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

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SECTION 1: OVERVIEW

Introduction

The purpose of this Management's Discussion and Analysis (**"MD&A"**) is to explain the financial results of Northland Power Inc. (**"Northland"** or the **"Company"**) and to assist the reader in understanding the nature and importance of changes and trends as well as the risks and uncertainties that may affect the operating results and financial position of the Company. This MD&A should be read in conjunction with Northland's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2023, and 2022, as well as its audited consolidated financial statements for the years ended December 31, 2022, and 2021 (**"2022 Annual Report"**) 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.sedarplus.ca and on Northland's website at www.northlandpower.com.

This MD&A contains forward-looking statements that are based on certain estimates and assumptions that were considered reasonable on August 10, 2023; actual results may differ materially. Certain prior period disclosures have been reclassified for consistency with the current period presentation. Northland's Audit Committee reviewed this MD&A and the associated unaudited interim condensed consolidated financial statements and notes, and its Board of Directors approved these documents prior to their release.

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

Forward-Looking Statements

This MD&A contains forward-looking statements that are based on certain estimates and assumptions that were considered reasonable on August 10, 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, including the anticipated impact from the recently announced Spain's regulatory framework, 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 financial close and commercial operations, the potential for future production from project pipelines, cost and output of development projects, litigation claims, anticipated results from the optimization of the Thorold Co-Generation facility and the timing related thereto, plans for raising capital and future funding requirements, the allocation of the net proceeds from the Green Notes offering, and the future operations, business, financial condition, financial results, priorities, ongoing objectives, strategies and the outlook of Northland, its subsidiaries and joint ventures. There is a risk that delays in closing the financings, failure to obtain the anticipated level of finance commitments and failure to close one or more financings could affect construction schedules and/or Northland's cash or credit position and capital funding needs. 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 the could cause results or events to differ from current expectations include, but are not limited to, risks associated with further regulatory and policy changes in Spain which could impair current guidance and expected returns, risks associated with merchant pool pricing and revenues, risks associated with sales contracts, the emergence of widespread health emergencies or pandemics, Northland's reliance on the performance of its offshore wind facilities at Gemini, Nordsee One and Deutsche Bucht for over 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, commodity price 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, procurement and supply chain 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, climate change, health and worker safety risks, market compliance risk, government regulations and policy risks, utility rate regulation risks, international activities, cybersecurity, data protection and reliance on information technology, labour relations, reputational risk, insurance risk, risks relating to co-ownership, bribery and corruption risk, terrorism and security, 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.

In the second quarter, in order to accommodate the transactions that occurred during the period, the Company aligned its non-IFRS measures to more accurately reflect the economic reality of its operations. Management implemented certain changes to the compositions of Adjusted EBITDA, Adjusted Free Cash Flow and Free Cash Flow. The revised definitions provide for the inclusion of partial sell-down gains (losses) in Adjusted EBITDA. All other changes had a minor impact to the calculation of the aforementioned non-IFRS measures and are fully detailed in *Section 4.7: Reconciliation to 'Non-IFRS Measures Before Definition Change'*.

With respect to Adjusted Free Cash and Free Cash Flow, management believes the adjustments described below are appropriate as they provide for a consistent economic treatment of interest costs during construction, regardless of whether a project is accounted for in the financial statements as a subsidiary (i.e. Oneida) or an equity accounted investee (i.e. Hai Long and Baltic Power).

Adjusted EBITDA has been revised to remove the impairment of capitalized growth projects from the measure, as this impairment (related to prior period costs) does not reflect Northland's current or ongoing core business performance. Furthermore, amendments have been made to include the gains (losses) from partial sell-downs of development facilities (whether directly owned or through equity accounted investments) in Adjusted EBITDA as this approach better aligns the ongoing performance of the business. Under the previously reported definition of Adjusted EBITDA, when a value accretive transaction occurred with respect to a partial sell-down of a development project, any associated gain (loss) would have been altogether excluded from Adjusted EBITDA, which management believes is not an appropriate method for measuring the current and ongoing financial performance of the business. For clarity, gains or losses that arise from full divestitures of development projects continue to be excluded from Adjusted EBITDA as these do not form part of Northland's ongoing business performance.

Adjusted Free Cash Flow and Free Cash Flow have been revised to exclude the interest costs incurred on corporate-level debt raised to invest directly in capitalized development projects that are recorded as equity accounted investments. This clarification has been made to ensure consistent treatment of interest costs during construction regardless of whether or not the project is accounted for in the financial statements as a subsidiary or an equity accounted investee. Post construction, the interest will be expensed as incurred.

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; impairment/write-off of capitalized growth projects; net finance costs; interest income from Gemini; fair value (gain) loss on derivative contracts; foreign exchange (gain) loss; (gain) loss on sale of operating or full divestiture of development facilities; exclusion of Northland's share of (profit) loss from equity accounted investees, net of sell-downs; including Northland's share of Adjusted EBITDA from equity accounted investees; including gain (loss) on dilution of controlled development assets; 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 4.3: 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 (except for the interest on corporate-level debt raised to finance the capitalized growth project); scheduled principal repayments and net up financing proceeds; major maintenance and debt reserves; Northland's share of Adjusted Free Cash Flow from equity accounted investees; interest income from Northland's subordinated loan to Gemini (**"Gemini sub-debt"**); repayment of Gemini sub-debt; proceeds from government grants; preferred share dividends; gain (loss) from sale of operating and development facilities 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 and adjusting for historically incurred growth expenditures' recovery due to sell-down, 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.

For reconciliations of these non-IFRS financial measures to their nearest IFRS measure, refer to *Section 4.5: Adjusted EBITDA* for a reconciliation of consolidated net income (loss) under IFRS to reported Adjusted EBITDA and *Section 4.6: 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. For a reconciliation of these non-IFRS financial measures to the ones before definition change refer to *Section 4.7: Reconciliation to 'Non-IFRS Measures Before Definition Change'.*

SECTION 2: NORTHLAND'S BUSINESS

As of June 30, 2023, Northland owns or has a net economic interest in 2,746 megawatts (**"MW"**) of power-producing facilities with a total gross operating capacity of approximately 3,156MW and a regulated utility. Northland's facilities produce electricity from clean energy sources for sale primarily under long-term PPAs or other revenue arrangements with creditworthy counterparties. Northland's utility is a distributor and retailer of electricity, compensated under a regulated framework. These operating assets provide stable cash flow and are primarily located in Canada, Germany, the Netherlands, Spain, Mexico and Colombia. Northland's significant assets under construction and development are located in Canada, Taiwan, Japan, South Korea, Poland, Scotland and the United States of America. Refer to the 2022 AIF for additional information on Northland's key operating facilities as of December 31, 2022, and refer to *SECTION 8: DEVELOPMENT, ACQUISITION AND CONSTRUCTION ACTIVITIES* for additional information on Northland's key development projects.

