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

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SECTION 1: OVERVIEW

Introduction

The purpose of this Management's Discussion and Analysis (**"MD&A"**) is to explain the financial results of Northland Power Inc. (**"Northland"** or the **"Company"**) and to assist the reader in understanding the nature and importance of changes and trends as well as the risks and uncertainties that may affect the operating results and financial position of the Company. This MD&A should be read in conjunction with Northland's audited consolidated financial statements for the year ended December 31, 2022, and 2021, and Northland's most recent Annual Information Form dated February 23, 2023 (**"2022 AIF"**). These materials are available on the Company's SEDAR profile at www.sedar.com and on Northland's website at www.northlandpower.com.

This MD&A, dated February 23, 2023, compares Northland's financial results and financial position for the year ended December 31, 2022, with those for the year ended December 31, 2021. Certain prior period disclosures have been reclassified for consistency with the current period presentation. Northland's Audit Committee reviewed this MD&A and the associated audited consolidated financial statements and notes, and its Board of Directors approved these documents prior to their release.

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

Forward-Looking Statements

This MD&A contains forward-looking statements that are based on certain estimates and assumptions that were considered reasonable on February 23, 2023; 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 not historical facts and 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, Adjusted Free Cash Flow and Free Cash Flow, respective per share amounts, dividend payments and dividend payout ratios, guidance, the completion of construction, acquisitions, dispositions, investments or financings and the timing thereof, attainment of commercial operations, the potential for future production from project pipelines, cost and output of development projects, litigation claims, plans for raising capital, and the future operations, business, financial condition, financial results, priorities, ongoing objectives, strategies and the outlook of Northland and its subsidiaries. These statements are based upon certain material factors or assumptions that were applied in developing the forward-looking statements, including the design specifications of development projects, the provisions of contracts to which Northland or a subsidiary is a party, management's current plans and its perception of historical trends, current conditions and expected future developments, the ability to obtain necessary approvals, satisfy any closing conditions, or obtain adequate financing regarding contemplated construction, acquisitions, dispositions, investments or financings, as well as other factors, estimates and assumptions that are believed to be appropriate in the circumstances. Although these forward-looking statements are based upon management's current reasonable expectations and assumptions, they are subject to numerous risks and uncertainties. Some of the factors include, but are not limited to, risks associated with sales contracts, Northland's reliance on the performance of its offshore wind facilities at Gemini, Nordsee One and Deutsche Bucht for approximately 50% of its Adjusted EBITDA, counterparty risks, contractual operating performance, variability of sales from generating facilities powered by intermittent renewable resources, offshore wind concentration, natural gas and power market risks, operational risks, recovery of utility operating costs, Northland's ability to resolve issues/delays with the relevant regulatory and/or government authorities, permitting, construction risks, project development risks, acquisition risks, financing risks, disposition and joint-venture risks, competition risks, interest rate and refinancing risks, liquidity risk, inflation risks, impacts of regional or global conflicts, 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 2022 AIF. Northland has attempted to identify important factors that could cause actual results to materially differ from current expectations, however, there may be other factors that cause actual results to differ materially from such expectations. 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, and Northland cautions you not to place undue reliance upon any such forward-looking statements. The forward-looking statements contained in this MD&A are, unless otherwise indicated, stated as of the dated hereof and 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"**), Adjusted Free Cash Flow, Free Cash Flow and applicable payout ratios and per share amounts, which are measures not prescribed by International Financial Reporting Standards (**"IFRS"**), and therefore do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. Non-IFRS financial measures are presented at Northland's share of underlying operations. These measures should not be considered alternatives to net income (loss), cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Rather, these measures are provided to complement IFRS measures in the analysis of Northland's results of operations from management's perspective. Management believes that Northland's non-IFRS financial measures and applicable payout ratio and per share amounts are widely accepted and understood financial indicators used by investors and securities analysts to assess the performance of a company, including its ability to generate cash through operations. For reconciliations of these non-IFRS financial measures to their nearest IFRS measure, refer to *Section 5.5: Adjusted EBITDA* for a reconciliation of consolidated net income (loss) under IFRS to reported Adjusted EBITDA and *Section 5.6: Adjusted Free Cash Flow and Free Cash Flow* for a reconciliation of cash provided by operating activities under IFRS to reported Adjusted Free Cash Flow and 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.

Adjusted Free Cash Flow

Adjusted Free Cash Flow represents the cash generated from the business, before investment-related decisions (refer to *Section 5.3: Growth Expenditures*), and available to pay dividends, while preserving the long-term value of the business. Adjusted 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; growth expenditures, interest incurred on outstanding debt; scheduled principal repayments and net upfinancing proceeds; major maintenance and debt reserves; interest income from Northland's subordinated loan to Gemini; proceeds from government grants; preferred share dividends; net proceeds from sale of development assets and where net proceeds are received in respect of certain transactions entered in to generate cash flow as part of an active asset management strategy of the overall portfolio; and other adjustments as appropriate. Adjusted Free Cash Flow excludes pre-completion sales required to service debt and related operating costs for projects under construction and excludes costs attributable to an asset or business acquisition.

Where Northland controls the distribution policy of its investments, Adjusted Free Cash Flow reflects Northland's share of the investment's underlying Adjusted Free Cash Flow, otherwise, Northland includes the cash distributions received from the investment. Adjusted Free Cash Flow from foreign operations is translated to Canadian dollars at the exchange rate Northland realizes on cash distributions.

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.

Free Cash Flow

Free Cash Flow is calculated by deducting growth-related expenditures from Adjusted Free Cash Flow. Management believes Free Cash Flow is a meaningful measure of Northland's ability to generate cash flow, after growth-related costs, to fund dividend payments.

For clarity, Northland's Free Cash Flow includes a reduction for expenditures on development activities until an advanced project qualifies for capitalization under IFRS. The Adjusted Free Cash Flow and Free Cash Flow payout ratios, calculated using the respective financial measure, demonstrate the proportion of the respective measure paid as dividends, whether in cash, or in shares under Northland's dividend reinvestment plan (**"DRIP"**). The net payout ratios indicate the proportion of Free Cash Flow paid as cash dividends. The payout ratios generally reflect Northland's ability to fund growth-related expenditures and sustain dividends.

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

Business Objective

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

Vision

At Northland, we are building a sustainable and carbon-neutral world together: Our work is grounded in our vision to become a global leader in the development of sustainable infrastructure assets. We are pushing the energy sector forward by creating innovative solutions that build a net-positive business. This translates to driving socio-economic value in the communities where we operate, bringing local markets closer to a carbon-neutral future, and preserving our natural resources through power generation. As developers, owners and operators of energy facilities across the globe, we are poised to transform how the world is powered to produce long-term impact for our people and our planet.

Business Strategy

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

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

(i) Winning Business

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

(ii) Building Facilities

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

(iii) Operating Facilities

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

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

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

(iv) Organizational Effectiveness

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

Effective January 2023, Northland formally commenced operating under a business unit (**"BU"**) structure focused by technology. The BU's encompass Offshore Wind, Onshore Renewables, Efficient Natural Gas and Utilities, and Hydrogen/ Renewable Fuels. The offshore wind BU accounts for 1.2GW of operating assets and 12GW of development assets in Europe and Asia. The onshore renewables BU accounts for 1.1GW of operating assets and nearly 8GW of development assets in North America, Colombia and Europe, while the efficient natural gas and utility BU accounts for 0.7GW of operating assets.

This new operating structure will result in a more streamlined business that is better oriented towards the expected growth by technology. Each BU is led by an experienced executive, with a dedicated chief financial officer (**"CFO"**), operations head, project execution head, legal and human resource leads. The hydrogen BU is at an earlier stage in its formation compared to the other BUs, but with experienced hydrogen talent already in place.

SECTION 3: NORTHLAND'S BUSINESS

As of December 31, 2022, Northland owns or has a net economic interest in 2,616 megawatts (**"MW"**) of power-producing facilities with a total gross operating capacity of approximately 3,026MW and a regulated utility (refer to *Section 4.1: Significant Events* of this MD&A for disclosures regarding the two facilities disposed of in April 2022). Northland's facilities produce electricity from clean energy sources for sale primarily under long-term PPAs or other revenue arrangements with creditworthy counterparties. Northland's utility is a distributor and retailer of electricity compensated under a regulated framework. These operating assets provide stable cash flow and are primarily located in Canada, Germany, the Netherlands, Spain and Colombia. Northland's significant assets under construction and development are located in Canada, Mexico, Taiwan, Poland, Germany, Colombia and the United States. Refer to the 2022 AIF for additional information on Northland's key operating facilities as of December 31, 2022, and refer to *SECTION 9: DEVELOPMENT, ACQUISITION AND CONSTRUCTION ACTIVITIES* for additional information on Northland's key development projects.

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

	Gross Production Capacity (MW)	Net Production Capacity (MW) [1]
Offshore Wind	1,184	894
Onshore Renewable		
Canadian Wind	394	314
Canadian Solar	130	115
Spanish Wind	443	435
Spanish Solar	116	116
Colombian Solar	16	16
Efficient Natural Gas		
Canada [2]	743	726
Utility		
Colombia	n/a	n/a
Total	**3,026**	**2,616**

(1) Presented at Northland's economic interest.

(2) As at December 31, 2022, Northland's economic interest was changed from December 31, 2021 due to the sale of two efficient natural gas facilities in April 2022 (refer to *Section 4.1: Significant Events* of this MD&A for more information).

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

Project	Geographic Region	Technology	Gross Capacity (MW)	Current ownership	Development Stage	Contract type	Estimated COD
Construction Projects							
Ball Hill	United States	Onshore wind	108	100%	Under construction	20-year PPA	2023
Bluestone	United States	Onshore wind	112	100%	Under construction	20-year PPA	2023
La Lucha	Mexico	Solar	130	100%	Under construction	TBD	2023
Total			**350**				
Capitalized Growth Projects							
Suba	Colombia	Solar	130	50%	Late-stage	15-year PPA	TBD
Oneida	Canada	Battery Energy Storage	250	Majority	Mid/late-stage	20-year PPA	2025
Hai Long [1]	Taiwan	Offshore wind	1,044	60%	Late-stage	20-year PPA	2026/2027
Baltic Power	Poland	Offshore wind	1,200	49%	Late-stage	25-year CfD	2026
Nordsee Two	Germany	Offshore wind	433	49%	Mid-stage	TBD [2]	2026/2027
Godewind	Germany	Offshore wind	225	49%	Mid-stage	TBD [2]	2026/2027
Total			**3,282**				
Identified Growth Projects							
Jurassic	Canada	Solar	220	100%	Mid/late-stage	2025	
Alberta Solar	Canada	Solar	1,400	100%	Mid/late-stage	2027 - 2030+	
Nordsee Three	Germany	Offshore wind	420	49%	Mid-stage		
Nordsee Delta	Germany	Offshore wind	480	49%	Mid-stage		
Chiba	Japan	Offshore wind	600	50%	Early/mid-stage		
Dado Ocean	South Korea	Offshore wind	Up to 1,000	100%	Early/mid-stage		
ScotWind	Scotland	Offshore wind	2,340	100%	Early-stage		
Hecate	Canada	Offshore wind	400	100%	Early-stage		
CanWind	Taiwan	Offshore wind	500	100%	Early-stage		
Bobae	South Korea	Offshore wind	600	100%	Early-stage		
Wando	South Korea	Offshore wind	Up to 1,800	100%	Early-stage		
Total			**9,760**				
Total Pipeline [3] [4]			**13,392**				

(1) Subject to a reduction to a 30.6% stake as Northland has agreed to sell a 29.4% indirect equity interest in Hai Long pending transaction close.

(2) Nordsee Two and Godewind have secured interconnection rights for zero subsidy bid, with the intention to secure a long-term corporate PPA.

(3) Excludes ~6,800MW of other pipeline projects.

(4) On February 17, 2023, Northland entered into an agreement to sell 100% stake in Highbridge. The transaction is expected to close in the second half of 2023.

SECTION 4: CONSOLIDATED HIGHLIGHTS

4.1: Significant Events

Significant events during 2022 and through the date of this MD&A are described below. Refer to *SECTION 9: DEVELOPMENT, ACQUISITION AND CONSTRUCTION ACTIVITIES of this MD&A* for additional relevant information.

Balance Sheet:

Redemption of Series 3 Preferred Shares

On January 3, 2023, Northland redeemed all 4,800,000 of its issued and outstanding Cumulative Rate Reset Preferred Shares, Series 3 (the **"Series 3 Preferred Shares"**) at a price of $25.00 per Series 3 Preferred Share together with all accrued and unpaid dividends of $0.3175 per Series 3 Preferred Share for an aggregate total of $121.5 million.

Amendment to Spain Debt Facilities

In November 2022, Northland restructured the multiple long-term debt facilities of its Spanish portfolio in order to optimize the structure into a single facility-level loan as well as to optimize the tax structure. The restructuring resulted in the reduction in the size of the debt to €613 million from €675 million and extended the loan maturity date to 2042. The restructured loan continues to be denominated in Euros, with the all-in interest rate similar at 2.0% versus 2.1% previously. The reduction in the loan size to €613 million resulted in a one-time principal payment upon the restructuring of €61 million ($82 million) which reduced Adjusted Free Cash Flow and Free Cash Flow in the fourth quarter of 2022. Northland funded the principal payment from the cash flow realized from higher realized pool prices and consequently, the payment did not affect Northland's available liquidity. The restructuring of the debt is expected to result in enhanced cash flows in the coming years primarily due to lower debt service costs and from tax optimizations, as well as enhanced project economics. The restructured debt qualifies as a green financing in accordance with Northland's green financing framework.

