The Power of Connection.

Third Quarter Report

Quarterly Report for the period ended September 30, 2021

NORTHLAND POWER

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

Table of Contents

SECTION 1: OVERVIEW

Introduction

The purpose of this Management's Discussion and Analysis ("**MD&A**") is to explain the financial results of Northland Power Inc. ("**Northland**" or the "**Company**") and to assist the reader in understanding the nature and importance of changes and trends as well as the risks and uncertainties that may affect the operating results and financial position of the Company. This MD&A should be read in conjunction with Northland's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2021, and 2020, as well as its audited consolidated financial statements for the years ended December 31, 2020 and 2019 ("**2020 Annual Report**") and Northland's most recent Annual Information Form dated February 22, 2021 ("**2020 AIF**"). This material is available on SEDAR at www.sedar.com and on Northland's website at www.northlandpower.com.

This MD&A contains forward-looking statements that are based on certain estimates and assumptions that were considered reasonable on November 10, 2021; actual results may differ materially. Certain prior period disclosures have been reclassified for consistency with the current period presentation. Northland's Audit Committee reviewed this MD&A and the associated unaudited interim condensed consolidated financial statements and notes, and its Board of Directors approved these documents prior to their release.

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

Forward-Looking Statements

This MD&A contains forward-looking statements that are based on certain estimates and assumptions that were considered reasonable on November 10, 2021; actual results may differ materially. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans. Readers are cautioned that such statements may not be appropriate for other purposes. Northland's actual results could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, the events anticipated by the forward-looking statements may or may not transpire or occur. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects," "anticipates," "plans," "predicts," "believes," "estimates," "intends," "targets," "projects," "forecasts" or negative versions thereof and other similar expressions or future or conditional verbs such as "may," "will," "should," "would" and "could." These statements may include, without limitation, statements regarding future Adjusted EBITDA, Free Cash Flows (and as adjusted) and per share amounts, dividend payments and dividend payout ratios, guidance, the timing for energization, testing and commencement of commercial operations at La Lucha as well as related costs, the completion of construction, completion, attainment of commercial operations, the potential for future production from project pipelines, cost and output of development projects, litigation claims, plans for raising capital, and the future operations, business, financial condition, financial results, priorities, ongoing objectives, strategies and outlook of Northland and its subsidiaries. These statements are based upon certain material factors or assumptions that were applied in developing the forward-looking statements, including the design specifications of development projects, the provisions of contracts to which Northland or a subsidiary is a party, management's current plans and its perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. Although these forward-looking statements are based upon management's current reasonable expectations and assumptions, they are subject to numerous risks and uncertainties. Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, risks associated with revenue contracts, impact of COVID-19 pandemic, Northland's reliance on the performance of its offshore wind facilities at Gemini, Nordsee One and Deutsche Bucht for approximately 60% of its Adjusted EBITDA and Free Cash Flow, counterparty risks, contractual operating performance, variability of revenue from generating facilities powered by intermittent renewable resources, offshore wind concentration, natural gas and power market risks, operational risks, recovery of utility operating costs, Northland's ability to resolve issues/delays with the relevant regulatory and/or government authorities in Mexico, permitting, construction risks, project development risks, acquisition risks, financing risks, interest rate and refinancing risks, liquidity risk, credit rating risk, currency fluctuation risk, variability of cash flow and potential impact on dividends, taxation, natural events, environmental risks, health and worker safety risks, market compliance risk, government regulations and policy risks, utility rate regulation risks, international activities, reliance on information technology, labour relations, reputational risk, insurance risk, risks relating to co-ownership, bribery and corruption risk, legal contingencies, and the other factors described in this MD&A and the 2020 AIF. Northland's actual results could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur. The forward-looking statements contained in this MD&A are based on assumptions that were considered reasonable as of the date hereof. Other than as specifically required by law, Northland undertakes no obligation to update *any forward-looking statements to reflect events or circumstances after such date or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.*

Non-IFRS Financial Measures

This MD&A includes references to the Company's adjusted earnings before interest, income taxes, depreciation and amortization ("**Adjusted EBITDA**"), Free Cash Flow, Adjusted Free Cash Flow and applicable payout ratios and per share amounts, measures not prescribed by International Financial Reporting Standards (**IFRS**), and therefore do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. Non-IFRS financial measures are presented at Northland's share of underlying operations. These measures should not be considered alternatives to net income (loss), cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Rather, these measures are provided to complement IFRS measures in the analysis of Northland's results of operations from management's perspective. Management believes that Northland's non-IFRS financial measures and applicable payout ratio and per share amounts are widely accepted and understood financial indicators used by investors and securities analysts to assess the performance of a company, including its ability to generate cash through operations. For reconciliations of these non-IFRS financial measures to their nearest IFRS measure, refer to *Section 4.5: Adjusted EBITDA* for a reconciliation of consolidated net income (loss) under IFRS to reported Adjusted EBITDA and *Section 4.6: Free Cash Flow and Adjusted Free Cash Flow* for a reconciliation of cash provided by operating activities under IFRS to reported Free Cash Flow and Adjusted Free Cash Flow.

Adjusted EBITDA

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

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

Free Cash Flow

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

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

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

Adjusted Free Cash Flow

Commencing with the 2020 Annual Report, Northland introduced Adjusted Free Cash Flow, a supplementary non-IFRS Free Cash Flow measure, and associated per share amounts and payout ratios. Adjusted Free Cash Flow is calculated by excluding growth-related expenditures from Free Cash Flow. Management believes this measure provides a relevant presentation of cash flow generated from the business before investment-related decisions (refer to *Section 4.3: Growth Expenditures* for additional information). Management believes Adjusted Free Cash Flow is a meaningful measure of Northland's ability to generate cash flow, after on-going obligations, to reinvest in growth and fund dividend payments.

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

SECTION 2: NORTHLAND'S OPERATING FACILITIES

As of September 30, 2021, Northland owns or has a net economic interest in 2,817 megawatts (**MW**) of power-producing facilities with a total operating capacity of approximately 3,240MW and a regulated utility. Northland's operating assets provide stable cash flow and are located in Canada, Germany, the Netherlands, Spain and Colombia. Northland's power-producing facilities produce electricity from clean energy sources for sale primarily under long-term PPAs or other revenue arrangements with creditworthy customers. Northland's utility is a distributor and retailer of electricity compensated under a regulated framework. Refer to the 2020 AIF for additional information on Northland's operating facilities as of December 31, 2020.

Northland's MD&A and unaudited interim condensed consolidated financial statements include the results of its operating facilities, the most significant of which are presented in the following table:

	Year of Commercial Operations or Acquisition	Geographic region (1)	Economic interest (2)	Gross Production Capacity (MW)	Net Production Capacity (MW)
Offshore Wind					
Gemini	2017	The Netherlands	60%	600	360
Nordsee One	2017	Germany	85%	332	282
Deutsche Bucht	2020	Germany	100%	252	252
Efficient Natural Gas					
Iroquois Falls	1997	Ontario	100%	120	120
Kingston	1997	Ontario	100%	110	110
Kirkland Lake (3)	1993	Ontario	77%	132	102
North Battleford	2013	Saskatchewan	100%	260	260
Spy Hill	2011	Saskatchewan	100%	86	86
Thorold	2010	Ontario	100%	265	265
Onshore Renewable					
Cochrane	2015	Ontario	63%	40	25
Grand Bend	2016	Ontario	50%	100	50
Jardin	2009	Québec	100%	133	133
McLean's	2014	Ontario	50%	60	30
Mont Louis	2011	Québec	100%	101	101
Solar	2014	Ontario	100%	90	90
Spanish portfolio	2021	Spain	99%	559	551
Utility					
EBSA	2020	Colombia	99%	n/a	n/a
Total				**3,240**	**2,817**

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

(2) As at September 30, 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.

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

SECTION 3: CONSOLIDATED HIGHLIGHTS

3.1: Significant Events

Significant events during the first nine months of 2021 and through the date of this MD&A are described below. Refer to *SECTION 8: CONSTRUCTION, DEVELOPMENT AND ACQUISITION 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 revenues are contracted under long-term agreements with creditworthy counterparties, there is some, yet limited, exposure to the wholesale market price of electricity at the offshore wind facilities and to unpaid curtailment from negative prices. Refer to *4.1: Operating Results* for additional information. Refer to *SECTION 12: FINANCIAL RISKS AND UNCERTAINTIES* for additional information on risks associated with COVID-19.

Management believes the Company continues to have sufficient liquidity available to execute on its growth objectives. As at September 30, 2021, Northland had access to $824 million of cash and liquidity, comprising $784 million of liquidity available under a syndicated revolving facility and $40 million of corporate cash on hand.

Balance Sheet and ESG Advancements:

Extension of $1.0 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 implementation of the SLL is an important milestone for Northland and is aligned with the Company's Environmental, Social and Governance (**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. 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.

Canadian Solar Portfolio Debt Restructuring

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. To date in 2021, Northland has received cash distributions amounting to $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.

Fitch Rating

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

Growth Updates:

To achieve its 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 an active 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.

Nordsee Two and Nordsee Three 850MW Offshore Wind Projects

Following the completion of a competitive lease auction in September 2021, Northland and its German partner exercised their step-in rights to match the winning bid in the auction to secure the lease for Nordsee Two. As a result, Northland and its German partner will pursue the development of the project including securing long-term corporate and/or utility offtake agreements as a result of the winning bid in the auction being a zero bid. Northland also has similar step-in rights for Nordsee Three, which is expected to come to auction in 2023. These two potential offshore wind projects are expected to have a combined grid capacity of approximately 850MW.

Colombian 130MW Solar Projects

Subsequent to the third quarter, 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 were awarded the right to build two solar projects with a total combined capacity of 130MW. The solar projects will benefit from Power Purchase Agreements (**PPAs**) with multiple energy distribution and commercial entities in Colombia, starting in 2023 and lasting for 15 years. The PPAs 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 will account for approximately 10% of total revenues of the projects. Northland has a 50 percent 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. These solar projects closely follow the development of Northland's 16MW Helios solar project, which achieved financial close in the second quarter of 2021.

Japan Offshore Wind

In September, the Japanese government designated four new sea areas as "promising areas" for the development of offshore wind 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 and Tokyo Gas. Additionally, Katagami, Akita Prefecture, where Northland continues to explore an opportunity through a consortium with Mitsui and Osaka Gas, 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

On August 11, 2021, Northland completed its previously announced acquisition of a Spanish operating portfolio of onshore renewable projects (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) with the assumption of debt totaling €719 million ($1,055 million). The acquisition was funded using proceeds from Northland's common equity offering completed on April 14, 2021.

The acquisition immediately places Northland as a top ten renewable power operator in Spain and creates a platform for growth in an attractive market for renewables. 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.

Nordsee One Component Issue

At Nordsee One, to date in 2021, ten rotor shaft assemblies (**RSA**) have been replaced, minimizing downtime of the wind turbines during the fourth quarter, when wind resource tends to be stronger. The replacement of all the RSA at Nordsee One (the "replacement campaign") will resume in the second quarter of 2022 and management expects to complete the replacement of the remaining 44 RSA in 2022 and 2023, as parts continue to become available and weather conditions allow.

In some cases, Nordsee One may need to curtail the performance of turbines to extend their life until replacement of the RSA, which would affect production and may lead to lost revenues in 2022 and 2023. This issue is not expected at Gemini or Deutsche Bucht, which utilize different turbines. For the nine months ended September 30, 2021, Northland experienced €4 million ($6 million at Northland's share) of lost revenues pertaining to curtailment of turbines under this replacement campaign.

The ten RSA were replaced at a cost of €13 million ($16 million at Northland's share) and the total cost to replace all 54 RSA is now expected to be slightly lower than estimated last quarter, and within a range of €50 million and €60 million ($65 million and $75 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 upon its insolvency. Refer to the *Section 4.1: 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. The focus of the Green Financing initiatives is to support climate change mitigation efforts by developing and investing in renewable energy infrastructure assets that increase green energy production. Northland has 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. Both projects secured construction financings which have been designated as green loans by their respective lenders.

New York 320MW Onshore Wind Project Update

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 and secured green financing in the form of a non-recourse project 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 will fund 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 commenced in the second quarter of 2021 for Ball Hill and Bluestone. Northland's third New York onshore wind project, High Bridge (100MW), is under active development. The total capital cost for the first two projects is expected to be approximately $0.6 billion. Earlier in the year, all 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.

Helios 16MW Solar Project Update

During the second quarter, Northland's 16MW Helios solar project in Colombia also achieved financial close. The project secured a green loan and with construction already underway, commercial operations is 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 power purchase agreement 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.

La Lucha 130MW Solar Project Update

The 130MW solar project in the State of Durango, Mexico, has 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, up from $190 million originally.

Baltic Power, Polish Offshore Wind Project Update

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 a total cash consideration of PLN 255 million ($82 million). Pursuant to the joint venture agreement, Northland has made development commitments of approximately €33 million ($49 million) to be funded over the next two years**.** As contractual milestones are met, Northland expects to commit to additional development funding.

In June 2021, the Baltic Power project, with a potential for up to 1,200MW of operating capacity and in which Northland has 49% interest, 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 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.

Hai Long 1,044MW Offshore Wind Project Update

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. 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 has 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. The project continues to progress well with financial close expected in 2022.

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 1, 2021, the EDC succeeds the baseload PPA for the remainder of its term to 2030. The arrangement results in reduced greenhouse gas emissions and cost savings for Ontario electricity consumers while improving economics for Northland as a result of savings from reduced costs related to greenhouse gas emissions, maintenance, natural gas and gas transportation, as well as other variable cost savings. The economic benefits of the EDC in 2021 are expected to be offset by one-time capital expenditures at the facility but is expected to benefit Free Cash Flow for the remaining term of the EDC.