Northland's MD&A and unaudited interim condensed 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		
Wind	837	749
Solar (2)	392	377
Efficient Natural Gas	743	726
Utility	n/a	n/a
Total	**3,156**	**2,746**

(1) Presented at Northland's economic interest.

(2) As at June 30, 2023, Northland's economic interest was changed from December 31, 2022 due to La Lucha which achieved COD in June 2023 (refer to Section 3.1: 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. Management continuously assesses the development projects pipeline to determine their feasibility, alignment with the Company's investment criteria, and development stage. For this reason, the development pipeline below and the respective gross production capacities will change from time to time as projects move through various stages of their development cycles and projects are added to or removed from the list.

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 CfD [4]	2023
Bluestone	United States	Onshore wind	112	100%	Under construction	20-year CfD [4]	2023
Oneida [2]	Canada	Energy Storage	250	74%	Under construction	20-year capacity contract	2025
Total			**470**				
Capitalized Growth Projects							
Hai Long [1]	Taiwan	Offshore wind	1,022	60%	Late-stage	30-year PPA [6]	2026/2027
Baltic Power	Poland	Offshore wind	1,140	49%	Late-stage	25-year CfD	2026
Total			**2,162**				
Identified Growth Projects							
Jurassic	Canada	Solar	220	100%	Late-stage		as early as 2025
Alberta Solar	Canada	Solar	1,400	100%	Mid-stage		
Chiba	Japan	Offshore wind	600	50%	Early/mid-stage		
Dado	South Korea	Offshore wind	1,270	100%	Early/mid-stage		
ScotWind	Scotland	Offshore wind	2,340	76%	Early-stage		2027 - 2030+
Round 3 [5]	Taiwan	Offshore wind	500	100%	Early-stage		
Bobae	South Korea	Offshore wind	616	100%	Early-stage		
Wando	South Korea	Offshore wind	1,800	100%	Early-stage		
Total			**8,746**				
Additional Pipeline							
Various [3]		Various	**4,156**		Early-stage		TBD
Total Pipeline			**15,534**				

(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) On May 15, 2023, the Oneida energy storage project reached financial close and moved to construction stage.

(3) Various include 4,156MW of other early-stage pipeline projects.

(4) CfD means Contract for Difference, a subsidy mechanism in which the difference between a fixed reference price and the market revenue is paid to the project.

(5) Gross capacity represents a portion of Round 3 development pipeline.

(6) Hai Long 2A (294MW) has a FIT for 20 years. Hai Long 2B (224MW) and Hai Long 3 (504MW) have CPPA for 30 years.

SECTION 3: CONSOLIDATED HIGHLIGHTS

3.1: Significant Events

Significant events during the first half of 2023 and through the date of this MD&A are described below. Refer to *SECTION 8: DEVELOPMENT, ACQUISITION AND CONSTRUCTION ACTIVITIES of this MD&A* for additional relevant information.

Balance Sheet:

Green Subordinated Notes

On June 21, 2023, Northland closed its inaugural offering of $500 million of Fixed-to-Fixed Rate Green Subordinated Notes, Series 2023-A, due June 30, 2083 (**“Green Notes”**). The Green Notes will carry a fixed coupon of 9.25% per annum until the first reset date on June 30, 2028, and have an estimated after-tax cash cost in Euros to the Company of approximately 6.2%, taking into consideration the benefit of a Canadian dollar to Euro hedge and applicable corporate tax deductions. The Green Notes are rated BB+ by both S&P Global Ratings (**“S&P”**) and Fitch Ratings Inc. (**“Fitch”**) and will benefit from 50% equity treatment by both credit agencies. Northland intends to allocate the net proceeds from the Green Notes offering toward investments in green projects that meet the eligibility criteria of Northland’s Green Financing Framework.

Refinancing of EBSA’s Credit Facility

As part of its long-term financing strategy for EBSA, Northland extended the maturity date of EBSA’s non-recourse credit facility (the **“EBSA Facility”**) from December 15, 2024, to March 30, 2026, at effectively the same interest rate. The EBSA Facility is denominated in Canadian dollars, and Northland has hedged the principal amount 100% against changes in the Colombian peso. As part of the extension, the Company realized a hedge settlement gain of $22 million associated with the financing, which offset a weaker Colombian peso since the loan was originally restructured in December 2021. The gain will be equally recognized in Northland’s Adjusted Free Cash Flow and Free Cash Flow over the four quarters of 2023 and was included within Northland’s 2023 financial guidance.

At-The-Market Equity Program

During the second quarter of 2023, there was no activity under the “at-the-market” equity program (**“ATM program”**), resulting in no shares being issued by the program, except for the remaining share settlements post March 31, 2023.

During the six months ended June 30, 2023, Northland issued 1,210,537 Common Shares under the ATM program at an average price of $34.4 per Common Share for gross proceeds of $42 million (net proceeds $41 million). Subsequent to quarter end, there was no activity under the ATM program. Subsequent to quarter end, the ATM program was terminated in accordance with its terms upon the expiry of the Company’s short form base shelf prospectus on July 16, 2023.

Redemption of Series 3 Preferred Shares

On January 3, 2023, Northland completed the previously announced redemption of 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 $122 million.

Corporate Credit Rating Re-affirmed

In May 2023, Northland’s corporate credit rating was reaffirmed at BBB (stable) by Fitch, a global rating agency, in addition to S&P’s BBB (stable) rating.

Renewables Growth updates:

To achieve its long-term growth objectives, Northland established growth offices across the globe that have generated a portfolio of projects at various stages of development and construction. The successful achievement of commercial operations of selected projects within the Company’s pipeline, 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.

Nordsee Cluster Offshore Wind Project

On May 25, 2023, Northland announced the sale of its 49% ownership stake in the Nordsee Cluster offshore wind portfolio (**“NSC”**) to its partner on the portfolio, RWE Offshore Wind GmbH (**“RWE”**). The sale provided RWE with 100% ownership of the projects for a cash consideration of approximately €35 million, which included a premium to Northland's costs incurred to date. The transaction transferred all assets, liabilities and committed contractual obligations relating to NSC, to RWE in the second quarter of 2023. The sale of NSC is consistent with Northland's strategy to prioritize projects within its development pipeline that are strategically and financially consistent with its investment approach.

