunities in key markets through project management, operations, market analysis, regulatory assessments, and monitoring.

Northland continues to identify opportunities for access to capital, growth opportunities in new areas (energy storage and hydrogen), markets and human capital growth. Northland continues to view the climate-related risks as being associated with the variability of results, risks from acute, chronic weather changes on its physical assets and the potential for increasing costs due to more stringent regulatory and policy requirements.

Risk Management

Identification and assessment of climate –related risks are done throughout the project life cycle as well as considered as part of the Enterprise Risk Management (ERM) process and as part of the ESG Steering Committee. Northland's risk identification, assessment, response planning, reporting and monitoring are integrated into routine business activities, with ownership of key risks delegated to the functional leads throughout the organization. Any identified risks are escalated to the Executive Team, and Board of Directors, and are monitored to ensure appropriate responses.

SECTION 13: FINANCIAL RISKS AND UNCERTAINTIES

Northland's activities expose it to a variety of risks. Refer to the 2021 AIF for a summary of factors in addition to those discussed below that could significantly affect the operations and financial results of Northland.

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

Market Risk

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

(i) Interest Rate Risk

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

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

(ii) Credit Spread Risk

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

(iii) Currency Risk

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

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

(iv) Commodity Price Risk

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

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

Northland has exposure to Dutch electricity market prices under Gemini's PPA when the market price falls below the contractual floor price. For the year ended December 31, 2021, the average wholesale market price was above the contractual floor price, so the revenue was fully compensated by the feed-in-tariff mechanism.

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

Northland has exposure to Ontario electricity market prices through variable components of certain efficient natural gas revenue contracts and at facilities, such as Kingston and Iroquois Falls, that do not have a revenue contract.

Counterparty Risk

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

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

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

Liquidity Risk

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

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

Northland is also subject to internal liquidity risk because it conducts its business activities through separate legal entities (subsidiaries and affiliates) and is dependent on cash distributions from those entities to defray corporate expenses and pay dividends. Most operating subsidiaries hold non-recourse debt. Such non-recourse financing agreements typically prohibit distributions if the loan is in default (notably for non-payment of principal or interest) or if the entity fails to achieve a benchmark debt service coverage ratio, which is the ratio of Adjusted EBITDA to scheduled loan principal and interest payments over a specified time period. For the year ended December 31, 2021, Northland and its subsidiaries were in compliance with all debt covenants.

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

Refer to Note 25 in the audited consolidated financial statements for the year ended December 31, 2021, for additional information related to Northland's commitments and obligations.

Risks related to COVID-19 pandemic

Each of Northland's operating facilities are deemed to be essential infrastructure and, as such, operations have continued uninterrupted to date. Additionally, Northland's long-term agreements with creditworthy counterparties have significantly reduced the risk of material expected credit losses. However, certain risks relating to lower demand for power globally include increased negative pricing at Nordsee One and Deutsche Bucht, lower wholesale market-based prices at Gemini, higher unpaid curtailments in general, increased volatility in the value of financial instruments and reduction in sales and net earnings. Other risks include potential delays in construction timelines as a result of construction services and contractor unavailability or unavailability of key personnel resulting in the interruption of production and lower availability of power infrastructure, thus affecting sales, operating costs and net earnings.

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

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

Taxation

In September 2021, the Dutch Ministry of Finance submitted the 2022 Budget and Tax Plan to parliament for approval, which included rules within the corporate income tax act to limit the ability to deduct interest from 30% to 20% of tax EBITDA (as defined in the Dutch budget) and to increase the corporate income tax rate from 25% to 25.8%. These proposals were enacted by parliament in December and came into effect on January 1, 2022. These new rules will have a negative impact on Gemini's free cash flow and have been incorporated within the 2022 Financial Guidance.

On February 4, 2022, the Department of Finance released for public comment, draft legislative proposals (and accompanying explanatory notes) to implement most of the remaining measures from the 2021 federal budget, including the proposed interest limitation rules that are anticipated to become effective January 1, 2023. The proposed interest limitation rules would limit net interest deductions to 40% of tax EBITDA in 2023 and 30% of tax EBITDA starting January 1, 2024.

On October 8, 2021, the Organization for Economic Co-operation and Development ("OECD") reconfirmed their commitment to global tax reform, including a new 15% global minimum tax rate on a country-by-country basis. In December 2021, the OECD released an updated version of the proposed rules that provide a template for countries to translate into domestic law. In addition, the European Commission published a proposed European Union ("EU") Directive on ensuring a global minimum level of taxation for multinational groups in the EU that closely follows the OECD proposals. The OECD and EU proposals are expected to come into effect as early as January 1, 2023.

If enacted, the Canadian interest limitation rules and the OECD/EU minimum tax of 15%, along with any other potential tax law changes that could be enacted, may impact Northland's Free Cash Flow starting in 2023. Further analysis will be required as additional details and final legislation are released.

Potential Future Taxation Rate Changes

On April 19, 2021, the Canadian Federal Finance Minister tabled the 2021/2022 budget, which included a proposal to introduce interest limitation rules in Canada effective January 1, 2023, with net interest deductions limited to 40% of 'Tax EBITDA' (still to be defined) in 2023 and 30% of Tax EBITDA starting January 1, 2024. Draft legislation containing details on the proposed interest limitation rules is anticipated to be released in the first half of 2022.

On October 8, 2021, the Organization for Economic Co-operation and Development ("OECD") reconfirmed its commitment to global tax reform, including a new 15% global minimum tax rate on a country-by-country basis. In December 2021, the OECD released an updated version of the proposed rules that provide a template for countries to translate into domestic law. In addition, the European Commission published a proposed European Union Directive on ensuring a global minimum level of taxation for multinational groups in the EU that closely follows the OECD proposals. The OECD and EU aim for the global minimum tax to come into effect as early as January 1, 2023.

The Canadian interest limitation rules and the OECD/EU minimum tax of 15% may impact Northland's financial results in future years beyond 2022 if ultimately enacted and passed into law.

SECTION 14: CRITICAL ACCOUNTING ESTIMATES

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

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

Additional information on the significant estimates, judgments and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in Note 3 in the audited consolidated financial statements for the year ended December 31, 2021.

SECTION 15: FUTURE ACCOUNTING POLICIES

Management assesses each new IFRS or amendment to determine whether it may have a material impact on Northland's consolidated financial statements. As at December 31, 2021, there have been no accounting pronouncements by the International Accounting Standards Board expected to materially affect Northland's consolidated financial statements beyond those described in Note 2.18 of the annual audited consolidated financial statements.

SECTION 16: CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

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

An evaluation of the effectiveness of the design and operation of Northland's disclosure controls and procedures was conducted as of December 31, 2021, by and under the supervision of management, including the CEO and CFO. Based on this evaluation, with the exception of the limitation on scope as described below of design and operation related to the Spanish portfolio, the CEO and CFO have concluded that Northland's disclosure controls and procedures, as defined in National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" (NI 52-109), are effective to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules and forms.

Internal Controls over Financial Reporting

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

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

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

An evaluation of the effectiveness of the design and operation of Northland's internal controls over financial reporting was conducted as of December 31, 2021, by and under the supervision of management, including the CEO and CFO, with the exception of the limitation on scope as described below of design and operation related to the Spanish portfolio. Based on this evaluation, the CEO and CFO have concluded that Northland's internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting and the preparation of the audited consolidated financial statements in accordance with IFRS.

No changes were made in Northland's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, Northland's internal controls over financial reporting for the year ended December 31, 2021.

Limitation on Scope

Northland completed the acquisition of the Spanish portfolio on August 11, 2021. Management has not yet fully completed its review of internal controls over financial reporting for the Spanish portfolio and has limited the scope of design, operation and evaluation of disclosure controls and procedures and internal controls over financial reporting. Such scope limitation is permitted in accordance with NI 52-109, since the Spanish portfolio was acquired less than 365 days before the financial year end. Management has performed procedures to assess the accuracy and completeness of the Spanish portfolio's financial information for the period covered by this MD&A, as summarized below.

As at		**December 31, 2021**
Sales (1)	**$**	**92,310**
Net income (1)		**37,177**
Current assets		**206,661**
Non-current assets		**1,788,054**
Current liabilities		**127,935**
Non-current liabilities	**$**	**1,330,320**

(1) Results from August 11, 2021 to December 31, 2021.

MANAGEMENT'S RESPONSIBILITY

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

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

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

Ernst & Young LLP, the independent auditor, have examined the consolidated financial statements of Northland. The independent auditor's responsibility is to express a professional opinion on the fairness of the consolidated financial statements. The auditor's report outlines the scope of their examination and sets forth their opinion on the consolidated financial statements. Their report as auditor is set out on page 54.

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

(signed, Mike Crawley)

Mike Crawley

President and Chief Executive Officer

(signed, Pauline Alimchandani)

Pauline Alimchandani

Chief Financial Officer

Toronto, Canada

February 24, 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Northland Power Inc.

Opinion

We have audited the consolidated financial statements of Northland Power Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income (loss), consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matters

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

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

Key audit matter	How our audit addressed the key audit matter
Impairment of Goodwill, Contracts and other intangible assets, and Property, plant and equipment	
As at December 31, 2021, the Group's goodwill, contracts and other intangible assets, and property, plant, and equipment were $753 million, $498 million and $9,586 million, respectively. At each reporting date, management assessed whether indicators of impairment exist for any cash generating units ("CGUs"). Further, for CGUs with goodwill and other intangible assets with indefinite lives, management assesses at least annually, or at any time if an indicator of impairment exists, whether there has been an impairment loss in the carrying value of these CGUs. When performing impairment tests, the Group estimates the recoverable amount for each CGU or group of CGUs using the higher of: (i) the value-in-use method, whereby the net cash flow is determined based on current business plans and budgets approved by management; or (ii) the fair value less costs of disposal method using a multiple of earnings. The Group discloses significant judgements, estimates and assumptions and the results of their analysis in respect of impairment, including the goodwill impairment charge of $30 million, in Notes 3 and 21 to the consolidated financial statements. Auditing management's impairment tests was complex, given the degree of judgement and subjectivity in evaluating management's estimates and assumptions in determining the recoverable amounts of CGUs or group of CGUs. The significant assumptions and inputs noted in the value-in-use models were revenues, operating costs, terminal values, capital expenditures and discount rates. The significant assumption used in the fair value less cost of disposal model was the earnings multiple.	Based on our risk assessment, with assistance from our valuation specialists, we performed the following procedures, among others, on a sample of management's cash generating unit impairment tests: • Assessed the appropriateness of revenues, operating costs, capital expenditures and terminal values by comparing them to executed or expected power generation contracts and regulatory power distribution rates, historical results, third-party data, current industry, market or economic trends and evidence obtained in other areas of the audit; • Evaluated the discount rates or earnings multiple utilized by management, which involved assessing comparable market data and transactions; • Performed sensitivity analysis on the significant assumptions to evaluate changes in the recoverable amount of the CGU; and • Assessed the adequacy of the disclosures included in Note 21 of the accompanying consolidated financial statements in relation to this matter.