Equity Offering

In April 2021, Northland completed a bought deal equity offering (the "**Offering**") for 22.5 million common shares for aggregate gross proceeds of $990 million. The net proceeds of the Offering were used to fund the cash purchase price of the Spanish portfolio and capital requirements including acquisition of Baltic Power and near-term capital commitments for identified development projects, including the Ball Hill and Bluestone onshore wind projects in New York and to repay borrowings under Northland's corporate revolving credit facility. As a result, subsequent to the Offering, the Company fully repaid the corporate revolving credit facility and has substantial liquidity to fund growth initiatives, including its identified pipeline of offshore wind projects and other opportunities.

Deutsche Bucht Refinancing

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

3.2: Operating Highlights

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
FINANCIALS				
Sales	**$ 432,078**	$ 470,867	**$ 1,453,165**	$ 1,567,793
Gross profit	**383,449**	418,403	**1,299,884**	1,422,687
Operating income	**89,018**	179,477	**513,170**	723,169
Net income (loss)	**(4,668)**	108,964	**140,351**	458,260
Adjusted EBITDA (a non-IFRS measure)	**210,669**	254,297	**773,356**	901,581
Cash provided by operating activities	**280,397**	278,381	**1,049,927**	1,011,102
Free Cash Flow (a non-IFRS measure)	**11,068**	60,583	**151,060**	289,494
Adjusted Free Cash Flow (a non-IFRS measure)	**34,665**	76,541	**204,354**	338,877
Cash dividends paid	**44,728**	55,399	**128,067**	177,266
Total dividends declared (1)	**$ 67,817**	$ 60,150	**$ 196,199**	$ 184,128
Per Share				
Weighted average number of shares - basic (000s)	**225,964**	201,626	**216,264**	197,697
Net income (loss) - basic	**$ (0.05)**	$ 0.40	**$ 0.28**	$ 1.66
Free Cash Flow - basic (a non-IFRS measure)	**$ 0.05**	$ 0.30	**$ 0.70**	$ 1.46
Adjusted Free Cash Flow - basic (a non-IFRS measure)	**$ 0.15**	$ 0.38	**$ 0.94**	$ 1.71
Total dividends declared	**$ 0.30**	$ 0.30	**$ 0.90**	$ 0.90
ENERGY VOLUMES				
Electricity production in gigawatt hours (**GWh**)	**1,815**	2,034	**5,929**	6,793

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

SECTION 4: RESULTS OF OPERATIONS

4.1: Operating Results

Offshore Wind Facilities

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Sales/gross profit [(1) (2)]	**$ 197,091**	$ 256,601	**$ 773,202**	$ 916,349
Operating costs [(2)]	**52,185**	46,557	**137,518**	124,035
Operating income	**48,656**	119,150	**360,976**	526,639
Adjusted EBITDA	**104,068**	150,523	**459,379**	580,591
Free Cash Flow [(2)]	**$ (9,084)**	$ 25,134	**$ 62,321**	$ 176,752

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

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

Northland's three offshore wind facilities, Gemini, Nordsee One and Deutsche Bucht, are located off the coasts of the Netherlands and Germany. Wind facilities are subject to seasonality, and accordingly, tend to produce more electricity during winter due to denser air and higher winds compared to summer, the effect of which is reflected in the respective fiscal quarter's results. In addition, variability in offshore wind resource results in similar fluctuations in quarter-to-quarter financial results. Factors such as exposure to market prices, 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 nine months ended September 30, 2021, Gemini, Nordsee One and Deutsche Bucht contributed approximately 22%, 16% and 16%, 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 presented sales, net income and Adjusted EBITDA. Northland has entered into long-term foreign exchange rate hedges, at an average rate of $1.60/€ for 2021 compared to $1.59/€ for 2020 for a substantial portion of anticipated euro-denominated Free Cash Flow, mitigating the effects of foreign exchange rate fluctuations with respect to this metric.

Variability within Operating Results

Gemini has subsidy agreements with the Government of the Netherlands which expire in 2031. Under the 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 from the offtaker, which are variable from year to year. The SDE mechanism tops-up the APX to a set price of €169 per megawatt hour (**MWh**) for up to 2,385 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.

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 annual SDE floor, approximately €46/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.

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 revenues 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 revenue for Gemini. As a result, in May 2021, Northland entered into offsetting financial derivatives to limit the potential lost revenue for 2021 to 2023 under the original financial derivatives. While limiting revenue losses in the future, the offsetting derivatives crystallized financial losses ("**APX hedge losses**") for Northland amounting to $25 million, $19 million and $9 million for the second half of 2021, 2022 and 2023, respectively. These net unrealized losses will be settled in the future periods to which they relate. For the nine months ended September 30, 2021, Gemini recognized $23 million of financial losses. There will be no further net losses in 2021 and 2022 beyond these amounts.

In order to minimize further fluctuations in market revenue at Gemini, subsequent to second quarter, Northland has purchased financial put contracts for the majority of production in the fourth quarter of 2021 and for 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. Management intends to enter into further put contracts as appropriate for future years, in accordance with Northland's risk management policy.

Nordsee One Component Issue

As previously disclosed, Northland identified a component issue on a number of wind turbines at Nordsee One affecting the main rotor shaft assembly. Upon further assessment, in the second quarter, management concluded the component issue could affect all of the wind turbines, leading to premature failure and commenced replacement of the rotor shaft assembly of all turbines (the "replacement campaign"). The replacement RSA are a tested design expected to last the remaining life of the facility. In addition, the replacement parts will include warranty coverage from the vendor.

To date in 2021, Nordsee One has replaced 10 of 54 RSA and will continue the replacement campaign in 2022 and 2023. Management expects to replace all remaining RSA between 2022 and 2023, as parts become available and weather conditions allow. In some cases, Nordsee One may curtail the performance of turbines in order to briefly extend their life, which would affect overall production ("**turbine availability**") and is expected to lead to loss of revenue in 2022 and 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, it is estimated that Nordsee One will incur lost revenue, due to turbine availability, of approximately €9 million ($12 million at Northland's share) in 2021. The ten RSA were replaced at a cost of €13 million ($16 million at Northland's share) and the total cost to replace all 54 RSA is now expected to be slightly lower than estimated last quarter, and within a range of €50 million and €60 million ($65 million and $75 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 upon its insolvency. Northland continues to assess the potential lost revenue for 2022 and 2023.

Historical Offshore Production

An important indicator for the offshore wind facilities is 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 September 30,				
	2021 (1)	**2020 (1)**	**Historical Average (2)**	**Historical High (2)**	**Historical Low (2)**
Electricity production (GWh)					
Gemini	**397**	478	448	524	397
Nordsee One	**173**	194	196	220	173
Deutsche Bucht	**164**	169	n/a	n/a	n/a
Total	**734**	841			

	Nine Months Ended September 30,				
	2021 [1]	**2020** [1]	**Historical Average** [2]	**Historical High** [2]	**Historical Low** [2]
Electricity production (GWh)					
Gemini	**1,450**	1,710	1,587	1,710	1,450
Nordsee One	**635**	766	726	766	635
Deutsche Bucht	**608**	658	n/a	n/a	n/a
Total	**2,692**	3,134			

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

(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 September 30, 2021, decreased 13% or 107GWh compared to the same quarter of 2020 primarily due to the historically low wind resource at all three offshore facilities, as well as reduced turbine availability at Nordsee One due to the RSA replacement campaign. Electricity production for the nine months ended September 30, 2021, decreased 14% or 442GWh compared to the same period of 2020 largely due to similar factors affecting the third quarter.

Deutsche Bucht earned pre-completion revenues until it achieved final completion effective March 31, 2020, at which point net pre-completion revenue in excess of the amount required by project lenders to fund construction costs, was recognized as Free Cash Flow totaling €63 million ($93 million) (the "**Deutsche Bucht Completion Distribution**").

Sales of $197 million for the three months ended September 30, 2021, decreased 23% or $60 million compared to the same quarter of 2020 largely due to similar factors affecting production, as shown below, and foreign exchange rate fluctuations. Sales of $773 million for the nine months ended September 30, 2021, decreased 16% or $143 million compared to the same period of 2020 primarily due to lower wind resource in the North Sea compared to the same period 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, as shown below. Foreign exchange rate fluctuations resulted in $5 million lower sales for the nine months ended September 30, 2021, compared to the same period of 2020.

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Effect of Gemini price hedge (2021) or effect of APX below the SDE floor (2020) [1]	**$ 11,400**	$ 9,841	**$ 23,442**	$ 22,004
Lower turbine availability at Nordsee One (due to RSA campaign)	**2,100**	—	**5,745**	—
Unpaid curtailment due to negative prices and grid outages in Germany	**$ 4,223**	$ 3,879	**$ 17,749**	$ 36,626

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

Operating costs of $52 million and $138 million for the three and nine months ended September 30, 2021, increased 12% or $6 million and 11% or $13 million compared to the same periods of 2020 primarily due to the timing of repairs and maintenance activities compared to the same periods last year.

Operating income of $49 million and $361 million for the three and nine months ended September 30, 2021, decreased 59% or $70 million and 31% or $166 million compared to the same periods of 2020 primarily due to low wind resource in the North Sea compared to the same periods last year.

Adjusted EBITDA of $104 million and $459 million for the three and nine months ended September 30, 2021, decreased 31% or $46 million and 21% or $121 million compared to the same periods of 2020 also due to low wind resource in the North Sea.

Efficient Natural Gas Facilities

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Electricity production (GWh)	**728**	907	**2,231**	2,670
Sales (1)	**$ 102,203**	$ 95,705	**$ 306,079**	$ 303,035
Less: cost of sales	**29,361**	25,792	**85,468**	74,850
Gross profit	**72,842**	69,913	**220,611**	228,185
Operating costs	**12,768**	11,770	**36,696**	36,763
Operating income	**37,000**	48,407	**115,304**	162,560
Adjusted EBITDA (2)	**63,702**	59,926	**190,996**	196,476
Free Cash Flow	**$ 32,898**	$ 31,720	**$ 108,045**	$ 114,192

(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 nine months ended September 30, 2021, Northland's six efficient natural gas facilities contributed approximately 23% of reported Adjusted EBITDA from facilities, with the three largest, North Battleford, Iroquois Falls and Thorold accounting for approximately 20%.

Electricity production for the three months ended September 30, 2021, decreased 20% or 179GWh compared to the same quarter of 2020 due to Kirkland Lake operating under the enhanced dispatch contract commencing in the third quarter of 2021, compared to the baseload PPA in 2020, as well as a planned major maintenance outage in the third quarter at another facility. Electricity production for the nine months ended September 30, 2021, decreased 16% or 439GWh compared to the same period of 2020 due to planned major maintenance outages at two facilities and due to Kirkland Lake operating under the EDC.

Sales of $102 million for the three months ended September 30, 2021, increased 6.8% or $6 million compared to the same quarter of 2020 largely due to higher production at one facility and annual rate escalations at multiple facilities. Sales of $306 million for the nine months ended September 30, 2021~~,~~ were largely in line compared to the same period of 2020 due to offsetting factors across the facilities.

Operating income of $37 million and $115 million for the three and nine months ended September 30, 2021, decreased 24% or $11 million and 29% or $47 million compared to the same periods of 2020 primarily due to the planned maintenance outage and an increase in amortization expense at Iroquois Falls as a result of the expiry of its PPA in December 2021.

Adjusted EBITDA of $64 million for the three months ended September 30, 2021, increased 6% or $4 million compared to the same quarter of 2020 largely due to the factors described above. Adjusted EBITDA of $191 million for the nine months ended September 30, 2021, decreased 3% or $5 million compared to the same period of 2020 largely due the planned major maintenance outage at North Battleford in the second quarter.

Onshore Renewable Facilities

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Electricity production (GWh) (1) (4)	**353**	287	**1,006**	989
LTA production (GWh) (1) (2)	**255**	258	**917**	921
Sales/gross profit (3) (4)	**$ 74,261**	$ 52,861	**$ 185,702**	$ 166,627
Operating costs (4)	**14,235**	7,547	**27,766**	21,377
Operating income	**21,506**	22,810	**74,462**	78,249
Adjusted EBITDA	**53,112**	37,532	**127,899**	114,494
Free Cash Flow	**$ 14,259**	$ 12,059	**$ 43,714**	$ 44,600

(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 efficient natural gas or wind facilities. Electricity production from solar facilities tends to be less variable than wind but is limited to available sunlight, which is generally higher in the summer than in the winter. For the nine months ended September 30, 2021, Northland's onshore renewable facilities contributed approximately 15% 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 essentially guarantees producers a specified pre-tax rate of return (over the full regulatory life of the facility), irrespective of wholesale market prices or actual production. Under the regulatory framework, regulated revenues are adjusted at the start of every three or six years, 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 majority of Spanish sites are entitled to receive a guaranteed rate of return (**"RoR"**) of 7.39% until 2031, while some solar sites earn a guaranteed RoR of 7.09% until 2025. The Spanish onshore wind facilities have an average remaining regulatory life of 8 years, while the solar facilities have an average remaining regulatory life of 19 years, after which, power will be sold at prevailing wholesale pool prices.

From August 11, 2021 to September 30, 2021, the Spanish portfolio generated 70GWh from onshore wind and 31GWh from onshore solar. The Spanish portfolio generated sales, Adjusted EBITDA and Free Cash flow of $26 million, $19 million and $3 million, respectively.