ScotWind Partnership

On May 9, 2023, Northland signed a partnership agreement with ESB, a leading Irish energy company for a 24.5% interest in both projects. The partnership with ESB demonstrates the strong interest in ScotWind and in developing offshore wind in Scotland and provides an opportunity to bring in a strong, long-term partner to share in the costs and help advance the development process.

Oneida Energy Storage Project

The project successfully executed a 20-year Energy Storage Facility Agreement (**"ESFA"**) with the Independent Electricity System Operator (**"IESO"**) that offers monthly capacity payments. The remainder of the revenue will come from operating on the wholesale market. The project also finalized a battery supply agreement, and a long-term service agreement with Tesla Inc., to supply key components and services, and an EPC agreement with Aecon Group Inc. for designing, engineering and constructing the facility. On March 30, 2023, Northland and its partners signed a credit agreement with an external lender, that will allow the project to access approximately $700 million in senior and subordinated debt financing. On May 15, 2023, the Oneida energy storage project reached financial close, as the project successfully completed all necessary financing conditions. Construction activities have commenced, which are focused on road construction and site preparation before receiving the major equipment. Northland currently owns 74% of the project, which is being developed in partnership with NRStor Inc., Six Nations of the Grand River Development Corporation and Aecon Group Inc. Full commercial operations for the project are expected to commence in 2025.

Hai Long Offshore Wind Project

The Hai Long project early construction works program and fabrication of key components continue to progress. During the first quarter, the project received its major construction permit as planned and signed an amendment to the Corporate Power Purchase Agreement (the **"CPPA"**) that resulted in the extension of CPPA tenor by two years from 20 to 22 years. Subsequent to quarter end, the project signed another amendment to the CPPA that extended its tenor by a further eight years from 22 to 30 years and signed amendments to extend the long stop dates of certain key supplier contracts.

The project financing is progressing towards financial close in 2023 and is advancing through its credit approvals, albeit at a slower pace and under more challenging conditions than initially expected due to market specific factors. The final credit approval process was launched in March 2023 to secure the necessary funding commitments from local and international lenders and Export Credit Agencies (**"ECAs"**) to achieve financial close and remains ongoing.

On December 14, 2022, Northland signed an agreement with Gentari International Renewables Pte. Ltd. (**"Gentari"**) to sell 49% of its current stake in Hai Long. Upon closing, the transaction will result in Gentari holding a 29.4% indirect equity interest in Hai Long. Northland will hold a 30.6% interest in the project upon the achievement of transaction close and will continue to take the lead role in its construction and operation.

Baltic Power Offshore Wind Project

Baltic Power continued to make progress during the quarter having signed all of the supply chain contracts for the project. The financing process continues to advance with a consortium of local and international banks as well as ECAs. The project continues to advance to financial close, expected in 2023. Northland has a 49% working interest in Baltic Power, with its partner Orlen S.A. holding the remaining 51%. The project's 25-year Contract for Difference (**"CfD"**) offtake agreement, now denominated in Euros, includes an inflation indexation feature commencing with a base year of 2021, providing offsetting benefits to the higher inflationary price pressures experienced. Northland's equity funding expectations and returns remain in line with previously disclosed expectations as a result of the inflation indexation, which has offset the impact of previously disclosed cost increases experienced.

New York Onshore Wind Projects

Work towards achieving commercial operations on the 108MW Ball Hill project and 112MW Bluestone project continues, with commercial operations expected to occur in 2023. On February 17, 2023, Northland entered into an agreement to sell a 100% stake in the High Bridge project. The transaction is expected to close by the third quarter of 2023, subject to the satisfaction of certain customary closing conditions.

South Korean Offshore Wind Projects

Electricity Business Licenses (**"EBLs"**) for up to 1,270MW capacity at Dado have been secured, providing exclusivity over the development areas. In addition, Northland's second project, the 616MW Bobae project, has also been awarded the requisite EBLs. Other development activities for the projects are continuing to advance.

La Lucha Mexican Solar Project

Northland has completed all connection and energization activities relating to its 130MW La Lucha solar power project in Mexico, with the project having achieved full commercial operations in June 2023. The project has been generating revenues since being connected to the Mexican energy grid and is expected to contribute $6 million of Adjusted EBITDA towards the 2023 financial results.

Suba Colombian Solar Projects

Northland holds a 50% economic interest in the 130MW Suba projects in Colombia. Its partner, EDF Renewables, holds the remaining 50%. After an in-depth evaluation, Northland and EDF Renewables have jointly elected not to proceed with the development of the Suba projects. As a result of this decision, Adjusted Free Cash Flow and Free Cash Flow was reduced by $7 million in the second quarter of 2023.

Facility Optimizations:

Thorold upgrade

As part of the Ontario government's energy transition and security policies, and consistent with Northland's strategy to optimize existing operating facilities to enhance value and performance, Northland continues to carry out its plans for an upgrade of its 265MW Thorold Co-Generation facility in Ontario, Canada. The optimization will result in an increase to the electricity generating capacity of the facility by 23MW, an expected improvement in the facility's heat rate, which could decrease overall emissions intensity at the facility, without impacting Northland's 2040 net zero targets and will provide an additional fixed contract revenue stream for Northland. The upgrade is expected to be in service by the end of 2024. On April 24, 2023, as part of our optimization of the facility, Northland was awarded a 5-year extension of the PPA for Thorold by IESO from 2030 to 2035. Concurrently, Northland completed the restructuring of Thorold's project debt with (i) additional debt of $26 million to finance the upgrade; (ii) a decrease in all-in interest rate to 6.4% (previously 6.7%); and (iii) reduction of certain LC requirements. Thorold will continue to operate under a dispatch model.