Key audit matter	How our audit addressed the key audit matter
Business Combination	
On August 11, 2021, Northland Power Inc. completed its acquisition of a Spanish operating portfolio of onshore renewable projects for aggregate purchase consideration of $511 million, as disclosed in Note 4 of the consolidated financial statements. As described in Note 2, Significant Accounting Policies and Changes in the consolidated financial statements, the cost of an acquisition is measured as the aggregate fair values of the assets acquired and liabilities incurred or assumed as at the date of the exchange of control of the acquiree. Where the amounts allocated to the assets and liabilities are less than the overall consideration paid, the difference is accounted for as goodwill. Auditing this business combination was complex due to the subjective nature of estimating the fair values of identified assets and liabilities as at the date of acquisition, particularly property, plant and equipment. The Group used discounted cash flow models to measure the business enterprise value and the acquired property, plant and equipment, where the significant assumptions and inputs were revenues, operating expenses, and discount rates.	To test the Group's estimated fair valuation of business enterprise value and property, plant, and equipment we performed the following procedures, among others: • Read the purchase agreements to obtain an understanding of the key terms and conditions and assessed the appropriateness of management's analysis over the necessary accounting considerations; • Involved our valuation specialists to assess the valuation methodology applied, and the various inputs utilized to determine the discount rate by referencing current industry and comparable company information as well as cash-flow specific risk premiums; • Assessed the appropriateness of revenues and operating expenses by comparing energy prices to long term forecasts for the Spanish power market, historical results, the local regulatory regime for renewable generation, and other third-party data; • Developed independent expectations of the fair value of property, plant and equipment by performing sensitivity analysis of significant assumptions; and • Assessed the adequacy of the disclosures included in Note 4 of the consolidated financial statements in relation to this matter.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 24, 2022

Consolidated Financial Statements

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Consolidated Statements of Financial Position

In thousands of Canadian dollars

As at		December 31, 2021		December 31, 2020
Assets				
Cash and cash equivalents	**$**	**673,692**	$	434,989
Restricted cash (Note 16)		**155,631**		192,530
Trade and other receivables (Note 9.3, 16)		**383,308**		372,137
Other current assets (Note 9.1)		**77,950**		66,379
Derivative assets (Note 18)		**124,112**		10,649
Total current assets	**$**	**1,414,693**	$	1,076,684
Property, plant and equipment (Note 5, 21)		**9,586,466**		8,679,959
Contracts and other intangible assets (Note 6)		**497,635**		533,171
Goodwill (Note 7)		**753,373**		708,706
Finance lease receivable (Note 8)		**131,280**		136,198
Derivative assets (Note 18)		**148,559**		22,838
Long-term deposits (Note 9.2)		**99,697**		79,787
Deferred tax asset (Note 22)		**60,931**		67,626
Investment in joint ventures (Note 4)		**131,134**		1,759
Other assets (Note 9.3)		**53,563**		92,742
Total assets	**$**	**12,877,331**	$	11,399,470
Liabilities and equity				
Trade and other payables (Note 8.2)	**$**	**504,583**	$	252,691
Facility-level loans and borrowings (Note 11)		**677,378**		608,446
Dividends payable		**24,946**		20,217
Derivative liabilities (Note 18)		**197,638**		178,510
Total current liabilities	**$**	**1,404,545**	$	1,059,864
Facility-level loans and borrowings (Note 11)		**6,914,836**		6,628,754
Corporate credit facilities (Note 12.1)		**41,825**		351,402
Provisions and other liabilities (Note 8.2, 13, 14)		**728,817**		550,878
Derivative liabilities (Note 18)		**290,651**		437,608
Deferred tax liability (Note 22)		**530,946**		368,193
Total liabilities	**$**	**9,911,620**	$	9,396,699
Equity				
Common shares (Note 15.1)	**$**	**4,005,462**	$	2,955,840
Preferred shares (Note 15.2)		**260,880**		260,880
Contributed surplus		**3,586**		3,225
Accumulated other comprehensive loss		**(279,964)**		(279,418)
Deficit (Note 16)		**(1,233,085)**		(1,147,633)
Equity attributable to shareholders		**2,756,879**		1,792,894
Non-controlling interests (Note 16)		**208,832**		209,877
Total equity		**2,965,711**		2,002,771
Total liabilities and equity	**$**	**12,877,331**	$	11,399,470

See accompanying notes.

(signed, John W. Brace)
John W. Brace
Director and Chair of the Board

(signed, Russell Goodman)
Russell Goodman
Director and Chair of the Audit Committee

Consolidated Statements of Income (Loss)

In thousands of Canadian dollars except per Share and Share information

	Year ended December 31, 2021	2020
Sales		
Electricity and related products	**$ 1,781,785**	$ 1,848,846
Regulated electricity	**309,312**	210,709
Other	**2,158**	1,072
Total sales	**$ 2,093,255**	$ 2,060,627
Cost of sales		
Fuel purchases	**144,570**	132,762
Regulated electricity purchases	**68,923**	69,567
Total cost of sales	**213,493**	202,329
Gross profit	**$ 1,879,762**	$ 1,858,298
Expenses		
Operating costs	**327,894**	300,916
General and administrative (G&A) costs	**67,683**	68,293
Development costs	**77,660**	74,615
Depreciation of property, plant and equipment (Note 5)	**612,755**	529,569
Total expenses	**$ 1,085,992**	$ 973,393
Investment income	**3,218**	3,285
Finance lease income (Note 8.1)	**11,662**	12,023
Operating income	**$ 808,650**	$ 900,213
Finance costs, net (Note 20)	**342,417**	365,168
Amortization of contracts and other intangible assets (Note 6)	**23,284**	43,361
Impairment (Note 7, 21)	**29,981**	—
Foreign exchange (gain) loss	**81,318**	(71,344)
Fair value (gain) loss on derivative contracts (Note 18)	**(116,621)**	(11,271)
Other (income) expense (Note 18, 25.2)	**25,040**	(25,769)
Income (loss) before income taxes	**$ 423,231**	$ 600,068
Provision for (recovery of) income taxes (Note 22)		
Current	**84,410**	90,282
Deferred	**68,942**	24,729
Total income taxes	**$ 153,352**	$ 115,011
Net income (loss)	**$ 269,879**	$ 485,057
Net income (loss) attributable to:		
Non-controlling interests (NCI) (Note 16)	**80,320**	103,981
Common shareholders	**189,559**	381,076
Net income (loss)	**$ 269,879**	$ 485,057
Weighted average number of Shares outstanding - basic (000s) (Note 19)	**218,861**	198,774
Weighted average number of Shares outstanding - diluted (000s) (Note 19)	**218,861**	201,169
Net income (loss) per share - basic (Note 16, 19)	**$ 0.82**	$ 1.86
Net income (loss) per share - diluted (Note16, 19)	**$ 0.82**	$ 1.85

See accompanying notes.

Consolidated Statements of Comprehensive Income (Loss)

In thousands of Canadian dollars

		Year ended December 31,		
		2021		**2020**
Net income (loss)	**$**	**269,879**	$	485,057
Items that may be re-classified into net income (loss):				
Exchange rate differences on translation of foreign operations		**(168,934)**		(29,804)
Change in fair value of hedged derivative contracts (Note 18)		**214,196**		(128,864)
Deferred tax recovery (expense) (Note 22)		**(30,691)**		40,800
Items that will not be re-classified into net income (loss):				
Re-measurement of pension obligation		**(3,832)**		1,094
Other comprehensive income (loss)	**$**	**10,739**	$	(116,774)
Total comprehensive income (loss)	**$**	**280,618**	$	368,283
Total comprehensive income (loss) attributable to:				
Non-controlling interests (Note 16)		**97,344**		92,028
Common shareholders (Note 16)		**183,274**		276,255
Total comprehensive income (loss)	**$**	**280,618**	$	368,283

See accompanying notes.

Consolidated Statements of Changes in Equity

In thousands of Canadian dollars

	Common shares	Preferred shares	Deficit	Contributed surplus	Accumulated other comprehensive income (loss)	Equity attributable to shareholders'	Non-controlling interests	Total equity
December 31, 2020	$ 2,955,840	$ 260,880	$ (1,147,633)	$ 3,225	$ (279,418)	**$ 1,792,894**	$ 209,877	**$ 2,002,771**
Net income (loss)	—	—	189,559	—	—	**189,559**	80,320	**269,879**
Deferred tax recovery (expense) (Note 22)	10,141	—	—	—	(30,036)	**(19,895)**	(655)	**(20,550)**
Exchange rate differences on translation of foreign operations	—	—	—	—	(157,925)	**(157,925)**	(11,009)	**(168,934)**
Change in fair value of hedged derivative contracts (Note 18)	—	—	—	—	185,485	**185,485**	28,711	**214,196**
Re-measurement of pension obligation	—	—	—	—	(3,809)	**(3,809)**	(23)	**(3,832)**
Total comprehensive income (loss)	10,141	—	189,559	—	(6,285)	**193,415**	97,344	**290,759**
Long term incentive plan (Note 15.1)	911	—	—	293	—	**1,204**	—	**1,204**
Recognition of put option	—	—	—	68	—	**68**	—	**68**
Non-controlling interest disposal (Note 16)	—	—	—	—	5,739	**5,739**	(8,521)	**(2,782)**
Non-controlling interest acquired (Note 4)	—	—	—	—	—	**—**	7,850	**7,850**
Common shares issued, net of costs (Note 15.1)	949,597	—	—	—	—	**949,597**	—	**949,597**
Common share and NCI dividends declared (Note 15.1, 15.3, 16)	88,973	—	(264,200)	—	—	**(175,227)**	(97,718)	**(272,945)**
Preferred share dividends (Note 15.2)	—	—	(10,811)	—	—	**(10,811)**	—	**(10,811)**
December 31, 2021	**$ 4,005,462**	**$ 260,880**	**$ (1,233,085)**	**$ 3,586**	**$ (279,964)**	**$ 2,756,879**	**$ 208,832**	**$ 2,965,711**

See accompanying notes.

Consolidated Statements of Changes in Equity - continued

In thousands of Canadian dollars

	Common and Class A shares	Preferred shares	Deficit	Contributed surplus	Accumulated other comprehensive income (loss)	Equity attributable to shareholders'	Non-controlling interests	Total equity
December 31, 2019, as reported	$ 2,443,209	$ 260,880	$ (1,466,235)	$ 351	$ (174,597)	$ 1,063,608	$ 447,144	**$ 1,510,752**
Re-allocation of NCI (Note 16)	—	—	193,957	—	—	193,957	(193,957)	**—**
December 31, 2019, as adjusted	**$ 2,443,209**	**$ 260,880**	**$ (1,272,278)**	**$ 351**	**$ (174,597)**	**$ 1,257,565**	**$ 253,187**	**$ 1,510,752**
Net income (loss) (Note 16)	—	—	381,076	—	—	**381,076**	103,981	**485,057**
Deferred income taxes	1,597	—	—	—	40,492	**42,089**	308	**42,397**
Change in translation of net investment in foreign operations	—	—	—	—	(41,334)	**(41,334)**	11,530	**(29,804)**
Change in fair value of hedged derivative contracts (Note 18)	—	—	—	—	(105,064)	**(105,064)**	(23,800)	**(128,864)**
Re-measurement of pension obligation	—	—	—	—	1,085	**1,085**	9	**1,094**
Total comprehensive income (loss)	1,597	—	381,076	—	(104,821)	**277,852**	92,028	**369,880**
Long term incentive plan (Note 15.1)	—	—	—	3,287	—	**3,287**	—	**3,287**
Recognition of put option	—	—	—	(413)	—	**(413)**	—	**(413)**
Conversion of subscription receipts (Note 15.1)	340,147	—	—	—	—	**340,147**	—	**340,147**
Non-controlling interest acquired	—	—	—	—	—	**—**	2,645	**2,645**
Common and Class A share and NCI dividends declared (Note 15.3)	21,979	—	(245,067)	—	—	**(223,088)**	(137,983)	**(361,071)**
Preferred share dividends (Note 15.2)	—	—	(11,364)	—	—	**(11,364)**	—	**(11,364)**
Conversion of debentures (Note 15.1)	148,908	—	—	—	—	**148,908**	—	**148,908**
December 31, 2020	**$ 2,955,840**	**$ 260,880**	**$ (1,147,633)**	**$ 3,225**	**$ (279,418)**	**$ 1,792,894**	**$ 209,877**	**$ 2,002,771**

See accompanying notes.

Consolidated Statements of Cash Flows

In thousands of Canadian dollars

		Year ended December 31,		
		2021		**2020**
Operating activities				
Net income (loss)	**$**	**269,879**	$	485,057
Items not involving cash or operations:				
Depreciation of property, plant and equipment		**612,755**		529,569
Amortization of contracts and other intangibles		**23,284**		43,361
Impairment of goodwill		**29,981**		—
Finance costs, net		**312,537**		351,685
Fair value (gain) loss on derivative contracts (Note 18)		**(116,621)**		(11,271)
Unrealized foreign exchange (gain) loss		**81,318**		(71,344)
Deferred tax expense (recovery)		**68,942**		24,729
Other		**34,721**		2,148
	$	**1,316,796**	$	1,353,934
Net change in working capital related to operations		**292,499**		(32,333)
Cash provided by operating activities	**$**	**1,609,295**	$	1,321,601
Investing activities				
Purchase of property, plant and equipment		**(469,793)**		(226,574)
Acquisitions, net (Note 4)		**(501,735)**		(735,882)
Restricted cash utilization (funding)		**(55,456)**		91,369
Interest received		**3,571**		5,290
Warranty settlement and proceeds (Note 25.2)		**—**		97,804
Other		**(61)**		(6,539)
Net change in working capital related to investing activities		**(7,390)**		(64,740)
Cash used in investing activities	**$**	**(1,030,864)**	$	(839,272)
Financing activities				
Proceeds from borrowings, net of transaction costs		**889,796**		2,122,271
Repayment of borrowings		**(1,571,765)**		(2,173,463)
Interest paid		**(281,479)**		(314,367)
Restricted cash utilization (funding)		**76,064**		14,631
Common share dividends (Note 15.3)		**(172,755)**		(220,261)
Dividends to non-controlling interests (Note 16)		**(97,718)**		(137,622)
Preferred share dividends (Note 15.2)		**(10,811)**		(11,364)
Common shares issued, net of costs (Note 15.1)		**949,597**		341,388
Other		**(6,607)**		(10,746)
Cash used in financing activities	**$**	**(225,678)**	$	(389,533)
Effect of exchange rate differences on cash and cash equivalents		**(114,050)**		74,000
Net change in cash and cash equivalents during the period		**238,703**		166,796
Cash and cash equivalents, beginning of period		**434,989**		268,193
Cash and cash equivalents, end of period	**$**	**673,692**	$	434,989

See accompanying notes.