Electricity production at the onshore renewable facilities for the three months ended September 30, 2021, was 23% or 66GWh higher than the same quarter of 2020 due to the recent Spanish acquisition, partially offset by lower solar and wind resources at the Canadian facilities. Electricity production for the nine months ended September 30, 2021, was 2% or 17GWh higher than the same period of 2020 due to similar factors affecting the third quarter.

Financial results and *Adjusted EBITDA* for the three and nine months ended September 30, 2021, were higher than the same periods of 2020 due to the recent acquisition of the portfolio of solar and wind facilities in Spain.

Utility

The following table summarizes the operating results of EBSA:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Sales (1)	**$ 56,450**	$ 55,878	**$ 166,400**	$ 160,917
Less: cost of sales	**16,726**	17,800	**50,356**	51,566
Gross profit	**39,724**	38,078	**116,044**	109,351
Operating costs	**14,334**	13,118	**42,198**	37,015
Operating income	**15,298**	12,253	**43,438**	37,410
Adjusted EBITDA	**23,114**	22,316	**67,398**	66,712
Free Cash Flow	**$ 10,346**	$ 10,137	**$ 29,127**	$ 29,323

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

EBSA holds the sole franchise rights for electricity distribution in the Boyacá region of Colombia and is an electricity retailer for the regulated residential sector in the region. EBSA owns and operates an extensive distribution network, serving about half a million customers. EBSA's net revenue is almost entirely regulated, of which the vast majority is earned from its distribution business and the remainder primarily from its electricity retail business. EBSA's results are affected by exchange rate fluctuations between the Canadian dollar and the Colombian Peso. For 2021, Northland has hedged the foreign exchange rate at COP$2,795: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 nine months ended September 30, 2021, utility operations contributed approximately 8% 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 increases in corporate tax rates in 2022. The rate is designed to ensure EBSA earns a predictable and stable return.

Sales of $56 million for the three months ended September 30, 2021, were in line with the same quarter of 2020. Sales of $166 million for the nine months ended September 30, 2021, increased 3% or $5 million compared to the same quarter of 2020 primarily due to certain optimization of operations compared to the same period of 2020.

Gross profit for the three months ended September 30, 2021, increased 4.3% or $2 million while gross profit for the nine months ended September 30, 2021, increased 6% or $7 million compared to the same period of 2020 primarily due to the factors affecting sales.

Operating income of $15 million and $43 million for the three and nine months ended September 30, 2021, increased 24.9% or $3 million and 16% or $6 million compared to the same periods of 2020 primarily due to the factors described above, partially offset by higher tax contributions and higher amortization.

Adjusted EBITDA of $23 million for the three months ended September 30, 2021, increased 4% or $1 million compared to the same quarter of 2020 mainly due to the factors described above. Adjusted EBITDA of $67 million for the nine months ended September 30, 2021, was in line with the same period of 2020 primarily due to the factors described above, partially offset by the effect of differences in timing of recognition of regulated sales and associated pass-through costs.

Interest costs for the nine months ended September 30, 2021 increased 34% or $4 million compared to the same period of 2020 as a result of the higher debt balance from EBSA loan facility refinancing completed in July 2020.

For EBSA, non-expansionary capital expenditure is the expenditure required for EBSA to maintain its regulated asset base under the requirements of the local regulator. Under the terms of the EBSA loan facility, management expects to execute an upsizing of the debt, which is levered to a multiple of EBITDA, on a recurring basis. The upsizing proceeds will be available for distribution and corporate purposes and accordingly, any amounts in excess of expansionary capital expenditures are included in Free Cash Flow.

4.2: General and Administrative Costs

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

	Three months ended September 30,				Nine months ended September 30,			
		2021		**2020**		**2021**		**2020**
Corporate G&A	**$**	**9,031**	$	6,236	**$**	**26,975**	$	20,792
Operations G&A (1)		**5,952**		6,410		**18,769**		19,111
Total G&A costs	**$**	**14,983**	$	12,646	**$**	**45,744**	$	39,903

(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 for the three and nine months ended September 30, 2021, were 44.8% or $3 million and 29.7% or $6 million higher than the same periods of 2020 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 three and nine months ended September 30, 2021, were largely in line with the same periods of 2020.

4.3: Growth Expenditures

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

	Three months ended September 30,				Nine months ended September 30,			
		2021		**2020**		**2021**		**2020**
Business development	**$**	**8,395**	$	2,438	**$**	**21,928**	$	9,362
Project development		**640**		3,889		**935**		17,395
Development overhead		**10,029**		8,926		**22,041**		20,636
Acquisition costs (1)		**3,674**		304		**6,007**		7,474
Development costs	**$**	**22,738**	$	15,557	**$**	**50,911**	$	54,867
Joint venture project development costs (2)		**4,533**		705		**8,390**		1,990
Growth expenditures (3)	**$**	**23,597**	$	15,958	**$**	**53,294**	$	49,383
Growth expenditures on a per share basis					**$**	**0.25**	$	0.25

(1) Excluded from growth expenditures

(2) Includes Northland's share of development costs incurred at Baltic Power, 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 the 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 and short-term liquidity until projects achieve commercial operation but should deliver sustainable growth in Free Cash Flow over the long-run. These growth expenditures are added back to Free Cash Flow to determine Adjusted Free Cash Flow. Refer to the 2020 Annual Report for additional information.

Business development costs are incurred to identify and explore prospective business and development opportunities, which are expected to result in identifiable development projects intended to be pursued to completion, and include costs incurred for projects not ultimately pursued to acquisition or to completion. Business development costs for the three and nine months ended September 30, 2021, were higher compared to the same periods of 2020 due to the timing of development activities.

Project development costs are attributable to select early- to mid-stage development projects under active development that are likely to generate cash flow over the long-run. For the three and nine months ended September 30, 2021, project developments costs were lower since capitalization had previously commenced under IFRS for the Hai Long project. Refer to *SECTION 8: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES* for additional information on notable 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 nine months ended September 30, 2021, acquisition costs totaled $6 million based on costs incurred on successful acquisition pursuits.

4.4: Consolidated Results

The following discussion of the significant factors contributing to the consolidated financial results should be read in conjunction with Northland's unaudited interim condensed consolidated financial statements for the nine months ended September 30, 2021.

Third Quarter

Sales of $432 million decreased 8% or $39 million compared to the same quarter of 2020 primarily due to lower offshore wind resource, lower production at Nordsee One due to lower turbine availability, and the effect of unfavourable foreign exchange rate fluctuations. The unfavourable variances were partially offset by contribution from the Spanish portfolio acquired in August 2021.

Gross profit of $383 million decreased 8% or $35 million compared to the same quarter of 2020 primarily due to the same factors affecting sales.

Operating costs of $94 million increased 18% or $15 million compared to the same quarter of 2020 primarily due to the timing of repairs and maintenance activities compared to the same periods last year.

G&A costs of $15 million increased 18% or $2 million largely due to higher personnel and other costs in support of Northland's global growth

Development costs of $24 million increased 48% or $8 million compared to the same quarter of 2020 primarily due to the timing of development activities.

Finance costs, *net* (primarily interest expense) of $80 million decreased 10% or $9 million compared to the same quarter of 2020 primarily as a result of scheduled repayments on facility-level loans and repayment of borrowings on the corporate revolving facility as a result of the equity offering in April 2021.

Fair value gain on derivative contracts was $34 million compared to a $15 million gain in the same quarter of 2020 primarily due to net movement in the fair value of derivatives related to the APX, interest rates and foreign exchange contracts.

Foreign exchange loss of $6 million is primarily due to unrealized loss from fluctuations in the closing foreign exchange rates.

Net loss of $5 million in the third quarter of 2021 compared to net income of $109 million in the same quarter of 2020 primarily as a result of the factors described above as well as accelerated amortization expense on Iroquois Falls' property, plant and equipment due to the expiry of its PPA in December 2021 combined with an $8 million increase in total tax expense.

Year to date

Sales of $1,453 million decreased 7% or $115 million compared to 2020 primarily due to lower offshore wind resource, lower production at Nordsee One due to lower turbine availability, and the effect of unfavourable foreign exchange rate fluctuations. The unfavourable variances were partially offset by contribution from the Spanish portfolio acquired in August 2021.

Gross profit of $1,300 million decreased 9% or $123 million compared to 2020 primarily due to same factors affecting sales in the period.

Operating costs of $244 million increased 11% or $25 million compared to 2020 primarily due to the timing of repairs and maintenance activities compared to the same periods last year and the effect of foreign exchange rate fluctuations.

G&A costs of $46 million increased 15% or $6 million compared to 2020 primarily due to higher personnel and other costs in support of Northland's global growth.

Development costs of $51 million decreased 7% or $4 million compared to 2020 primarily due to effects of the commencement of capitalization at Hai Long in 2020 combined with the timing of development activities at other projects.

Finance costs, net (primarily interest expense) of $243 million decreased 10% or $27 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.

Fair value gain on derivative contracts was $64 million compared to a $11 million gain in the same period of 2020 primarily due to net movement in the fair value of derivatives related to the APX, interest rates and foreign exchange contracts.

Foreign exchange loss of $52 million is primarily due to unrealized losses from fluctuations in the closing foreign exchange rates.

Impairment expense of $30 million as a result of a goodwill write-off for Iroquois Falls, as well as accelerated amortization of Iroquois Falls' property, plant and equipment due to the expiry of its PPA in December 2021.

Other expenses were $34 million higher than the same period of 2020 primarily due to share of increasing joint venture development costs, and other income in the same period of 2020 included proceeds received from the sale of turbines at Deutsche Bucht as well as insurance proceeds related to its construction.

Net income decreased $318 million for the nine months ended September 30, 2021, compared to the same period in 2020 mainly due to the factors described above, partially offset by $19 million lower tax expense.

4.5: Adjusted EBITDA

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Net income (loss)	**$ (4,668)**	$ 108,964	**$ 140,351**	$ 458,260
Adjustments:				
Finance costs, net	**80,186**	88,787	**242,806**	270,074
Gemini interest income	**3,961**	4,069	**11,967**	12,006
Share of joint venture project development costs	**(4,533)**	(705)	**(8,390)**	(1,990)
Acquisition costs	**3,674**	304	**6,007**	7,474
Provision for (recovery of) income taxes	**26,979**	18,679	**73,464**	92,707
Depreciation of property, plant and equipment	**166,962**	135,473	**457,399**	397,177
Amortization of contracts and intangible assets	**9,235**	9,736	**28,878**	28,649
Fair value (gain) loss on derivative contracts	**(33,583)**	(15,449)	**(75,489)**	(10,774)
Foreign exchange (gain) loss	**5,858**	(36,683)	**51,889**	(90,998)
Impairment loss	**—**	—	**29,981**	—
Elimination of non-controlling interests	**(44,542)**	(63,223)	**(185,974)**	(236,814)
Finance lease (lessor)	**(1,761)**	3,305	**(6,024)**	3,854
Other adjustments	**2,901**	1,040	**6,491**	(28,044)
Adjusted EBITDA	**$ 210,669**	$ 254,297	**$ 773,356**	$ 901,581

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 nine months ended September 30, 2021. For the nine months ended September 30, 2020, other adjustments primarily include proceeds from sale of two turbines and insurance proceeds received.

Third Quarter

Adjusted EBITDA of $211 million for the three months ended September 30, 2021, decreased 17% or $44 million compared to the same quarter of 2020. The significant factors decreasing Adjusted EBITDA include:

- $37 million decrease in operating results at Gemini primarily due to the lower wind resource and APX hedge losses realized;
- $15 million increase in corporate costs primarily driven by an increasing level of project development activities and associated corporate activities to support growth; and
- $10 million decrease in operating results at Nordsee One primarily due to lower wind resource and turbine availability compared to the same period of 2020.

The factor partially offsetting the decrease in Adjusted EBITDA was a $19 million contribution from the recent acquisition of the portfolio of solar and wind facilities in Spain, which closed on August 11, 2021.

Year to date

Adjusted EBITDA of $773 million for the nine months ended September 30, 2021, decreased 14% or $128 million compared to the same period of 2020. The significant factors decreasing Adjusted EBITDA include:

- $79 million decrease in operating results at Gemini primarily due to historically low wind resource and the effects of the APX hedge losses realized;
- $42 million decrease in operating results at the German offshore wind facilities primarily due to low wind resource, partially offset by better grid availability and fewer periods of negative prices compared to the same period of 2020;
- $16 million increase in corporate costs primarily driven by an increasing level of project development activities and associated corporate activities to support growth; and
- $11 million decrease in operating results at the efficient natural gas facilities, largely due to the planned major outage, and low wind resource at the Canadian onshore wind facilities compared to the same period in 2020.

The factor partially offsetting the decrease in Adjusted EBITDA was the $19 million contribution from the Spanish portfolio.