Amendment to Gemini Debt Facilities

In October 2022, Northland successfully restructured €1.6 billion of its senior and junior debt relating to Gemini. The key elements of the restructuring included: (i) partially replacing higher-cost junior debt with lower-cost senior debt; (ii) decreasing senior debt loan margins; (iii) replacing the cash Debt Service Reserve Account with a Debt Service Reserve Facility, resulting in additional liquidity of €32 million ($30 million at Northland's share); and (iv) accelerating repayment of the Northland junior debt portion. The restructuring will improve Adjusted Free Cash Flow to Northland over the next several years and reflects the strong and consistent operational and financial performance of Gemini. The restructured facility continues to be denominated in Euros, with the all-in interest rate at 3.5%. The restructuring reduced Adjusted Free Cash Flow and Free Cash Flow in 2022 by €72 million ($68 million at Northland's share), which was funded with available cash flow generated from higher energy prices and, accordingly, did not impact Northland's available liquidity. The restructured debt qualifies as green financing in accordance with Northland's green financing framework.

At-The-Market Equity Program

On March 1, 2022, Northland established an at-the-market equity program (**"ATM program"**) that allowed Northland to issue up to $500 million of common shares from treasury, at Northland's discretion.

On September 7, 2022, Northland renewed its ATM program to issue up to an additional $750 million of common shares from treasury, at the Company's discretion. The ATM program was renewed following the termination of the previous ATM program as a result of having exercised the full allotment permitted under the program. The proceeds raised to date are intended to be used to fund projects that are expected to achieve financial close in 2023.

During the year ended December 31, 2022, Northland issued 20.9 million Common Shares under the ATM program at an average price of $41.31 per Common Share for gross proceeds of $863 million (net proceeds $852 million). As at February 23, 2023, Northland has issued a total of 21.1 million Common Shares at an average price of $41.27 per Common Share for gross proceeds of $871 million (net proceeds $860 million).

Kirkland Lake Refinancing

On June 2, 2022, Northland restructured and upsized its Kirkland Lake credit facility (the **"Kirkland Lake facility"**), resulting in Northland receiving one-time management fee income of $34 million, net of closing costs. The aggregate amount of the financing was upsized to $47 million, and the Kirkland Lake facility maturity date was extended by eight years to March 31, 2030. The restructured Kirkland Lake facility continues to be denominated in Canadian dollars, with the applicable interest rate increasing to 4.2% (all-in interest rate) from the previous rate of 2.8%.

Sale of Two End-of-Contract Efficient Natural Gas Facilities

On April 7, 2022, Northland completed the sale of its Iroquois Falls and Kingston efficient natural gas facilities in Ontario. The two facilities had a combined operating capacity of 230MW, and the sale resulted in a 24% reduction in Northland's gas-fired capacity. The sale repatriated capital to fund the growth of our renewable development projects around the globe. Both facilities had operated under long-term PPAs with the provincial system operator, which expired at the end of 2021 and 2017, respectively. The net proceeds from the sale have been recorded in Adjusted Free Cash Flow and Free Cash Flow for 2022.

Corporate Credit Ratings Re-affirmed

In November 2022, Northland's corporate credit rating was reaffirmed at BBB (stable) by Fitch Ratings Inc., a global rating agency, in addition to S&P's BBB (stable) rating which was reaffirmed in May 2022.

Renewables Growth updates:

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

CanWind Offshore Wind Project

In December 2022, Taiwan's Ministry of Economic Affairs (the **"MOEA"**) announced the results of the first round of the country's Phase 3 Zonal Development offshore wind auction. Northland's CanWind project, a 100% owned early-stage development project, was awarded a total of 500MW of capacity under the auction. Northland is evaluating the viability of the project.

Oneida Battery Storage Project

In December 2022, Northland entered into an agreement to acquire a majority interest in the Oneida Battery Storage Project, a late-stage, grid-connected battery energy storage project in southern Ontario, Canada. The Oneida Energy Storage Project is a 250MW/1GWh battery storage facility and is being developed in partnership with NRStor Inc. and the Six Nations of the Grand River Development Corporation. The 1GWh is the total quantity of energy stored with 250MW of highest capacity rating/output at any given moment. The project will benefit from a 20-year fixed price contract for revenue payments with the Independent Electricity System Operator (**"IESO"**) in Ontario for the majority of the capacity from the project. Financial close for the project is expected in 2023 with full commercial operations to commence in 2025.

Alberta Portfolio

In December 2022, Northland acquired a development platform in Alberta, Canada, continuing its growth and leadership in renewable energy in Canada, which establishes Northland as a leading developer in the province. The acquisition adds a solar and battery energy storage pipeline encompassing over 1.6GW and 1.2GWh, respectively, of which the 220MW Jurassic Project could reach commercial operations as early as 2025.

Hai Long Offshore Wind Project

At Hai Long, the project has executed all the contracts with suppliers for various elements of the project and has commenced with early construction works including starting the fabrication of key components. The financing of the project is progressing, albeit slower and more challenging than expected due to market specific factors. On December 14, 2022, Northland signed a share purchase agreement (the **"Hai Long SPA"**)with Gentari International Renewables Pte. Ltd (**"Gentari"**) to sell 49% of Northland's ownership interest in Hai Long, which upon closing, subject to various conditions, will result in Gentari holding a 29.4% indirect equity interest in Hai Long, with Northland holding a 30.6% interest.

Baltic Power Offshore Wind Project

At Baltic Power, preferred supplier agreements for key elements of the project, have been signed as well as agreements for the transport and installation of the turbines and for the foundations of all substation elements and offshore substations. The project's 25-year Contract for Difference (**"CfD"**) offtake agreement, which was initially denominated in Polish Zloty will now be denominated in Euros at effectively the same rate and inflation indexation will commence with a base year of 2022 (from 2023 previously), providing offsetting benefits to the higher inflationary price pressures experienced. The project continues to advance towards financial close, expected in 2023. Northland holds a 49% interest in the project with PKN Orlen holding 51%.

New York Onshore Wind Projects

Construction activities at the 112MW Bluestone project and the 108MW Ball Hill project continue, with commercial operations for both projects expected in 2023.

On February 17, 2023, Northland entered into an agreement to sell the entire stake in the Highbridge project. The transaction is expected to close in the second half of 2023.

ScotWind Offshore Wind Auction Success

In January 2022, Northland announced that it was awarded two offshore wind leases in the Crown Estate Scotland auction with a total combined capacity of 2,340MW, comprised of one fixed foundation (840MW) and one floating foundation (1,500MW). Commercial operations are expected at the end of 2029/2030 for the fixed and early 2030s for the floating.

Nordsee Offshore Wind Cluster

In January 2022, Northland and its German partner, RWE Renewables GmbH (**"RWE"**), announced the formation of a 1,558MW Nordsee Offshore Wind Cluster partnership (the **"Cluster"**) encompassing Nordsee Two (433MW), Nordsee Three (420MW), Nordsee Delta (480MW) and Godewind (22MW). Development of the Cluster in Germany is progressing, with the team working towards securing CPPA and preferred supplier agreements for key aspects of the projects. Commercial operations are expected between 2026 and 2028. Northland holds a 49% interest in the Cluster and RWE holds a 51% interest.

South Korean Offshore Wind Projects

The Dado offshore wind project has been awarded its Electricity Business License (**"EBL"**) for 900MW of the 1,000MW capacity, providing exclusivity on the leases for the project. Northland's second project, the 600MW Bobae project, has been awarded EBLs for approximately 400MW and work continues on securing EBLs for the remaining 200MW. Northland is pursuing additional early-stage development opportunities located in South Korea's Wando County for multiple projects with the potential for up to 1.8GW of operating capacity.

Colombian Solar Projects

Development progress at the 130MW Suba solar projects in Colombia continues. As previously communicated, certain environmental permits are needed to move the projects toward financial close, which is expected to occur by 2024. Northland effectively holds a 50% of economic interest in Suba and its partner, EDF Renewables holds the remaining 50%.

La Lucha Mexican Solar Project

Northland continues to work to achieve commercial operations at its 130MW La Lucha solar project in Mexico. In January 2023, the relevant Mexican permitting authority approved extension of the generation permit for La Lucha. The Company is now coordinating with the appropriate regulatory authorities to initiate testing of the project in order to achieve commercial operations in the second half of 2023.

4.2: Operating Highlights

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

Summary of Consolidated Results

Year ended December 31,	2022	2021	2020
FINANCIALS			
Sales	**$ 2,448,815**	$ 2,093,255	$ 2,060,627
Gross profit	**2,178,389**	1,879,762	1,858,298
Operating income	**1,051,307**	785,366	856,852
Net income (loss)	**955,457**	269,879	485,057
Net income (loss) attributable to common shareholders	**827,733**	189,559	381,076
Adjusted EBITDA (a non-IFRS measure)	**1,398,176**	1,137,004	1,170,097
Cash provided by operating activities	**1,832,983**	1,609,295	1,321,601
Adjusted Free Cash Flow (a non-IFRS measure)	**460,892**	386,366	415,398
Free Cash Flow (a non-IFRS measure)	**380,472**	307,401	343,588
Cash dividends paid	**196,845**	172,755	217,918
Total dividends declared (1)	**$ 284,582**	$ 264,200	$ 245,067
Total assets (2)	**14,222,609**	12,871,816	11,399,470
Total non-current liabilities (2)	**$ 7,589,484**	$ 8,501,560	$ 8,336,835
Per Share			
Weighted average number of shares - basic (000s)	**236,157**	218,861	198,774
Net income (loss) attributable to common shareholders - basic	**$ 3.46**	$ 0.82	$ 1.86
Net income (loss) attributable to common shareholders - diluted	**$ 3.46**	$ 0.82	$ 1.89
Adjusted Free Cash Flow - basic (a non-IFRS measure)	**$ 1.95**	$ 1.77	$ 2.09
Free Cash Flow - basic (a non-IFRS measure)	**$ 1.61**	$ 1.40	$ 1.73
Total dividends declared (3)	**$ 1.20**	$ 1.20	$ 1.20
ENERGY VOLUMES			
Electricity production in gigawatt hours (**GWh**)	**10,139**	8,757	9,449

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

(2) As at December 31.

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

SECTION 5: RESULTS OF OPERATIONS

The following table summarizes operating results by technology and geography:

Three months ended December 31,	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	Electricity production (GWh)		Sales		Operating costs		Operating income (1)		Adjusted EBITDA		Adjusted Free Cash Flow (2)	
Offshore Wind Facilities	**1,482**	1,396	**$ 339,248**	$ 334,034	**$ 45,079**	$ 36,224	**$ 193,115**	$ 215,725	**$ 220,960**	$ 205,972	**$ 71,436**	$ 80,145
Onshore Renewable Facilities												
Canada	**375**	331	**$ 49,115**	$ 47,344	**$ 8,648**	$ 8,423	**$ 19,032**	$ 17,204	**$ 29,426**	$ 28,363	**$ 10,991**	$ 10,119
Spain	**258**	267	**83,208**	66,279	**13,161**	9,343	**48,276**	41,343	**66,963**	55,329	**(66,645)**	27,018
	633	$ 598	**$ 132,323**	$ 113,623	**$ 21,809**	$ 17,766	**$ 67,308**	$ 58,547	**$ 96,389**	$ 83,692	**$ (55,654)**	$ 37,137
Efficient Natural Gas Facilities												
Canada	**895**	834	**$ 110,645**	$ 127,475	**$ 14,211**	$ 14,787	**$ 36,483**	$ 50,606	**$ 48,742**	$ 83,159	**$ 11,585**	$ 60,535
Utilities												
Colombia	**n/a**	n/a	**$ 64,018**	$ 58,949	**$ 14,628**	$ 14,939	**$ 19,683**	$ 16,221	**$ 27,272**	$ 24,112	**$ 31,716**	$ 16,532

Year ended December 31,	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	Electricity production (GWh)		Sales		Operating costs		Operating income (1)		Adjusted EBITDA		Adjusted Free Cash Flow (2)	
Offshore Wind Facilities	**4,486**	4,088	**$1,259,247**	$1,107,236	**$ 169,756**	$ 173,742	**$ 703,479**	$ 553,235	**$ 800,404**	$ 665,351	**$ 228,813**	$ 142,466
Onshore Renewable Facilities												
Canada	**1,364**	1,236	**$ 216,606**	$ 207,015	**$ 31,013**	$ 28,876	**$ 100,147**	$ 88,970	**$ 144,509**	$ 137,726	**$ 53,207**	$ 50,729
Spain	**981**	367	**269,251**	92,310	**42,832**	16,656	**143,708**	44,039	**219,930**	73,865	**(4,825)**	30,122
	2,345	1,603	**$ 485,857**	$ 299,325	**$ 73,845**	$ 45,532	**$ 243,855**	$ 133,009	**$ 364,439**	$ 211,591	**$ 48,382**	$ 80,851
Efficient Natural Gas Facilities												
Canada	**3,308**	3,066	**$ 425,572**	$ 433,554	**$ 43,215**	$ 51,483	**$ 169,279**	$ 165,910	**$ 245,652**	$ 274,155	**$ 118,923**	$ 168,580
Utilities												
Colombia	**n/a**	n/a	**$ 269,692**	$ 225,349	**$ 64,785**	$ 57,137	**$ 85,153**	$ 58,982	**$ 114,006**	$ 91,510	**$ 100,018**	$ 45,659

(1) Included amortization of contracts and other intangible assets in the operating income.

(2) Adjusted Free Cash Flow and Free Cash Flow are the same for operating facilities.