Notes to the Consolidated Financial Statements

1. Description of Northland's Business

Northland Power Inc. (“**Northland**”) owns or holds net economic interests, through its subsidiaries, in power-producing facilities and a power distribution utility as well as in projects under construction or in development phases. Northland’s facilities produce electricity from clean energy sources for sale primarily under long-term power purchase agreements (**PPAs**) or other revenue arrangements with creditworthy counterparties. 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, Spain and Colombia. Northland’s significant assets under construction and development are located in Mexico, Taiwan, Poland, Germany, Colombia and the United States.

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

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

	Geographic region (1)	% voting ownership as at Dec. 31 2021 (2)
Offshore Wind		
Buitengaats C.V. and ZeeEnergie C.V. (“**Gemini**”)	The Netherlands	60.0 %
Nordsee One GmbH (“**Nordsee One**”)	Germany	85.0 %
Northland Deutsche Bucht GmbH (“**Deutsche Bucht**”)	Germany	100.0 %
Efficient Natural Gas		
Iroquois Falls Power Corp. (“**Iroquois Falls**”)	Ontario, Canada	100.0 %
Kirkland Lake Power Corp. (“**Kirkland Lake**”) (3)	Ontario, Canada	100.0 %
North Battleford Power L.P. (“**North Battleford**”)	Saskatchewan, Canada	100.0 %
Thorold CoGen L.P. (“**Thorold**”)	Ontario, Canada	100.0 %
Onshore Renewable		
Nine solar facilities (“**Solar**”)	Ontario, Canada	100.0 %
Thirty-three solar and wind facilities ("**Spanish portfolio**")	Spain	98.5 %
Utility		
Empresa de Energía de Boyacá S.A E.S.P (“**EBSA**”)	Colombia	99.4 %

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

(2) As at December 31, 2021, Northland’s economic interest was unchanged from December 31, 2020 with the exception of Spanish portfolio, which Northland acquired on August 11, 2021. Spanish portfolio’s results are consolidated in Northland’s financial results effective on the acquisition date. Northland owns 100% ownership interest in all the facilities within the Spanish Portfolio, except for one wind facility, where Northland’s ownership interest is at 66.2%.

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

2. Significant Accounting Policies and Changes

2.01 Basis of Preparation and Statement of Compliance

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and are presented in Canadian dollars. All values are presented in thousands except when otherwise indicated. The comparative Consolidated Financial Statements have been reclassified from the statements previously presented to conform to the presentation of the 2021 Consolidated Financial Statements.

The Consolidated Financial Statements for the year ended December 31, 2021 were approved by the Board of Directors on February 24, 2022.

2.02 Basis of Consolidation

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

2.03 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The acquired identifiable assets, liabilities and contingent consideration that meet the conditions for recognition under IFRS 3, "Business Combinations" are recognized at their fair values at the acquisition date, except for (i) income taxes, which are measured in accordance with IAS 12, "Income Taxes"; (ii) share-based payments, which are measured in accordance with IFRS 2, "Share-based Payment"; and (iii) non-current assets that are classified as held for sale, which are measured at fair value less costs to sell in accordance with IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations." Northland did not designate any assets as held for sale in 2021 and 2020. Any goodwill arising from business combinations is, from the date of acquisition, allocated to each of Northland's cash-generating units (**CGUs**) that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units and tested annually for impairment (see Note 2.07). Goodwill is initially measured at cost, being the excess of the purchase price over Northland's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

2.04 Investment in Joint Ventures and Associates

An associate is an entity over which Northland has significant influence, which is the ability to participate in the financial and operating policy decisions, but without controlling or jointly controlling the investee.

A joint venture is a type of joint arrangement whereby, the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Judgment is required when assessing the classification of a joint arrangement as a joint venture. When making this assessment, Northland considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements, and other facts and circumstances.

Northland's investments in a joint venture or an associate is accounted for under the equity method of accounting, whereby, the carrying value of interest in a joint venture or an associate is initially recognized at cost, which includes transaction costs and subsequently adjusted for Northland's share of net income, other comprehensive income ("OCI"), distributions by a joint venture or an associate and other adjustments to Northland's proportionate interest in a joint venture or an associate.

The Consolidated Financial Statements include Northland's share of the income (loss) and other comprehensive income of the joint venture, after adjustments to align the accounting policies of the joint venture with those of Northland, from the date that joint control commences, until the date that joint control ceases.

In addition, when there has been a change recognized directly in the equity (other than due to other comprehensive income) of the joint venture, Northland recognizes its share of any changes, when applicable, in the consolidated statement of comprehensive income (loss) and corresponding effect would be reflected in the net carrying value of interest in the joint venture.

When Northland's share of losses exceeds its interest in the joint venture, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that Northland has a constructive or legal obligation to contribute to such losses or has made payments on behalf of the Joint venture. Currently, Northland does not have an investment in associate.

2.05 Property, Plant and Equipment

Property, plant and equipment (**PP&E**) are recorded at cost, net of accumulated depreciation and any accumulated impairment losses. The cost of PP&E includes the cost of replacing part of the PP&E and borrowing costs for long-term construction projects, if the recognition criteria are met. Likewise, when a major overhaul as described below is performed, its cost is recognized in the carrying amount of the related PP&E as a replacement if the recognition criteria are met. All other repair and maintenance costs are recognized in profit and loss as incurred. The present value of the expected cost for decommissioning is included in the cost of the related asset if the recognition criteria for a provision are met. See Note 2.9 for further information about the measurement of the decommissioning liabilities.

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

Plant and operating equipment	10 to 35 years
Buildings and foundations	20 to 40 years
Lease ROU asset	1 to 50 years
Leasehold improvements	Over the term of the lease
Other equipment - Vehicles and meteorological towers	5 years
Other equipment - Office equipment, furniture and fixtures	5 years
Other equipment - Computers and computer software	2 years

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

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

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

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

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

2.06 Intangible Assets

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

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

Development costs

Development expenditures on an individual project are recorded as assets on the consolidated statements of financial position when Northland can demonstrate:

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

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

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

Contracts

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

2.07 Leases or Arrangements Containing a Lease

Lessee accounting

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

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

Lessor accounting

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

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

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

2.08 Impairment of Non-financial Assets

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

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

Goodwill

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

2.09 Provisions

General

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

Decommissioning liabilities

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

2.10 Share-Based Payments

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

2.11 Cash and Cash Equivalents and Restricted Cash

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

2.12 Financial Instruments

(a) Financial assets and liabilities

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

Fair value through profit and loss:

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

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

Amortized cost:

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

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

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

(b) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if and only if there is a currently enforceable legal right to offset the recognized amounts and an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

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

(c) Fair value of financial instruments

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

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

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

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

(d) Derivatives and hedging activities

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

Northland designates its derivatives as hedges of:

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

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

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

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

Cash flow hedges that qualify for hedge accounting

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

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

Net investment hedges that qualify for hedge accounting

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

Hedge ineffectiveness

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

(e) Impairment of Financial assets:

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

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

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

2.13 Revenue Recognition

(a) Electricity generation and related products

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

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

Revenue from the Spanish facilities is primarily comprised of two main components, return on investment ("**Ri**") as well as a larger component based on pool prices. While a renewables operator may collect the settled pool price per MWh produced, under IFRS 15, revenue is only recognized at the pool price originally forecasted by the Spanish regulator at the start of the regulatory semi-period ("assumed pool price").

Any pool price revenue collected significantly in excess of the assumed pool price in the current regulatory semi-period is recognized as deferred revenue. The long-term portion of deferred revenue is presented under provisions and other liabilities, whereas, the short-term portion of deferred revenue is presented under trade and other payables in the consolidated statement of financial position. The deferred revenue is recognized as revenue over the remaining regulatory periods and presented under regulated electricity in the consolidated statement of income (loss). Any pool price revenue collected less than the assumed pool price in the current regulatory semi-period is recognized as a receivable and presented under other assets in the consolidated statement of financial position.

(b) Regulated utility

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

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

(c) Other sources of revenue

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

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

(d) Interest and investment income

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

2.14 Borrowing Costs

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

2.15 Taxes

Current income tax

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

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

Deferred income tax

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

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

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

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

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

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

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

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to offset and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Sales taxes

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

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

The net amount of sales tax recoverable from or payable to the taxation authority is included in the consolidated statements of financial position.

2.16 Foreign Currency Translation

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

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

2.17 Change in Accounting Policies

Northland assesses each new IFRS or amendment to determine whether it may have a material impact on its Consolidated Financial Statements. As at and for the year ended December 31, 2021, there have been no accounting pronouncements by the IASB that would materially affect Northland's Consolidated Financial Statements.

2.18 New standards or amendments and forthcoming requirements

The following standards and amendments to the standards apply for the first time to financial reporting periods commencing on or after January 1, 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – The IASB issued to address the issues that arise from the implementation of the Interbank Offered Rates (IBOR) reforms in Phase 1. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

Northland adopted above amendments as of January 1, 2021, and there has been no impact on the Consolidated Financial Statements as of and for the year ended December 31, 2021.

IASB has issued following new amendments to the standards before December 31, 2021 with an effective date for accounting periods ending on or after January 1, 2022:

- Amendments to IAS 16 (effective from annual period beginning on or after January 1, 2022) – IASB has issued amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use and instead recognizing the same in the income (loss) account.
- Amendments to IAS 1, Presentation of financial statements' (effective from annual period beginning on or after January 1, 2024) – These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

- Amendment to IAS 12, Income Taxes (effective from annual period beginning on or after January 1, 2023) – Requiring companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

Management is in a process of assessing the impact of the above noted new amendments on the consolidated financial statements of Northland.

3. Accounting Policy Judgments and Estimates

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

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

PP&E and intangible assets

PP&E and intangible assets are depreciated over their useful lives, taking into account estimated residual values, where appropriate. Residual values and useful lives are reviewed annually and adjusted prospectively, if appropriate. In assessing residual values, Northland considers the remaining life of the asset, its projected disposal value and future market conditions. Useful lives take into account factors such as technological innovation, maintenance programs, relevant market information and management considerations. Management judgment is also required when Northland acquires entities and must allocate the purchase price to the fair value of the assets and liabilities acquired, which includes PP&E and intangible assets. See Note 4.2 for additional details. The carrying amounts of PP&E and intangible assets are analyzed in Notes 5 and 6, respectively.

Deferred development costs

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

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

Decommissioning liabilities

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

Accounting for investments in non-wholly owned subsidiaries

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

Fair value of financial assets and financial liabilities

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

Impairment of non-financial assets

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

For certain assets, Northland also uses fair value less cost to sell (FVLCS) method in which most recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples for similar transactions or other available fair value indicators. FVLCS approach is most sensitive to EBITDA multiples.

Income taxes

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

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

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

4. Acquisitions

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

On March 24, 2021, Northland completed its acquisition of a 49% interest in the Baltic Power offshore wind project in the Baltic Sea for a total cash consideration of PLN 255 million ($82 million). In June 2021, Baltic Power secured a 25-year Contract for Differences ("**CfD**") from Poland's Energy Regulatory Office, under the Polish Offshore Wind Act. The CfD is subject to review and final approval from Polish authorities and the European Commission.

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

Additional purchase price commitments

Pursuant to a joint venture agreement, Northland has made additional purchase price commitments of €33 million ($49 million) to be funded over the next two years, of which €7 million ($11 million) was funded during 2021. These commitments have been recognized within trade and other payables and provisions and other liabilities in Northland's consolidated statements of financial position.