4.6: Free Cash Flow and Adjusted Free Cash Flow

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Cash provided by operating activities	**$ 280,397**	$ 278,381	**$ 1,049,927**	$ 1,011,102
Adjustments:				
Net change in non-cash working capital balances related to operations	**(78,387)**	(9,082)	**(180,513)**	18,685
Non-expansionary capital expenditures	**(15,210)**	(5,163)	**(32,824)**	(12,531)
Restricted funding for major maintenance, debt and decommissioning reserves	**(628)**	(2,470)	**(9,799)**	(11,854)
Interest paid, net	**(25,684)**	(46,332)	**(177,066)**	(199,015)
Scheduled principal repayments on facility debt	**(22,711)**	(218,696)	**(357,234)**	(556,005)
Funds set aside (utilized) for scheduled principal repayments	**(123,226)**	77,740	**(119,316)**	75,652
Preferred share dividends	**(2,704)**	(2,802)	**(8,101)**	(8,657)
Consolidation of non-controlling interests	**(10,568)**	(27,734)	**(49,782)**	(97,458)
Deutsche Bucht Completion Distribution	**—**	—	**—**	93,144
Cash from operating activities from projects under construction	**—**	—	**—**	(66,853)
Lease payments	**(2,176)**	(2,321)	**(6,797)**	(6,763)
Investment income [(1)]	**5,140**	5,662	**15,403**	17,018
Nordsee One proceeds from government grant and warranty settlement	**10,763**	6,486	**27,872**	20,472
Share of joint venture project development costs	**(4,533)**	(705)	**(8,390)**	(1,990)
Foreign exchange	**403**	2,052	**12,584**	4,217
Other [(2)]	**192**	5,567	**(4,904)**	10,330
Free Cash Flow	**$ 11,068**	$ 60,583	**$ 151,060**	$ 289,494
Add back: Growth expenditures	**23,597**	15,958	**53,294**	49,383
Adjusted Free Cash Flow	**$ 34,665**	76,541	**$ 204,354**	$ 338,877

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

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

Adjusted Free Cash Flow, is a supplementary non-IFRS cash flow measure including associated per share amounts and payout ratios. Adjusted Free Cash Flow is calculated by excluding growth-related expenditures from Free Cash Flow. Management believes this measure provides a relevant presentation of cash flow generated from the business before investment-related decisions (refer to *Section 4.3: Growth Expenditures* for additional information). Management believes Adjusted Free Cash Flow is a meaningful measure of Northland's ability to generate cash flow, after on-going obligations, to reinvest in growth and fund dividend payments. Reinvesting in growth is a key part of Northland's long-term strategy.

Scheduled principal repayments on facility debt reflect repayments as paid. *Funds set aside (utilized) for scheduled principal repayments* allocates repayments across the quarters in order to more clearly reflect the Company's performance. Gemini's principal repayment schedule is weighted towards the first payment of the year to align with Gemini's expected annual cash flow profile, while Nordsee One and Deutsche Bucht's principal repayments are equally weighted. For 2021, Northland's share of Gemini, Nordsee One and Deutsche Bucht's principal repayments are €84 million, €94 million and €76 million, respectively (2020 - €82 million, €80 million and €84 million). For 2021, Northland's share of the Spanish portfolio's principal repayment is €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 nine months ended September 30, 2021 and September 30, 2020, proceeds from this program, based on production, totaled $7 million and $10 million, respectively.

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

	Three months ended September 30,				Nine months ended September 30,			
		2021		**2020**		**2021**		**2020**
Cash dividends paid to common and Class A shareholders	**$**	**44,728**	$	55,399	**$**	**128,067**	$	177,266
Free Cash Flow payout ratio - cash dividends (1)						**81 %**		65 %
Adjusted payout ratio - cash dividends (1)						**60 %**		61 %
Total dividends paid to common and Class A shareholders (2)	**$**	**67,761**	$	60,501	**$**	**193,791**	$	184,486
Free Cash Flow payout ratio - total dividends (1) (2)						**120 %**		66 %
Adjusted payout ratio - total dividends (1)						**88 %**		63 %
Weighted avg. number of shares - basic (000s) (3)		**225,964**		201,626		**216,264**		197,697
Weighted avg. number of shares - diluted (000s) (4)		**225,964**		201,626		**216,264**		200,896
Per share ($/share)								
Dividends paid (5)	**$**	**0.30**	$	0.30	**$**	**0.90**	$	0.90
Free Cash Flow — basic	**$**	**0.05**	$	0.30	**$**	**0.70**	$	1.46
Free Cash Flow — diluted	**$**	**0.05**	$	0.30	**$**	**0.70**	$	1.45
Adjusted Free Cash Flow — basic	**$**	**0.15**	$	0.38	**$**	**0.94**	$	1.71
Adjusted Free Cash Flow — diluted	**$**	**0.15**	$	0.39	**$**	**0.94**	$	1.69

(1) On a rolling four-quarter basis.

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

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

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

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

Third Quarter

Free Cash Flow of $11 million for the three months ended September 30, 2021, was 82% or $50 million lower than the same quarter of 2020. The significant factor decreasing Free Cash Flow was the $63 million decrease in overall earnings across all facilities, as described above, but primarily due to lower wind resource at the offshore wind facilities.

The factors partially offsetting the decrease in Free Cash Flow was a $3 million contribution, net of debt payments, from the recent acquisition of the portfolio of solar and wind facilities in Spain and an $8 million decrease in current tax expense primarily due to lower earnings from the offshore wind facilities.

Adjusted Free Cash Flow, which excludes growth expenditures, amounted to $35 million for the three months ended September 30, 2021, and was 55% or $42 million lower than the same quarter of 2020. The significant factors decreasing Adjusted Free Cash Flow were as described for Free Cash Flow but exclude the $8 million increase in growth expenditures (refer to *Section 4.3: Growth Expenditures* for more information).

Year to date

Free Cash Flow of $151 million for the nine months ended September 30, 2021, was 48% or $138 million lower than the same quarter of 2020. The significant factors decreasing Free Cash Flow include:

- $139 million decrease in overall earnings across all facilities, as described above, but primarily due to lower wind resource at the offshore wind facilities;
- $8 million increase in non-expansionary capital expenditures incurred related to planned maintenance outages (RSA related costs at Nordsee One were largely offset by turbine warranty bond reserve); and

- $9 million decrease in the contribution from Deutsche Bucht due to the effect of the one-time net pre-completion revenues recognized in Free Cash Flow at term conversion in the first quarter of last year.

The factors partially offsetting the decrease in Free Cash Flow was a $3 million contribution, net of debt payments, from the Spanish portfolio and a $20 million decrease in current tax expense primarily due to lower earnings from offshore wind facilities.

Adjusted Free Cash Flow, which excludes growth expenditures, amounted to $204 million for the nine months ended September 30, 2021, and was 40% or $135 million lower than the same period of 2020 due to the same factors affecting Free Cash Flow but exclude the $4 million increase in growth expenditures.

As at September 30, 2021 the rolling four quarter Free Cash Flow and the adjusted net payout ratio were 81% and 60%, respectively, calculated on the basis of cash dividends paid, compared to 65% and 61% for the same period ending September 30, 2020. The increase in the Free Cash Flow net payout ratio was primarily due to lower Free Cash Flow and the effect of new common shares issued in 2021, partially offset by reinstatement of the DRIP in 2020. The adjusted net payout ratio was in line with the same period ending September 30, 2020.

Sources of liquidity in addition to Free Cash Flow

In addition to Free Cash Flow generated, Northland utilizes additional sources of liquidity to fund growth and capital investments. Additional liquidity sourced by management during the nine months ended September 30, 2021, is summarized as follows:

	Nine months ended September 30,	
	2021	**2020**
Dividend Reinvestment Program (DRIP)	**$ 65,723**	$ 4,411
Release of funds from debt service reserve [(1)]	**73,723**	60,079
Equity offering	**950,421**	—
Proceeds from up-financing(s)	**39,600**	51,900
Proceeds from sale of monobucket foundations and related and insurance proceeds	**—**	32,367
Total	**$ 1,129,467**	$ 148,757

(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.

SECTION 5: CHANGES IN FINANCIAL POSITION

The following table provides a summary of account balances derived from the unaudited interim condensed consolidated balance sheets as at September 30, 2021 and December 31, 2020.

As at	September 30, 2021	December 31, 2020
Assets		
Cash and cash equivalents	**$ 533,079**	$ 434,989
Restricted cash	**124,884**	192,530
Trade and other receivables	**383,233**	372,137
Other current assets	**97,651**	66,379
Property, plant and equipment	**9,673,397**	8,679,959
Contracts and other intangible assets	**501,391**	533,171
Equity Investment	**132,540**	1,759
Other assets (1)	**1,098,829**	1,017,433
	$ 12,545,004	$ 11,298,357
Liabilities		
Trade and other payables	**495,299**	252,691
Interest-bearing loans and borrowings	**7,729,210**	7,237,200
Net derivative liabilities (2)	**375,561**	582,631
Net deferred tax liability (2)	**414,947**	300,567
Other liabilities (3)	**642,180**	922,497
	$ 9,657,197	$ 9,295,586
Total equity	**2,887,807**	2,002,771
	$ 12,545,004	$ 11,298,357

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

(2) Presented on a net basis.

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

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

- *Restricted cash* decreased by $68 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 $993 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 $131 million mainly as a result of the purchase price of Baltic Power and the additional equity contribution accrued in pursuance of the purchase agreement.
- *Other assets* increased by $81 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 $243 million primarily due to consolidation of the Spanish portfolio, construction activities and purchase price commitments payable to Baltic Power.
- *Facility-level loans and borrowings* increased by $492 million mainly due to consolidation of the Spanish portfolio, partially offset by repayment of revolving corporate credit facility from the proceeds of the equity offering and also scheduled principal repayments on facility-level debt and foreign exchange fluctuation.
- *Other liabilities* decreased by $280 million primarily due to a repayment of corporate borrowings.

SECTION 6: EQUITY, LIQUIDITY AND CAPITAL RESOURCES

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

Dividends

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

Equity and Convertible Unsecured Subordinated Debentures

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

	September 30, 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	**14,509**	—
Shares issued under the DRIP	**1,568,874**	544,720
Shares outstanding, end of period	**226,254,958**	202,171,075

Preferred shares outstanding as at September 30, 2021 and December 31, 2020 were as follows:

As at	**September 30, 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., one of the top global rating agencies.

In April 2021, Northland completed a bought deal offering for aggregate gross proceeds of $990 million. The net proceeds of the Offering were used to fund the cash purchase price of the Spanish portfolio and capital requirements including acquisition of Baltic Power and near-term capital commitments for identified development projects, including the Ball Hill and Bluestone onshore wind projects in New York and to repay borrowings under Northland's corporate revolving credit facility. As a result, subsequent to the Offering, the Company fully repaid the corporate revolving credit facility and has substantial liquidity to fund growth initiatives, including its identified pipeline of offshore wind projects and other opportunities.

As of November 10, 2021, Northland has 226,457,895 common shares outstanding with no change in preferred shares outstanding from September 30, 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 September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Cash and cash equivalents, beginning of period	**$ 863,673**	$ 409,074	**$ 434,989**	$ 268,193
Cash provided by operating activities	**280,397**	278,381	**1,049,927**	1,011,102
Cash used in investing activities	**(513,085)**	(46,734)	**(788,562)**	(810,770)
Cash used in financing activities	**(100,355)**	(184,554)	**(74,566)**	(54,619)
Effect of exchange rate differences	**2,449**	30,873	**(88,709)**	73,134
Cash and cash equivalents, end of period	**$ 533,079**	$ 487,040	**$ 533,079**	$ 487,040

Year to date

Cash and cash equivalents for the nine months ended September 30, 2021, increased $98 million due to cash provided by operations of $1,050 million and $89 million effect of foreign exchange translation, partially offset by $789 million of cash used in investing activities and $75 million in financing activities.

Cash provided by operating activities for the nine months ended September 30, 2021, was $1,050 million, primarily comprising:

- $140 million of net income;
- $729 million in non-cash and non-operating items such as depreciation and amortization, finance costs, changes in fair value of financial instruments and deferred taxes; and
- $181 million in changes in working capital due to the timing of payables, receivables and deposits.

Cash used in investing activities for the nine months ended September 30, 2021, was $789 million, primarily comprising:

- $514 million paid for the acquisition of the Spanish portfolio and Baltic Power, net of cash acquired; and
- $263 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.

Cash used in financing activities for the nine months ended September 30, 2021, was $75 million, primarily comprising:

- $348 million in net repayment under the corporate syndicated revolving facility;
- $10 million of Deutsche Bucht's refinancing fee;
- $357 million in principal repayments on facility-level debt;
- $180 million in interest payments; and
- $230 million of common and preferred share dividends as well as dividends to non-controlling shareholders.

Factors partially offsetting cash used in financing activities include $65 million change in restricted cash, primarily from funds released from debt service reserve at Deutsche Bucht, partially offset by funds set aside for debt service at North Battleford.

Movement of foreign currencies, including primarily the Euro and Colombian peso, against the Canadian dollar decreased cash and cash equivalents by $89 million for the nine months ended September 30, 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 nine months ended September 30, 2021:

	Cost balance as at Dec 31, 2020	Additions	Other [1]	Exchange rate differences	Transfers	Cost balance as at Sep 30, 2021
Operations:						
Offshore wind	$ 7,174,847	$ 19,992	$ (1,454)	$ (395,521)	$ —	**$ 6,797,864**
Efficient natural gas[2]	1,769,426	9,714	(1,355)	—	(78)	**1,777,707**
Onshore renewable	1,753,440	1,400	(48)	(697)	—	**4,313,910**
Utility	597,731	24,993	(858)	(61,471)	—	**560,395**
Construction:						
Onshore renewable	163,928	17,063	—	(6,756)	—	**174,235**
Corporate [3]	91,998	228,315	(841)	1,302	(937)	**319,837**
Total	$ 11,551,370	**$ 301,477**	**$ (4,556)**	**$ (463,143)**	**$ (1,015)**	**$ 13,943,948**

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

(2) Excludes Spy Hill lease receivable accounting treatment.

(3) Additions primarily related to Hai Long project capitalization.