5.1: Operating Results

Offshore Wind Facilities

Northland's three offshore wind facilities, Gemini, Nordsee One and Deutsche Bucht, are located off the coasts of the Netherlands and Germany. Wind power generation harnesses renewable wind energy by converting the kinetic energy of wind into electrical energy. Wind facilities are subject to seasonality, and accordingly, tend to produce more electricity during winter due to denser air and higher winds compared to summer, the effect of which is reflected in the respective fiscal quarter's results. In addition, variability in offshore wind facilities results in similar fluctuations in quarter-to-quarter financial results. Factors such as exposure to market prices, and turbine or grid availability can also have a significant effect on financial results, though typically to a lesser extent than variability in wind resource. For the year ended December 31, 2022, Gemini, Nordsee One and Deutsche Bucht contributed approximately 20%, 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 sales, net income and Adjusted EBITDA. Northland has entered into long-term foreign exchange rate hedges, at an average rate of $1.59/€ for 2022 compared to $1.60/€ for 2021 for a substantial portion of anticipated euro-denominated Adjusted Free Cash Flow, mitigating the effects of foreign exchange rate fluctuations with respect to this metric. 2023 is hedged at a similar rate to 2022.

Variability within Operating Results

Gemini has revenue agreements with the Government of the Netherlands which expire in 2031. Under these agreements, revenue is earned through a combination of annual average Dutch wholesale market price (**"APX"**), corrected for profile and imbalance (**"P&I"**) costs which are variable from year to year, generally ranging between 10-20%, and a revenue top-up (**"SDE"**) to effectively €211/MWh. The SDE mechanism is designed to top-up the APX for up to 1,908 gigawatt hours of annual production (**"Gemini Production Cap"**) and is designed to ensure the full subsidy is received by Gemini annually, or an equivalent amount from market price. For production beyond the Cap of 1,908GWh, revenue is earned at the APX less P&I costs. However, if full year APX exceeds €211/MWh, Gemini's revenue is earned at APX less P&I costs for the entire production.

The SDE is subject to an annual contractual floor price (the **"SDE floor"**), thereby exposing Gemini to market price risk if the APX falls below the effective annual SDE floor of €51/MWh. At December 31, 2022, APX of €242/MWh for 2022 was higher than the SDE price, hence the revenue was recognized at the APX less P&I costs for the entire production (**"Revenue Price"**). Recent regulatory market price cap changes by the EU Council established in September 2022 and January 2023 are detailed below.

Nordsee One and Deutsche Bucht have a Feed-In Tariff contract (**"FIT"**) with the German government whereby the associated tariff is added to the German wholesale market price (**"wholesale price"**), effectively generating a fixed unit price for energy sold, except when the monthly wholesale price exceeds the contractual FIT rate for the facility. The realized wholesale rate is reduced by various capture costs between 10% to 20% of the rate.

Under the German Renewable Energy Sources Act (**"EEG"**), 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.

Regulatory Market Price Cap Changes Effective from December 1, 2022 to June 30, 2023

In September 2022, in response to the surge in wholesale electricity markets, the EU Council established a cap on market revenues on renewable energy producers effective from December 1, 2022, to June 30, 2023 (the **"EU price cap"**). EU member states have flexibility to adapt the EU price cap for their markets.

In January 2023, the mechanism for the EU price cap was finalized by the majority of member states. Gemini will be eligible to receive merchant revenue of up to €211/MWh and Nordsee One and Deutsche Bucht will be eligible to receive merchant revenue up to €30/MWh above their respective FIT plus 6% of the wholesale price. In both countries, only 10% of any revenue above the cap can be earned and retained by the facilities.

Gemini APX Hedges

In 2021, Northland entered into financial derivatives, resulting in the crystallization of financial losses for 2022 and 2023 (**"APX hedge losses"**) of APX related hedges entered into in 2020 when prices were declining.

Nordsee One Component Issue (Bearings Replacement Campaign)

In 2021, Northland identified a component defect on wind turbines at Nordsee One affecting the main rotor shaft assembly (**"RSA"**) and promptly commenced replacement of the RSA of all turbines. Through a proactive replacement program, Northland was successful in replacing the RSAs on all 54 turbines ahead of schedule and within cost expectations. This allowed for the full availability of the turbines heading into the fourth quarter, seasonally one of the stronger quarters for offshore wind resource. The costs were effectively covered by the warranty bond settlement proceeds of €58 million ($67 million at Northland's share) received in 2020 relating to then-outstanding warranty obligations of Nordsee One's turbine manufacturer.

Over the course of the replacement campaign, Nordsee One curtailed the performance of certain turbines to briefly extend their life, which reduced production (**"turbine availability"**). Nordsee One incurred lost sales due to turbine availability of €7 million ($8 million at Northland's share) for the year ended December 31, 2022.

Gemini Refinancing

During the three months ended December 31, 2022, Northland successfully restructured €1.6 billion of its senior and junior debt relating to Gemini. The restructuring will improve Adjusted Free Cash Flow to Northland over the next several years and reflects the strong and consistent operational and financial performance of Gemini. The restructuring reduced Adjusted Free Cash Flow in 2022 by €72 million ($68 million at Northland's share), which was funded with available cash flow generated from higher energy prices and, accordingly, did not impact Northland's available liquidity. The restructured debt qualifies as green financing in accordance with Northland's green financing framework.

Operating Performance

An important indicator for performance of offshore wind facilities is the current and historical average power production of the facility. The following tables summarize actual electricity production and the historical average, high and low for the applicable operating periods of each offshore facility:

	Three months ended December 31,				
	2022 (1)	**2021** (1)	**Historical Average** (2)	**Historical High** (2)	**Historical Low** (2)
Electricity production (GWh)					
Gemini	**794**	743	775	824	739
Nordsee One	**362**	333	332	362	298
Deutsche Bucht	**326**	320	314	326	300
Total	**1,482**	1,396			

	Year ended December 31,				
	2022 (1)	**2021** (1)	**Historical Average** (2)	**Historical High** (2)	**Historical Low** (2)
Electricity production (GWh)					
Gemini	**2,396**	2,193	2,365	2,496	2,193
Nordsee One	**1,087**	968	1,057	1,087	968
Deutsche Bucht	**1,003**	927	962	1,003	927
Total	**4,486**	4,088			

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

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

Electricity production for the three months ended December 31, 2022, increased 6% or 86GWh compared to the same quarter of 2021, primarily due to higher wind resource, higher turbine availability at Nordsee One due to the completion of the RSA replacement campaign ahead of schedule and fewer uncompensated grid outages at the German facilities, partially offset by higher unpaid curtailments related to negative prices in Germany. Electricity production for the year ended December 31, 2022, increased 10% or 398GWh compared to 2021 primarily due to higher wind resource, fewer unpaid curtailments related to negative prices and grid outages in Germany.

Sales of $339 million for the three months ended December 31, 2022, increased 2% or $5 million compared to the same quarter of 2021, primarily due to higher market prices and electricity production across all offshore wind facilities, partially offset by the foreign exchange rate fluctuations due to weakening of the Euro. Adjusted Free Cash Flow and Free Cash Flow are largely hedged and therefore virtually unaffected by foreign exchange rate fluctuations. Sales of $1,259 million for the year ended December 31, 2022, increased 14% or $152 million compared to 2021, primarily due to the same factors above. Higher wholesale market prices exceeding the FIT and the SDE at the offshore wind facilities allowed for the realization of $126 million (at Northland's share) of higher revenues for the year ended December 31, 2022.

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

	Three months ended December 31,		Year ended December 31,	
	2022	2021	**2022**	2021
Effect of Gemini APX hedge losses (1)	**$ 6,513**	$ 13,773	**$ 21,647**	$ 37,215
Lower turbine availability at Nordsee One (due to RSA campaign)	**630**	3,142	**8,112**	8,887
Unpaid curtailment due to negative prices in Germany	**3,125**	632	**4,270**	8,418
Unpaid curtailment due to grid outages in Germany	**$ 1,966**	$ 3,462	**$ 9,266**	$ 13,425

(1) Realized APX hedge losses are not reported in Sales but do affect Adjusted EBITDA and Adjusted Free Cash Flow.

Operating costs of $45 million for the three months ended December 31, 2022, increased 24% or $9 million, compared to the same periods of 2021 primarily due to higher operating cost at Gemini, partially offset by the effect of foreign exchange rate fluctuations. Operating costs of $170 million for the year ended December 31, 2022, decreased 2% or $4 million, compared to 2021 primarily due to the effect of foreign exchange rate fluctuations.

Operating income of $193 million for the three months ended December 31, 2022, decreased 10% or $23 million compared to the same quarter of 2021 primarily driven by higher amortization of contract assets and foreign exchange rate fluctuations due to weakening of the Euro, partially offset by higher wind resource and higher market prices across all offshore wind facilities. Operating income of $703 million for the year ended December 31, 2022, increased 27% or $150 million compared to 2021 due to a higher wind resource, higher market prices across all offshore wind facilities and fewer unpaid curtailments related to negative prices and grid outages in Germany, partially offset by higher amortization of contract assets and foreign exchange rate fluctuations due to weakening of the Euro.

Adjusted EBITDA of $221 million for the three months ended December 31, 2022, increased 7% or $15 million compared to the same quarter of 2021, due to higher wind resource, higher market prices across all offshore wind facilities and fewer unpaid curtailments related to grid outages in Germany, partially offset by foreign exchange rate fluctuations due to weakening of the Euro. Adjusted EBITDA of $800 million for the year ended December 31, 2022, increased 20% or $135 million compared to 2021 due to similar factors.

Onshore Renewable Facilities

Northland's onshore renewables comprise 996MW (at Northland's share) of 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 resource. Solar power facilities have lower fixed operating costs per unit of capacity than other renewable power technologies. Electricity production from solar facilities tends to be less variable than wind but is limited to available sunlight, which is generally higher in the summer than in the winter. For the year ended December 31, 2022, Northland's onshore renewable facilities in Canada and Spain contributed approximately 9% and 14%, respectively, of reported Adjusted EBITDA from facilities.

The Spanish portfolio, acquired in August 2021, is comprised of onshore wind (435MW), solar photovoltaic (66MW), and concentrated solar (50MW) assets located throughout Spain. The Spanish portfolio operates under a regulated asset base framework that guarantees a specified pre-tax rate of return of 7.4% for 23 sites and 7.1% for 10 sites, over the full regulatory life of the facilities, regardless of settled wholesale power price (**"pool price"**).

Revenue from the Spanish facilities is primarily comprised of two main components, return on investment (**"Ri"**) as well as a larger component based on pool prices. While a renewables operator may collect the settled pool price per MWh produced, under IFRS, until the facilities have earned their guaranteed pre-tax rate of return, revenue is only recognized at the pool price originally forecasted by the Spanish regulator at the start of the regulatory semi-period (the **"posted price"**). Under IFRS, any pool price revenue collected significantly in excess of (or below) the posted price in the current regulatory semi-period is deferred and recognized over the remaining regulatory periods (known as **"band adjustments"**). Once the facilities have earned their guaranteed pre-tax rate of return, revenue is recognized at the settled pool price. Band adjustments from prior regulatory periods continue to be recognized over the remaining regulatory periods. Two of the Spanish portfolio's onshore wind assets (100MW) have earned their guaranteed pre-tax rate of return as of the end of 2022.

Spain regulatory changes

In response to the unprecedented high energy prices for consumers, in early 2022, Spanish authorities enacted an exceptional update to the regulatory framework for the calendar year 2022 as well as the next regulatory semi-period 2023-2025. Effective mid-2022, these regulatory amendments raised the posted price from €49/MWh to €122/MWh, retroactive from January 1, 2022, thus allowing generation facilities to realize higher sales in 2022. In addition, there were also changes to the band adjustments for 2022 that permitted the recognition of deferred revenue from 2020 and 2021 into 2022, earlier than the original regulation allowed for. However, these increases will be partially offset by a reduction in regulated revenue from Ri.

As noted above, in addition to the consolidation of the Spanish debt facilities, during the fourth quarter of 2022, a €61 million ($82 million) one-time principal payment was made in relation to the deleveraging of the Spain portfolio, which reduced Adjusted Free Cash Flow and Free Cash Flow in the fourth quarter of 2022. The principal repayment was entirely funded from the cash flow realized to date from the higher pool prices since acquisition of the portfolio in 2021. The long-term financial performance of the Spanish portfolio continues to be underpinned by the regulated return associated with the facilities, with a revised debt service profile that is aligned with the cash flow forecast of the portfolio.

Northland entered into long-term Euro denominated foreign exchange hedges, at an average rate of $1.42/€1 for 2022 compared to $1.73/€1 for 2021, which hedges the majority of projected distributions from the Spanish portfolio to mitigate foreign exchange rate volatility, consistent with its corporate risk mitigation strategy. The hedged rate applicable for 2023 is $1.52/€1.

Electricity production at the onshore renewable facilities for the three months ended December 31, 2022, was 6% or 34GWh higher than the same quarter of 2021, due to higher wind resource across all onshore facilities, partially offset by lower solar resource at the Spanish facilities. Electricity production for the year ended December 31, 2022, was 46% or 741GWh higher than 2021, due to higher onshore wind and solar resources generally across all onshore facilities, in addition to the Spanish Portfolio contributing to twelve months of results in 2022 compared to five months of contributions in 2021. For the three months ended December 31, 2022, the Spanish portfolio generated 233GWh and 25GWh from wind and solar facilities, respectively. For the year ended December 31, 2022, Spanish portfolio generated 791GWh and 190GWh from wind and solar facilities, respectively.