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

As at		December 31, 2021
Current assets (including cash and cash equivalents)	$	122,690
Non-current assets		138,470
Current liabilities		(1,508)
Net assets (100%)		259,652
Carrying value - Northland's share of net assets (49%)	**$**	**126,087**
Net loss for the period ending December 31, 2021 (100%)	$	5,733
Northland's share of net loss for the period ending December 31, 2021 (49%) (1)	**$**	**2,784**

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

4.2 Spanish Renewables Acquisition

On August 11, 2021, Northland completed its previously announced acquisition of a Spanish operating portfolio of 33 onshore wind, solar photovoltaic, and concentrated solar renewable projects (the "Spanish acquisition"). The transaction included the acquisition of 100% of the shares in 40 operating entities and 66.2% of the shares in one entity, and was treated as a business combination under IFRS 3, *Business Combinations*. Total cash consideration transferred was €348 million ($511 million) after certain working capital, net debt and other adjustments, and was funded from the net proceeds of Northland's common share equity offering completed in April 2021.

The fair value of the assets acquired and liabilities assumed as of the date of acquisition is as follows:

As at		August 11, 2021
Cash	$	90,154
Restricted cash		7,262
Trade and other receivables		44,472
Other current assets		4,011
Property, plant and equipment (Note 5)		1,573,274
Goodwill (Note 7)		161,010
Other long-term assets		6,418
Deferred tax asset		43,266
Trade and other payables		(31,535)
Facility-level loans and borrowings (Note 11)		(1,124,187)
Provisions and other liabilities		(111,685)
Deferred tax liability		(124,409)
Derivative liabilities		(19,483)
Total identifiable net assets acquired	**$**	**518,568**
Less: Non-controlling interests		(7,850)
Net assets acquired	**$**	**510,718**

The Spanish Renewables Acquisition's Contribution to Northland's Results

The Spanish acquisition's results are consolidated in Northland's financial results effective August 11, 2021. For the year ended December 31, 2021, the Spanish acquisition contributed approximately $92 million and $37 million to Northland's consolidated sales and net income, respectively. If the Spanish acquisition had occurred on January 1, 2021, Northland estimates that consolidated sales and net income for the year ended December 31, 2021 would have been $92 million higher and $32 million lower, respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2021. Transaction costs of approximately $7 million were included in "Development costs" in the consolidated statements of income (loss). Refer to Onshore Renewable segment in Note 23 for details on the Spanish acquisition's assets and results.

4.3 Acquisition of EBSA Regulated Utility in 2020

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

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

As at		**January 14, 2020**
Cash and restricted cash	$	17,440
Accounts receivable		42,100
Other current assets		14,842
Property, plant and equipment		614,587
Intangible assets		10,915
Goodwill		540,427
Other long-term assets		1,562
Accounts payable		(46,485)
Interest-bearing loans and borrowings (Note 11)		(219,163)
Deferred tax liability		(125,654)
Other long-term liabilities, including pension liability		(50,536)
Total identifiable net assets acquired	**$**	**800,035**
Less: Non-controlling interests		1,594
Final purchase consideration	**$**	**798,441**

Consideration transferred

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

Identifiable Net Assets

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

The purchase consideration in excess of the net identifiable assets acquired of $540 million was allocated to goodwill in the consolidated statement of financial positions.

EBSA's Contribution to Northland's Results

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

5. Property, Plant and Equipment

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

	Construction -in-progress	Plant and operating equipment	Land, buildings and leasehold improvements	Lease ROU asset	Other equipment (1)	Total
Cost						
January 1, 2020	$ 44,449	$ 8,205,472	$ 1,999,675	$ 72,648	$ 31,389	$ 10,353,633
Additions	148,214	65,337	1,904	6,870	5,495	227,820
Foreign exchange	1,508	322,435	88,588	2,002	589	415,122
Acquired (Note 4)	18,574	579,220	8,163	806	8,984	615,747
Provisions, disposals and other (2)	(264)	(58,786)	(968)	1,786	(2,720)	(60,952)
December 31, 2020	$ 212,481	$ 9,113,678	$ 2,097,362	$ 84,112	$ 43,737	$ 11,551,370
Additions	**442,190**	**35,322**	**811**	**42,774**	**6,056**	**527,153**
Transfer from CIP	**(24,057)**	**22,344**	**1,551**	**—**	**162**	**—**
Foreign exchange	**(9,034)**	**(561,824)**	**(109,496)**	**(4,374)**	**(4,733)**	**(689,461)**
Acquired (Note 4)	**—**	**1,515,247**	**84**	**57,943**	**—**	**1,573,274**
Provisions, disposals and other (2)	**609**	**(7,864)**	**(108)**	**(1,162)**	**(1,597)**	**(10,122)**
December 31, 2021	**$ 622,189**	**$ 10,116,903**	**$ 1,990,204**	**$ 179,293**	**$ 43,625**	**$ 12,952,214**

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

(2) Provisions, disposals and other for 2021 includes disposal of assets and recognition of accruals net of amounts paid under the LTIP. Provisions, disposals and other for 2020 includes an amount received relating to warranty bond for Nordsee (as reduction to cost), which is offset by additional decommission liability for Gemini and recognition of accruals net of amounts paid under the LTIP.

As at December 31, 2021, construction-in-progress relates to the capitalization for La Lucha project in Mexico, Hai Long project in Taiwan, Ball Hill and, Blue Stone projects in the United States.

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

	Construction -in-progress	Plant and operating equipment	Land, buildings and leasehold improvements	Lease ROU asset	Other equipment (1)	Total
Accumulated depreciation						
January 1, 2020	$ —	$ 1,813,520	$ 437,830	$ 7,131	$ 22,633	$ 2,281,114
Foreign exchange	—	45,683	14,870	326	397	61,276
Depreciation	—	410,851	102,798	9,490	6,430	529,569
Disposals and others	—	(9)	—	—	(539)	(548)
December 31, 2020	$ —	$ 2,270,045	$ 555,498	$ 16,947	$ 28,921	$ 2,871,411
Foreign exchange	**—**	**(91,514)**	**(23,201)**	**(351)**	**(701)**	**(115,767)**
Depreciation	**—**	**496,775**	**98,511**	**11,768**	**5,701**	**612,755**
Disposals and others	**—**	**(1,622)**	**—**	**(1,123)**	**94**	**(2,651)**
December 31, 2021	**$ —**	**$ 2,673,684**	**$ 630,808**	**$ 27,241**	**$ 34,015**	**$ 3,365,748**
Net book value						
December 31, 2020	212,481	6,843,633	1,541,864	67,165	14,816	8,679,959
December 31, 2021	**$ 622,189**	**$ 7,443,219**	**$ 1,359,396**	**$ 152,052**	**$ 9,610**	**$ 9,586,466**

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

6. Contracts and Other Intangible Assets

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

Year ended December 31,	2021	2020
Cost		
Total, beginning of year	**$ 817,057**	$ 758,609
Acquired (1)	**23,278**	24,732
Foreign exchange	**(42,616)**	33,716
Total, end of year	**$ 797,719**	$ 817,057
Accumulated Amortization		
Total, beginning of year	**$ 283,886**	$ 237,559
Amortization	**23,284**	43,361
Foreign exchange	**(7,086)**	2,966
Total, end of year	**$ 300,084**	$ 283,886
Net book value	**$ 497,635**	$ 533,171

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

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7. Goodwill

Acquired goodwill was allocated to CGUs expected to benefit from the synergies of the acquisition. Changes in the goodwill during the years ended December 31, 2021 and 2020 are summarized below:

Change in goodwill , year ended December 31,		**2021**		**2020**
Goodwill				
Total, beginning of year	**$**	**786,806**	$	283,042
Acquisition of business (Note 4)		**161,010**		540,427
Foreign exchange		**(86,362)**		(36,663)
Total, end of year	**$**	**861,454**	$	786,806
Accumulated Impairment				
Total, beginning of year	**$**	**(78,100)**	$	(78,100)
Impairment (Note 21)		**(29,981)**		—
Total, end of year	**$**	**(108,081)**	$	(78,100)
Net Book Value	**$**	**753,373**	$	708,706

During the year ended December 31, 2021, Northland wrote off $30 million of goodwill relating to the Iroquois Falls facility as a result of the expiry of its PPA in December 2021, which was the primary economic driver of the facility. Refer to Note 21 for additional information on impairment.

8. Leases

8.1 Northland as Lessor

Spy Hill's long-term PPA is classified as a finance lease arrangement, whereby Northland is considered to have leased the Spy Hill facility to Saskatchewan Power Corporation ("**SaskPower**") for 25 years ending in 2036. For the year ended December 31, 2021, finance lease income of $12 million (2020 - $12 million) was recognized.

The amounts receivable under finance lease accounting are as follows:

As at		**December 31, 2021**				**December 31, 2020**		
Minimum lease payments		**Minimum lease payments**		**Present value of minimum lease payments**		**Minimum lease payments**		**Present value of minimum lease payments**
Within one year	**$**	**16,189**	**$**	**4,918**	$	16,188	$	4,525
After one year but not more than five years		**64,750**		**24,308**		64,751		22,372
More than five years		**157,630**		**106,972**		173,818		113,826
	$	**238,569**	**$**	**136,198**	$	254,757	$	140,723
Less: Unearned finance income		**(102,371)**		**—**		(114,034)		—
Total finance lease receivable	**$**	**136,198**	**$**	**136,198**	$	140,723	$	140,723
Current portion (Note 9.1)				**4,918**				4,525
Long-term			**$**	**131,280**			$	136,198

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

8.2 Northland as Lessee

Northland and several of its subsidiaries have entered into leases for land with private and public landowners as well as leases for buildings and operating equipment. The original terms of these leases range from one to 50 years.

The amount of the lease ROU asset and associated depreciation by type of underlying asset as at December 31, 2021 is as follows:

	Land	Vehicle	Equipment	Building	Total
As at January 1, 2020	$ 33,168	$ 276	$ 19,905	$ 12,168	$ 65,517
Acquired	—	—	—	806	806
Additions	2,890	341	537	3,102	6,870
Provisions, disposals and other	99	—	1,269	418	1,786
Depreciation expense	(2,622)	(203)	(3,683)	(2,982)	(9,490)
Foreign exchange	(35)	15	1,045	651	1,676
As at December 31, 2020	$ 33,500	$ 429	$ 19,073	$ 14,163	$ 67,165
Acquired	**57,943**	**—**	**—**	**—**	**57,943**
Additions	**38,657**	**961**	**191**	**2,965**	**42,774**
Provisions, disposals and other	**—**	**(39)**	**—**	**—**	**(39)**
Depreciation expense	**(4,326)**	**(348)**	**(4,788)**	**(2,306)**	**(11,768)**
Foreign exchange	**(1,903)**	**(91)**	**(1,113)**	**(916)**	**(4,023)**
As at December 31, 2021	**$ 123,871**	**$ 912**	**$ 13,363**	**$ 13,906**	**$ 152,052**

The lease ROU asset balance is included in "property, plant and equipment" in the consolidated statements of financial position.

Northland expenses payments for leases that are short-term (i.e. term of 12 months or less) and low value as well as variable payments that are excluded from lease payments, such as usage-based fees or utilities charges. For the year ended December 31, 2021, lease expense of $5 million (2020 - $5 million) was recognized in "general and administrative costs" and "operating costs" in the consolidated statements of income (loss).

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

Year ended December 31,	**2021**	2020
Total, beginning of the year	**$ 67,473**	$ 67,008
Acquired	**57,943**	464
Additions	**42,774**	6,626
Accretion of interest (Note 20)	**2,108**	1,840
Payments	**(15,363)**	(10,398)
Foreign exchange	**(3,953)**	1,933
Total, end of the year	**$ 150,982**	$ 67,473
Current (included in "trade and other payables")	**12,918**	9,730
Non-current (included in "provision and other liabilities")	**$ 138,064**	$ 57,743

9. Other Assets

9.1 Other current assets

Other current assets consist of the following:

As at December 31,	2021	2020
Natural gas inventory	**$ 664**	$ 384
Spare parts and other inventory	**35,945**	23,753
Prepaid expenses	**36,423**	37,717
Finance lease receivable (current portion) (Note 8.1)	**4,918**	4,525
Total	**$ 77,950**	$ 66,379

9.2 Long-term Deposits

Long-term deposits consist of the following:

As at December 31,	2021	2020
Decommissioning deposit	**$ 93,197**	$ 78,377
Other	**6,500**	1,410
Total	**$ 99,697**	$ 79,787

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

9.3 Other Assets

Other assets consist of the following:

As at December 31,	2021	2020
Government grant receivable	**$ 21,403**	$ 42,703
Receivable from Cochrane Solar First Nations Partner (Note 16)	**—**	32,453
Other	**32,160**	17,586
Total	**$ 53,563**	$ 92,742

In 2014, Nordsee One was awarded a grant under the European Commission's NER 300 program. The total grant value of €70 million was recorded as a reduction in property, plant and equipment upon completion of the project. Cash proceeds from the grant are based on production volumes, and with the final cash payments expected in 2023 for production in 2022. As at December 31, 2021, Nordsee One had an accrued government grant relating to its construction, in amount of $39 million (€27 million) (2020 - $63 million or €40 million), including $21 million (€15 million) in "other assets" and $18 million (€12 million) classified as current and included in "trade and other receivables".