Long-term Debt

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

The following table provides a continuity of Northland's debt for the nine months ended September 30, 2021:

	Balance as at Dec 31, 2020	Acquired	Financings, net of costs [1]	Repayments	Amort. of costs/fair value	Exchange rate differences	Transfers	Balance as at Sep 30, 2021
Operations:								
Offshore wind	$ 4,837,429	$ —	$ (9,926)	$ (278,478)	$ 11,359	$ (265,555)	$ —	**$ 4,294,829**
Efficient natural gas	953,458	—	—	(33,811)	1,033	—	—	**920,680**
Onshore renewable	997,261	1,088,991	39,477	(44,945)	808	2,162	102	**2,083,856**
Utility	449,052	—	891	—	1,946	(22,044)		**429,845**
Corporate	351,402	—	211,538	(559,644)	939	(6,008)	1,773	**—**
Total	$ 7,588,602	**$1,088,991**	**$ 241,980**	**$ (916,878)**	**$ 16,085**	**$ (291,445)**	**$ 1,875**	**$ 7,729,210**

(1) includes $10 million refinancing fee paid on Deutsche Bucht debt facility agreements amendment.

In addition to the loans outstanding in the above table, as at September 30, 2021, $29 million of letters of credit were outstanding under non-recourse project-level credit facilities for operational use.

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

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. To date in 2021, Northland has received cash distributions amounting to $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.

Debt Covenants

Northland generally conducts its business indirectly through separate subsidiary legal entities and is dependent on the distribution of cash from those subsidiary entities to defray its corporate expenses, repay corporate debt and to pay cash dividends to common and preferred shareholders. Most operating subsidiaries hold non-recourse debt, which typically prohibits distributions if the loan is in default (notably for non-payment of principal or interest) or if the entity fails to achieve a benchmark debt service coverage ratio, which is the ratio of EBITDA to scheduled principal and interest payments over a specified time period. Northland and its subsidiaries were in compliance with all debt covenants for the period ended September 30, 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 September 30, 2021	Facility size	Amount drawn	Outstanding letters of credit	Available capacity	Maturity
Sustainability linked loan (SLL) syndicated revolving facility	$ 1,000,000	$ —	$ 215,932	$ 784,068	Sep. 2026
Bilateral letter of credit facility	150,000	—	144,729	5,271	Mar. 2023
Export credit agency backed letter of credit facility	100,000	—	74,412	25,588	Mar. 2022
Export credit agency backed letter of credit facility	50,000	—	39,218	10,782	n/a(1)
Total	**$ 1,300,000**	**$ —**	**$ 474,291**	**$ 825,709**	
Less: deferred financing costs		—			
Total, net		**$ —**			

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

- Of the $474 million of corporate letters of credit issued as at September 30, 2021, $62 million relates to projects under advanced development or construction.
- During the nine months ended September 30, 2021, Northland made net repayments of $348 million on the syndicated revolving facility, with remaining movement in the period due to foreign exchange fluctuations. The repayment occurred following the equity offering 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.

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

NORTHLAND POWER

SECTION 7: SUMMARY OF QUARTERLY CONSOLIDATED RESULTS

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

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

In millions of dollars, except per share information	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Total sales	$ 432	$ 408	613	$ 493	$ 471	$ 429	$ 668	$ 438
Operating income	89	118	306	177	179	149	395	203
Net income (loss)	(5)	(6)	151	27	109	74	275	61
Adjusted EBITDA	211	203	360	269	254	227	421	273
Cash provided by operating activities	280	361	408	310	278	365	368	334
Free Cash Flow	11	6	134	56	58	17	211	67
Adjusted Free Cash Flow	35	22	147	79	74	38	224	84
Per share statistics								
Net income (loss) - basic	$ (0.05)	$ (0.08)	$ 0.44	$ 0.11	$ 0.40	$ 0.26	$ 1.02	$ 0.23
Net income (loss) - diluted	(0.05)	(0.08)	0.44	0.11	0.40	0.26	0.99	0.23
Free Cash Flow - basic	0.05	0.03	0.66	0.28	0.30	0.09	1.10	0.37
Adjusted Free Cash Flow - basic	0.15	0.10	0.73	0.38	0.41	0.21	1.17	0.46
Total dividends declared [(1)]	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30

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

SECTION 8: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES

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

Spanish Renewables Acquisition

On August 11, 2021, Northland completed its previously announced acquisition of a Spanish operating portfolio of onshore renewable projects (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 with the assumption of debt totaling €719 million ($1,055 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 40 GW of additional renewables capacity. In support of its 2030 goal, the Spanish government is expected to auction a further 16.5 GW of solar and onshore wind capacity over the next five years. In addition, the Spanish market has developed into one of the most active corporate offtake markets in Europe, which together with the expected 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 4 GW of hydrogen and 20 GW of storage, which align with Northland's energy transition growth objectives. Northland intends to leverage the acquisition of the Spanish portfolio to build a platform with asset management, development, and operations and maintenance capabilities that can competitively pursue onshore renewables acquisition and development opportunities across Europe over the next decade.

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

The assumed net debt of €719 million ($1,055 million) is non-recourse, fixed rate debt, with maturities matching the regulatory lives of the assets. Based on the transaction metrics upon closing, Northland expects the acquisition to be immediately accretive to Free Cash Flow per share and Adjusted Free Cash Flow per share. In addition, Northland has entered into long-term Euro denominated foreign exchange hedges, at an average rate of $1.73/€, 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.

New York 320MW Onshore Wind Project Update

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 and secured green financing in the form of a non-recourse project 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 will fund 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 commenced in the second quarter of 2021 for Ball Hill and Bluestone. Northland's third New York onshore wind project, High Bridge (100MW), is under active development. The total capital cost for the first two projects is expected to be approximately $600 million. Earlier in the year, all three projects were awarded 20-year indexed 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 16MW Solar Project Update

During the second quarter, Northland's 16MW Helios solar project in Colombia also achieved financial close. The project secured a green loan and with construction already underway, commercial operations is 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 power purchase agreement 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.

Nordsee Two and Nordsee Three 850MW Offshore Wind Projects

Following the completion of a competitive lease auction in September 2021, Northland and its German partner exercised their step-in rights to match the winning bid in the auction to secure the lease for Nordsee Two. As a result, Northland and its German partner will pursue the development of the project including securing long-term corporate and/or utility offtake agreements as a result of the winning bid in the auction being a zero bid. Northland also has similar step-in rights for Nordsee Three, which is expected to come to auction in 2023. These two potential offshore wind projects are expected to have a combined grid capacity of approximately 850MW.

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

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 a total cash consideration of PLN 255 million ($82 million). Baltic Power is a mid-development stage project located approximately 23 kilometers offshore from Poland's coast in the Baltic Sea with a total capacity of up to 1,200MW. 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, with a potential for up to 1,200MW of operating capacity and in which Northland has 49% interest, 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 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 has made development commitments of approximately €33 million ($49 million) to be funded over the next two years**.** As contractual milestones are met, Northland expects to commit to additional development funding.

La Lucha 130MW Solar Project Update

The 130MW solar project in the State of Durango, Mexico, has 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, up from $190 million originally.

Joint Venture with Shizen Energy for Offshore Wind Projects in Japan

Northland and Shizen Energy are jointly developing an early-stage offshore wind development opportunities ("Chiba Offshore Wind Inc." or "**Chiba**") in Japan. The prospective projects have an expected combined capacity of approximately 600MW. In late 2020, Shizen divested a portion of its investment in Chiba to Tokyo Gas, thereby reducing Northland's share of the growth expenditures. In September, the Japanese government designated four new sea areas as "promising areas" for the development of offshore wind 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 and Tokyo Gas. Additionally, Katagami, Akita Prefecture, where Northland continues to explore an opportunity through a consortium with Mitsui and Osaka Gas, 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.

Hai Long 1,044MW Offshore Wind Project Update

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 Environmental Impact Assessment ("**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 has 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 offtake agreements for the two other sub-projects in 2021, though opportunities also exist to enter into economically favourable commercial PPAs to augment the economics of the sub-projects. The project continues to progress well with financial close expected in 2022.

SECTION 9: OUTLOOK

The offshore wind resources experienced in the first nine months of the year is trending well below the historical average across the three offshore wind facilities. Despite the weakness in the offshore wind resources experienced year-to-date, management remains on track to achieve the low end of its 2021 financial guidance in large part, due to the efforts to diversify Northland's operating portfolio through recent acquisitions, as well as the continued strong financial performance of Northland's Canadian portfolio and EBSA. EBSA's Adjusted EBITDA and Free Cash Flow are benefiting from the current inflationary environment in Colombia that is resulting in indexed escalations within its regulated framework. In addition, the financial performance of the recently acquired portfolio of solar and wind facilities in Spain, is expected to lessen the relative financial impact from the weakness in the North Sea offshore wind resource.

For Adjusted EBITDA and Free Cash Flow per share, management continues to expect full year results to be at the low end of the guidance range released in February 2021, of $1.1 to $1.2 billion and $1.30 to $1.50 per share, respectively, unchanged from last quarter. For Adjusted Free Cash Flow per share, management continues to expect a range of $1.60 to $1.70 as disclosed last quarter (formerly $1.80 to $2.00 in February 2021).

Management believes the Company continues to have sufficient liquidity available to execute on its growth objectives. As at September 30, 2021, Northland had access to $824 million of cash and liquidity, comprising $784 million of liquidity available under a syndicated revolving facility and $40 million of corporate cash on hand.

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 EBITDA (as defined in the Dutch budget) and to increase the corporate income tax rate from 25% to 25.8%. These proposals are likely to be enacted by parliament and to apply as of January 1, 2022. If enacted, Gemini's free cash flow will be negatively affected.

Iroquois Falls Update

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

Currently, Iroquois Falls contributes approximately $75 million annually in Adjusted EBITDA and this contribution is expected to reduce by approximately 90% in 2022.

SECTION 10: LITIGATION, CLAIMS AND CONTINGENCIES

Litigation, claims and other contingencies arise from time to time in the ordinary course of business for Northland. None of these contingencies, individually or in aggregate, are expected to result in a liability that would have a material adverse effect on Northland. Refer to Note 13 of the unaudited interim condensed consolidated financial statements for additional information including any contingencies arising as a result of completed acquisitions.

SECTION 11: FUTURE ACCOUNTING POLICIES

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

SECTION 12: FINANCIAL RISKS AND UNCERTAINTIES

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

Northland's risk management objective is to mitigate fluctuations in cash flows and ensure stable levels of cash available to pay dividends to shareholders. Northland does not seek to mitigate fair value risk. Northland classifies financial risks into market risk, counterparty risk and liquidity risk. Northland manages financial risks by identifying, evaluating and mitigating financial risks in compliance with internal policies and external requirements under non-recourse project financing arrangements. Northland uses derivative financial instruments to manage certain financial risks but does not engage in speculative activity. Material financial risks are monitored and reported regularly to the Audit Committee of the Board of Directors. Refer to Note 17 of the 2020 Annual Report for additional information on Northland's risk management.

Risks related to COVID-19 pandemic

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

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

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

SECTION 13: CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

A rigorous and comprehensive financial governance framework is in place at Northland and its subsidiaries. Northland's 2020 Annual Report contains a statement signed by Northland's Chief Executive Officer (**CEO**) and Chief Financial Officer (**CFO**) outlining management's responsibility for financial information contained in the report. Northland filed certifications, signed by the CEO and CFO, with the Canadian Securities Administrators in February 2021 in association with the filing of the 2020 Annual Report and other annual disclosure documents. In those filings, Northland's CEO and CFO certified, as required in Canada by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, the appropriateness of the financial disclosures in Northland's annual filings and the effectiveness of Northland's disclosure controls and procedures. The CEO and CFO have certified to securities regulators the appropriateness of the financial disclosures in Northland's interim filings for the period ended September 30, 2021, and that they are responsible for the design of disclosure controls and procedures and internal controls over financial reporting. The interim filings include this MD&A and the accompanying unaudited interim condensed consolidated financial statements.

There have been no changes in the design of internal controls over financial reporting during the quarter ended September 30, 2021, that have materially affected or are reasonably likely to materially affect Northland's internal controls over financial reporting.

Interim Condensed Consolidated Financial Statements

Table of Contents

NORTHLAND POWER

Interim Condensed Consolidated Balance Sheets

In thousands of Canadian dollars

(Unaudited) As at		September 30, 2021		December 31, 2020
Assets				
Cash and cash equivalents	**$**	**533,079**	$	434,989
Restricted cash		**124,884**		192,530
Trade and other receivables		**383,233**		372,137
Other current assets		**97,651**		66,379
Derivative assets (Note 9)		**122,130**		10,649
Total current assets	**$**	**1,260,977**	$	1,076,684
Property, plant and equipment (Note 4)		**9,673,397**		8,679,959
Contracts and other intangible assets		**501,391**		533,171
Goodwill		**779,480**		708,706
Finance lease receivable		**133,149**		136,198
Derivative assets (Note 9)		**107,203**		22,838
Long-term deposits		**95,288**		79,787
Deferred tax asset		**56,799**		67,626
Investment in joint ventures (Note 3)		**132,540**		1,759
Other assets		**90,912**		92,742
Total assets	**$**	**12,831,136**	$	11,399,470
Liabilities and equity				
Trade and other payables	**$**	**495,299**	$	252,691
Facility-level loans and borrowings (Note 5)		**1,150,358**		608,446
Dividends payable		**22,632**		20,217
Derivative liabilities (Note 9)		**229,044**		178,510
Total current liabilities	**$**	**1,897,333**	$	1,059,864
Facility-level loans and borrowings (Note 5)		**6,578,852**		6,628,754
Corporate credit facilities (Note 6)		**—**		351,402
Provisions and other liabilities		**619,548**		550,878
Derivative liabilities (Note 9)		**375,850**		437,608
Deferred tax liability		**471,746**		368,193
Total liabilities	**$**	**9,943,329**	$	9,396,699
Equity				
Common shares (Note 7.1)	**$**	**3,981,904**	$	2,955,840
Preferred shares		**260,880**		260,880
Contributed surplus		**3,789**		3,225
Accumulated other comprehensive loss		**(285,983)**		(283,197)
Deficit		**(1,497,723)**		(1,361,730)
Equity attributable to shareholders		**2,462,867**		1,575,018
Non-controlling interests (Note 8)		**424,940**		427,753
Total equity		**2,887,807**		2,002,771
Total liabilities and equity	**$**	**12,831,136**	$	11,399,470

See accompanying notes.