3.2: Operating Highlights

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

Summary of Consolidated Results

	Three months ended June 30,		Six months ended June 30,	
	2023	**2022**	**2023**	**2022**
FINANCIALS				
Sales	**$ 471,547**	$ 556,792	**$ 1,093,268**	$ 1,251,846
Gross profit	**427,468**	484,951	**996,371**	1,120,715
Operating income	**102,625**	215,780	**375,167**	579,176
Net income (loss)	**21,662**	267,866	**128,799**	555,446
Net income (loss) attributable to common shareholders	**4,341**	238,032	**74,235**	467,174
Adjusted EBITDA (a non-IFRS measure) [2]	**232,255**	335,192	**583,954**	755,341
Cash provided by operating activities	**204,278**	312,337	**501,340**	758,956
Adjusted Free Cash Flow (a non-IFRS measure) [2]	**62,703**	162,010	**242,773**	353,995
Free Cash Flow (a non-IFRS measure) [2]	**41,289**	145,543	**195,981**	319,918
Cash dividends paid	**51,148**	48,442	**101,195**	95,835
Total dividends declared [1]	**$ 75,749**	$ 69,957	**$ 151,065**	$ 138,454
Per Share				
Weighted average number of shares — basic and diluted (000s)	**252,356**	232,321	**251,579**	230,019
Net income (loss) attributable to common shareholders — basic and diluted	**$ 0.01**	$ 1.01	**$ 0.28**	$ 2.01
Adjusted Free Cash Flow — basic (a non-IFRS measure) [2]	**$ 0.25**	$ 0.70	**$ 0.96**	$ 1.54
Free Cash Flow — basic (a non-IFRS measure) [2]	**$ 0.16**	$ 0.63	**$ 0.78**	$ 1.39
Total dividends declared	**$ 0.30**	$ 0.30	**$ 0.60**	$ 0.60
ENERGY VOLUMES				
Electricity production in gigawatt hours (**GWh**)	**2,024**	2,082	**4,855**	5,003

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

(2) See Forward-Looking Statements and Non-IFRS Financial Measures above. Further, note that non-IFRS measures during the three and six months ended June 30, 2023, include the effect of changes in the definition of non-IFRS measures. For a reconciliation of these non-IFRS financial measures to the ones before definition change refer to 4.7: Reconciliation to 'Non-IFRS Measures Before Definition Change'.

SECTION 4: RESULTS OF OPERATIONS

The following table summarizes operating results by technology and geography:

Three months ended June 30,	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Electricity production (GWh)		Sales		Operating costs		Operating income (1)		Adjusted EBITDA (3)		Adjusted Free Cash Flow (2) (3)	
Offshore Wind Facilities	**781**	804	**$ 221,096**	$ 245,805	**$ 52,681**	$ 41,479	**$ 70,052**	$ 107,036	**$ 121,033**	$ 140,732	**$ 15,673**	$ 25,332
Onshore Renewable Facilities												
Canada	**307**	330	**$ 60,035**	$ 60,202	**$ 7,973**	$ 7,158	**$ 30,892**	$ 31,630	**$ 42,108**	$ 41,716	**$ 16,165**	$ 15,346
Spain	**209**	254	**37,541**	70,444	**13,099**	389	**3,384**	45,933	**24,003**	65,478	**(17,290)**	31,922
	516	584	**$ 97,576**	$ 130,646	**$ 21,072**	$ 7,547	**$ 34,276**	$ 77,563	**$ 66,111**	$ 107,194	**$ (1,125)**	$ 47,268
Efficient Natural Gas Facilities												
Canada	**727**	696	**$ 76,008**	$ 103,153	**$ 9,173**	$ 9,937	**$ 36,996**	$ 42,971	**$ 48,835**	$ 88,430	**$ 23,976**	$ 57,691
Utilities												
Colombia	**n/a**	n/a	**$ 73,474**	$ 70,442	**$ 17,894**	$ 18,107	**$ 22,483**	$ 21,531	**$ 29,573**	$ 29,464	**$ 18,602**	$ 19,726

Six months ended June 30,	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Electricity production (GWh)		Sales		Operating costs		Operating income (1)		Adjusted EBITDA (3)		Adjusted Free Cash Flow (2) (3)	
Offshore Wind Facilities	**2,181**	2,205	**$ 567,104**	$ 642,439	**$ 101,321**	$ 78,992	**$ 269,112**	$ 369,473	**$ 346,989**	$ 403,097	**$ 107,889**	$ 129,139
Onshore Renewable Facilities												
Canada	**633**	718	**$ 110,766**	$ 115,429	**$ 15,527**	$ 14,052	**$ 52,853**	$ 58,647	**$ 73,773**	$ 79,067	**$ 27,753**	$ 32,079
Spain	**503**	509	**102,161**	143,432	**24,917**	11,778	**35,387**	86,516	**75,287**	128,179	**(7,739)**	68,061
	1,136	1,227	**$ 212,927**	$ 258,861	**$ 40,444**	$ 25,830	**$ 88,240**	$ 145,163	**$ 149,060**	$ 207,246	**$ 20,014**	$ 100,140
Efficient Natural Gas Facilities												
Canada	**1,538**	1,571	**$ 170,840**	$ 203,823	**$ 18,015**	$ 19,139	**$ 83,168**	$ 87,082	**$ 105,140**	$ 144,467	**$ 57,379**	$ 84,015
Utilities												
Colombia	**n/a**	n/a	**$ 138,575**	$ 135,787	**$ 33,510**	$ 33,364	**$ 40,589**	$ 42,293	**$ 54,877**	$ 56,845	**$ 37,402**	$ 44,297

(1) Includes 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.

(3) See Forward-Looking Statements and Non-IFRS Financial Measures above. Further, note that non-IFRS measures during the three and six months ended June 30, 2023, include the effect of changes in the definition of non-IFRS measures. For a reconciliation of these non-IFRS financial measures to the ones before definition change refer to *4.7: Reconciliation to 'Non-IFRS Measures Before Definition Change'*.

4.1: 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 the first and fourth quarters due to denser air and higher winds compared to the second and third quarters, 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 six months ended June 30, 2023, Gemini, Nordsee One and Deutsche Bucht contributed approximately 20%, 16% and 16%, respectively, to 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 $1.61/€ for 2023 compared to $1.59/€ for 2022 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.

Variability within Operating Results

Each of the offshore wind facilities participates in the merchant market and receives pool prices for their generation, which are then topped-up through a subsidy mechanism to the target subsidy price, if the merchant revenue is below the subsidy target price:

- Gemini has revenue agreements with the Government of the Netherlands which expire in 2031. Under these agreements, the subsidy mechanism (**"SDE"**) effectively tops up the revenue to €169/MWh for 2,385GWh of generation.
- Nordsee One and Deutsche Bucht have revenue contracts with the German government under the German Renewable Energy Sources Act (**"EEG"**), whereby the top-up mechanism ensures a minimum fixed unit price of €194 and €184, respectively, per MWh generated.