Adjusted EBITDA for the three months ended December 31, 2022, of $96 million was 15% or $13 million higher than 2021 primarily due to the increased contribution from the Spanish portfolio. *Adjusted EBITDA* for the year ended December 31, 2022, of $364 million was 72% or $153 million higher than 2021 primarily due to similar factors. Excluding the contribution from the Spanish portfolio, for the three months ended December 31, 2022, sales and Adjusted EBITDA were 4% and 4% higher, respectively, compared to the same quarter of 2021, primarily due to higher wind and solar resource. For the year ended December 31, 2022, sales and Adjusted EBITDA from the Canadian onshore facilities were 5% and 5% higher, respectively, compared to 2021, due to the same reason above. Spanish portfolio's sales and Adjusted EBITDA for the three months ended December 31, 2022, were $83 million and $67 million, respectively and for the year ended December 31, 2022 were $269 million and $220 million, respectively.

Efficient Natural Gas Facilities

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 certain PPAs, the facility is reimbursed for certain costs of sales by the counterparty. For the year ended December 31, 2022, Northland's efficient natural gas facilities contributed approximately 16% of reported Adjusted EBITDA from facilities, with the two largest, North Battleford and Thorold accounting for approximately 12%.

In April 2022, Northland completed the sale of Iroquois Falls and Kingston, with a combined operating capacity of 230MW, that previously operated under long-term PPAs which expired at the end of 2021 and 2017, respectively.

Electricity production for the three months ended December 31, 2022, increased 7% or 60GWh, compared to the same quarter of 2021, mainly due to higher market demand. Electricity production for the year ended December 31, 2022, increased 8% or 243GWh, compared to 2021, due to the effect of planned maintenance outages last year at North Battleford and Thorold.

Sales of $111 million decreased 13% or $17 million compared to the same quarter of 2021, primarily due to the sale of Iroquois Falls.

Adjusted EBITDA for the three months ended December 31, 2022, of $49 million decreased 41% or $34 million compared to the same period of 2021, primarily due to the sale of Iroquois Falls. Adjusted EBITDA for the year ended December 31, 2022, of $246 million decreased 10% compared to the same period of 2021, primarily due to the sale of Iroquois Falls.

Utility

Empresa de Energía de Boyacá S.A E.S.P (**"EBSA"**) holds the sole franchise rights for electricity distribution in the Boyacá region of Colombia and is an electricity retailer for the regulated residential sector in the region. EBSA owns and operates an extensive distribution network, serving about half a million customers. EBSA's net sales are almost entirely regulated, of which the vast majority is earned from its distribution business and the remainder primarily from its electricity retail business. EBSA's results are affected by exchange rate fluctuations between the Canadian dollar and the Colombian peso. For 2022, Northland has hedged the foreign exchange rate at COP$3,128:CAD$1 (2021: COP$2,880:CAD$1) for nearly all of the anticipated Colombian peso-denominated cash flow, mitigating the effects of fluctuations in the foreign exchange rate on Adjusted Free Cash Flow. For the year ended December 31, 2022, EBSA contributed approximately 7% of reported Adjusted EBITDA from facilities.

EBSA earns revenue by charging customers a rate approved under the regulatory framework administered by the local regulator, the Comisión de Regulación de Energía y Gas (**"CREG"**). The rate charged is set for an expected five-year period and includes amounts retained by EBSA, as retailer and distributor, and amounts passed through to other electricity system participants, such as the transmission operator. EBSA's portion of the rate is determined based on its asset base (i.e. the "rate base"), inflation indexation per the established Colombian producer price index and a regulated weighted average cost of capital (**"WACC"**) of approximately 12.09% for an expected five-year period. The rate base takes into account the depreciated cost of existing equipment and anticipated future investments for maintenance and growth. EBSA's portion of the rate also includes standardized allowances set by the regulator intended to cover fixed and variable operating costs. The rate is designed to ensure EBSA earns a predictable and stable return.

Sales and *gross profit* of $64 million and $43 million for the three months ended December 31, 2022, increased 9% or $5 million and 7% or $3 million, respectively, compared to the same quarter of 2021 primarily due to rate escalations, driven by a higher Colombian producer price index, positively affecting EBSA's financial performance, partially offset by foreign exchange fluctuations due to weakening of Colombian Peso. Sales and gross profit of $270 million and $186 million for the year ended December 31, 2022, increased 20% or $44 million and 19% or $30 million, respectively, compared to 2021, primarily due to the same factors.

Operating income of $20 million for the three months ended December 31, 2022, increased 21% or $3 million compared to the same periods of 2021, due to the factors described above. Operating income of $85 million for the year ended December 31, 2022, increased 44% or $26 million, compared to the same periods of 2021, due to the factors described above.

Adjusted EBITDA of $27 million for the three months ended December 31, 2022, increased 13% or $3 million compared to the same periods of 2021, due to the factors described above. Adjusted EBITDA of $114 million for the year ended December 31, 2022, increased 25% or $22 million, compared to the same periods of 2021, due to the factors described above.

In December 2021, Northland restructured and upsized EBSA's long-term, non-recourse financing (the **"EBSA Facility"**), resulting in $84 million of incremental cash proceeds to Northland, net of closing costs (the **"EBSA Refinancing"**). The upsizing of the EBSA Facility was completed on the basis of growth in EBSA's projected EBITDA growth for 2022, based on increases in the rate base. Net upsizing proceeds of $47 million, in excess of EBSA's expansionary capital expenditure needs were included in Adjusted Free Cash Flow and Free Cash Flow for the year ended December 31, 2022.

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

5.2: General and Administrative Costs

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

	Three months ended December 31,				Year ended December 31,			
		2022		**2021**		**2022**		**2021**
Corporate G&A	**$**	**16,848**	$	16,328	**$**	**54,820**	$	43,303
Operations G&A (1)		**8,464**		5,611		**29,143**		24,380
Total G&A costs	**$**	**25,312**	$	21,939	**$**	**83,963**	$	67,683

(1) Operations G&A is included in the respective segment's Adjusted EBITDA and Adjusted Free Cash Flow presented in *Section 5.1 Operating Results.*

Corporate G&A costs of $17 million and $55 million for the three months and the year ended December 31, 2022, were 3% or $1 million and 27% or $12 million, higher, respectively, compared to the same periods of 2021 primarily due to increased personnel costs and other costs supporting Northland's global growth, in-line with management's expectations.

Operations G&A costs of $8 million and $29 million for the three months and the year ended December 31, 2022, were 51% or $3 million and 20% or $5 million, higher, respectively, compared to the same periods of 2021 primarily due to full year administrative expenses from the Spanish portfolio.

5.3: Growth Expenditures

The following table summarizes development costs (charged to expense under IFRS) and growth expenditures for non-IFRS financial measures:

	Three months ended December 31,				Year ended December 31,			
		2022		**2021**		**2022**		**2021**
Business development	**$**	**11,365**	$	—	**$**	**26,859**	$	21,756
Project development		**6,789**		13,861		**15,824**		14,968
Development overhead		**6,219**		11,229		**34,639**		33,270
Acquisition costs (1)		**138**		1,659		**895**		7,666
Development costs	**$**	**24,511**	$	26,749	**$**	**78,217**	$	77,660
Joint venture project development costs (2)		**273**		581		**3,098**		8,971
Growth expenditures (3)	**$**	**24,646**	$	25,671	**$**	**80,420**	$	78,965
Growth expenditures on a per share basis					**$**	**0.34**	$	0.36

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

(2) Includes Northland's share of development costs incurred at Baltic Power, 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 deploys early-stage investment capital (growth expenditures) to advance projects in its pipeline. In 2022, the Company's growth expenditures amounted to $80 million to fund key projects including Nordsee Cluster, CanWind, ScotWind and South Korean projects. With regional development offices in Europe, Asia, North America and Latin America fully functional and with a pipeline of growth opportunities currently secured, Northland expects to incur higher growth expenditures and capital investments in future years to fund its identified development pipeline and opportunities sourced through the regional development offices.

Growth expenditures are excluded from Adjusted Free Cash Flow. However, these growth expenditures reduce near-term Free Cash Flow until projects achieve capitalization under IFRS but should deliver sustainable growth in Free Cash Flow over the long-run.

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 the acquisition or to completion. Business development costs for the year ended December 31, 2022, were higher compared to 2021 due to the timing of development activities pursuing opportunities.

Project development costs are attributable to identified early- to mid-stage development projects under active development that are likely to generate cash flow over the long-run, though do not yet meet capitalization criteria under IFRS. For the year ended December 31, 2022, project development costs were largely in line with 2021. Refer to *SECTION 9: DEVELOPMENT, ACQUISITION AND CONSTRUCTION ACTIVITIES* for additional information on identified development projects.

Development overhead primarily relates to personnel, rent and other office costs not directly attributable to specific development projects. Development overhead reflects Northland's resources and development offices in key target jurisdictions focused on securing long-term growth opportunities in those jurisdictions. Development overhead costs for the year ended December 31, 2022, were higher than 2021 primarily due to higher personnel and other costs in support of Northland's global growth.

Acquisition and transaction costs are generally third-party transaction-related costs directly attributable to an executed business acquisition.

5.4: Consolidated Results

The following discussion of the significant factors contributing to the consolidated financial results should be read in conjunction with Northland's audited consolidated financial statements for the year ended December 31, 2022.

	Three months ended December 31,		Year ended December 31,	
	2022	2021	**2022**	2021
Electricity production (GWh)	**3,009**	2,828	**10,139**	8,757
Sales	**$ 641,115**	$ 640,090	**$ 2,448,815**	$ 2,093,255
Less: Cost of sales	**67,544**	60,212	**270,426**	213,493
Gross profit	**$ 573,571**	$ 579,878	**$ 2,178,389**	$ 1,879,762
Expenses				
Operating costs	**96,123**	83,716	**351,995**	327,894
General and administrative costs	**25,312**	21,939	**83,963**	67,683
Development costs	**24,511**	26,749	**78,217**	77,660
Depreciation of property, plant and equipment	**146,645**	155,356	**571,090**	612,755
Amortization of contracts and intangible assets	**13,966**	(5,594)	**53,611**	23,284
	$ 306,557	$ 282,166	**$ 1,138,876**	$ 1,109,276
Investment (loss) income	**(599)**	482	**523**	3,218
Finance lease income	**2,780**	2,880	**11,271**	11,662
Operating income	**$ 269,195**	$ 301,074	**$ 1,051,307**	$ 785,366
Finance costs, net	**86,578**	99,611	**323,632**	342,417
Impairment	**—**	—	**—**	29,981
Foreign exchange (gain) loss	**(69,073)**	29,429	**(41,792)**	81,318
Fair value (gain) loss on derivative contracts	**(140,901)**	(53,021)	**(460,704)**	(116,621)
Other expense (income)	**(2,321)**	15,639	**(29,948)**	25,040
Income (loss) before income taxes	**$ 394,912**	$ 209,416	**$ 1,260,119**	$ 423,231
Provision for (recovery of) income taxes				
Current	**77,785**	35,112	**203,376**	84,410
Deferred	**(6,795)**	44,776	**101,286**	68,942
Provision for (recovery of) income taxes	**$ 70,990**	$ 79,888	**$ 304,662**	$ 153,352
Net income (loss)	**$ 323,922**	$ 129,528	**$ 955,457**	$ 269,879
Net income (loss) attributable to common shareholders per share - basic and diluted	**$ 1.12**	$ 0.45	**$ 3.46**	$ 0.82

Fourth Quarter

Sales of $641 million were in line compared to the same quarter of 2021.

Gross profit of $574 million was in-line compared to the same quarter of 2021.

Operating costs of $96 million increased 15% or $12 million compared to the same quarter of 2021 primarily due to higher running and maintenance costs at the Gemini and the Spanish portfolio, partially offset by the effect of foreign exchange rate fluctuations.

G&A costs of $25 million increased 15% or $3 million primarily due to personnel costs and other costs supporting Northland's global growth, in-line with management's expectations.

Development costs of $25 million decreased 8% or $2 million compared to the same quarter of 2021 primarily due to higher capitalization of development cost relating to development projects, as a result of projects advancing to required milestones.

Finance costs, net (primarily interest expense) of $87 million decreased 13% or $13 million compared to the same quarter of 2021 primarily due to scheduled repayments on facility-level loans.

Fair value gain on derivative contracts was $141 million compared to a $53 million gain in the same quarter of 2021 primarily due to net movement in the fair value of derivatives related to commodity, interest rates and foreign exchange contracts.

Foreign exchange gain of $69 million was primarily due to unrealized gains from fluctuations in the closing foreign exchange rates.

Other income was $18 million higher than the same period of 2021 primarily due to non-cash write-downs of receivables and the higher share of joint venture development costs in 2021.

Net income of $324 million in the fourth quarter of 2022 compared to $130 million in the same quarter of 2021 primarily as a result of the factors described above.

2022

Sales of $2,449 million increased 17% or $356 million compared to 2021 primarily due to higher market prices and higher production across all offshore wind facilities and full year contribution from the Spanish Portfolio, which was acquired in August 2021, partially offset by the sale of Iroquois Falls and foreign exchange rate fluctuations.

Gross profit of $2,178 million increased 16% or $299 million compared to 2021 primarily due to the same factors affecting sales in the period.

Operating costs of $352 million increased 7% or $24 million compared to 2021 primarily due to higher running and maintenance costs at the Gemini and the Spanish portfolio, partially offset by the effect of foreign exchange rate fluctuations.

G&A costs of $84 million increased 24% or $16 million compared to 2021 primarily due to personnel costs and other costs supporting Northland's global growth, in-line with management's expectations.