Interim Condensed Consolidated Statements of Income (Loss)

In thousands of Canadian dollars except per Share and Share information

(unaudited)	Three months ended September 30, 2021	2020	Nine months ended September 30, 2021	2020
Sales				
Electricity and related products	**$ 352,007**	$ 413,383	**$ 1,263,556**	$ 1,409,364
Regulated electricity	**80,427**	54,186	**186,626**	154,751
Other	**(356)**	3,298	**2,983**	3,678
Total sales	**$ 432,078**	$ 470,867	**$ 1,453,165**	$ 1,567,793
Cost of sales				
Fuel purchases	**31,903**	34,664	**102,925**	93,540
Regulated electricity purchases	**16,726**	17,800	**50,356**	51,566
Total cost of sales	**48,629**	52,464	**153,281**	145,106
Gross profit	**$ 383,449**	$ 418,403	**$ 1,299,884**	$ 1,422,687
Expenses				
Operating costs	**93,522**	78,992	**244,178**	219,190
General and administrative costs	**14,983**	12,646	**45,744**	39,903
Development costs	**22,738**	15,557	**50,911**	54,867
Depreciation of property, plant and equipment	**166,962**	135,473	**457,399**	397,177
Total expenses	**$ 298,205**	$ 242,668	**$ 798,232**	$ 711,137
Investment income	**870**	747	**2,736**	2,569
Finance lease income	**$ 2,904**	2,995	**8,782**	9,050
Operating income	**$ 89,018**	$ 179,477	**$ 513,170**	$ 723,169
Finance costs, net (Note 11)	**80,186**	88,787	**242,806**	270,074
Amortization of contracts and other intangible assets	**9,235**	9,736	**28,878**	28,649
Impairment (Note 12)	**—**	—	**29,981**	—
Foreign exchange (gain) loss	**5,858**	(36,683)	**51,889**	(90,998)
Fair value (gain) loss on derivative contracts (Note 9)	**(33,583)**	(15,449)	**(63,600)**	(10,774)
Other (income) expense	**5,011**	5,443	**9,401**	(24,749)
Income (loss) before income taxes	**$ 22,311**	$ 127,643	**$ 213,815**	$ 550,967
Provision for (recovery of) income taxes				
Current	**7,598**	16,257	**49,298**	68,654
Deferred	**19,381**	2,422	**24,166**	24,053
Total income taxes	**26,979**	18,679	**73,464**	92,707
Net income (loss)	**$ (4,668)**	$ 108,964	**$ 140,351**	$ 458,260
Net income (loss) attributable to:				
Non-controlling interests (Note 8)	**4,797**	26,023	**72,044**	121,267
Common shareholders	**(9,465)**	82,941	**68,307**	336,993
Net income (loss)	**$ (4,668)**	$ 108,964	**$ 140,351**	$ 458,260
Weighted average number of Shares outstanding - basic (000s) (Note 10)	**225,964**	201,626	**216,264**	197,697
Weighted average number of Shares outstanding - diluted (000s) (Note 10)	**225,964**	201,626	**216,264**	200,896
Net income (loss) per share - basic (Note 10)	**$ (0.05)**	$ 0.40	**$ 0.28**	$ 1.66
Net income (loss) per share - diluted (Note 10)	**$ (0.05)**	$ 0.40	**$ 0.28**	$ 1.64

See accompanying notes.

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

In thousands of Canadian dollars

(unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Net income (loss)	**$ (4,668)**	$ 108,964	**$ 140,351**	$ 458,260
Items that may be re-classified into net income (loss):				
Exchange rate differences on translation of foreign operations	**17,743**	(36,012)	**(94,164)**	(95,580)
Change in fair value of hedged derivative contracts (Note 9)	**10,789**	(44,225)	**123,011**	(125,727)
Deferred tax recovery (expense)	**(4,231)**	15,164	**(17,918)**	41,514
Items that will not be re-classified into net income (loss):				
Re-measurement of pension obligation	**(1,748)**	1,739	**(2,869)**	(533)
Other comprehensive income (loss)	**$ 22,553**	$ (63,334)	**$ 8,060**	$ (180,326)
Total comprehensive income (loss)	**$ 17,885**	$ 45,630	**$ 148,411**	$ 277,934
Total comprehensive income (loss) attributable to:				
Non-controlling interests (Note 8)	**12,085**	28,198	**82,890**	113,475
Common shareholders	**5,800**	17,432	**65,521**	164,459
Total comprehensive income (loss)	**$ 17,885**	$ 45,630	**$ 148,411**	$ 277,934

See accompanying notes.

NORTHLAND POWER

Interim Condensed Consolidated Statements of Changes in Equity

In thousands of Canadian dollars

(Unaudited)	Common shares	Preferred shares	Deficit	Contributed surplus	Accumulated other comprehensive income (loss)	Equity attributable to shareholders'	Non-controlling interests	Total equity
December 31, 2020	$ 2,955,840	$ 260,880	$ (1,361,730)	$ 3,225	$ (283,197)	**$ 1,575,018**	$ 427,753	**$ 2,002,771**
Net income (loss)	—	—	68,307	—	—	**68,307**	72,044	**140,351**
Deferred tax recovery (expense)	10,140	—	—	—	(17,565)	**(7,425)**	(353)	**(7,778)**
Exchange rate differences on translation of foreign operations	—	—	—	—	(85,250)	**(85,250)**	(8,914)	**(94,164)**
Change in fair value of hedged derivative contracts (Note 9)	—	—	—	—	102,881	**102,881**	20,130	**123,011**
Re-measurement of pension obligation	—	—	—	—	(2,852)	**(2,852)**	(17)	**(2,869)**
Total comprehensive income (loss)	10,140	—	68,307	—	(2,786)	**75,661**	82,890	**158,551**
Long term incentive plan (Note 7.1)	604	—	—	564	—	**1,168**	—	**1,168**
Non-controlling interest acquired (Note 3)	—	—	—	—	—	**—**	6,873	**6,873**
Common shares issued, net of costs (Note 7.1)	949,597	—	—	—	—	**949,597**	—	**949,597**
Dividends to non-controlling interest (Note 8)	—	—	—	—	—	**—**	(92,576)	**(92,576)**
Common share and non-controlling interest dividends declared (Note 7.1, 7.3)	65,723	—	(196,199)	—	—	**(130,476)**	—	**(130,476)**
Preferred share dividends (Note 7.2)	—	—	(8,101)	—	—	**(8,101)**	—	**(8,101)**
September 30, 2021	**$ 3,981,904**	**$ 260,880**	**$ (1,497,723)**	**$ 3,789**	**$ (285,983)**	**$ 2,462,867**	**$ 424,940**	**$ 2,887,807**

See accompanying notes.

NORTHLAND POWER

Interim Condensed Consolidated Statements of Changes in Equity - continued

In thousands of Canadian dollars

(Unaudited)	Common and Class A shares	Preferred shares	Deficit	Contributed surplus	Accumulated other comprehensive income (loss)	Equity attributable to shareholders'	Non-controlling interests	Total equity
December 31, 2019	$ 2,443,209	$ 260,880	$ (1,466,235)	$ 351	$ (174,597)	**$ 1,063,608**	$ 447,144	**$ 1,510,752**
Net income (loss)	—	—	336,993	—	—	**336,993**	121,267	**458,260**
Deferred income taxes	—	—	—	—	41,146	**41,146**	368	**41,514**
Change in translation of net investment in foreign operations	—	—	—	—	(112,167)	**(112,167)**	16,587	**(95,580)**
Change in fair value of hedged derivative contracts (Note 9)	—	—	—	—	(100,984)	**(100,984)**	(24,743)	**(125,727)**
Re-measurement of pension obligation	—	—	—	—	(529)	**(529)**	(4)	**(533)**
Total comprehensive income (loss)	—	—	336,993	—	(172,534)	**164,459**	113,475	**277,934**
Long term incentive plan	—	—	—	2,074	—	**2,074**	—	**2,074**
Recognition of put option	—	—	—	(4,750)	—	**(4,750)**	—	**(4,750)**
Conversion of subscription receipts	341,744	—	—	—	—	**341,744**	—	**341,744**
Non-controlling interest acquired	—	—	—	—	—	**—**	2,645	**2,645**
Common and Class A share and non-controlling interest dividends declared (Note 7.3)	4,411	—	(184,128)	—	—	**(179,717)**	(136,820)	**(316,537)**
Preferred share dividends (Note 7.2)	—	—	(8,657)	—	—	**(8,657)**	—	**(8,657)**
Conversion of debentures	148,908	—	—	—	—	**148,908**	—	**148,908**
September 30, 2020	**$ 2,938,272**	**$ 260,880**	**$ (1,322,027)**	**$ (2,325)**	**$ (347,131)**	**$ 1,527,669**	**$ 426,444**	**$ 1,954,113**

See accompanying notes.

Interim Condensed Consolidated Statements of Cash Flows

In thousands of Canadian dollars

(unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Operating activities				
Net income (loss)	**$ (4,668)**	$ 108,964	**$ 140,351**	$ 458,260
Items not involving cash or operations:				
Depreciation of property, plant and equipment	**166,962**	135,473	**457,399**	397,177
Amortization of contracts and other intangibles	**9,235**	9,736	**28,878**	28,649
Impairment of goodwill	**—**	—	**29,981**	—
Finance costs, net	**32,370**	57,760	**197,615**	229,086
Fair value (gain) loss on derivative contracts	**(33,583)**	(15,449)	**(75,489)**	(10,774)
Unrealized foreign exchange (gain) loss	**5,858**	(36,683)	**51,889**	(90,998)
Deferred tax expense (recovery)	**19,381**	2,422	**24,166**	24,053
Other	**6,455**	7,076	**14,624**	(5,666)
	$ 202,010	$ 269,299	**$ 869,414**	$ 1,029,787
Net change in working capital related to operations	**78,387**	9,082	**180,513**	(18,685)
Cash provided by operating activities	**$ 280,397**	$ 278,381	**$ 1,049,927**	$ 1,011,102
Investing activities				
Purchase of property, plant and equipment	**(116,554)**	(36,914)	**(262,781)**	(191,651)
Acquisitions, net (Note 3)	**(432,220)**	(1,712)	**(513,841)**	(735,882)
Restricted cash utilization (funding)	**35,805**	6,451	**(9,557)**	76,250
Interest received	**1,264**	451	**2,989**	4,716
Warranty settlement and proceeds (Note 13.2)	**—**	249	**—**	97,856
Other	**209**	—	**1,147**	1,306
Net change in working capital related to investing activities	**(1,589)**	(15,259)	**(6,519)**	(63,365)
Cash used in investing activities	**$ (513,085)**	$ (46,734)	**$ (788,562)**	$ (810,770)
Financing activities				
Proceeds from borrowings, net of transaction costs	**39,393**	599,046	**241,980**	2,057,956
Repayment of borrowings	**(22,711)**	(633,511)	**(916,878)**	(1,936,020)
Interest paid	**(26,948)**	(46,783)	**(180,055)**	(203,731)
Restricted cash utilization (funding)	**(9,492)**	(12,734)	**65,457**	14,060
Common share dividends (Note 7.3)	**(44,728)**	(55,399)	**(128,067)**	(177,266)
Dividends to non-controlling interests (Note 8)	**(35,805)**	(30,408)	**(94,084)**	(136,820)
Preferred share dividends (Note 7.2)	**(2,704)**	(2,802)	**(8,101)**	(8,657)
Common shares issued, net of costs (Note 7.1)	**—**	—	**949,597**	341,388
Other	**2,640**	(1,963)	**(4,415)**	(5,529)
Cash used in financing activities	**$ (100,355)**	$ (184,554)	**$ (74,566)**	$ (54,619)
Effect of exchange rate differences on cash and cash equivalents	**2,449**	30,873	**(88,709)**	73,134
Net change in cash and cash equivalents during the period	**(330,594)**	77,966	**98,090**	218,847
Cash and cash equivalents, beginning of period	**863,673**	409,074	**434,989**	268,193
Cash and cash equivalents, end of period	**$ 533,079**	$ 487,040	**$ 533,079**	$ 487,040

See accompanying notes.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

1. Description of Northland's Business

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

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

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

	Geographic region (1)	% voting ownership as at Sep. 30 2021 (2)
Offshore Wind		
Buitengaats C.V. and ZeeEnergie C.V. (“**Gemini**”)	The Netherlands	60.0 %
Nordsee One GmbH (“**Nordsee One**”)	Germany	85.0 %
Northland Deutsche Bucht GmbH (“**Deutsche Bucht**”)	Germany	100.0 %
Efficient Natural Gas		
Iroquois Falls Power Corp. (“**Iroquois Falls**”)	Ontario, Canada	100.0 %
Kingston CoGen Limited Partnership (“**Kingston**”)	Ontario, Canada	100.0 %
Kirkland Lake Power Corp. (“**Kirkland Lake**”) (3)	Ontario, Canada	100.0 %
North Battleford Power L.P. (“**North Battleford**”)	Saskatchewan, Canada	100.0 %
Spy Hill Power L.P. (“**Spy Hill**”)	Saskatchewan, Canada	100.0 %
Thorold CoGen L.P. (“**Thorold**”)	Ontario, Canada	100.0 %
Onshore Renewable		
Four solar facilities (“**Cochrane**”)	Ontario, Canada	62.5 %
Grand Bend Wind L.P. (“**Grand Bend**”)	Ontario, Canada	50.0 %
Saint-Ulric Saint-Léandre Wind L.P. (“**Jardin**”)	Québec, Canada	100.0 %
McLean’s Mountain Wind L.P. (“**McLean’s**”)	Ontario, Canada	50.0 %
Mont-Louis Wind L.P. (“**Mont Louis**”)	Québec, Canada	100.0 %
Nine solar facilities (“**Solar**”)	Ontario, Canada	100.0 %
NP Energia La Lucha SA de CV (“**La Lucha**”)	Mexico	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 and Spy Hill, which are registered in Ontario, Canada.