10. Management of Capital

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

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

As at December 31, 2021, total managed capital was $10.6 billion (2020 - $9.6 billion), comprising equity of $3.0 billion (2020 - $2.0 billion), non-recourse facility-level loans and borrowings totaling $7.6 billion (2020 - $7.2 billion) and corporate credit facilities totaling $0.0 billion (2020 - $0.4 billion). As of December 31, 2021, there were no convertible debentures outstanding.

Northland exercises discretion in the amount of dividends declared to shareholders, the terms of its Dividend Reinvestment Plan (DRIP), return of capital to shareholders, issuance of new Shares or preferred shares and the issuance or redemption of convertible debentures.

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

11. Facility-level Loans and Borrowings

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

	Rate [1]	Maturity		Balance as at Dec. 31, 2021 [2]		Balance as at Dec. 31, 2020 [2]
Kirkland Lake	2.8 %	2023	**$**	**11,800**	$	11,800
EBSA [3]	3.7 %	2024		**518,096**		449,052
New York Wind	1.4 %	2024		**129,624**		n/a
Nordsee One [3]	2.3 %	2026		**678,059**		897,478
Jardin [3]	6.0 %	2029		**73,223**		80,141
Thorold [3]	6.7 %	2030		**227,137**		245,820
Gemini [3][5]	4.0 %	2030		**2,206,204**		2,596,382
Mont Louis	6.6 %	2031		**63,723**		68,690
Solar Phase I [3][4]	4.4 %	2032		**162,121**		175,114
North Battleford [3]	5.0 %	2032		**539,032**		566,720
Deutsche Bucht [3]	2.6 %	2033		**1,125,771**		1,343,573
Solar Phase II [4]	4.3 %	2034		**116,026**		92,948
McLean's	6.0 %	2034		**106,587**		112,771
Cochrane Solar [3]	4.6 %	2035		**159,084**		154,531
Grand Bend	4.2 %	2035		**297,469**		313,065
Spy Hill [3]	4.1 %	2036		**124,584**		129,115
Spanish portfolio [6]	1.5% - 2.3%	2022-2041		**1,053,674**		n/a
Weighted average and total	**3.6 %**		**$**	**7,592,214**	$	7,237,200
Current				**677,378**		608,446
Long-term			**$**	**6,914,836**	$	6,628,754

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

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

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

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

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

(6) The weighted average interest rate and the weighted average remaining term to maturity for all the facility-level loans is 2.0% and 13 years, respectively.

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

In July 2021, Northland restructured and upsized the senior debt at some of the Canadian solar facilities that resulted in a one-time distribution of $29 million and a reduction of the weighted average all-in interest rate from 5.4% to 4.4%.

In June 2021, Northland entered into non-recourse construction loan, tax equity bridge loan and term loan for Ball Hill and Bluestone onshore wind projects in New York, amounting to US$381 million (approximately C$475 million), at a 1.45% interest rate during construction. The maturity date of the loan is December 31, 2024, two years after COD.

In August 2021, Northland restructured and upsized the senior debt at the Cochrane solar facilities, resulting in a one-time distribution of $10 million and a reduction of the weighted average all-in interest rate from 5.4% to 4.4%.

In December 2021, Northland restructured and upsized EBSA's long-term, non-recourse financing (the "EBSA Facility"), resulting in $84 million of incremental cash proceeds to Northland, net of closing costs. The aggregate amount of the financing was upsized to $533 million, driven primarily by expected growth in EBSA's EBITDA. The EBSA Facility is structured as a $521 million term loan and a $12 million debt service reserve credit facility. The restructured facility is denominated in Canadian dollars, and the principal amount is currently 100% hedged against the Colombian peso. The interest rate on the debt facility, before foreign exchange hedging costs is 3.7%. In addition, the EBSA Facility now has longer term (3 years compared to 2 years previously). The upsizing proceeds are expected provide Northland with additional liquidity to fund its Capitalized Growth Projects. Under the terms of the EBSA Facility, management intends to execute recurring upsizings of the debt, supported by continued growth in EBSA's EBITDA.

As at December 31, 2021, $94 million of letters of credit secured by facility or project-level credit agreements was outstanding (2020 - $29 million).

Changes in facility-level loans and borrowings and corporate credit facilities (see Note 12.1) are summarized in the table below:

Year ended December 31, 2021		**Facility-level loans and borrowings**		**Corporate credit facilities**		**Total**
Total, beginning of the year	$	7,237,200	$	351,402	$	7,588,602
Acquired debt (Note 4.2)		1,124,187		—		1,124,187
Financings net of fees paid		518,481		371,315		889,796
Repayments		(897,332)		(674,433)		(1,571,765)
Other non-cash [(1)]		24,044		(127)		23,917
Foreign exchange		(414,366)		(6,332)		(420,698)
Total, end of the year	**$**	**7,592,214**	**$**	**41,825**	**$**	**7,634,039**

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

Year ended December 31, 2020		**Facility-level loans and borrowings**		**Corporate credit facilities**		**Total**
Total, beginning of the year	$	6,893,227	$	171,384	$	7,064,611
Acquired debt (Note 4.3)		219,163		—		219,163
Financings net of fees paid		571,140		1,551,131		2,122,271
Repayments		(789,778)		(1,383,685)		(2,173,463)
Other non-cash [(1)]		34,097		3,042		37,139
Foreign exchange		309,351		9,530		318,881
Total, end of the year	**$**	**7,237,200**	**$**	**351,402**	**$**	**7,588,602**

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

The estimated fair value of facility-level loans and borrowings and corporate credit facilities as at December 31, 2021 is $7.8 billion (2020 - $7.8 billion).

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12. Corporate Credit Facilities

12.1 Corporate Credit Facilities

The corporate credit facilities are summarized in the table below:

	Facility size	Amount drawn as at December 31, 2021	Outstanding letters of credit	Available capacity	Maturity	Amount drawn as at December 31, 2020
Sustainability linked loan (SLL) syndicated revolving facility (2)	$ 1,000,000	**$ 44,722**	$ 206,802	$ 748,476	Sep. 2026	$ 354,263
Bilateral letter of credit facility	150,000	**—**	143,765	6,235	Mar. 2023	—
Export credit agency backed letter of credit facility	100,000	**—**	50,801	49,199	Mar. 2022	—
Export credit agency backed letter of credit facility	50,000	**—**	39,367	10,633	n/a(1)	—
Total	**$ 1,300,000**	**$ 44,722**	**$ 440,735**	**$ 814,543**		$ 354,263
Less: deferred financing costs		**2,897**				2,861
Total, net		**$ 41,825**				$ 351,402

(1) The $50 million facility does not have a specified maturity date.

(2) The amount drawn on the syndicated revolving facility comprises $30 million USD converted to CAD at the period-end exchange rate, $nil CAD and €5 million converted to CAD at the period-end exchange rate (December 31, 2020 - $234 million, $35 million and €14 million).

During the year ended December 31, 2021, Northland made net repayments of $303 million on the syndicated revolving facility, with remaining movement in the period due to foreign exchange fluctuations. Repayments were primarily funded by the proceeds from the equity offering completed in April 2021.

In September 2021, Northland extended its $1 billion revolving corporate credit facility with a syndicate of both Canadian and global financial institutions to 2026 (from 2024) and executed several amendments to increase liquidity available to fund growth. Concurrently, the Company implemented a Sustainability Linked Loan (SLL) overlay. In addition, the parental guarantee limit increased from $50 million to $300 million.

In July 2021, Northland entered into a new $50 million export credit agency backed corporate letter of credit facility to support its global growth.

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

12.2 Convertible Debentures

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

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

In the second quarter of 2020, Northland completed the early redemption of the 2020 Debentures. Holders converted approximately $149 million of their 2020 Debentures into 6.9 million new common shares prior to the May 11, 2020, redemption date. Northland redeemed the remaining approximately $2 million of the 2020 Debentures in cash. As at December 31, 2021 and 2020, there are no Debentures outstanding.

13. Provisions and Other Liabilities

13.1 Decommissioning Liabilities

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

Northland expects to use its installed assets for an indefinite period. No decommissioning liabilities are recognized for utility facilities and efficient natural gas facilities until the time Northland determines the facility will no longer be operated or maintained and should be decommissioned. As at December 31, 2021 and December 31, 2020, no provision were recognized related to efficient natural gas facilities.

Northland estimated the fair value of its total decommissioning liabilities to be $358 million (2020 - $365 million), based on an estimated total future liability. A discount rate of -0.5% to 3.9% (2020 - 0.5% to 3.9%) and an inflation rate, where applicable, of 2.0% (2020 - 2.0%) was used to calculate the fair value of the decommissioning liabilities.

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

Year ended December 31,	2021	2020
Total, beginning of year	$ 364,573	$ 308,510
Additions (1)	153	35,315
Accretion	4,292	3,926
Acquired (2)	11,377	—
Foreign exchange	(22,774)	16,822
Total, end of year	**$ 357,621**	$ 364,573

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

(2) Related to the Spanish portfolio acquired on August 11, 2021.

13.2 Other Liabilities

As at December 31, 2021, provisions and other liabilities on the consolidated statements of financial position included $72 million payable by Nordsee One to the third-party partner in the wind facility under a shareholder loan arrangement (2020 - $74 million). Under the shareholder loan arrangement, interest is accrued at an annual rate in the range of 10% to 11% and repayments are made based on the partner's share of distributable funds from operations.

As at December 31, 2021, provisions and other liabilities on the consolidated statements of financial position also include deferred revenue (Band Adjustment) balance of $99 million (2020 - nil). The current portion Band Adjustments amounting to $3 million (2020 - nil) is presented under trade and other payable on the consolidated statements of financial position.

14. Pension and Post-Employment Benefits

One of Northland's facilities, EBSA, has a defined benefits pension plan ("pension plan") which has been closed to new members since 2010, and only a small portion of plan members remain active employees of EBSA. The pension plan establishes the pension an employee will receive upon retirement based on factors such as employee age, years of service and compensation levels when employed.

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

The liability recognized in the consolidated statements of financial position, in respect of the defined benefits pensions, is the present value of the defined benefit obligation at December 31, 2021, together with the adjustments of actuarial gains or losses not recognized. The actuarial losses and gains are recorded against the net equity in other comprehensive income, in the period they arise.

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

The movement of the pension obligations balances, as included within provision and other liabilities in the consolidated statements of financial position, for the year ended December 31, 2021 was as follows:

Change in pension obligations, year ended December 31,	**2021**	**2020**
Total, beginning of year	**$ 45,055**	$ —
Acquired	**—**	48,591
Interests net cost	**2,077**	2,453
Actuarial adjustments	**(6,405)**	1,450
Payments made directly by the Company	**(3,223)**	(3,759)
Foreign exchange	**(6,828)**	(3,680)
Total, end of year	**$ 30,676**	$ 45,055

15. Equity

15.1 Common Shares

Northland is authorized to issue an unlimited number of Shares. The change in Shares during 2021 and 2020 was as follows:

	December 31, 2021		**December 31, 2020**	
	Shares	**Amount**	**Shares**	**Amount**
Shares outstanding, beginning of year	**202,171,075**	**$ 2,955,840**	179,441,219	$ 2,428,594
Shares issued under Equity offering	**22,500,500**	**949,597**	—	—
Conversion of subscription receipts	**—**	**—**	14,289,000	340,147
Conversion of debentures (Note 12.2)	**—**	**—**	6,896,136	148,908
Shares issued under the LTIP (Note 24)	**21,967**	**911**	—	—
Conversion of Class A shares	**—**	**—**	1,000,000	14,615
Shares issued under the DRIP	**2,189,209**	**88,973**	544,720	21,979
Change in deferred taxes [(1)]	**—**	**10,141**	—	1,597
Total common shares outstanding, end of year	**226,882,751**	**$ 4,005,462**	202,171,075	$ 2,955,840

(1) Relate to difference in treatment between tax and IFRS.

Dividend Reinvestment Plan

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

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

Share-based Compensation

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

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

For the year ended December 31, 2021, Northland expensed $2.2 million (2020 - $4.1 million) of costs under the LTIP. No forfeitures are assumed to occur. The balance of accrued awards related to the Development LTIP is included in liabilities since these awards are expected to be settled in cash. For the year ended December 31, 2021, Northland settled $1.8 million of Development LTIP awards in cash related to development projects. Deferred Rights of $1.2 million were settled in cash and $0.9 million in share issuance.