The subsidy mechanisms comprise other provisions that can impact the facilities' results:

- The SDE is subject to an annual contractual floor price (the "SDE floor"), thereby exposing Gemini to market price risk if the Dutch wholesale market price (**"APX"**) falls below the effective annual SDE floor of €51/MWh. As of June 30, 2023, the APX price was €111/MWh.
- The SDE fixes the revenue at €169/MWh for 2,385GWh of generation, but due to the settlements formula, it is paid on the first 1,908GWh. As a result, typically the revenue per MWh reported is higher in the first three quarters and lower in the last quarter of the year. However, it is only a matter of timing and the revenue averages to €169/MWh on an annual basis.
    - If the facility produces more than 2,385GWh in the year, the additional volume produced earns the yearly average captured price (**"CP"**).
    - If the facility produces less than 2,385GWh in the year, the asset effectively receives the subsidy for a volume higher than the actual volume produced.

  The subsidy received on 1,908GWh is equal to [(€169 * 1.25) — (CP * 1.25)]. This calculation is applicable for every MWh up to 1,908 GWh. The yearly average CP is effectively calculated by reducing the APX with the Profile and Imbalance (**"P&I"**) factor, that accounts for the profile of the generation and the costs associated with grid balancing. The annual P&I factor is adjusted monthly during the year, and the final number is officially published by the Netherlands Enterprise Agency in the subsequent year.
- Under the EEG mechanism, the tariff compensates for most of the production curtailments the system operator requires. However, the facilities do not receive revenue for periods where the market power price remains negative for longer than six consecutive hours (**"negative prices"**).

- Under EEG, 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 significantly affect earnings depending on the season in which the outages occur.

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

In response to the unprecedented surge in energy prices across Europe for most of 2022, in September 2022, 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"**). Following the implementation of the EU price cap, any revenue above the contracted power purchase price for each facility is capped. The EU price cap has not been extended by the Netherlands or Germany. However, the respective market prices are lower than the subsidy prices, so no upside is planned for with respect to previously issued guidance on the offshore wind facilities in 2023.

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 June 30,				
	2023 (1)	**2022 (1)**	**Historical Average (2)**	**Historical High (2)**	**Historical Low (2)**
Electricity production (GWh)					
Gemini	**433**	444	439	493	385
Nordsee One	**188**	190	187	220	150
Deutsche Bucht	**160**	170	159	170	141
Total	**781**	804			

	Six months ended June 30,				
	2023 (1)	**2022 (1)**	**Historical Average (2)**	**Historical High (2)**	**Historical Low (2)**
Electricity production (GWh)					
Gemini	**1,177**	1,166	1,149	1,232	1,053
Nordsee One	**536**	547	533	572	462
Deutsche Bucht	**468**	492	473	492	444
Total	**2,181**	2,205			

(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 June 30, 2023, decreased 3% or 22GWh compared to the same quarter of 2022. This was primarily due to lower wind resource across all offshore wind facilities and higher unpaid curtailments related to negative prices in Germany, partially offset by higher turbine availability at Nordsee One following the completion of the rotor shaft assembly (**"RSA"**) replacement campaign in 2022 and fewer uncompensated grid outages at the German facilities. Electricity production for the six months ended June 30, 2023, decreased 1% or 24GWh compared to the same period of 2022, primarily due to lower wind resource and higher unpaid curtailments related to negative prices at Germany facilities, partially offset by higher turbine availability at Nordsee One, fewer uncompensated grid outages at the German facilities and higher wind resource at Gemini facility.

Sales of $221 million for the three months ended June 30, 2023, decreased 10% or $25 million compared to the same quarter of 2022, primarily due to the non-recurrence of the unprecedented spike in market prices realized in the first half of 2022 by $40 million and slightly lower production across all offshore wind facilities by $6 million. These declines were partially offset by higher turbine availability at Nordsee One following the completion of the RSA replacement campaign in 2022 and the effect of foreign exchange fluctuations due to the strengthening of the Euro and other items by $21 million. Sales of $567 million for the six months ended June 30, 2023, decreased 12% or $75 million compared to the same period of 2022, primarily due to the non-recurrence of the unprecedented spike in market prices realized in the first half of 2022 by $69 million, lower production across all offshore wind facilities by $6 million and higher 2022 P&I factor adjustment recorded in 2023 (which reduced Gemini's 2022 revenues, as calculated by the Dutch authority in April 2023) of $24 million, partially offset by the foreign exchange fluctuations due to the strengthening of the Euro by $26 million. Further details are set forth in the table below.

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Effect of Gemini APX hedge losses [(1)]	**$ 2,336**	$ 5,025	**$ 4,629**	$ 10,225
Lower turbine availability at Nordsee One (due to RSA campaign)	**—**	2,600	**—**	5,242
Unpaid curtailment due to negative prices in Germany	**1,649**	332	**4,268**	1,145
Unpaid curtailment due to grid outages in Germany	**5,917**	7,223	**6,383**	7,245
P&I adjustment and other	**$ (953)**	$ —	**$ 18,370**	$ —

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

Operating costs of $53 million for the three months ended June 30, 2023, increased 27% or $11 million, compared to the same quarter of 2022, primarily due to higher maintenance costs at offshore wind facilities. Operating costs of $101 million for the six months ended June 30, 2023, increased 28% or $22 million, compared to the same period of 2022, primarily due to the same factors as above.

Operating income and Adjusted EBITDA of $70 million and $121 million, respectively, for the three months ended June 30, 2023, decreased 35% or $37 million and 14% or $20 million compared to the same quarter of 2022, due to the same factors as noted above. Operating income and Adjusted EBITDA of $269 million and $347 million, respectively, for the six months ended June 30, 2023, decreased 27% or $100 million and14% or $56 million compared to the same period of 2022, due to the same factors as noted above.