Development costs of $78 million compared to 2021 were largely in line with last year.

Finance costs, net (primarily interest expense) of $324 million decreased 5% or $19 million compared to 2021 as a result of scheduled repayments on facility-level loans.

Fair value gain on derivative contracts was $461 million compared to a $117 million gain in the same period of 2021 primarily due to net movement in the fair value of derivatives related to commodity, interest rates and foreign exchange contracts.

Foreign exchange gain of $42 million was primarily due to unrealized gain from fluctuations in the closing foreign exchange rates.

There was no impairment in 2022, whereas, in the same period of 2021, an impairment of goodwill totaling $30 million was recorded for Iroquois Falls due to the expiry of its PPA in December 2021.

Other income was $55 million higher than the same period of 2021 primarily due to the gain on sale of two efficient natural gas facilities and non-cash write-downs of receivables in 2021, partially offset by the share of increasing joint venture development costs.

Net income increased $686 million for the year ended December 31, 2022, compared to the same period in 2021 primarily due to the factors described above, partially offset by a $151 million higher tax expense.

5.5: Adjusted EBITDA

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

	Three months ended December 31,		Year ended December 31,	
	2022	**2021**	**2022**	**2021**
Net income (loss)	**$ 323,922**	$ 129,528	**$ 955,457**	$ 269,879
Adjustments:				
Finance costs, net	**86,578**	99,611	**323,632**	342,417
Gemini interest income	**2,265**	3,843	**13,065**	15,810
Acquisition costs	**138**	1,659	**895**	7,666
Provision for (recovery of) income taxes	**70,990**	79,888	**304,662**	153,352
Depreciation of property, plant and equipment	**146,645**	155,356	**571,090**	612,755
Amortization of contracts and intangible assets	**13,966**	(5,594)	**53,611**	23,284
Fair value (gain) loss on derivative contracts	**(147,414)**	(78,047)	**(482,351)**	(153,536)
Foreign exchange (gain) loss	**(69,073)**	29,429	**(41,792)**	81,318
Impairment loss	**—**	—	**—**	29,981
Elimination of non-controlling interests	**(73,692)**	(74,593)	**(272,407)**	(260,567)
Finance lease (lessor)	**(1,511)**	(1,113)	**(6,352)**	(7,137)
Others [1]	**256**	23,681	**(21,334)**	21,782
Adjusted EBITDA	**$ 353,070**	$ 363,648	**$ 1,398,176**	$ 1,137,004

(1) Others primarily include share of results from equity investments, loss (gain) on sale of assets and share of joint venture project development costs.

Gemini interest income reflects interest earned on Northland's €117 million subordinated debt to Gemini. Under the terms of the Gemini debt amendment completed in the fourth quarter, quarterly principal payments to Northland commenced in December 2022 until maturity in 2031. 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.

Fourth Quarter

Adjusted EBITDA of $353 million for the three months ended December 31, 2022, decreased 3% or $11 million compared to the same quarter of 2021. The significant factor decreasing Adjusted EBITDA includes:

- $25 million decrease in operating results due to the loss in contribution as a result of the expiry of the PPA and subsequent sale of Iroquois Falls in April 2022.

Factors partially offsetting the decrease in Adjusted EBITDA were:

- $15 million increase in operating results at the offshore wind facilities primarily due to higher turbine availability at Nordsee One, strong wind resource and high APX above the SDE at Gemini; and
- $12 million higher contribution from the Spanish renewables portfolio primarily resulting from higher regulated posted prices for the portfolio at €122/MWh compared to €52/MWh in 2021.

Full Year

Adjusted EBITDA of $1,398 million for the year ended December 31, 2022, increased 23% or $261 million compared to the same period of 2021. The significant factors increasing Adjusted EBITDA include:

- $146 million mainly due to the contribution from Spanish portfolio for twelve months of results in 2022 compared to five months of contributions in 2021 after its acquisition, and favourable regulatory changes in Spain retroactive to January 1, 2022;
- $135 million increase in operating results at offshore wind facilities primarily due to higher market prices and higher wind resource;
- $37 million increase in contribution from a one-time management fee of $33 million from Kirkland Lake that followed the restructuring and upsizing of its credit facility completed during the period and other operating optimizations; and

- $22 million increase in operating results primarily due to rate escalations at EBSA.

The factor partially offsetting an increase in Adjusted EBITDA was:

- $84 million decrease in operating results due to the loss in contribution as a result of the expiry of the PPA and subsequent sale of Iroquois Falls in April 2022.

5.6: Adjusted Free Cash Flow and Free Cash Flow

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

	Three months ended December 31,		Year ended December 31,	
	2022	**2021**	**2022**	**2021**
Cash provided by operating activities	**$ 550,689**	$ 559,368	**$ 1,832,983**	$ 1,609,295
Adjustments:				
Net change in non-cash working capital balances related to operations	**(141,244)**	(111,986)	**(289,875)**	(292,499)
Non-expansionary capital expenditures	**(10,675)**	(7,734)	**(56,248)**	(40,558)
Restricted funding for major maintenance, debt and decommissioning reserves	**(6,531)**	2,294	**(17,857)**	(7,505)
Interest	**(112,927)**	(100,842)	**(336,356)**	(277,908)
Scheduled principal repayments on facility debt	**(439,185)**	(278,667)	**(839,614)**	(635,901)
Funds set aside (utilized) for scheduled principal repayments	**170,661**	119,951	**—**	635
EBSA Refinancing proceeds, net of growth capital expenditures	**20,078**	3,827	**46,974**	3,827
Preferred share dividends	**(2,954)**	(2,710)	**(11,206)**	(10,811)
Consolidation of non-controlling interests	**(31,707)**	(40,240)	**(75,217)**	(90,022)
Investment income [1]	**12,214**	4,750	**24,880**	20,153
Proceeds under NER300 and warranty settlement at Nordsee One	**14,530**	10,764	**70,317**	38,636
Others [2]	**(7,066)**	(2,434)	**31,691**	(9,941)
Free Cash Flow	**$ 15,883**	$ 156,341	**$ 380,472**	$ 307,401
Add Back: Growth expenditures	**24,646**	25,671	**80,420**	78,965
Adjusted Free Cash Flow	**$ 40,529**	$ 182,012	**$ 460,892**	$ 386,366

(1) Investment income includes Gemini interest income.

(2) Others mainly include effect of foreign exchange rates and hedges, Nordsee One interest on shareholder loans, share of joint venture project development costs, acquisition costs, lease payments, interest income, and other non-cash expenses adjusted in working capital excluded from Free Cash Flow in the period.

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

Scheduled principal repayments on facility debt reflect repayments as paid. *Funds set aside (utilized) for scheduled principal repayments* allocates repayments across the quarters in order to more clearly reflect the Company's performance. Gemini's principal repayment schedule is weighted towards the first payment of the year to align with Gemini's expected annual cash flow profile, while Nordsee One, Deutsche Bucht and the Spanish portfolio's principal repayments are equally weighted. Northland's share of scheduled principal repayments for Gemini, Nordsee One, Deutsche Bucht and the Spanish portfolio are presented in the table below.

Scheduled Principal Repayments (at Northland's share)	**2023**	**2022**	**2021**
Gemini	€ 88,497	€ 127,103	€ 83,283
Nordsee One	86,767	88,411	86,502
Deutsche Bucht	78,071	76,507	78,168
Spanish Portfolio	85,334	124,603	23,438
Total	**€ 338,669**	**€ 416,624**	**€ 271,391**

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

Others mainly include net proceeds from sale of two efficient natural gas facilities and interest income of $30 million and $13 million, respectively, partially offset by the foreign exchange rates and hedges of $18 million.

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 final cash payments are expected in 2023 for the production ceiling under the program met in 2022. Proceeds accrued under Adjusted Free Cash Flow are based on production during the period. For the year ended December 31, 2022, and December 31, 2021, proceeds from this program, based on production, totaled $14 million and $16 million, respectively.

The following table reconciles Adjusted EBITDA to Adjusted Free Cash Flow.

	Three months ended December 31,		**Year ended December 31,**	
	2022	**2021**	**2022**	**2021**
Adjusted EBITDA	**$ 353,070**	$ 363,648	**$ 1,398,176**	$ 1,137,004
Adjustments:				
Scheduled debt repayments	**(225,131)**	(128,450)	**(684,630)**	(507,759)
Interest expense	**(37,235)**	(61,992)	**(220,347)**	(243,597)
Current taxes	**(70,309)**	(32,205)	**(192,953)**	(74,957)
Non-expansionary capital expenditure	**(9,266)**	(7,051)	**(48,094)**	(36,695)
Utilization (funding) of maintenance and decommissioning reserves	**(6,092)**	2,667	**(16,550)**	(6,195)
Lease payments, including principal and interest	**(2,996)**	(1,570)	**(10,353)**	(7,169)
Preferred dividends	**(2,954)**	(2,710)	**(11,206)**	(10,811)
Foreign exchange hedge gain (loss)	**(18,730)**	10,844	**37,486**	23,053
Proceeds under NER300 and warranty settlement at Nordsee One	**12,349**	9,956	**59,769**	33,648
EBSA Refinancing proceeds, net of growth capital expenditures	**20,078**	3,827	**46,974**	3,827
Others (1)	**3,099**	(623)	**22,200**	(2,948)
Free Cash Flow	**$ 15,883**	$ 156,341	**$ 380,472**	$ 307,401
Add Back: Growth expenditures	**24,646**	25,671	**80,420**	78,965
Adjusted Free Cash Flow	**$ 40,529**	$ 182,012	**$ 460,892**	$ 386,366

(1) Others mainly include Gemini interest income, shareholder loan to Kirkland Lake and interest received on third-party loans to partners.

Fourth Quarter

Adjusted Free Cash Flow of $41 million for the three months ended December 31, 2022, was 78% or $141 million lower than the same quarter of 2021.

The significant factors decreasing Adjusted Free Cash Flow were:

- $97 million increase in scheduled and one-time refinancing related debt repayments on facility-level loans, mainly at Gemini and the Spanish portfolio;
- $38 million increase in current taxes primarily at the offshore wind facilities and the Spanish portfolio as a result of better financial results; and
- $11 million decrease in contribution from the efficient natural gas facilities leading to lower Adjusted EBITDA, partially offset by higher contribution from offshore wind and onshore renewable facilities.

The factor partially offsetting the decrease in Adjusted Free Cash Flow was:

- $20 million increase primarily from the proceeds of the EBSA refinancing net of expansionary capital expenditures.

Free Cash Flow, which includes growth expenditures, totaled $16 million for the three months ended December 31, 2022, and was 90% or $140 million lower than the same quarter of 2021, due to the same factors as Adjusted Free Cash Flow.

Full Year

Adjusted Free Cash Flow of $461 million for the year ended December 31, 2022, was 19% or $75 million higher than 2021.

The significant factors increasing Adjusted Free Cash Flow were:

- $97 million increase in overall contribution across all facilities, excluding the Spanish portfolio, primarily due to better operating results, as described above in Adjusted EBITDA;
- $28 million increase in contribution from a one-time management fee from Kirkland Lake that followed the restructuring and upsizing of its credit facility completed during the year and other operating optimizations;
- $30 million net proceeds from the sale of two efficient natural gas facilities in April 2022; and
- $35 million decrease in interest costs as a result of scheduled principal repayments on facility-level loans, excluding the Spanish portfolio.

The factors partially offsetting the increase in Adjusted Free Cash Flow were:

- $84 million increase in current taxes primarily at the offshore wind facilities as a result of better financial results; and
- $35 million decrease in contribution from the Spanish portfolio primarily due to the one-time principal payment upon the debt restructuring.

Free Cash Flow, which includes growth expenditures, totaled $380 million for the year ended December 31, 2022, and was 24% or $73 million higher than the same period of 2021 due to the same factors as Adjusted Free Cash Flow.

The following table summarizes dividends paid, payout ratios as well as per share amounts;

	Three months ended December 31,		Year ended December 31,	
	2022	2021	**2022**	2021
Cash dividends paid to shareholders	**$ 51,337**	$ 44,688	**$ 196,845**	$ 172,755
Adjusted Free Cash Flow payout ratio - cash dividends (1)			**43 %**	45 %
Free Cash Flow payout ratio - cash dividends (1)			**52 %**	56 %
Total dividends paid to shareholders (2)	**$ 73,584**	$ 67,938	**$ 282,269**	$ 261,730
Adjusted Free Cash Flow payout ratio - total dividends (1) (2)			**61 %**	67 %
Free Cash Flow payout ratio - total dividends (1)			**74 %**	84 %
Weighted avg. number of shares - basic and diluted (000s)	**246,378**	226,568	**236,157**	218,861
Per share ($/share)				
Dividends paid	**$ 0.30**	$ 0.30	**$ 1.20**	$ 1.20
Adjusted Free Cash Flow — basic and diluted	**$ 0.16**	$ 0.80	**$ 1.95**	$ 1.77
Free Cash Flow — basic and diluted	**$ 0.06**	$ 0.69	**$ 1.61**	$ 1.40

(1) On a rolling four-quarter basis.

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

At December 31, 2022, the rolling four quarter Adjusted Free Cash Flow and the Free Cash Flow net payout ratio improved to 43% and 52%, respectively, calculated on the basis of cash dividends paid, compared to 45% and 56% for the same period ending December 31, 2021. The improvement in both net payout ratios was due to higher reported Adjusted Free Cash Flow. The Free Cash Flow net payout ratio was similarly improved compared to the same period ending December 31, 2021.