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

Equity offering

In April 2021, Northland completed a bought deal equity offering for 22.5 million common shares for net proceeds of $950 million.

15.2 Preferred Shares

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

Series 1 and 2 Preferred Shares

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

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

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

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

As at December 31, 2021 there were 4,762,246 (2020 - 4,762,246) Series 1 Preferred Shares outstanding, representing equity of $114 million (2020 - $114 million).

As at December 31, 2021 there were 1,237,754 (2020 - 1,237,754) Series 2 Preferred Shares outstanding, representing equity of $31 million (2020 - $31 million).

Series 3 Preferred Shares

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

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

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

As at December 31, 2021 and December 31, 2020, there were 4,800,000 Series 3 Preferred Shares outstanding, representing equity of $116 million.

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

		2021		2020
Series 1	**$**	**3,811**	$	3,919
Series 2		**904**		1,349
Series 3		**6,096**		6,096
Total	**$**	**10,811**	$	11,364

15.3 Dividends

Dividends declared per Share and in aggregate were as follows:

		2021		2020
Dividends declared per Share	**$**	**1.20**	$	1.20
Aggregate dividends declared				
Dividends in cash	**$**	**175,966**	$	213,838
Dividends in shares (1)		**88,234**		31,229
Total	**$**	**264,200**	$	245,067

(1) In 2020, $2.6 million of dividends declared under the DRIP were sourced from the secondary market.

16. Non-controlling Interests

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

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

As at December 31, 2021		Current assets (1)		Long-term assets		Current liabilities		Long-term liabilities
Gemini	**$**	**349,101**	**$**	**2,891,749**	**$**	**394,389**	**$**	**2,451,059**
Nordsee One		**114,737**		**1,205,921**		**181,720**		**984,941**
CEEC		**35,392**		**23,738**		**27,805**		**10,046**
Other (2)		**296,412**		**888,494**		**265,942**		**693,043**
Total	**$**	**795,642**	**$**	**5,009,902**	**$**	**869,856**	**$**	**4,139,089**

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

(1) As at December 31, 2021, restricted cash of $47 million (2020 - $48 million) is included for Gemini, $29 million (2020 - $31 million) for Nordsee One where the availability of funds is intended for debt repayments.

(2) Other includes subsidiaries with non-controlling interests that are not individually material to Northland's consolidated financial statements, including: McLean's (50%), Grand Bend (50%), Cochrane Solar (37.5%), Energia (12%), EBSA (0.6%) and Spanish portfolio (1.5%).

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

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

	Gemini	Nordsee One	CEEC	Other [2]	Total
As at January 1, 2020, as reported	$ 201,627	$ 47,085	$ 153,207	$ 45,225	$ 447,144
Re-allocation of NCI	(33,239)	(13,534)	(134,059)	(13,125)	(193,957)
As at January 1, 2020, as adjusted	168,388	33,551	19,148	32,100	$ 253,187
Non-controlling interest acquired	—	—	—	2,645	2,645
Net income (loss) attributable [1], as adjusted	82,130	11,464	4,644	5,743	103,981
Dividends and distributions declared [1]	(103,065)	(16,165)	—	(18,753)	(137,983)
Allocation of other comprehensive income (loss), as adjusted [1]	(9,265)	1,624	—	(4,312)	(11,953)
As at December 31, 2020	$ 138,188	$ 30,474	$ 23,792	$ 17,423	$ 209,877
Non-controlling interest acquired (Note 4.2)	**—**	**—**	**—**	**7,850**	**7,850**
Net income (loss) attributable [1]	**72,559**	**6,613**	**(1,718)**	**2,866**	**80,320**
Dividends and distributions declared [1]	**(73,988)**	**(4,296)**	**(2,706)**	**(16,728)**	**(97,718)**
Allocation of other comprehensive income (loss) [1]	**12,705**	**197**	**—**	**4,122**	**17,024**
Disposal of non-controlling interests [3]	**—**	**—**	**(8,521)**	**—**	**(8,521)**
As at December 31, 2021	**$ 149,464**	**$ 32,988**	**$ 10,847**	**$ 15,533**	**$ 208,832**

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

(2) Other includes subsidiaries with non-controlling interests that are not material to Northland's consolidated financial statements, including: McLean's (50%), Grand Bend (50%), Cochrane Solar (37.5%), Energia (12%), EBSA (0.6%) and Spanish portfolio (1.5%).

(3) Disposal of NCI relates to NPI's purchase of NCI interest in one of the subsidiary of CEEC.

The re-allocation of non-controlling interests ("NCI") and net income (loss) attributable to common shareholders in 2020 relates to the correction of historical net income allocated to NCI, which previously excluded down-stream inter-company charges such as management fees and inter-company loan interest. Re-allocation of historical cumulative net income resulted a decrease in carrying value of NCI and accumulated deficit by $194 million as of January 1, 2020.

The change in allocation increased net income (loss) attributable to common shareholders and decreased net income (loss) attributable to NCI by $20 million for the year ended December 21, 2020. This resulted in the net income (loss) per share – basic and diluted to increase from $1.76 and $1.75 per share, respectively, to $1.86 and $1.85 per share, respectively. The change in allocation decreased OCI attributable to common shareholders and increased OCI attributable to NCI by $4 million for the year ended December 21, 2020.

17. Financial Risk Management

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

17.1 Market Risk

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

(i) Interest rate risk

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

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

For the year ended December 31, 2021, if interest rates had been 100 basis points higher or lower with all other variables held constant, income before income taxes from the change in fair value of the interest rate swaps prior to the application of hedge accounting would have been $341 million higher or lower. This change would have had no impact on Northland's cash flows.

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

(ii) Credit spread risk

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

(iii) Currency risk

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

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

At December 31, 2021, if the Canadian dollar had been 5% higher or lower against the U.S. dollar with all other variables held constant, income before taxes from the change in fair value of the U.S. dollar foreign exchange contracts prior to the application of hedge accounting would have been $4 million higher or lower. If the Canadian dollar had been 5% higher or lower against the euro with all other variables held constant, income before taxes from the change in fair value of the euro foreign exchange contracts prior to the application of hedge accounting would have been $109 million lower or higher. If the Canadian dollar had been 5% higher or lower against the Colombian peso with all other variables held constant, income before taxes from the change in fair value of the Colombian peso foreign exchange contracts (used to effectively hedge equity distribution from EBSA) would have been $19 million lower or higher.

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

(iv) Commodity price risk

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

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

Northland has exposure to Dutch electricity market prices under Gemini's PPA when the market price falls below the contractual floor price. For the year ended December 31, 2021, the average wholesale market price was above the contractual floor price, so the revenue was fully compensated by the feed-in-tariff mechanism.

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

Northland has exposure to Ontario electricity market prices through variable components of certain efficient natural gas revenue contracts and at facilities, such as Kingston and Iroquois Falls, that do not have a revenue contract.

17.2 Counterparty Risk

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

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

As at December 31, 2021, approximately 19.7% (2020 - 48.9%) of Northland's consolidated trade and other receivables, excluding third-party partner loan receivable, were receivable from creditworthy government-related entities.

In 2021, approximately 54.6% (2020 - 76.0%) of Northland's consolidated sales were derived indirectly from the sale of electricity to government-related entities. For electricity and other sales, Northland and its subsidiaries have not provided allowance accounts and have not purchased credit derivatives to mitigate counterparty risk. All significant accounts receivable amounts are current as at December 31, 2021.

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

17.3 Liquidity Risk

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

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

As at December 31, 2021, Northland and its subsidiaries were holding cash and cash equivalents of $674 million (2020 - $435 million). including $25 million held corporately (2020 - $68 million), and had available borrowing capacity under the syndicated revolving facility of $748 million.

The contractual maturities of Northland's financial liabilities at December 31, 2021 are as follows:

	2022	2023-2024	2025-2026	>2026
Derivative contracts				
Euro foreign exchange contracts	$ 184,304	$ 359,864	$ 362,895	$ 1,285,441
Colombian peso foreign exchange contracts	390,178	4,693	—	—
U.S. dollar foreign exchange contracts	18,394	129,625	—	—
US-Euro Cross Currency Swap	3,803	—	—	—
US La Lucha interest rate swaps	667	1,210	1,108	1,588
Power financial swap	17,032	9,648	—	—
Loans and borrowings				
Interest-bearing loans and borrowings - principal	706,311	2,143,626	1,583,191	3,613,988
Interest-bearing loans and borrowings - interest, including interest rate swaps	275,186	479,953	442,788	476,663
Corporate credit facilities, including interest	83	178	44,887	—
Leases	54,059	104,374	95,275	129,197
Total	**$ 1,650,017**	**$ 3,233,171**	**$ 2,530,144**	**$ 5,506,877**

Northland is also subject to internal liquidity risk because it conducts its business activities through separate legal entities (subsidiaries and affiliates) and is dependent on cash distributions from those entities to defray corporate expenses and pay dividends. Most operating subsidiaries hold non-recourse debt. Such non-recourse financing agreements typically prohibit distributions if the loan is in default (notably for non-payment of principal or interest) or if the entity fails to achieve a benchmark debt service coverage ratio, which is the ratio of Adjusted EBITDA to scheduled loan principal and interest payments over a specified time period. For the year ended December 31, 2021, Northland and its subsidiaries were in compliance with all debt covenants.

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

NORTHLAND POWER

18. Financial Instruments

18.1 Fair Value Measurement

The derivative financial instruments consist of the following:

The carrying values of Northland's financial instruments as at December 31, 2021 and 2020 are as follows:

As at December 31, 2021		Level 1		Level 2		Level 3		Total
Financial assets at amortized cost (1)	**$**	**829,323**	**$**	**672,766**	**$**	**—**	**$**	**1,502,089**
Financial assets at fair value through profit and loss (2)		**—**		**272,671**		**—**		**272,671**
Financial liabilities at fair value through profit and loss (2)		**—**		**(488,289)**		**—**		**(488,289)**
Financial liabilities at amortized cost (3)	**$**	**—**	**$**	**(8,534,764)**	**$**	**—**	**$**	**(8,534,764)**

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

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

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

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

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

Year ended December 31,		2021		2020
Income (expense) on financial assets at amortized cost	**$**	**18,451**	$	20,598
Expense (income) on financial liabilities at amortized cost		**341,696**		366,532
Expense (income) on net financial liabilities at fair value through profit and loss	**$**	**(116,621)**	$	(11,937)

18.2 Derivative Financial Instruments

The derivative financial instruments consist of the following:

As at December 31, 2021		Current assets		Current liabilities		Long-term assets		Long-term liabilities		Total
Derivatives designated for hedge accounting										
Canadian dollar interest rate (IR) swaps	**$**	**19**	**$**	**(10,294)**	**$**	**166**	**$**	**(27,210)**	**$**	**(37,319)**
Euro IR swaps		**—**		**(72,240)**		**819**		**(170,721)**		**(242,142)**
Euro foreign exchange contracts		**4,902**		**—**		**42,107**		**(1,720)**		**45,289**
Colombian peso IR swaps		**—**		**—**		**68**		**—**		**68**
Colombian peso foreign exchange contracts		**1,185**		**—**		**421**		**—**		**1,606**
Derivatives not designated for hedge accounting										
Canadian dollar IR swaps		**—**		**(6,833)**		**2,549**		**(41,643)**		**(45,927)**
U.S. dollar IR swaps		**—**		**(598)**		**8,828**		**(10,449)**		**(2,219)**
U.S. dollar foreign exchange contracts		**626**		**(247)**		**—**		**(897)**		**(518)**
Colombian peso IR swaps		**96**		**—**		**180**		**—**		**276**
Euro foreign exchange contracts		**14,946**		**—**		**52,381**		**—**		**67,327**
Euro IR swaps		**—**		**(5,444)**		**14,851**		**(5,714)**		**3,693**
Colombian peso foreign exchange contracts		**16,435**		**—**		**—**		**—**		**16,435**
Dutch put options		**2,442**		**—**		**2,965**		**—**		**5,407**
Power forward contracts		**83,461**		**(101,982)**		**23,224**		**(32,297)**		**(27,594)**
Total	**$**	**124,112**	**$**	**(197,638)**	**$**	**148,559**	**$**	**(290,651)**	**$**	**(215,618)**

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

The change in derivative financial instruments for the year ended December 31, 2021 and 2020 is as follows:

	Balance as at Dec. 31, 2020 asset (liability)	Designated in hedge relationships: Changes in fair value recognized in OCI (1)	Designated in hedge relationships: Fair value changes (2)	Fair value changes on derivatives not designated in hedge relationships (2)	Foreign exchange gain (loss)	Balance as at Dec. 31, 2021 asset (liability)
Canadian dollar IR swaps	**$ (93,950)**	**$ 21,567**	**$ 3,952**	**$ (14,815)**	**$ —**	**$ (83,246)**
U.S. dollar IR swaps	**1,401**	**—**	**—**	**(3,620)**	**—**	**(2,219)**
Euro IR swaps	**(415,550)**	**111,666**	**26,845**	**3,689**	**34,901**	**(238,449)**
Colombian peso IR swap	**—**	**245**	**—**	**276**	**(177)**	**344**
Gas forward contracts	**(13,798)**	**—**	**—**	**13,798**	**—**	**—**
Power forward contracts	**(25,297)**	**5,355**	**867**	**(10,136)**	**1,617**	**(27,594)**
Dutch put options	**—**	**—**	**—**	**5,407**	**—**	**5,407**
U.S. dollar foreign exchange contracts	**(645)**	**—**	**—**	**127**	**—**	**(518)**
Euro foreign exchange contracts	**(26,246)**	**71,658**	**18,628**	**48,576**	**—**	**112,616**
Cross-currency IR swaps	**(7,698)**	**—**	**—**	**7,698**	**—**	**—**
Colombian peso foreign exchange contracts	**(848)**	**3,705**	**(1,233)**	**16,562**	**(145)**	**18,041**
Total	**$ (582,631)**	**$ 214,196**	**$ 49,059**	**$ 67,562**	**$ 36,196**	**$ (215,618)**

(1) Amounts recognized in “Change in fair value of hedged derivative contracts” in the consolidated statements of comprehensive income (loss), representing the change in fair value recognized in OCI, net of amounts reclassified to the consolidated statements of income (loss) on settlement.