Operating results of each facility

The following table summarizes operating results by facility:

Three months ended June 30, 2023		**Total**	**Gemini**	**Nordsee One**	**Deutsche Bucht**
Production	GWh	**781**	433	188	160
Non-curtailed production	GWh	**721**	429	164	127
Revenue per MWh [(1)]	€/MWh	**190**	191	193	182
From market	€/MWh	**90**	82	106	96
From subsidy	€/MWh	**100**	109	86	86

Six months ended June 30, 2023		**Total**	**Gemini**	**Nordsee One**	**Deutsche Bucht**
Production	GWh	**2,181**	1,177	536	468
Non-curtailed production	GWh	**1,933**	1,159	412	362
Revenue per MWh [(1)]	€/MWh	**187**	186	193	182
From market	€/MWh	**98**	100	100	90
From subsidy	€/MWh	**89**	86	93	92
Subsidy price — for information	€/MWh		169	194	184

(1) Revenue from non-curtailed production only.

(2) Revenue from curtailed production amounted to $12 million and $46 million for the three and six months ended June 30, 2023, respectively, which factors in the effect of unpaid curtailment due to negative prices and grid outages in Germany.

For the quarter, the revenue from the offshore wind facilities was in line with the expectations:

- The revenue per MWh on Nordsee One and Deutsche Bucht was stable for the non-curtailed production.
- The revenue for Gemini is expected to average approximately €169/MWh annually. However, as described above, due to the timing of the subsidy payment, the revenue was higher in the first and second quarter of this year.

Onshore Renewable Facilities

Northland's onshore renewables comprise 1,126MW (at Northland's share) of onshore wind and solar facilities located in Canada, Mexico, Colombia 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 second and third quarters than in the first and fourth quarters. For the six months ended June 30, 2023, Northland's onshore renewable facilities in Canada and Spain contributed approximately 11% and 11%, respectively, to Northland's reported Adjusted EBITDA from facilities.

Spain revenue structure and regulatory changes

The Spanish portfolio 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 20 sites and 7.1% for 13 sites, over the full regulatory life of the facilities, regardless of settled wholesale power price (**"pool price"**).

The revenue for each facility has four components:

- The return on investment (**"Ri"**), sized to complete the target return based on the merchant revenue assumed ex-ante (the **"posted price"**);
- The return on operations (**"Ro"**), sized to compensate a facility when its operating costs are higher than its merchant revenues. To note, no Ro is being received in the current environment;
- The merchant revenue, at pool prices; and
- The **"band adjustments"**, which are an ex-post positive or negative settlement to compensate for the difference between the actual merchant revenue and the revenue at the regulatory posted price.

For a given year, both merchant revenue and the corresponding band adjustment are recognized in Adjusted EBITDA, Adjusted Free Cash Flow and Free Cash Flow. However, the band adjustments are paid in the following years. Accordingly, the current year's cash distributions therefore depend only on the merchant pool prices and the Ri components of revenue.

On June 29, 2023, a new Royal Decree-Law (**"RDL"**) was published with a number of measures, which will have an impact on our Spanish portfolio. Refer to the table below for the comparison between our expectations pre and post the regulatory framework changes for 2023:

	Prior to June 29,2023		Post June 29,2023		Change	
	Euro	Dollars	Euro	Dollars	Euro	Dollars
Regulatory posted price (per MWh)						
2023	€ 208	$ 304	€ 109	$ 159	€ (99)	$ (145)
2024	130	190	109	159	(21)	(31)
2025 and beyond	78	114	89	130	11	16
2023 Revenue impacts (in millions)						
Ri revenue	€ 39	$ 57	€ 41	$ 60	€ 2	$ 3
Band adjustment revenue, net of other items	75	111	12	18	(63)	(93)
Merchant revenue (average 2023)	90	131	90	131	—	—
2023 Total Revenue	**€ 204**	**$ 299**	**€ 143**	**$ 209**	**€ (61)**	**$ (90)**
2023 Adjusted EBITDA (in millions)	**€ 170**	**$ 250**	**€ 110**	**$ 160**	**€ (60)**	**$ (90)**

(1) Table above assumes EUR/CAD exchange rate of $1.46. 2023 production from the Spanish portfolio assumed at 1,030GWh with full year captured merchant price assumed at €85/MWh.

While the band adjustment revenue is lower in 2023, it is only a matter of deferring the timing of revenue recognition to 2025 and beyond, under the regulatory framework and therefore not expected to impact the overall return of Spanish portfolio. Irrespective of the regulatory change, Northland expects to achieve its designated regulatory return over the remaining regulated asset lives and there is no change in view on the portfolio or its value contribution to Northland.

Upon acquisition of the portfolio in August 2021 (**"acquisition date"**), the 5-year average annual EBITDA (2021-2025) was expected to be €90 million ($135 million). With the impact of the new regulatory changes and the actual amounts earned since 2021, on a comparable basis over the same timeframe, this is expected to be slightly higher, at €105 million ($155 million).

From the acquisition date to 2030, we expect average annual Adjusted EBITDA to be approximately €95 million ($140 million).

With the impact of the new regulatory changes as described above, the Spanish portfolio is expected to achieve estimated Adjusted EBITDA in the range of $160 million in 2023 as compared to $220 million in 2022.

The table below outlines revenue components from Spanish asset portfolio included in the consolidated results. Only Ri/Ro and merchant revenue are received in cash during the year.

	Three months ended June 30,		Six months ended June 30,	
	2023	**2022**	**2023**	**2022**
Ri revenue	**€ 10,245**	€ 11,819	**€ 20,490**	€ 34,354
Merchant revenue	**13,365**	47,926	**36,076**	95,150
Band adjustment	**2,281**	(7,895)	**13,862**	(26,274)
Total revenue	**€ 25,891**	€ 51,850	**€ 70,428**	€ 103,230

	Three months ended June 30,		Six months ended June 30,	
	2023	**2022**	**2023**	**2022**
Ri revenue	**$ 14,977**	$ 16,060	**$ 29,842**	$ 47,732
Merchant revenue	**19,539**	65,121	**52,541**	132,202
Band adjustment	**3,334**	(10,727)	**20,189**	(36,505)
Total revenue	**$ 37,850**	$ 70,454	**$ 102,571**	$ 143,428

Northland entered into long-term Euro denominated foreign exchange hedges, at an average rate of $1.51/€1 for 2023 compared to $1.42/€1 for 2022, which hedges the majority of projected distributions from the Spanish portfolio to mitigate foreign exchange rate volatility, consistent with its corporate risk mitigation strategy.

Electricity production at the onshore renewable facilities for the three months ended June 30, 2023, was 11% or 66GWh lower than the same quarter of 2022, due to lower wind resource across the Canadian and Spanish onshore wind facilities, partially offset by higher solar resource at the Canadian solar facilities. Electricity production at the onshore renewable facilities for the six months ended June 30, 2023, was 7% or 91GWh lower than the same period of 2022, due to lower wind resource across the Canadian and Spanish onshore facilities, partially offset by higher solar resource at these facilities.