(2) As at September 30, 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.

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

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation and Statement of Compliance

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

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

The Interim Financial Statements for the three and nine months ended September 30, 2021 were approved by the Board of Directors on November 10, 2021.

2.2 Basis of Consolidation

The Interim Financial Statements comprise the financial statements of Northland and its subsidiaries at and for the three and nine months ended September 30, 2021. Subsidiaries are fully consolidated on the date that Northland obtains control and continue to be consolidated until the date that such control ceases. Control is achieved when Northland is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Northland reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated balance sheets and consolidated statements of income (loss) from the date Northland gains control until the date control ceases. All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

2.3 Change in Accounting Policies

There has been no change in IFRS with an impact on the interim consolidated financial statements as of September 30, 2021.

2.4 Future Accounting Policies

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

3. Acquisitions

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

On March 24, 2021, Northland successfully completed its previously announced acquisition of a 49% interest in the Baltic Power offshore wind project in the Baltic Sea for a total cash consideration of PLN 255 million ($82 million). 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 the joint venture agreement, Northland has made additional purchase price commitments of €33 million ($49 million) to be funded over the next two years. These commitments have been recognized within trade and other payables and provisions and other liabilities in Northland's interim consolidated financial statements.

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

As at		September 30, 2021
Current assets (including cash and cash equivalents) (1)	$	130,938
Non-current assets (1)		141,933
Current liabilities		(1,704)
Net assets (100%)		271,167
Northland's share of net assets (49%)		131,679
Northland's share of net loss for the period ending September 30, 2021 (49%) (2)		(2,678)
Carrying value	**$**	**129,001**
Net loss for the period ending September 30, 2021 (100%)	$	5,465
Northland's share of net loss for the period ending September 30, 2021 (49%) (2)	**$**	**2,678**

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

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

3.2 Spanish Renewables Acquisition

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

As at		August 11, 2021
Cash	$	78,498
Restricted cash		7,103
Trade and other receivables		47,048
Other current assets		3,461
Property, plant and equipment		1,532,319
Goodwill		152,312
Other long-term assets		7,259
Trade and other payables		(67,814)
Facility-level loans and borrowings		(1,088,991)
Provisions and other liabilities		(51,685)
Deferred tax liability		(82,443)
Derivative liabilities		(19,476)
Total identifiable net assets acquired	**$**	**517,591**
Less: Non-controlling interests	$	(6,873)
Net assets acquired	**$**	**510,718**

The determination of the fair value of assets acquired and liabilities assumed is based on preliminary estimates and certain assumptions with respect to the fair values of the assets acquired and liabilities assumed and are expected to be finalized within one year of the acquisition. Final valuations of certain assets and liabilities including working capital, property, plant and equipment, provisions and other liabilities and facility-level loans and borrowings are not yet complete due to the inherent complexity associated with valuations. Specifically, a third-party valuation has not been obtained. Therefore, the purchase price allocation is preliminary and is subject to adjustment upon completion of the valuation process and analysis of resulting tax effects.

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 three and nine months ended September 30, 2021, the Spanish acquisition contributed approximately $3 million to Northland's consolidated operating income. If the Spanish acquisition had occurred on January 1, 2021, Northland estimates that consolidated sales and net income for the nine months ended September 30, 2021 would have been $132 million higher and $10 million higher, 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 $6 million were included in "general and administrative costs - development" in the consolidated statements of income (loss). Refer to Onshore Renewable segment in Note 12 for details on the Spanish acquisition's assets and results.

4. Property, Plant and Equipment

As at		September 30, 2021		December 31, 2020
Property, plant and equipment, net	**$**	**9,105,398**	$	8,400,313
Construction-in-progress		**431,110**		212,481
Lease right-of-use (**ROU**) asset		**136,889**		67,165
Total property, plant and equipment, net	**$**	**9,673,397**	$	8,679,959

As at September 30, 2021, construction-in-progress primarily relates to the capitalization of construction projects including the La Lucha project in Mexico, the Hai Long project in Taiwan, the New York Wind project in the United States and a solar project in Colombia.

5. Facility-level Loans and Borrowings

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

	Rate (1)	Maturity		Amount drawn as at Sep. 30, 2021 (2)		Amount drawn as at Dec. 31, 2020 (2)
EBSA (3)	5.1 %	2022	$	429,845	$	449,052
Kirkland Lake	2.0 %	2023		11,800		11,800
Jardin (3)	6.0 %	2029		74,846		80,141
Thorold (3)	6.7 %	2030		231,183		245,820
Nordsee One (3)	2.2 %	2026		768,871		897,478
Gemini (3)(5)	4.1 %	2030		2,322,987		2,596,382
Mont Louis	6.6 %	2031		64,981		68,690
Solar Phase I (3)(4)	4.4 %	2032		167,903		175,114
Solar Phase II (4)	4.4 %	2034		116,384		92,948
North Battleford (3)	5.0 %	2032		553,142		566,720
Cochrane Solar (3)	4.4 %	2035		159,258		154,531
Deutsche Bucht (3)	2.3 %	2033		1,202,971		1,343,573
McLean's	6.0 %	2034		108,133		112,771
Grand Bend	4.3 %	2035		301,431		313,065
Spy Hill (3)	4.1 %	2036		124,555		129,115
Spanish portfolio (6)	1.2% - 2.2%	2022 - 2041		1,090,920		n/a
Weighted average and total	**3.6 %**		**$**	**7,729,210**	$	7,237,200
Current			**$**	**1,150,358**	$	608,446
Long-term			**$**	**6,578,852**	$	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 weighed average interest rate and the weighted average remaining term to maturity for all the facility-level loans is 1.9% 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 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%.

As at September 30, 2021, $91 million of letters of credit secured by facility or project-level credit agreements was outstanding (2020 - $29 million).

6. Corporate Credit Facilities

The corporate credit facilities are summarized in the table below:

	Facility size	Amount drawn as at September 30, 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	$ —	$ 215,932	$ 784,068	Sep. 2026	$ 354,263
Bilateral letter of credit facility	150,000	—	144,729	5,271	Mar. 2023	—
Export credit agency backed letter of credit facility	100,000	—	74,412	25,588	Mar. 2022	—
Export credit agency backed letter of credit facility	50,000	—	39,218	10,782	n/a[(1)]	—
Total	**$ 1,300,000**	**$ —**	**$ 474,291**	**$ 825,709**		$ 354,263
Less: deferred financing costs		—				2,861
Total, net		**$ —**				$ 351,402

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

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

During the nine months ended September 30, 2021, Northland made net repayments of $348 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.

7. Equity

7.1 Common Shares

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

	September 30, 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	**—**	**—**	6,896,136	148,908
Shares issued under the LTIP	**14,509**	**604**	—	—
Conversion of Class A shares	**—**	**—**	1,000,000	14,615
Shares issued under the DRIP	**1,568,874**	**65,723**	544,720	21,979
Change in deferred taxes	**—**	**10,140**	—	1,597
Total common and convertible shares outstanding, end of period	**226,254,958**	**$ 3,981,904**	202,171,075	$ 2,955,840

Dividend Reinvestment Plan

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

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

Share-based Compensation

Northland's Long-Term Incentive Plan (**LTIP**) provides for a maximum of 3.1 million Shares to be reserved and available for grant to employees of Northland and its subsidiaries. As at September 30, 2021, 1.2 million Shares remain available for future issuance under the LTIP. Shares may be awarded based on development profits, which arise from new projects or acquisitions ("**Development LTIP**"). The costs recognized for LTIP in the period depend on management's best estimate of a project's expected development profit and expected timing of project milestones. Awards under the LTIP may be settled in Shares or in cash, at the discretion of Northland's Board of Directors.

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

For the three and nine months ended September 30, 2021, Northland expensed $1 million and $2 million (2020 - $1 million and $2 million) of costs under the LTIP. No forfeitures are assumed to occur. The balance of accrued awards related to the Development LTIP is included in liabilities since these awards are expected to be settled in cash.

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

Equity offering

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

7.2 Preferred Shares

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Series 1	**$ 953**	$ 989	**$ 2,859**	$ 2,966
Series 2	**227**	289	**670**	1,119
Series 3	**1,524**	1,524	**4,572**	4,572
Total	**$ 2,704**	$ 2,802	**$ 8,101**	$ 8,657

7.3 Dividends

Dividends declared per Share and in aggregate were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Dividends declared per Share	**$ 0.30**	$ 0.30	**$ 0.90**	$ 0.90
Aggregate dividends declared				
Dividends in cash	**$ 44,605**	$ 49,697	**$ 129,578**	$ 171,433
Dividends in shares	**23,212**	10,453	**66,621**	12,695
Total	**$ 67,817**	$ 60,150	**$ 196,199**	$ 184,128

8. Non-controlling Interests

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

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

As at September 30, 2021	**Current assets (1)**	**Long-term assets**	**Current liabilities**	**Long-term liabilities**
Gemini	$ **198,751**	$ **2,960,838**	$ **281,363**	$ **2,431,068**
Nordsee One	**131,834**	**1,250,663**	**181,198**	**715,617**
CEEC	**22,421**	**24,907**	**5,167**	**10,940**
Other (2)	**126,027**	**857,375**	**22,311**	**739,270**
Total	$ **479,033**	$ **5,093,783**	$ **490,039**	$ **3,896,895**

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 September 30, 2021, restricted cash of $47 million (2020 - $48 million) is included for Gemini, $30 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 September 30, 2021, Northland had an outstanding receivable balance of $36 million from Cochrane Solar's First Nations partner (2020 - $39 million). This balance appears at a fair value of $36 million (2020 - $35 million) on the consolidated balance sheets, including $3 million classified as "trade and other receivables" and the remaining portion as "other assets".

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

	Gemini	**Nordsee One**	**CEEC**	**Other (2)**	**Total**
As at January 1, 2020	$ 201,627	$ 47,085	$ 153,207	$ 45,225	$ 447,144
Increase in ownership interest at EBSA	—	—	—	2,645	2,645
Net income (loss) attributable (1)	89,321	17,365	8,433	9,002	124,121
Dividends and distributions declared (1)	(103,065)	(16,165)	—	(18,753)	(137,983)
Allocation of other comprehensive income (loss) (1)	(7,245)	3,181	—	(4,110)	(8,174)
As at December 31, 2020	$ 180,638	$ 51,466	$ 161,640	$ 34,009	$ 427,753
Non-controlling interest acquired (Note 3)	**—**	**—**	**—**	**6,873**	**6,873**
Net income (loss) attributable (1)	**57,614**	**7,202**	**5,636**	**1,592**	**72,044**
Dividends and distributions declared (1)	**(73,989)**	**(4,296)**	**—**	**(14,291)**	**(92,576)**
Allocation of other comprehensive income (loss) (1)	**8,094**	**(1,506)**	**—**	**4,258**	**10,846**
As at September 30, 2021	$ **172,357**	$ **52,866**	$ **167,276**	$ **32,441**	$ **424,940**

(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%).

NORTHLAND POWER

9. Financial Instruments

The derivative financial instruments consist of the following:

As at September 30, 2021	Current assets	Current liabilities	Long-term assets	Long-term liabilities	Total
Derivatives designated for hedge accounting					
Canadian dollar interest rate (IR) swaps	$ —	$ (12,612)	$ 2,343	$ (41,517)	$ (51,786)
Euro IR swaps	—	(58,826)	370	(232,195)	(290,651)
Euro foreign exchange contracts	4,277	(218)	28,307	(17,002)	15,364
Colombian peso IR swaps	—	—	87	—	87
Power forward contracts	1,537	(13,569)	—	—	(12,032)
Derivatives not designated for hedge accounting					
Canadian dollar IR swaps	—	(23,275)	535	(135)	(22,875)
U.S. dollar IR swaps	—	(1,398)	7,008	(8,026)	(2,416)
U.S. dollar foreign exchange contracts	747	(353)	166	(1,378)	(818)
Colombian peso IR swaps	2	(1)	219	(10)	210
Euro foreign exchange contracts	14,085	(138)	40,388	(18,641)	35,694
Euro IR swaps	—	(1,980)	—	(16,839)	(18,819)
Colombian peso foreign exchange contracts	1,212	—	491	—	1,703
Gas forward contracts	3,212	(5,677)	—	—	(2,465)
Dutch put options	—	639	—	515	1,154
Power forward contracts	97,058	(111,636)	27,289	(40,622)	(27,911)
Total	$ 122,130	$ (229,044)	$ 107,203	$ (375,850)	$ (375,561)

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 nine months ended September 30, 2021 and 2020 is as follows:

		Designated in hedge relationships				
	Balance as at Dec. 31, 2020 asset (liability)	**Changes in fair value recognized in OCI (1)**	**Fair value changes (2)**	**Fair value changes on derivatives not designated in hedge relationships (2)**	**Foreign exchange gain (loss)**	**Balance as at Sep. 30, 2021 asset (liability)**
Canadian dollar IR swaps	**$ (93,950)**	**$ 11,515**	**$ (892)**	**$ 8,666**	**$ —**	**$ (74,661)**
U.S. dollar IR swaps	**1,401**	**—**	**—**	**(3,817)**	**—**	**(2,416)**
Euro IR swaps	**(415,550)**	**71,310**	**33,287**	**(18,863)**	**20,346**	**(309,470)**
Colombian peso IR swap	**—**	**155**	**—**	**144**	**(2)**	**297**
Gas forward contracts	**(13,798)**	**—**	**—**	**11,333**	**—**	**(2,465)**
Power forward contracts (3)	**(25,297)**	**(5,596)**	**1,016**	**(10,255)**	**189**	**(39,943)**
Dutch put options	**—**	**—**	**—**	**1,154**	**—**	**1,154**
U.S. dollar foreign exchange contracts	**(645)**	**—**	**—**	**(173)**	**—**	**(818)**
Euro foreign exchange contracts	**(26,246)**	**42,349**	**14,609**	**20,346**		**51,058**
Cross-currency IR swaps	**(7,698)**	**—**	**—**	**7,698**	**—**	**—**
Colombian peso foreign exchange contracts	**(848)**	**3,278**	**(1,216)**	**563**	**(74)**	**1,703**
Total	**$ (582,631)**	**$ 123,011**	**$ 46,804**	**$ 16,796**	**$ 20,459**	**$ (375,561)**

(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 profit and 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 nine months ended September 30, 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.