SECTION 6: CHANGES IN FINANCIAL POSITION

The following table provides a summary of account balances derived from the audited consolidated statements of financial position as at December 31, 2022 and December 31, 2021.

As at		December 31, 2022		December 31, 2021
Assets				
Cash and cash equivalents	**$**	**1,299,833**	$	673,692
Restricted cash		**160,142**		155,631
Trade and other receivables		**397,771**		383,308
Other current assets		**242,381**		77,950
Property, plant and equipment, net		**9,377,584**		9,586,466
Contracts and other intangible assets, net		**515,775**		497,635
Net derivative assets (2)		**646,000**		—
Investment in joint ventures		**441,565**		138,726
Other assets (1)		**1,008,343**		1,024,806
	$	**14,089,394**	$	12,538,214
Liabilities				
Trade and other payables	**$**	**1,001,773**	$	504,583
Facility-level loans and borrowings		**6,961,955**		7,592,214
Net derivative liabilities (2)		**—**		215,618
Net deferred tax liability (2)		**670,337**		470,015
Other liabilities (3)		**731,056**		790,073
	$	**9,365,121**	$	9,572,503
Total equity		**4,724,273**		2,965,711
	$	**14,089,394**	$	12,538,214

(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, provisions and other liabilities.

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

- *Cash and Cash Equivalents* increased by $626 million primarily due to proceeds from the ATM program.
- *Other current assets* increased by $164 million primarily due to deposit for redemption of Series 3 Preferred Shares.
- *Investment in joint ventures* increased by $303 million primarily due to the investment in Hai Long.
- *Property, plant and equipment* decreased by $209 million primarily due to depreciation and foreign exchange fluctuation partially offset by construction-related activities.
- *Net derivative assets* increased $862 million from a net derivative liability at December 31, 2021, primarily due to the effects of higher interest rates in Canada, the US and Europe and strengthening of the Canadian dollar against the Euro.
- *Facility-level loans and borrowings* decreased by $630 million mainly due to scheduled principal repayments on facility-level debt, one-time debt repayments resulting from the Gemini and the Spanish portfolio debt facility amendments and foreign exchange fluctuation partially offset by construction related drawdowns.
- *Other liabilities* decreased by $59 million primarily due to repayments of the revolving corporate credit facility outstanding from the proceeds of the ATM program.

SECTION 7: EQUITY, LIQUIDITY AND CAPITAL RESOURCES

Northland maintains sufficient liquidity to meet short- and medium-term cash needs and ensures that it has access to sufficient resources to capitalize on investment opportunities and to meet growth expenditure commitments, monthly cash dividend requirements and other needs in the normal course of operations. Northland finances these commitments through cash flow from operations, non-recourse project financing, securing partnerships and partner contributions, 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 per share 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 at least annually as part of Northland's overall capital allocation strategy to balance growth requirements and investor preferences.

Dividend Reinvestment Plan ("DRIP")

The DRIP provides shareholders the right to reinvest their dividends in shares at a 3% 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.

Equity

The change in shares during 2022 and 2021 was as follows:

As at	December 31, 2022	December 31, 2021
Common shares		
Shares outstanding, beginning of year	**226,882,751**	202,171,075
Equity offering	**20,894,982**	22,500,500
Shares issued under the LTIP	**14,974**	21,967
Shares issued under the DRIP	**2,224,650**	2,189,209
Total common shares outstanding, end of period	**250,017,357**	226,882,751

Preferred shares outstanding as at December 31, 2022, and December 31, 2021 were as follows:

As at	December 31, 2022	December 31, 2021
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 November 2022, Northland's corporate credit rating was reaffirmed at BBB (stable) by Fitch Ratings Inc., a global rating agency and BB+ for Northland's preferred shares. In May 2022, S&P reaffirmed its BBB (stable) rating for Northland.

At December 31, 2022, Northland had 250,017,357 common shares outstanding (as at December 31, 2021 - 226,882,751) with no change in preferred shares outstanding from December 31, 2021.

As of February 23, 2023, Northland has 250,728,253 common shares outstanding with no change in preferred shares Series 1 and Series 2 outstanding from December 31, 2022.

On January 3, 2023, Northland redeemed all 4,800,000 issued and outstanding Series 3 Preferred Shares at a price of $25.00 per Series 3 Preferred Share together with all accrued and unpaid dividends of $0.3175 per Series 3 Preferred Share for an aggregate total of $121.5 million. As of December 31, 2022, Series 3 Preferred Shares had been reclassified from equity to current liabilities.

Liquidity and Capital Resources

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

	Three months ended December 31,		Year ended December 31,	
	2022	2021	**2022**	2021
Cash and cash equivalents, beginning of period	**$ 1,533,904**	$ 533,079	**$ 673,692**	$ 434,989
Cash provided by operating activities	**550,689**	559,368	**1,832,983**	1,609,295
Cash (used in) investing activities	**(311,826)**	178,262	**(629,683)**	(1,030,863)
Cash (used in) provided by financing activities	**(526,310)**	(151,112)	**(604,837)**	(225,679)
Effect of exchange rate differences	**53,376**	(25,341)	**27,678**	(114,050)
Cash and cash equivalents, end of period	**$ 1,299,833**	$ 1,094,256	**$ 1,299,833**	$ 673,692

Fourth Quarter

Cash and cash equivalents for the fourth quarter of 2022 decreased $234 million from September 30, 2022, due to cash provided by operations of $551 million, partially offset by cash used by investing activities of $312 million, cash used in financing activities of $526 million and $53 million effect of foreign exchange translation.

The decrease in cash and cash equivalents during the quarter was largely due to construction-related activities at Northland's identified projects, amendment of debt at Gemini and the Spain facilities, partially offset by higher cash provided by operations and foreign exchange rate differences.

2022

Cash and cash equivalents for the year ended December 31, 2022, increased $626 million due to cash provided by operations of $1,833 million and $28 million effect of foreign exchange translation, partially offset by $630 million of cash used in investing activities and $605 million in financing activities.

Cash provided by operating activities for the year ended December 31, 2022, was $1,833 million comprising:

- $955 million of net income;
- $588 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
- $290 million in changes in working capital due to the timing of payables, receivables and deposits.

Cash used in investing activities for the year ended December 31, 2022, was $630 million, primarily comprising:

- $453 million used for the purchase of property, plant and equipment, mainly for the Nordsee One RSA replacement campaign and ongoing construction at New York Wind and other projects;
- $203 million used mainly for the investment in the Hai Long Offshore Wind project;
- $38 million used mainly for the acquisition of the Oneida Battery Storage project and the Alberta Portfolio; and
- $33 million used for the acquisition of the contractual assets of the ScotWind Offshore Wind project.

Factor partially offsetting cash used in investing activities includes:

- $39 million of other mainly related to net proceeds from the sale of two efficient natural gas facilities.

Cash used in financing activities for the year ended December 31, 2022, was $605 million, primarily comprising:

- $2,681 million in scheduled principal repayments on the facility-level debt, in addition to the repayments resulting from the amendments to the Gemini and the Spanish portfolio debt facilities;
- $336 million in interest payments;
- $302 million of common and preferred share dividends as well as dividends to non-controlling interest (**"NCI"**);
- $122 million in advance payment made for the redemption of preferred shares; and
- $45 million in net repayment under the corporate syndicated revolving facility.

Factors partially offsetting cash used in financing activities include:

- $852 million received from common shares issued under the ATM program; and
- $2,019 million of draws on project debt primarily for construction of the projects, in addition to the drawdown as a result of the amendment to the Gemini and the Spanish portfolio debt facilities.

Movement of foreign currencies, including primarily the Euro, U.S. dollar and Colombian peso, against the Canadian dollar increased cash and cash equivalents by $28 million for the year ended December 31, 2022. Northland aims to mitigate the effects of exchange rate fluctuations through a variety of mechanisms, including foreign exchange hedges and natural hedges by corporate debt denominated in USD or Euro for operating expenditures.

Property, Plant and Equipment

The following table provides a continuity of the cost of property, plant and equipment for the year ended December 31, 2022:

	Balance as at Jan 1, 2022	Additions	Provisions, disposals and other (1)	Exchange rate differences	Balance as at Dec 31, 2022
Operations:					
Offshore wind	$ 6,644,941	$ 54,610	$ (5,390)	$ 58,709.5	**$ 6,752,871**
Onshore renewable	3,295,996	9,685	(4,738)	13,642	**3,314,585**
Efficient natural gas(2)	1,777,927	3,664	(462,641)	—	**1,318,950**
Utility	528,970	34,527	(2,615)	(53,420)	**507,462**
Construction:					
Onshore renewable	527,894	280,287	5,581	56,246	**870,008**
Corporate (3)	176,486	77,648	(154,891)	1,004	**100,247**
Total	**$ 12,952,214**	**$ 460,421**	**$ (624,694)**	**$ 76,182**	**$ 12,864,123**

(1) Includes disposal of assets and amounts accrued under the long-term incentive plan (**"LTIP"**). In April 2022, Northland completed the sale of two efficient natural gas facilities in Ontario, Canada.

(2) Excludes Spy Hill lease receivable accounting treatment.

(3) During the fourth quarter, capitalized development cost incurred on behalf of Hai Long's project entity was reclassified to investment in joint venture (Hai Long).

Long-term Debt

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

The following table provides a continuity of Northland's debt for the year ended December 31, 2022:

	Balance as at Jan 1, 2022	Financings, net of costs	Repayments	Amort. of costs/fair value	Exchange rate differences	Balance as at Dec 31, 2022
Operations:						
Offshore wind	$ 4,010,027	$ 962,507	$ (1,509,384)	$ 13,688	$ 6,421	**$ 3,483,259**
Onshore renewable	2,031,908	834,297	(1,108,531)	1,261	(1,463)	**1,757,472**
Efficient natural gas	902,558	34,697	(63,360)	1,422	—	**875,317**
Utility	518,096	—	—	807	(56)	**518,847**
Construction:						
Onshore renewable	129,625	187,984	—	(8,425)	17,876	**327,060**
Corporate (1)	41,825	770,021	(815,033)	80	290	**(2,817)**
Total	**$ 7,634,039**	**$ 2,789,506**	**$ (3,496,308)**	**$ 8,833**	**$ 23,068**	**$ 6,959,138**

(1) Deferred financing cost associated with the syndicated revolving facility is included within the other assets in the consolidated statement of financial position.

Additionally, as at December 31, 2022, $104 million of letters of credit were outstanding under non-recourse project-level credit facilities for operational use.

During the year ended December 31, 2022, Northland entered into multiple financing activities. Refer to *Section 4.1: Significant Events* for additional information.

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 fund development expenses, defray its corporate expenses, repay corporate debt and pay cash dividends to 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. As of December 31, 2022, Northland and its subsidiaries were in compliance with all debt covenants.

Corporate Credit Facilities and Letters of Credit

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

As at December 31, 2022	**Facility size**	**Amount drawn**	**Outstanding letters of credit**	**Available capacity**	**Maturity date**
Sustainability linked loan syndicated revolving facility (1)	$ 1,000,000	$ —	$ 417,236	$ 582,764	Sep. 2027
Bilateral letter of credit facility (2)	150,000	—	137,911	12,089	Sep. 2024
Export credit agency backed letter of credit facility (3)	100,000	—	76,442	23,558	Mar. 2023
Export credit agency backed letter of credit facility (4)	100,000	—	39,277	60,723	n/a
Total	**$ 1,350,000**	**$ —**	**$ 670,866**	**$ 679,134**	
Less: deferred financing costs (5)		2,817			
Total, net		**$ (2,817)**			

(1) During the fourth quarter, the maturity date of the syndicated revolving facility was extended to September 2027.

(2) During the fourth quarter, the maturity date of the bilateral letter of credit facility was extended to September 2024.

(3) During the first quarter, the maturity date of the credit facility was extended to March 2023.

(4) The $100 million facility does not have a specified maturity date. During the fourth quarter, the letter of credit facility size was increased from $50 million to $100 million.

(5) Deferred financing cost associated with the syndicated revolving facility is included within the other assets in the consolidated statement of financial position.

- Of the $671 million of corporate letters of credit issued as at December 31, 2022, $475 million relates to projects under advanced development or construction.
- During the year ended December 31, 2022, Northland made net repayments of $45 million on the syndicated revolving facility.

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

Exposure to LIBOR and EURIBOR

LIBOR and EURIBOR are the two key global benchmark rates used to determine interest rates and value government and corporate bonds, loans, currency and interest rate swaps and many other financial products. Global regulators have been working with industry groups and policymakers over the past several years to identify and transition to more robust reference rates. In Europe, regulators have transitioned to a hybrid calculation methodology for EURIBOR. In the United States, regulators have identified the secured overnight financing rate (**"SOFR**") as the successor rate for USD LIBOR. Effective December 31, 2021, USD LIBOR will not be used for new loans, and interest rate swaps will be converted to SOFR by June 30, 2023. In Canada, regulators have announced that the Canadian Overnight Repo Rate Average (**"CORRA"**) will be the successor rate for the Canadian Dollar Offered Rate (**"CDOR"**). Effective June 30, 2023, CDOR will not be used for interest rate derivatives, and all loans referencing CDOR will transition to CORRA by June 28, 2024.

As at December 31, 2022, Northland had borrowings and derivatives of €2.8 billion and US$265 million linked to EURIBOR and LIBOR, respectively, that extend beyond 2022.