(2) Amounts recognized in “Fair value (gain) loss on derivative contracts” in the consolidated statements of income (loss). These amounts represent fair value changes, net of realized gains and losses on settlements during the year ended December 31, 2021. Realized gains and losses are recorded in “Finance costs, net” for interest rate contracts, “Foreign exchange (gain) loss” for foreign exchange contracts” and “Fair value (gain) loss on derivative contracts” for power forward contracts.

	Balance as at Dec. 31, 2019 asset (liability)	Designated in hedge relationships: Changes in fair value recognized in OCI (1)	Designated in hedge relationships: Fair value changes (2)	Fair value changes on derivatives not designated in hedge relationships (2)	Foreign exchange gain (loss)	Balance as at Dec. 31, 2020 asset (liability)
Canadian dollar IR swaps	$ (65,730)	$ (26,788)	$ 6,212	$ (7,644)	$ —	$ (93,950)
U.S. dollar IR swaps	—	—	—	1,401	—	1,401
Euro IR swaps	(370,208)	(72,103)	53,031	—	(26,270)	(415,550)
Gas forward contracts	(27,155)	—	—	13,357	—	(13,798)
Power forward contracts	(707)	(6,507)	(750)	(17,337)	4	(25,297)
U.S. dollar foreign exchange contracts	(361)	(946)	522	140	—	(645)
Euro foreign exchange contracts	(3,204)	(21,849)	15,211	(16,404)		(26,246)
Cross-currency IR swaps	—	—	—	(7,698)	—	(7,698)
Colombian peso foreign exchange contracts	28,593	(671)	(125)	(28,645)	—	(848)
Total	$ (438,772)	$ (128,864)	$ 74,101	$ (62,830)	$ (26,266)	$ (582,631)

(1) Amounts recognized in “Change in fair value of hedged derivative contracts” in the consolidated statements of comprehensive income (loss), representing the change in fair value recognized in OCI, net of amounts reclassified to the consolidated statements of income (loss) on settlement.

(2) Amounts recognized in “Fair value (gain) loss on derivative contracts” in the consolidated statements of income (loss). These amounts represent fair value changes, net of realized gains and losses on settlements during the year ended December 31, 2021. Realized gains and losses are recorded in “Finance costs, net” for interest rate contracts, “Foreign exchange (gain) loss” for foreign exchange contracts” and “Fair value (gain) loss on derivative contracts” for power forward contracts.

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

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

(a) Foreign exchange risk

Foreign exchange forward contracts	December 31, 2021	December 31, 2020
Carrying amount (asset/(liability))	**$ 46,895**	$ (45,759)
Notional amount - EUR	**972,848**	854,587
Notional amount - COP	**48,672,865,811**	96,108,588,173
Maturity date	**February 2022-August 2032**	January 2021-August 2032
Hedge ratio (1)	**1:1**	1:1
Change in discounted spot value of outstanding hedging instruments since January 1	**$ 87,516**	$ (10,593)
Change in value of hedged item used to determine hedge effectiveness	**$ 94,442**	$ (79,827)
Weighted average hedged rate for the year (including forward points):		
EUR foreign exchange forward contracts	**€0.6121:CAD$1**	€0.6153:CAD$1
COP foreign exchange forward contracts	**COP$2880:CAD$1**	COP$2,830:CAD$1

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

Foreign exchange hedge reserve	Euro contracts Cost of hedging	Euro contracts Forward component	Colombian peso contracts Cost of hedging	Colombian peso contracts Forward component	U.S. dollar contracts Forward component	Total foreign exchange hedge reserve in AOCI
Total, beginning of the year 2020	$ (45,330)	$ (8,308)	$ —	$ —	$ 946	$ (52,692)
Add: Costs of hedging deferred during the year in OCI	80,828	—	(38)	—	—	80,790
Add: Change in fair value of hedging instrument recognized in OCI for the year (effective portion)(1)	—	(78,522)	—	(669)	(946)	(80,137)
Less: Re-classified to profit and loss	(24,156)	—	36	—	—	(24,120)
Total, end of the year 2020	$ 11,342	$ (86,830)	$ (2)	$ (669)	$ —	$ (76,159)
Add: Costs of hedging deferred during the year in OCI	**3,338**	**—**	**(760)**	**—**	**—**	**2,578**
Add: Change in fair value of hedging instrument recognized in OCI for the year (effective portion)(1)	**—**	**96,259**	**—**	**4,891**	**—**	**101,150**
Less: Re-classified to profit and loss	**(23,370)**	**—**	**(426)**	**—**	**—**	**(23,796)**
Total, end of the year 2021	**$ (8,690)**	**$ 9,429**	**$ (1,188)**	**$ 4,222**	**$ —**	**$ 3,773**

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

The hedge ineffectiveness recognized in “fair value (gain) loss on derivative contracts” in the consolidated statements of income (loss) related to foreign currency contracts (cash flow and net investment hedges) for the year ended December 31, 2021, was $2.5 million (2020 - $2 million).

(b) Interest rate risk

Interest rate swaps	December 31, 2021	December 31, 2020
Carrying amount (asset/(liability))	**$ (279,393)**	$ (478,388)
Notional amount - CAD	**633,181**	619,022
Notional amount - EUR	**2,742,808**	2,879,036
Notional amount - COP	**29,272,480**	—
Maturity date	**January 2022-March 2034**	January 2021-June 2033
Hedge ratio (1)	**1:1**	1:1
Change in fair value of outstanding hedging instruments since January 1	**$ 118,228**	$ (96,616)
Change in value of hedged item used to determine hedge effectiveness	**$ (131,569)**	$ 101

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

Interest rate hedge reserve		Canadian interest rate swaps	Euro interest rate swaps	Total interest rate hedge reserve
Total, beginning of the year 2020	$	(4,077) $	(234,407) $	(238,484)
Add: Change in fair value of hedging instrument recognized in OCI for the year (effective portion)(1)		(26,787)	(72,061)	(98,848)
Less: Re-classified to profit and loss		—	16	16
Total, end of the year 2020	$	(30,864) $	(306,452) $	(337,316)
Add: Change in fair value of hedging instrument recognized in OCI for the year (effective portion)(1)		**21,226**	**110,960**	**132,186**
Less: Re-classified to profit and loss		**(2)**	**18**	**16**
Total, end of the year 2021	**$**	**(9,640) $**	**(195,474) $**	**(205,114)**

(1) The deferred tax applicable to the interest rate hedge reserve is a $30 million recovery, which has been recognized in OCI.

The hedge ineffectiveness recognized in “fair value (gain) loss on derivative contracts” in the consolidated statements of income (loss) related to interest rate contracts (cash flow hedges) for the year ended December 31, 2021 was $7 million (2020 - $9 million).

(c) Electricity price risk

Power forward contracts		December 31, 2021		December 31, 2020
Carrying amount (asset/(liability))	**$**	**—**	$	(7,840)
Notional amount - CAD		**—**		6,719
Notional amount - EUR		**0**		10,822
Maturity date		**January 2021-December 2021**		January 2021-December 2021
Hedge ratio (1)		**1:1**		1:1
Change in fair value of outstanding hedging instruments since January 1	**$**	**7,232**	$	(7,231)
Change in value of hedged item used to determine hedge effectiveness	**$**	**(6,367)**	$	1,927

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

Power forward hedge reserve		Power forward contract
Total, beginning of the year 2020	$	(418)
Add: Change in fair value of hedging instrument recognized in OCI for the year (effective portion)(1)		(6,499)
Less: Re-classified to profit and loss		(8)
Total, end of the year 2020	$	(6,925)
Add: Change in fair value of hedging instrument recognized in OCI for the year (effective portion)(1)		6,911
Less: Re-classified to profit and loss		14
Total, end of the year 2021	**$**	**—**

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

The hedge ineffectiveness recognized in “fair value (gain) loss on derivative contracts” in the consolidated statements of income (loss) related to power swap contracts (cash flow hedges) for the year ended December 31, 2021 was $0.1 million (2020 - $1.0 million).

(d) Hedge ineffectiveness

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

Fair value of hedged items (hypothetical derivatives)		**December 31, 2021**		**December 31, 2020**
Cash flow hedge – interest rate risk	**$**	**226,863**	$	358,431
Cash flow hedge – electricity price risk		**—**		1,380
Net investment hedge – foreign currency risk	**$**	**7,253**	$	(87,189)

19. Net Income (Loss) per Share

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

		Year ended December 31,		
		2021		**2020**
Net income (loss) for the period attributable to common shareholders (Note 16)	**$**	**189,559**	$	381,076
Less: preferred share dividends, net (Note 15.2)		**(10,811)**		(11,364)
Net income (loss) attributable to common shareholders for basic earnings	**$**	**178,748**	$	369,712
Add back: convertible unsecured subordinated debentures interest and amortization		**—**		1,995
Net income (loss) attributable to common shareholders for diluted earnings	**$**	**178,748**	$	371,707

The basic and diluted share amounts are calculated as follows:

	Year ended December 31,	
	2021	**2020**
Weighted average number of Shares outstanding	**218,861,235**	198,042,137
Weighted average number of Class A shares	**—**	732,240
Weighted average number of Shares outstanding, basic	**218,861,235**	198,774,377
Effect of dilutive securities:		
Convertible unsecured subordinated debentures	**—**	2,394,728
Weighted average number of Shares outstanding, diluted	**218,861,235**	201,169,105

20. Finance Costs

Net finance costs consist of the following:

		Year ended December 31,		
		2021		**2020**
Interest on debt, borrowings and bank fees	**$**	**311,359**	$	327,850
Amortization of deferred financing costs		**28,229**		36,842
Discount on provisions for decommissioning liabilities (Note 13.1)		**4,292**		3,926
Lease interest (Note 8.2)		**2,108**		1,840
Finance income		**(3,571)**		(5,290)
Finance costs, net	**$**	**342,417**	$	365,168

For the year ended December 31, 2021, $2.6 million of finance costs (2020 - $1.9 million) incurred from project financing related to facilities under construction were capitalized in construction-in-progress.

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

Northland's impairment tests are performed either at the facility level, which represents a CGU, or at a group of CGUs for which goodwill is allocated and monitored. PP&E, intangible assets and goodwill have been allocated to CGUs to determine the carrying amount.

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

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

The rates are as follows:

Pre-tax discount rates	October 1, 2021	October 1, 2020
Applicable to PPA cash flows:	6.5 %	6.2 %
Applicable to other cash flows (1):	8.5 %	7.0 % - 8.2 %

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

For EBSA, Fair value less cost to sell (FVLCS) method is used. In determining the recoverable amount through FVLCS, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples for similar transactions or other available fair value indicators. FVLCS approach is most sensitive to EBITDA multiple and the multiple assumed ranges from 10.5x - 11.0x.

Northland completed its annual comprehensive impairment assessment based on value-in-use estimates which derived from the long-range forecasts and market values observed in the marketplace or FVLCS. Except Iroquois Falls which is discussed below, Northland did not identify any impairments of goodwill or reversals of prior impairments as a result of this review.