(3) Power forward contracts includes $23 million of cash and accrued payment settlements during the nine months ended September 30, 2021.

		Designated in hedge relationships				
	Balance as at Dec. 31, 2019 asset (liability)	**Changes in fair value recognized in OCI (1)**	**Fair value changes (2)**	**Fair value changes on derivatives not designated in hedge relationships (2)**	**Foreign exchange gain (loss)**	**Balance as at Sep. 30, 2020 asset (liability)**
Canadian dollar IR swaps	$ (65,730)	$ (29,713)	$ 5,081	$ (9,812)	$ —	$ (100,174)
U.S. dollar IR swaps	—	—	—	(118)	—	(118)
Euro IR swaps	(370,208)	(74,839)	44,792	—	(28,024)	(428,279)
Gas forward contracts	(27,155)	—	—	11,718	—	(15,437)
Power forward contracts	(707)	(3,129)	(1,222)	(1,211)		(6,269)
U.S. dollar foreign exchange contracts	(361)	53	6	919	—	617
Euro foreign exchange contracts	(3,204)	(18,099)	8,994	(17,665)		(29,974)
Cross-currency IR swaps	—	—	—	(2,769)	—	(2,769)
Colombian peso foreign exchange contracts	28,593	—	—	(27,939)	—	654
Total	$ (438,772)	$ (125,727)	$ 57,651	$ (46,877)	$ (28,024)	$ (581,749)

(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 profit and 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 nine months ended September 30, 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 three and nine months ended September 30, 2021.

10. Net Income (Loss) per Share

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Net income (loss) for the period attributable to common shareholders	**$ (9,465)**	$ 82,941	**$ 68,307**	$ 336,993
Less: preferred share dividends, net (Note 7.2)	**(2,704)**	(2,802)	**(8,101)**	(8,657)
Net income (loss) attributable to common shareholders for basic earnings	**$ (12,169)**	$ 80,139	**$ 60,206**	$ 328,336
Add back: convertible unsecured subordinated debentures interest and amortization	**—**	—	**—**	1,995
Net income (loss) attributable to common shareholders for diluted earnings	**$ (12,169)**	$ 80,139	**$ 60,206**	$ 330,331

The basic and diluted share amounts are calculated as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Weighted average number of Shares outstanding	**225,963,528**	200,691,572	**216,264,216**	196,719,361
Weighted average number of Class A shares	**—**	934,783	**—**	978,102
Weighted average number of Shares outstanding, basic	**225,963,528**	201,626,355	**216,264,216**	197,697,463
Effect of dilutive securities:				
Convertible unsecured subordinated debentures	**—**	—	**—**	3,198,797
Weighted average number of Shares outstanding, diluted	**225,963,528**	201,626,355	**216,264,216**	200,896,260

11. Finance Costs

Net finance costs consist of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Interest on debt, borrowings and bank fees	**$ 74,764**	$ 77,810	**$ 225,246**	$ 244,719
Amortization of deferred financing costs	**5,327**	9,263	**16,351**	24,741
Discount on provisions for decommissioning liabilities	**959**	1,767	**2,888**	4,039
Lease interest	**400**	398	**1,310**	1,291
Finance income	**(1,264)**	(451)	**(2,989)**	(4,716)
Finance costs, net	**$ 80,186**	$ 88,787	**$ 242,806**	$ 270,074

For the three and nine months ended September 30, 2021, $1 million and $3 million of finance costs (three and nine months ended September 30, 2020 - $3.3 million and $3.3 million, respectively) incurred from project financing related to facilities under construction were capitalized in construction-in-progress.

12. Operating Segment Information

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

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

Three Months Ended September 30, 2021	**Offshore wind**	**Efficient Natural Gas**	**Onshore renewable**	**Utility**	**Other (1)**	**Eliminations**	**Total**
External sales	**$ 197,091**	**$ 102,203**	**$ 74,261**	**$ 56,450**	**$ 2,073**	**$ —**	**$ 432,078**
Inter-company sales (1)	**—**	**—**	**—**	**—**	**41,113**	**(41,113)**	**—**
Total sales	**$ 197,091**	**$ 102,203**	**$ 74,261**	**$ 56,450**	**$ 43,186**	**$ (41,113)**	**$ 432,078**
Cost of sales	**—**	**29,361**	**—**	**16,726**	**2,542**	**—**	**48,629**
Operating costs	**52,185**	**12,768**	**14,235**	**14,334**	**—**	**—**	**93,522**
General and administrative costs (2)	**2,854**	**294**	**609**	**2,244**	**31,720**	**—**	**37,721**
Depreciation of PP&E	**93,396**	**25,684**	**37,911**	**7,848**	**2,123**	**—**	**166,962**
Other income (3)	**—**	**(2,904)**	**—**	**—**	**(870)**	**—**	**(3,774)**
Operating income	**$ 48,656**	**$ 37,000**	**$ 21,506**	**$ 15,298**	**$ 7,671**	**$ (41,113)**	**$ 89,018**
Finance costs, net	**$ 43,499**	**$ 12,549**	**$ 17,132**	**$ 384**	**$ 6,622**	**$ —**	**$ 80,186**

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

(2) General and administrative costs includes development costs.

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

Three months ended September 30, 2020	**Offshore wind**	**Efficient Natural Gas**	**Onshore renewable**	**Utility**	**Other (1)**	**Eliminations**	**Total**
External sales	$ 256,601	$ 95,705	$ 52,861	$ 55,878	$ 9,822	$ —	$ 470,867
Inter-company sales (1)	—	—	—	—	39,782	(39,782)	—
Total sales	$ 256,601	$ 95,705	$ 52,861	$ 55,878	$ 49,604	$ (39,782)	$ 470,867
Cost of sales	—	25,792	—	17,800	8,872	—	52,464
Operating costs	46,557	11,770	7,547	13,118	—	—	78,992
General and administrative costs (2)	2,325	127	281	2,466	23,004	—	28,203
Depreciation of PP&E	88,569	12,604	22,223	10,241	1,836	—	135,473
Other income (3)	—	(2,995)	—	—	(747)	—	(3,742)
Operating income	$ 119,150	$ 48,407	$ 22,810	$ 12,253	$ 16,639	$ (39,782)	$ 179,477
Finance costs, net	$ 54,535	$ 13,507	$ 15,529	$ 3,833	$ 1,383	$ —	$ 88,787

(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.

Nine months ended September 30, 2021		Offshore wind		Efficient Natural Gas		Onshore renewable		Utility		Other [1]		Eliminations		Total
External sales	**$**	**773,202**	**$**	**306,079**	**$**	**185,702**	**$**	**166,400**	**$**	**21,782**	**$**	**—**	**$**	**1,453,165**
Inter-company sales (1)		**—**		**—**		**—**		**—**		**146,217**		**(146,217)**		**—**
Total sales	**$**	**773,202**	**$**	**306,079**	**$**	**185,702**	**$**	**166,400**	**$**	**167,999**	**$**	**(146,217)**	**$**	**1,453,165**
Cost of sales		**—**		**85,468**		**—**		**50,356**		**17,457**		**—**		**153,281**
Operating costs		**137,518**		**36,696**		**27,766**		**42,198**		**—**		**—**		**244,178**
General and administrative costs (2)		**7,547**		**635**		**1,445**		**6,082**		**80,946**		**—**		**96,655**
Depreciation of PP&E		**267,161**		**76,758**		**82,029**		**24,326**		**7,125**		**—**		**457,399**
Other income [3]		**—**		**(8,782)**		**—**		**—**		**(2,736)**		**—**		**(11,518)**
Operating income	**$**	**360,976**	**$**	**115,304**	**$**	**74,462**	**$**	**43,438**	**$**	**65,207**	**$**	**(146,217)**	**$**	**513,170**
Finance costs, net	**$**	**136,535**	**$**	**38,611**	**$**	**44,588**	**$**	**566**	**$**	**22,506**	**$**	**—**	**$**	**242,806**

(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.

Nine months ended September 30, 2020		Offshore wind		Efficient Natural Gas		Onshore renewable		Utility		Other [1]		Eliminations		Total
External sales	$	916,349	$	303,035	$	166,627	$	160,917	$	20,865	$	—	$	1,567,793
Inter-company sales		—		—		—		—		138,048		(138,048)		—
Total sales	$	916,349	$	303,035	$	166,627	$	160,917	$	158,913	$	(138,048)	$	1,567,793
Cost of sales		—		74,850		—		51,566		18,690		—		145,106
Operating costs		124,035		36,763		21,377		37,015		—		—		219,190
General and administrative costs (2)		6,282		293		702		6,379		81,114				94,770
Depreciation of PP&E		259,393		37,619		66,299		28,547		5,319		—		397,177
Other income [3]		—		(9,050)		—		—		(2,569)		—		(11,619)
Operating income	$	526,639	$	162,560	$	78,249	$	37,410	$	56,359	$	(138,048)	$	723,169
Finance costs, net	$	158,597	$	40,573	$	44,169	$	11,885	$	14,850	$	—	$	270,074

(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 balance sheets is as follows:

As at September 30, 2021		PP&E, net		Contracts and other intangibles, net		Goodwill [1]		Investment in joint ventures		Total Assets
Offshore wind	**$**	**5,346,976**	**$**	**413,421**	**$**	**—**	**$**	**—**	**$**	**6,405,142**
Efficient Natural Gas		**778,221**		**46,812**		**120,229**		**—**		**1,265,396**
Onshore renewable		**2,735,534**		**—**		**207,085**		**—**		**3,188,401**
Utility		**510,213**		**6,197**		**452,166**		**—**		**1,076,561**
Other		**302,453**		**34,961**		**—**		**132,540**		**895,636**
Total	**$**	**9,673,397**	**$**	**501,391**	**$**	**779,480**	**$**	**132,540**	**$**	**12,831,136**

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

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

	Three months ended September 30,				Nine months ended September 30, 2021			
		2021		2020		2021		2020
Germany	**$**	**93,630**	$	107,842	**$**	**357,166**	$	405,646
Netherlands		**103,461**		148,759		**416,036**		510,703
Canada		**152,543**		158,388		**486,011**		490,527
Spain		**25,976**		—		**25,976**		—
Latin America		**56,468**		55,878		**167,976**		160,917
Total	**$**	**432,078**	$	470,867	**$**	**1,453,165**	$	1,567,793

Property, plant and equipment, net

As at		September 30, 2021		December 31, 2020
Germany [1]	**$**	**2,487,611**	$	2,759,069
Netherlands		**2,878,229**		3,194,656
Canada		**2,105,721**		1,995,012
Spain		**1,517,033**		—
Latin America		**684,803**		731,222
Total	**$**	**9,673,397**	$	8,679,959

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

13. Litigation, Claims, Contingencies and Commitments

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

13.1 COVID-19

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

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

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

13.2 Warranty Settlement and Other Proceeds

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

13.3 Milestone Payments for Development Project Acquisitions

In the course of business, Northland enters into acquisition agreements that may result in Northland making additional payments to the seller and/or directly to the development project previously acquired, upon the successful completion of certain milestones. As at September 30, 2021, Northland's best estimate of the future contingent payments are approximately $155 million of contingent payments under its development projects arrangements, with a maximum of $354 million. These contingent payments were not recognized in the interim condensed consolidated balance sheets.

Corporate Information

Directors and Executive Officers Of Northland Power Inc.

Directors

Mr. John W. Brace (Chair)
Ms. Linda L. Bertoldi
Dr. Marie Bountrogianni
Ms. Lisa Colnett
Mr. Kevin Glass
Mr. Russell Goodman
Mr. Keith Halbert
Ms. Helen Mallovy Hicks
Mr. Ian Pearce

Executive Officers

Mr. Mike Crawley
President and Chief Executive Officer

Ms. Pauline Alimchandani
Chief Financial Officer

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

Mr. Morten Melin
Executive Vice President, Construction

Mr. David Povall
Executive Vice President, Development

Mr. Michael D. Shadbolt
Vice President and General Counsel

Ms. Rachel Stephenson
Chief People Officer

Ms. Tracy Robillard
Secretary

General Information

Registrar and Transfer Agent

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

Common Shares and Preferred Shares

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

Tax Considerations

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

Contact Information

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