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

Financial Commitments and Contractual Obligations

In the ordinary course of business, Northland enters into financial and derivative contracts. The contractual maturities of Northland's material financial liabilities as at December 31, 2022, are summarized in the following table:

	2023	2024	2025	2026	2027	>2027
Derivative liabilities (1)						
Euro foreign exchange contracts	$ 180,350	$ 158,668	$ 158,362	$ 146,746	$ 161,017	$ 655,475
Colombian peso foreign exchange contracts	485,275	3,735	—	—	—	—
US dollar foreign exchange contracts	139,013	—	—	—	—	—
US dollar cross currency swap	4,224	—	—	—	—	—
US dollar La Lucha interest rate swaps	672	626	570	517	460	1,201
Power financial contracts	8,494	788	—	—	—	—
Facility-level debt at Northland's share						
Gemini	€ 80,696	€ 88,583	€ 93,040	€ 101,896	€ 109,242	€ 350,361
Nordsee One	76,587	76,753	71,079	70,972	60,089	—
Deutsche Bucht	78,001	78,853	91,091	92,824	93,875	299,316
Spain	84,969	60,554	48,103	40,131	36,377	324,392
Total in Euro	€ 320,253	€ 304,743	€ 303,313	€ 305,823	€ 299,583	€ 974,069
New York Wind	US$ 69,121	US$178,779	US$ —	US$ —	US$ —	US$ —
Total in Canadian dollar (2)	567,749	692,867	449,308	453,027	443,783	1,442,923
EBSA (3)	—	520,600	—	—	—	—
All other facilities (4)	121,835	132,577	132,153	146,744	151,729	870,661
Total facility-level debt at Northland's share	$ 689,585	$1,346,045	$ 581,462	$ 599,772	$ 595,513	$2,313,585
Interest payments including swap derivative contracts	181,317	166,497	119,873	106,172	90,337	226,866
Total	**$1,688,930**	**$1,676,359**	**$ 860,267**	**$ 853,207**	**$ 847,327**	**$3,197,127**

(1) Derivative liabilities are reported at 100% ownership.

(2) Using long-term foreign exchange rates.

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

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

Non-Financial Commitments and Contractual Obligations

The following table summarizes all material fixed contractual commitments and obligations as at December 31, 2022, for non-financial contracts. The amounts are based on long term inflation rate, where applicable, of 2% to 3.9%, a Canadian dollar/Euro exchange rate of $1.48 and Canadian dollar/US dollar exchange rate of $1.35. The table includes maintenance and services agreements and natural gas transportation demand charges for which Northland is liable whether or not natural gas is shipped. The construction commitment relates to the construction of the New York Onshore Wind projects. The cash obligations related to the leases for land and buildings, dismantlement and management fees to NCI partners are also included.

	2023	2024	2025	2026	2027	>2027
Maintenance agreements	$ 201,663	$ 200,467	$ 203,674	$ 190,610	$ 198,902	$1,989,199
Construction and others; excluding debt, interest and fees	1,852	1,878	1,905	1,932	1,960	59,445
Natural gas supply and transportation, fixed portion	29,881	27,496	27,348	27,594	27,833	124,107
Leases	14,517	13,798	13,356	12,172	12,297	215,092
Decommissioning liabilities	15,246	15,246	15,246	15,246	8,990	152,977
Management fees	4,711	1,887	1,923	1,962	2,003	21,096
Total	**$ 267,870**	**$ 260,772**	**$ 263,452**	**$ 249,516**	**$ 251,985**	**$2,561,916**

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

As at December 31, 2022, Northland issued letters of credits and the parental guarantees, in favor of the joint ventures, of $652 million.

SECTION 8: SUMMARY OF QUARTERLY CONSOLIDATED RESULTS

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

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

In millions of dollars, except per share information	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Total sales	$ 641	$ 556	$ 557	$ 695	$ 640	$ 432	$ 408	613
Operating income	269	202	216	364	301	80	108	296
Net income (loss) (1)	324	76	268	288	130	(5)	(6)	151
Adjusted EBITDA	353	290	335	420	364	211	203	360
Cash provided by operating activities	551	523	312	447	559	280	361	408
Adjusted Free Cash Flow	41	66	162	192	182	35	22	147
Free Cash Flow	$ 16	$ 45	$ 146	$ 174	$ 156	$ 11	$ 6	$ 134
Per share statistics								
Net income (loss) attributable to common shareholders - basic (2)	$ 1.12	$ 0.33	$ 1.01	$ 0.99	$ 0.45	$ (0.03)	$ (0.06)	$ 0.49
Net income (loss) attributable to common shareholders - diluted (2)	1.12	0.33	1.01	0.99	0.45	(0.03)	(0.06)	0.49
Adjusted Free Cash Flow - basic	0.16	0.28	0.70	0.84	0.80	0.15	0.10	0.73
Free Cash Flow - basic	0.06	0.19	0.63	0.77	0.69	0.05	0.03	0.66
Total dividends declared	$ 0.30	$ 0.30	$ 0.30	$ 0.30	$ 0.30	$ 0.30	$ 0.30	$ 0.30

(1) Included amortization of contracts and other intangible assets in the operating income.

(2) Net income (Loss), basic and diluted per share are adjusted due to correction of historical net income allocated to common shareholders and NCI in 2021.

SECTION 9: DEVELOPMENT, ACQUISITION AND CONSTRUCTION ACTIVITIES

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

CanWind Offshore Wind Project

In December 2022, Taiwan's Ministry of Economic Affairs (the **"MOEA"**) announced the results of the first round of the country's Phase 3 Zonal Development offshore wind auction. Northland's CanWind project, a 100% owned early-stage development project, was awarded a total of 500MW of capacity under the auction. Northland is evaluating the viability of the project.

South Korean Offshore Wind Projects

The Dado offshore wind project has been awarded its **EBLs** for 900MW of the 1,000MW capacity, providing exclusivity on the leases for the project. The project is expected to advance to mid-stage development and will begin progressing engineering surveys and securing grid capacity. Northland's second project, the 600MW Bobae project, has been awarded EBLs for approximately 400MW and work continues on securing EBLs for the remaining 200MW. Northland is pursuing additional early-stage development opportunities located in South Korea's Wando County for multiple projects with the potential for up to 1.8GW of operating capacity.

Oneida Battery Storage Project

In December 2022, Northland entered into an agreement to acquire a majority interest in a late-stage, grid-connected battery energy storage project in southern Ontario, Canada. The Oneida Energy Storage Project is a 250MW/1GWh battery storage facility and is being developed in partnership with NRStor Inc. and the Six Nations of the Grand River Development Corporation. Northland will be the majority owner and take the lead role in its construction, financing and operation. The project will benefit from a 20-year fixed price contract for revenue payments with the Independent Electricity System Operator in Ontario, for the majority of the capacity from the project. The remaining capacity will earn market revenues through sales into the wholesale market. The project has finalized a Battery Supply Agreement and a Long-Term Service Agreement with Tesla Inc. for the supply of key components and services and finalized an engineering, procurement, and construction agreement with Aecon Group Inc. for designing engineering and construction of the facility. Financial close for the project is expected in 2023 with full commercial operations to commence in 2025.

Alberta Portfolio

In December 2022, Northland acquired a development platform in Alberta, Canada, continuing its growth and leadership in renewable energy in Canada, which establishes Northland as a leading developer in the province. Alberta is an attractive market for renewable development, being Canada's only deregulated electricity market, offering clear pricing to generators and strong consumer and industrial demand for offtake. The acquisition adds a solar and battery energy storage pipeline encompassing over 1.6GW and 1.2GWh, respectively, of which 220MW Jurassic Project could reach commercial operations as early as 2025. The projects are expected to be accretive to Free Cash Flow per share as they reach commercial operation. All projects will be funded with non-recourse debt, in accordance with Northland's typical investment-grade financing approach. As part of the transaction, key members of the development team originating the portfolio will be joining Northland to help execute development of the current portfolio and also accelerate growth in Alberta and across Canada.

ScotWind Offshore Wind Project

In January 2022, Northland announced that it was awarded two offshore wind leases in the Crown Estate Scotland auction with a total combined capacity of 2,340MW. The two leases, one fixed foundation (840MW) and one floating foundation (1,500MW), will extend Northland's development runway into the next decade, with commercial operations expected at the end of 2029/2030 for the fixed and early 2030s for the floating. In April 2022, Northland entered into an Option Lease Agreement with the Scottish government which provides the Company with development exclusivity over the two awarded sites for a period of up to 10 years. Northland secured its right to the offshore region through the payment of £20 million.

Nordsee Offshore Wind Cluster

In January 2022, Northland and its German partner, RWE, announced the formation of a 1,333MW Nordsee Offshore Wind Cluster partnership encompassing Nordsee Two (433MW), Nordsee Three (420MW), and Nordsee Delta (480MW). To further enhance the size and scale of the Cluster and to realize additional synergies, Northland and RWE agreed to include a fourth project, resulting in the total size of the Cluster growing to over 1.6GW. The fourth project, Godewind, will have production capacity of 225MW and is within proximity to the other projects. Development of the Cluster in Germany is progressing with the team working towards securing CPPA and preferred supplier agreements for key aspects of the offshore projects. In addition, two of the projects within the Cluster, Nordsee Two and Godewind, achieved a key regulatory milestone after receiving Conformity Statements required for operations under German offshore wind law. In July, Nordsee Two was pre-selected for funding by the EU Innovation Fund as a result of driving technological advancements. The project was awarded a grant of €95 million to demonstrate the technical and commercial feasibility of producing hydrogen at sea. Subject to the Cluster securing commercial offtake agreements and further assessment of the commercial viability of proceeding, the Cluster is expected to be developed and managed on a joint basis by Northland and RWE with commercial operations expected between 2026 and 2028. Northland holds a 49% interest in the Cluster and RWE holds a 51% interest.

Colombian Solar Projects

In November 2021, Northland, in partnership with EDF Renewables, a subsidiary of Électricité de France S.A. (EPA:EDF), successfully submitted a joint-bid into the renewables auction in Colombia and was awarded the right to build two solar projects with a total combined capacity of 130MW. The solar projects will benefit from a 15-year PPA with multiple energy distribution and commercial entities in Colombia, starting in 2023. The PPA will be denominated in Colombian pesos and will have annual indexation to the Colombian Producer Price index (**"PPI"**). In addition, the projects will receive a reliability charge in US dollars, which is expected to account for approximately 10% of total revenues of the projects. Development progress at the Suba projects continues. Certain environmental permits are needed to move the projects toward financial close and eventually commercial operations. Northland effectively holds a 50% of economic interest in Suba and its partner, EDF Renewables holds the remaining 50%.

New York Onshore Wind Project**s**

Construction activities at the 112MW Bluestone project progressed, with all turbines installed by the end of 2022. Interconnection and final commissioning are expected to follow in early 2023. At the 108MW Ball Hill project, delays in turbine delivery to the fourth quarter of 2022 have impacted the project's construction timeline. Commercial operations for both projects are expected in 2023. Northland expects to mitigate the impacts of these delays, wherever possible. The projects were previously awarded 20-year indexed REC agreements with the New York State Energy Research and Development Authority.

Northland finalized its first ever tax equity commitment with a leading U.S. financial institution for Ball Hill and Bluestone. The commitment will provide tax equity investment of up to US$190 million (approximately $250 million) to assist with funding the projects. Following the conclusion of the tax equity investment at commercial operations, the long-term structure of the projects will be comprised of tax equity, back-levered non-recourse debt and equity to fund the approximate US$0.6 billion of capital costs.

On February 17, 2023, Northland entered into an agreement to sell the entire stake in the Highbridge project. The transaction is expected to close in the second half of 2023.

Helios Colombian Solar Project

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

Baltic Power Polish Offshore Wind Project

In March 2021, Northland completed its acquisition of a 49% interest in the Baltic Power offshore wind project in the Polish Baltic Sea with a total capacity of 1,200MW of offshore wind generation, for total cash consideration of PLN 255 million ($82 million). Progress continues with the signing of preferred supplier agreements for key elements of the project, including wind turbines, export cables and the offshore and onshore substations. In addition, agreements for the transport and installation of the turbines and for the foundations of all substation elements and offshore substations have been signed.

In June 2021, Baltic Power secured a 25-year CfD from Poland's Energy Regulatory Office under the Polish Offshore Wind Act at a guaranteed price of PLN 319.60 per MWh, which is adjusted to annual indexation by Poland's annual average consumer price index. The project's 25-year CfD offtake agreement, which was initially denominated in Polish Zloty will now be denominated in Euros at effectively the same rate and inflation indexation will commence with a base year of 2022 (from 2023 previously), providing offsetting benefits to the higher inflationary price pressures experienced. Baltic Power continues to advance towards financial close, expected in 2023. Northland holds a 49% interest in the project with PKN Orlen holding 51%. 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.

La Lucha Mexican Solar Project

The 130MW La Lucha solar project in the State of Durango, Mexico, completed its activities relating to the physical construction in 2022. Northland continues to work to achieve commercial operations at its 130MW La Lucha solar project in Mexico. In January 2023, the relevant Mexican permitting authority approved extension of the generation permit for La Lucha. The Company is now coordinating with the appropriate regulatory authorities to initiate testing of the project in order to achieve commercial operations in the second half of 2023.

Hai Long Offshore Wind Project

In July 2022, Northland announced the signing of a Corporate Power Purchase Agreement (the **"CPPA"**) that covers 100 percent of the power generated from Hai Long 2B and 3, which have a combined capacity of 744MW. The agreement is with an investment grade counterparty (S&P: AA-) and is for a 20-year period at a fixed-price, commencing once Hai Long reaches full commercial operations in late 2026. The contracted price under the CPPA is more favourable than the fixed auction rate originally awarded in 2018 and is a key accomplishment as Northland progresses Hai Long towards financial close. In addition, the PPAs with Taipower are not affected by the signing of the CPPA and provide a backstop to the CPPA.