Sales of $98 million for the three months ended June 30, 2023, decreased 25% or $33 million compared to the same quarter of 2022, primarily due to lower merchant revenue by $46 million from Spanish portfolio, partially offset by the increase in band adjustments by $14 million. Sales of $213 million for the six months ended June 30, 2023, decreased 18% or $46 million compared to the same period of 2022, primarily due to lower merchant revenue and Ri by $80 million and $18 million, respectively, from Spanish portfolio, partially offset by increase in band adjustments by $57 million.

Operating income and Adjusted EBITDA of $34 million and $66 million, respectively, for the three months ended June 30, 2023, decreased 56% or $43 million and 38% or $41 million, respectively, compared to the same quarter of 2022 due to the same factors as above. Operating income and Adjusted EBITDA of $88 million and $149 million, respectively, for the six months ended June 30, 2023, decreased 39% or $57 million and 28% or $58 million, respectively, compared to the same period of 2022 due to the same factors as above.

Adjusted EBITDA from the Spanish portfolio of $24 million for the three months ended June 30, 2023, decreased 63% or $41 million compared to the same quarter of 2022, primarily due to lower merchant revenue by $46 million from Spanish portfolio, partially offset by increase in band adjustments by $14 million. Adjusted EBITDA from the Spanish portfolio of $75 million for the six months ended June 30, 2023, decreased 41% or $53 million compared to the same period of 2022, primarily due to lower merchant revenue and Ri by $80 million and $18 million, respectively, from Spanish portfolio, partially offset by increase in band adjustments by $57 million. *Free Cash Flow* from the Spanish portfolio of negative $17 million for the three months ended June 30, 2023, decreased by $49 million compared to the same quarter of 2022, due to the same factors discussed above. Free Cash Flow from the Spanish portfolio of negative $8 million for the six months ended June 30, 2023, decreased by $76 million compared to the same period of 2022, due to the same factors as above.

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 revenue agreements, the facility is reimbursed for certain costs of sales by the counterparty. For the six months ended June 30, 2023, Northland's efficient natural gas facilities contributed approximately 16% of reported Adjusted EBITDA from facilities, with the two largest facilities, North Battleford and Thorold accounting for approximately 14%.

Electricity production for the three months ended June 30, 2023, increased 4% or 31GWh, compared to the same quarter of 2022, mainly due to higher market demand for dispatchable power and lower unplanned outages. Electricity production for the six months ended June 30, 2023, decreased 2% or 33GWh, compared to the same period of 2022, primarily due to lower market demand for dispatchable power during the comparatively mild Ontario winter.

Sales of $76 million three months ended June 30, 2023, decreased 26% or $27 million compared to the same quarter of 2022, primarily due to lower energy rates triggered by lower natural gas prices, which is a pass-through cost. Sales of $171 million six months ended June 30, 2023, decreased 16% or $33 million compared to the same period of 2022, due to the same factors as above.

Adjusted EBITDA of $49 million for the three months ended June 30, 2023, decreased 45% or $40 million, compared to the same quarter of 2022, primarily due to Kirkland Lake's one-time management fee received in 2022. Adjusted EBITDA of $105 million for the six months ended June 30, 2023, decreased 27% or $39 million compared to the same period of 2022, due to the same factors as above.

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 2023, Northland has hedged the foreign exchange rate at COP$3,347:CAD$1 (2022: COP$3,097: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 six months ended June 30, 2023, EBSA contributed approximately 8% of reported Adjusted EBITDA from facilities.

EBSA earns revenue by charging customers a rate approved under the regulatory framework administered by the local regulator, the Comisión de Regulación de Energía y Gas (**"CREG"**). The rate charged is set for an expected five-year period and includes amounts retained by EBSA, as retailer and distributor, and amounts passed through to other electricity system participants, such as the transmission operator. 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 $73 million and $50 million, respectively, for the three months ended June 30, 2023, increased 4% or $3 million and 2% or $1 million, compared to the same quarter of 2022, primarily due to higher market demand and rate escalations, partially offset by the foreign exchange fluctuations due to the weakening of the Colombian Peso. Sales of $139 million for the six months ended June 30, 2023, increased 2% or $3 million compared to the same period of 2022, primarily due to the same factors as above. Gross profit of $93 million for the six months ended June 30, 2023, remained in line with the same period of 2022.

Operating income and Adjusted EBITDA of $22 million and $30 million, respectively, for the three months ended June 30, 2023, remained in line with the same quarter of 2022. Operating income and Adjusted EBITDA of $41 million and $55 million, respectively, for the six months ended June 30, 2023, decreased 4% or $2 million and 3% or $2 million, compared to the same period of 2022, primarily due to the higher operating costs and the foreign exchange fluctuations due to the weakening of the Colombian Peso, partially offset by higher market demand and rate escalations.

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.

4.2: General and Administrative Costs

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

	Three months ended June 30,		Six months ended June 30,	
	2023	**2022**	**2023**	**2022**
Corporate G&A	**$ 21,320**	$ 12,651	**$ 36,121**	$ 26,026
Operations G&A (1)	**10,037**	7,275	**18,262**	13,628
Total G&A costs	**$ 31,357**	$ 19,926	**$ 54,383**	$ 39,654

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

Corporate G&A costs of $21 million and $36 million for the three and six months ended June 30, 2023, were 69% or $9 million and 39% or $10 million higher than the same periods of 2022, primarily due to increased personnel costs and other costs supporting Northland's projects and investments in the global platform which also included non-recurring expenditures of $2 million.

Operations G&A costs of $10 million and $18 million for the three and six months ended June 30, 2023, were 38% or $3 million and 34% or $5 million higher than the same period of 2022, primarily due to higher administrative costs to support the sustainable operations.

4.3: Growth Expenditures

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

	Three months ended June 30,		Six months ended June 30,	
	2023	**2022**	**2023**	**2022**
Business development	**$ 10,965**	$ 3,967	**$ 20,704**	$ 8,609
Project development	**4,461**	3,631	**7,729**	6,279
Development overhead	**12,651**	7,111	**23,918**	17,108
Acquisition costs (1)	**137**	137	**272**	618
Development costs	**$ 28,214**	$ 14,846	**$ 52,623**	$ 32,614
Joint venture project development costs (2)	**782**	1,758	**1,886**	2,081
Growth expenditures (3)	**$ 28,859**	$ 16,467	**$ 54,237**	$ 34,077
Growth expenditures on a per share basis			**$ 0.22**	$ 0.15

(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.