Iroquois Falls

During the year ended December 31, 2021, Northland wrote off $30 million of goodwill for the Iroquois Falls facility and accelerated depreciation of Iroquois Falls’ property plant and equipment due to the expiry of its PPA in December 2021.

22. Income Taxes

22.1 Tax Expense and Temporary Difference

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

Year ended December 31,	2021	2020
Current taxes		
Based on taxable income of current year	**$ 80,086**	$ 85,737
Tax on dividend payments	**4,324**	4,545
Total current taxation expense	**$ 84,410**	$ 90,282
Deferred taxes		
Deferred tax on origination and reversal of temporary differences	**$ 57,087**	$ 36,472
Deferred tax due to changes in tax rates	**12,814**	(11,344)
Prior-year under (over) provision	**(959)**	(399)
Total deferred tax expense (recovery)	**$ 68,942**	$ 24,729
Total income tax expense (recovery)	**$ 153,352**	$ 115,011

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

Year ended December 31,	2021	2020
Deferred taxes related to origination and reversal of temporary differences related to financing fees	**$ (10,141)**	$ (1,597)
Deferred taxes related to change in fair value of hedged derivative contracts	**50,615**	(31,074)
Deferred taxes related to pension expense	**1,378**	(332)
Deferred taxes related to foreign exchange	**(21,302)**	(9,394)
Total income tax expense (recovery) in equity	**$ 20,550**	$ (42,397)

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

Year ended December 31,	2021	2020
Combined basic Canadian federal and provincial income tax rate	**26.5 %**	26.5 %
Income (loss) before income taxes	**$ 423,231**	$ 600,068
Income tax expense (recovery) based on statutory rate	**112,137**	159,018
Adjustment for non-deductible (taxable) expenses and incentives	**(949)**	(29,728)
Deferred tax expense (recovery) relating to changes in tax rates or change in legal structure	**12,814**	(11,344)
Rate difference related to temporary differences in foreign jurisdictions	**5,617**	4,835
Manufacturing and processing rate reduction	**(971)**	2,693
Tax expense associated with payment of preferred share dividends	**4,324**	4,546
Benefit not recognized	**40,262**	7,222
Minority interest	**(18,698)**	(22,400)
Other	**(1,184)**	169
Total income tax expense (recovery)	**$ 153,352**	$ 115,011

Northland, while resident in Canada, operates in a number of foreign jurisdictions. The enacted blended tax rates relevant to the computation of tax expense (recovery) are: Canada 26.5% (26.5% - 2020), Germany 30.1% (29.2% - 2020), Netherlands 25.8% (25.0% - 2020), Luxembourg 24.9% (24.9% - 2020), Mexico 30.0% (30.0% - 2020), Colombia 35.0% (32% - 2020), United States 26.1%, and Spain 25.0%. In September of 2021, the Colombian government introduced a tax reform to increase the corporate income rate to 35.0% for 2022 and onwards.

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

As at December 31,		2021		2020
Deductible temporary differences				
Losses available for carryforward	**$**	**19,980**	$	12,803
Derivative financial instruments		**42,807**		111,837
Canadian renewable conservation expense		**19,357**		21,296
Financing fees		**37,304**		20,961
Tax credits		**1,228**		3,176
Interest available for carryforward		**43,294**		27,564
Other		**6,874**		7,330
	$	**170,844**	$	204,967

Taxable temporary differences				
Contracts	**$**	**115,192**	$	126,897
Fair value debt increments		**3,148**		3,146
Property, plant and equipment		**522,519**		375,491
	$	**640,859**	$	505,534

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

As at December 31,		2021		2020
Opening balance, net deferred tax liability	**$**	**300,567**	$	192,226
Tax liability recognized in business combination		**81,143**		125,654
Tax expense (recovery) recognized in income statement		**68,942**		24,729
Tax expense (recovery) in OCI		**51,993**		(31,406)
Effect of foreign exchange recognized in OCI		**(21,302)**		(9,394)
Tax expense (recovery) recognized in equity		**(10,141)**		(1,597)
Other		**(1,187)**		355
Ending net, deferred tax liability	**$**	**470,015**	$	300,567

Northland has recognized a deferred tax asset of $15.2 million (2020 - $60.4 million) for Gemini, in respect of tax attributes available for carry forward. Management has assessed the probability of future taxable income arising within the available carry forward period of these tax benefits and has concluded that it is probable that the benefit will be realized based on its estimate of future cash flows.

The following temporary differences have not been recognized in Northland's Consolidated Financial Statements:

Year ended December 31,		2021		2020
Non-capital losses carried forward	**$**	**76,658**	$	55,850
Fair value change in debt instrument		**84,590**		107,051
Non-deductible interest carried forward		**119,844**		—
Property, plant, and equipment		**18,856**		5,723
Other deductible temporary differences		**2,718**		2,637
Total deductible temporary differences	**$**	**302,666**	$	171,261

Northland has operating losses available for carry forward in Canada, Mexico, Spain and Germany, of $43.6 million, $15.8 million, $87.7 million and $0.4 million, which expire beginning in 2026.

The operating losses are expected to expire as follows:

	Canada	Germany	Mexico	Spain
2025 – 2028	$ 13,002	$ 433	$ 2,527	$ —
2029 – 2033	13,053	—	13,313	—
2034 – 2038	12,958	—	—	—
2039 – 2041	4,541	—	—	87,657
Total	**$ 43,554**	**$ 433**	**$ 15,840**	**$ 87,657**

22.2 Temporary Differences Associated with Northland Investments

The temporary difference associated with investments in Northland's subsidiaries is $87 million (2020 - $79 million). A deferred tax liability associated with these investments has not been recognized because Northland controls the timing of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future.

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

23. Operating Segment Information

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

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

Year ended December 31, 2021	**Offshore wind**	**Efficient Natural Gas**	**Onshore renewable** (4)	**Utility**	**Other** (1)	**Eliminations**	**Total**
External sales	**$ 1,107,236**	**$ 433,554**	**$ 299,325**	**$ 225,349**	**$ 27,791**	**$ —**	**$ 2,093,255**
Inter-company sales (1)	**—**	**—**	**—**	**—**	**194,057**	**(194,057)**	**—**
Total sales	**$ 1,107,236**	**$ 433,554**	**$ 299,325**	**$ 225,349**	**$ 221,848**	**$ (194,057)**	**$ 2,093,255**
Cost of sales	**—**	**123,533**	**—**	**68,923**	**21,037**	**—**	**213,493**
Operating costs	**173,742**	**51,483**	**45,532**	**57,137**	**—**	**—**	**327,894**
G&A costs (2)	**9,173**	**695**	**2,323**	**7,138**	**126,014**	**—**	**145,343**
Depreciation of PP&E	**354,868**	**97,345**	**118,461**	**32,353**	**9,728**	**—**	**612,755**
Other income (3)	**—**	**(11,662)**	**—**	**—**	**(3,218)**	**—**	**(14,880)**
Operating income	**$ 569,453**	**$ 172,160**	**$ 133,009**	**$ 59,798**	**$ 68,287**	**$ (194,057)**	**$ 808,650**
Finance costs, net	**$ 187,345**	**$ 51,524**	**$ 67,067**	**$ 719**	**$ 35,762**	**$ —**	**$ 342,417**

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

(2) General and administrative costs includes development costs.

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

(4) This include Spain and Canadian onshore Wind and Solar facilities.

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

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

(2) General and administrative costs includes development costs.

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

Significant information for each segment for the consolidated statements of financial position is as follows:

As at December 31, 2021	**PP&E, net**	**Contracts and other intangibles, net**	**Goodwill [1]**	**Investment in joint ventures**	**Total Assets**
Offshore wind	**$ 5,166,638**	**$ 411,482**	**$ —**	**$ —**	**$ 6,222,659**
Efficient Natural Gas	**771,487**	**45,281**	**120,229**	**—**	**1,261,107**
Onshore renewable[2]	**2,713,912**	**—**	**212,209**	**—**	**3,284,149**
Utility	**486,546**	**5,636**	**420,935**	**—**	**1,004,008**
Other	**447,883**	**35,236**	**—**	**131,134**	**1,105,408**
Total	**$ 9,586,466**	**$ 497,635**	**$ 753,373**	**$ 131,134**	**$ 12,877,331**

(1) $30M of goodwill relating to Iroquois Falls facility was written off in Q1 2021.

(2) This include Spain and Canadian onshore Wind and Solar facilities.

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

Information on operations by geographic area is as follows:

Sales

		2021		2020
Germany	**$**	**534,490**	$	582,198
Netherlands		**572,746**		597,581
Canada		**666,759**		661,703
Spain		**92,310**		—
Latin America		**226,950**		219,145
Total	**$**	**2,093,255**	$	2,060,627

Property, plant and equipment, net

As at		2021		2020
Germany (1)	**$**	**2,416,943**	$	2,759,069
Netherlands		**2,769,374**		3,194,656
Canada		**2,223,316**		1,995,012
Spain		**1,509,831**		—
Latin America		**667,002**		731,222
Total	**$**	**9,586,466**	$	8,679,959

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

24. Related-party Disclosures

24.1 Compensation of Key Management Personnel

Remuneration of key management personnel, consisting of the Board of Directors and members of executive management, expensed in the year ended December 31, 2021 and 2020 is outlined in the table below. In 2021, Northland granted Shares to key management personnel to settle a part of share-based compensation. Share-based compensation is tied directly to executive seniority and the success of development and construction projects as well as acquisition activities.

Year Ended December 31,		**2021**		**2020**
Salaries and short-term employee benefits	**$**	**8,593**	$	6,814
Share-based compensation - shares issued under the LTIP (Note 15.1)		**911**		—
Share-based compensation - cash component		**3,225**		5,854
Total	**$**	**12,729**	$	12,668

25. Litigation, Claims, Contingencies and Commitments

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

25.1 COVID-19

Each of Northland's operating facilities are deemed to be essential infrastructure and, as such, operations have continued uninterrupted to date. Additionally, Northland's long-term agreements with creditworthy counterparties have significantly reduced the risk of material expected credit losses. However, certain risks relating to lower demand for power globally include increased negative pricing at Nordsee One and Deutsche Bucht, lower wholesale market-based prices at Gemini, higher unpaid curtailments in general, increased volatility in the value of financial instruments and reduction in sales and net earnings. Other risks include potential delays in construction timelines as a result of construction services and contractor unavailability or unavailability of key personnel resulting in the interruption of production and lower availability of power infrastructure, thus affecting sales, operating costs and net earnings.

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

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

25.2 Warranty Settlement and Other Proceeds

In 2020, Nordsee One received proceeds from its turbine manufacturer, which filed for insolvency in 2019, to settle all warranty obligations for the remaining term of the original service agreement. Under the terms of the settlement, Nordsee One relinquished its rights to make further warranty claims against the manufacturer. Northland recognized the proceeds as a reduction in "property, plant and equipment" in the consolidated statements of financial position.

25.3 Milestone Payments for Development Project Acquisitions

In the course of business, Northland enters into acquisition agreements that may result in Northland making additional payments to the seller and/or directly to the development project previously acquired, upon the successful completion of certain milestones. As at December 31, 2021, Northland's best estimate of the future contingent payments are approximately $143 million of contingent payments under its development projects arrangements, with a maximum of $335 million. These contingent payments were not recognized in the consolidated statements of financial position.

Corporate Information

Directors and Executive Officers Of Northland Power Inc.

Directors

Mr. John W. Brace (Chair)

Ms. Linda L. Bertoldi

Dr. Marie Bountrogianni

Ms. Lisa Colnett

Mr. Kevin Glass

Mr. Russell Goodman

Mr. Keith Halbert

Ms. Helen Mallovy Hicks

Mr. Ian Pearce

Mr. Eckhardt Ruemmler

Executive Officers

Mr. Mike Crawley
President and Chief Executive Officer

Ms. Pauline Alimchandani
Chief Financial Officer

Ms. Wendy Franks
Executive Vice President, Strategy and Investment Management

Mr. Morten Melin
Executive Vice President, Construction

Mr. David Povall
Executive Vice President, Development

Mr. Michael D. Shadbolt
Vice President and General Counsel

Ms. Rachel Stephenson
Chief People Officer

Ms. Tracy Robillard
Secretary

General Information

Registrar and Transfer Agent

Computershare Trust Company of Canada

100 University Avenue

Toronto, Ontario, Canada

M5J 2Y1

Attention: Equity Services

Common Shares and Preferred Shares

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

Tax Considerations

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

Contact Information

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