To date, the project has executed the majority of the key contracts with suppliers for various elements of the project including turbines, foundations, cable arrays and both the offshore and onshore substations. The project signed an agreement for the deployment of the Siemens 14MW turbine along with a 15-year service contract covering offshore wind logistics and operations and maintenance. The project also signed a jacket foundation fabrication and pin pile fabrication contract for the supply of foundations. Following the signing of the CPPA for Hai Long 2b and 3 in July, efforts have focused on securing non-recourse project level financing, which has garnered lender interest from various global and local financial institutions in lending to the project for the long term. While the project continues to progress, delays in finalizing the CPPA, longer than expected negotiations relating to supply contracts and certain market conditions pushed back the launch of the project financing and slowed its initial progress. The project financing is progressing towards financial close in 2023, albeit at a slower pace and more challenging conditions than initially expected due to market specific factors. Financial close is expected to occur in 2023 rather than in 2022. The delay in financial close is currently not expected to impact commercial operations for the project, which remain targeted for 2026-2027. On December 14, 2022, Northland signed a share purchase agreement (the **"Hai Long SPA"**) with Gentari to sell 49% of Northland's ownership interest in Hai Long at an equity consideration of approximately NT$18 billion ($0.8 billion), subject to the closing terms of the agreement. This transaction will result in Gentari holding a 29.4% indirect equity interest in Hai Long, with Northland holding a 30.6% interest and continuing to take the lead role in its construction and operation. Pursuant to the Hai Long SPA, the completion of the sale to Gentari is expected to occur following the achievement of financial close of Hai Long and remains subject to receipt of customary regulatory approvals and satisfaction of all closing conditions pursuant to the terms of the Hai Long SPA.

Hai Long is currently owned 60% by Northland and 40% by Mitsui & Co. Ltd and Enterprize Energy Group. The project 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 current 60% economic interest.

SECTION 10: OUTLOOK

Adjusted EBITDA

For 2023, management expects Adjusted EBITDA to be in the range of $1.20 billion to $1.30 billion.

Adjusted Free Cash Flow and Free Cash Flow

In 2023, management expects Adjusted Free Cash Flow to be in the range of $1.70 to $1.90 per share and Free Cash Flow to be in the range of $1.30 to $1.50 per share.

Adjusted Free Cash Flow excludes approximately $100 million (approximately $0.40 per share) in growth expenditures that support growth and new initiatives. These growth expenditures are expected to support secured projects including: Scotwind, Nordsee 3 and Delta within the Nordsee Cluster, the Korean projects, the recently acquired Alberta solar portfolio, in addition to other Canadian and US opportunities.

The Company remains well positioned to fund its growth objectives. Northland has access to $1,014 million of available liquidity, including $431 million of cash on hand and an approximately $583 million of capacity on its corporate revolving credit facility as at December 31, 2022, which can be utilized to fund growth projects that ultimately advance to financial close.

Northland's global activities are exposed to general economic and business conditions, including elevated inflation levels, higher interest rates and capital costs, fluctuations in currency, economic conditions in the countries and regions in which the Company conducts business, and potential interruptions to the global supply chains. The Company's activities are also subject to regulatory risks and changes in regulation or legislation affected by political developments and by national and local laws and regulations. This could include restrictions on production, changes in taxes, and other amounts payable to governments or governmental agencies, price or rate controls that result in changes to market prices for power generated, reduced revenues or cash flows for operating assets, higher cost of operations, and the introduction of legal and administrative hurdles. The Company's ability to execute on large development projects is also dependent on its ability to secure project financing, which may not always be available or available on terms acceptable to Northland. Should one or more of these risks or uncertainties materialize, or should any of the Company's assumptions prove incorrect, actual results may vary in material respects from those projected in the forward-looking statements.

The Company continues to monitor these and other developments and is taking actions intended to minimize exposure to and impact of these global macroeconomic events. These actions include, but are not limited to, conducting targeted debt refinancing for existing operating facilities to enhance cash flows and corporate liquidity, and implementing hedging strategies on development assets to provide certainty to costs and to preserve economic returns of the projects. In addition, the Company consistently looks for opportunities to optimize its portfolio to create value, enhance financial flexibility and drive enhanced performance in line with its strategic objectives.

Northland also intends to execute a selective partnership strategy of partial interests of certain of its development projects on or before financial close. The Company will assess each opportunity individually and intends to remain a long-term owner in the renewable projects it develops. Any gains and losses from the future sell-down of ownership interests in development assets would be included in Free Cash Flow and Adjusted Free Cash Flow as they relate to capturing development profits at key milestones. Currently, the Company has two sell-downs in progress and expects to launch more processes in 2023. The expected net proceeds from these sell-downs would increase reported Free Cash Flow in the event they occur in 2023.

Northland is focused on achieving financial close on the Baltic Power and Hai Long offshore wind projects in 2023. Both projects are progressing towards financial close in 2023, though Hai Long continues to be more challenging than expected due to market specific factors.

Over the longer-term, Northland remains in a strong position to achieve substantial growth in Adjusted EBITDA by 2027. With 3 gigawatts (GW) of gross operating capacity and a robust development pipeline of nearly 20GW, the Company is well positioned for an accelerating global energy transition. Northland intends to be selective and pursue only the projects within its pipeline that meet its strategic objectives and targeted returns. With growth in offshore wind set to outpace all other renewables, Northland's leading position in offshore wind positions the Company to be a significant player in this segment through the decade. As the Company was with offshore wind, Northland intends to continue to be at the forefront of emerging renewable energy asset classes.

The following table summarizes Northland's sources of liquidity that have been sourced by the management to fund dividends, and growth and capital investments, including Adjusted Free Cash Flow generated:

	December 31, 2022	December 31, 2021
Dividend Reinvestment Program	**$ 85,424**	$ 88,973
Release of funds from debt service reserve [1]	**33,813**	73,723
Proceeds from Canadian facility up-financing(s)	**—**	39,600
EBSA financing, net of prior debt repayment and costs	**—**	83,959
Equity offering (net proceeds) [2]	**851,610**	949,597
Liquidity Generated Before Adjusted Free Cash Flow	**$ 970,847**	$ 1,235,852
Adjusted Free Cash Flow	**460,892**	386,366
Total Liquidity Generated	**$ 1,431,739**	$ 1,622,218

(1) In 2022 cash release was sourced to fund Gemini and Spain refinancings. 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.

(2) 2022 net proceeds resulting from activity under the ATM program.

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

SECTION 11: LITIGATION, CLAIMS AND CONTINGENCIES

Litigation, claims and other contingencies arise from time to time in the ordinary course of business for Northland. None of these contingencies, individually or in aggregate, are expected to result in a liability that would have a material adverse effect on Northland. Refer to Note 27 of the audited consolidated financial statements for additional information including any contingencies arising as a result of completed acquisitions.

SECTION 12: ESG AND CLIMATE CHANGE

ESG at Northland

Northland's primary focus of its **ESG** strategy is to support a just transition towards a sustainable and carbon-free world. Northland's ability to achieve its objectives is based on its ability to safely supply reliable, affordable, and clean energy while delivering long-term economic value for shareholders. This has been Northland's commitment for over 35 years and continues to be core to how projects are developed, constructed, and operated.

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

Northland continues to identify climate-related opportunities for access to capital, growth opportunities in new areas (energy storage and hydrogen), markets and human capital growth. Northland is looking to achieve a 65% reduction of its greenhouse gas (**"GHG"**) emissions intensity by 2030 (from 2019 baseline) and to achieve net zero emissions across its scope 1, 2 and 3 GHG emissions by 2040.

Climate-related risks and opportunities

As a growth company with a significant pipeline of development projects, Northland is focused on growing its renewable energy portfolio to support ongoing global de-carbonization efforts. Building on its history of providing clean energy solutions, Northland's strategy reflects the demands and complexities of this transition in the short-, medium- and long-term. Over the next 1 to 5 years Northland will leverage its existing portfolio and expertise to build out its pipeline of greenfield and brownfield offshore and onshore development projects in key markets across North America, Latin America, Europe and Asia. Refer to the 2022 AIF for a summary of regulatory developments in the markets where Northland operates.

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

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

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

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

Risk Management

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

SECTION 13: FINANCIAL RISKS AND UNCERTAINTIES

Northland's activities expose it to a variety of risks. Refer to the 2022 AIF for a summary of factors in addition to those discussed below that could significantly affect the operations and financial results of Northland.

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

Market Risk

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

(i) Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Northland manages this risk by securing fixed-rate debt or entering into interest rate swap agreements prior to or around the time of financial close that effectively convert floating rate interest exposures to a fixed rate. In certain jurisdictions, such as Taiwan, Northland is unable to secure interest rate swaps for the full tenor of underlying debt; in those cases Northland intends to manage this risk with rolling hedge strategies.

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

(ii) Credit Spread Risk

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

(iii) Currency Risk

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

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

(iv) Commodity Price Risk

Commodity price risk arises where: (i) PPA revenues or components of PPA revenues depend upon certain electricity market indices; (ii) government subsidiary or feed-in-tariff programs define a floor price but electricity market prices may exceed those floors; (iii) a portion of revenue is not contracted and subject to changes in electricity prices; (iv) PPA revenues for efficient natural gas facilities are fixed, not linked to natural gas prices or the cost of natural gas is not substantively passed through to the off-taker; or (v) the value of a financial instrument or cash flows associated with the instrument fluctuates due to changes in commodity prices.

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

Northland has exposure to Dutch electricity market prices under Gemini’s PPA when the market price falls below the contractual floor price. For the year ended December 31, 2022, the average wholesale market price was above the contractual floor price, so the revenue was not impacted by this floor.

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

Financial Counterparty Risk

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

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

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

Liquidity Risk

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

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

Northland is also subject to internal liquidity risk because it conducts its business activities through separate legal entities (subsidiaries and affiliates) and is dependent on cash distributions from those entities to defray corporate expenses and pay dividends. Most operating subsidiaries hold non-recourse debt. Such non-recourse financing agreements typically prohibit distributions if the loan is in default (notably for non-payment of principal or interest) or if the entity fails to achieve a benchmark debt service coverage ratio, which is the ratio of Adjusted EBITDA to scheduled loan principal and interest payments over a specified time period. For the year ended December 31, 2022, Northland and its subsidiaries were in compliance with all debt covenants.

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

Refer to Note 27 in the audited consolidated financial statements for the year ended December 31, 2022, for additional information related to Northland's commitments and obligations.

Taxation

During 2021 & 2022, new tax pronouncements were released which could have an adverse effect on Northland and its subsidiaries. Pronouncements include, but are not limited to:

- The Dutch Ministry of Finance reducing the threshold of deductible interest starting January 1, 2022, from 30% to 20% of tax EBITDA;
- The release of draft legislation by the Canadian Department of Finance to address hybrid mismatch arrangements. This draft legislation was not substantively enacted as of December 31, 2022;
- The release of revised draft legislative proposals by the Canadian Department of Finance to implement interest limitation rules. The revised draft legislation deferred Northland's effective date of the Canadian interest limitation rules to January 1, 2024 at which point Canadian interest deductions will be limited to 30% of tax EBITDA. Disallowed interest can be carried forward indefinitely. This draft legislation was not substantively enacted as of December 31, 2022;
- The European Union member states announcing in December 2022 that they had reached an agreement in principle on the introduction of a 15% global minimum tax effective January 1, 2024, and
- The Colombian government implementing a tax reform law effective January 1, 2023, which introduces a 15% minimum effective tax rate on Colombian resident corporations, changes to certain tax credits and an increase in capital gains rates from 10% to 15%.

Northland may also enter into financing structures that could be challenged by the local tax authority. Before entering into a financing structure, legal and tax experts are engaged to ensure all laws, rules and regulations are being followed. A successful challenge by a tax authority may have an adverse effect on Northland and its Adjusted Free Cash Flow.

SECTION 14: CRITICAL ACCOUNTING ESTIMATES

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

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

Additional information on the significant estimates, judgments and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in Note 3 in the audited consolidated financial statements for the year ended December 31, 2022.

SECTION 15: FUTURE ACCOUNTING POLICIES

Management assesses each new IFRS or amendment to determine whether it may have a material impact on Northland's consolidated financial statements. As at December 31, 2022, there have been no accounting pronouncements by the International Accounting Standards Board expected to materially affect Northland's consolidated financial statements beyond those described in Note 2.18 of the annual audited consolidated financial statements.

SECTION 16: CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

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

An evaluation of the effectiveness of the design and operation of Northland's disclosure controls and procedures was conducted as of December 31, 2022, by and under the supervision of management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that Northland's disclosure controls and procedures, as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (**"NI 52-109"**), were effective as of December 31, 2022.

Internal Controls over Financial Reporting

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

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

In designing such controls, it should be recognized that due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance, not absolute, and may not prevent or detect all misstatements. Further, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions. Additionally, management is required to use judgment in evaluating controls and procedures.

An evaluation of the effectiveness of the design and operation of Northland's internal controls over financial reporting was conducted as of December 31, 2022, by and under the supervision of the management, including the CEO and CFO using the framework established in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

Based on this evaluation, the CEO and CFO have concluded that Northland's internal controls over financial reporting were effective as at the end of the fiscal year ended December 31, 2022.

Changes In Internal Control over Financial Reporting

During the quarter and the year ended December 31, 2022, no changes were made to Northland's policies and procedures and other processes that comprise its internal controls over financial reporting, that have materially affected, or are reasonably likely to materially affect, Northland's internal controls over financial reporting.