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. These may include costs incurred for projects that ultimately may not be pursued to acquisition or to completion. Business development costs for the three and six months ended June 30, 2023, were higher compared to the same periods of 2022 due to the timing of development activities pursuing opportunities.

Project development costs are attributable to identified early- to mid-stage development projects that are likely to generate cash flow over the long-run, though do not yet meet capitalization criteria under IFRS. For the three and six months ended June 30, 2023, project development costs were largely in line with 2022. Refer to *SECTION 8: 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 three and six months ended June 30, 2023, were higher than 2022 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.

4.4: Consolidated Results

The following discussion of the significant factors contributing to the consolidated financial results should be read in conjunction with Northland's unaudited interim condensed consolidated financial statements for the six months ended June 30, 2023.

Second Quarter

Sales of $472 million decreased 15% or $85 million compared to the same quarter of 2022, primarily due to lower revenue generated from the Spanish portfolio, the non-recurrence of the unprecedented spike in market prices realized in the second quarter of 2022 at Gemini and slightly lower production across offshore and onshore wind facilities.

Gross profit of $427 million decreased 12% or $57 million compared to the same quarter of 2022, due to the same reasons impacting sales.

Operating costs of $108 million increased 40% or $31 million compared to the same quarter of 2022, primarily due to higher maintenance costs at offshore wind facilities and the Spanish portfolio.

Corporate and Operational G&A costs of $31 million increased 57% or $11 million primarily due to increased costs and resources to support Northland's projects and global platform and higher administrative costs to support the sustainable operations.

Development costs of $28 million increased 90% or $13 million compared to the same quarter of 2022, primarily due to timing of spending to advance early to mid-stage development projects.

Finance costs, net (primarily interest expense) of $71 million decreased 8% or $6 million compared to the same quarter of 2022 primarily due to scheduled repayments on facility-level loans and higher loan repayments related to loan restructurings that occurred in 2022.

Fair value gain on derivative contracts was $16 million compared to a $235 million gain in the same quarter of 2022 primarily due to net movement in the fair value of derivatives related to commodity, interest rate and foreign exchange contracts.

Foreign exchange loss of $5 million was primarily due to unrealized loss from fluctuations in the closing foreign exchange rates.

Other income of $32 million increased 93% or $15 million compared to the same quarter of 2022, primarily due to the gains associated with two offshore wind assets in Europe in 2023.

Net income of $22 million in the second quarter of 2023 compared to $268 million in the same quarter of 2022 primarily as a result of the factors described above.

Year to date

Sales of $1,093 million decreased 13% or $159 million compared to the same period of 2022, primarily due to the non-recurrence of the unprecedented spike in market prices realized in the first half of 2022 at Gemini, lower revenue generated from the Spanish portfolio, higher 2022 P&I factor adjustment in 2023, and lower production across offshore and onshore wind facilities.

Gross profit of $996 million decreased 11% or $124 million compared to the same period of 2022, due to the same reasons impacting sales.

Operating costs of $201 million increased 28% or $43 million compared to the same period of 2022, primarily due to higher maintenance costs at offshore wind facilities and the Spanish portfolio.

Corporate and Operational G&A costs of $54 million increased 37% or $15 million primarily due to increased costs and resources to support Northland's projects and global platform and higher administrative costs to support the sustainable operations.

Development costs of $53 million increased 61% or $20 million compared to the same period of 2022, primarily due to timing of spending to advance early to mid-stage development projects.

Finance costs, net (primarily interest expense) of $138 million decreased 13% or $20 million compared to the same period of 2022, primarily due to scheduled repayments on facility-level loans and higher loan repayments related to loan restructurings that occurred in 2022.

Fair value loss on derivative contracts was $68 million compared to a $363 million gain in the same period of 2022, primarily due to net movement in the fair value of derivatives related to commodity, interest rate and foreign exchange contracts.

Foreign exchange gain of $25 million was primarily due to unrealized gain from fluctuations in the closing foreign exchange rates.

Other income of $27 million decreased 13% or $4 million, compared to the same period of 2022, primarily due to the gains associated with two offshore wind assets in Europe in 2023.

Net income of $129 million in the six months ended June 30, 2023 compared to $555 million in the same period of 2022 primarily as a result of the factors described above.

4.5: Adjusted EBITDA

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

	Three months ended June 30,		Six months ended June 30,	
	2023	**2022**	**2023**	**2022**
Net income (loss)	**$ 21,662**	$ 267,866	**$ 128,799**	$ 555,446
Adjustments:				
Finance costs, net	**71,064**	77,736	**138,278**	159,240
Gemini interest income	**4,163**	3,749	**6,262**	7,456
Provision for (recovery of) income taxes	**37,169**	85,708	**76,024**	186,262
Depreciation of property, plant and equipment	**145,882**	144,614	**291,057**	292,029
Amortization of contracts and intangible assets	**14,342**	15,545	**28,042**	25,603
Fair value (gain) loss on derivative contracts	**(17,936)**	(239,730)	**63,003**	(373,175)
Foreign exchange (gain) loss	**4,526**	34,575	**(24,648)**	66,949
Elimination of non-controlling interests	**(54,042)**	(40,964)	**(133,009)**	(141,818)
Finance lease (lessor)	**(1,511)**	(1,614)	**(2,969)**	(3,278)
Others (1)	**6,936**	(12,293)	**13,115**	(19,373)
Adjusted EBITDA (2)	**$ 232,255**	$ 335,192	**$ 583,954**	$ 755,341

(1) Others primarily include Northland's share of profit (loss) from equity accounted investees, Northland's share of Adjusted EBITDA from equity accounted investees, gains from partial asset sell-down, acquisition costs and other expenses (income).

(2) See Forward-Looking Statements and Non-IFRS Financial Measures above. Further, note that non-IFRS measures during the three and six months ended June 30, 2023, include the effect of changes in the definition of non-IFRS measures. For a reconciliation of these non-IFRS financial measures to the ones before definition change refer to 4.7: Reconciliation to 'Non-IFRS Measures Before Definition Change'.

Gemini interest income reflects 5% interest earned on Northland's €114 million subordinated debt to Gemini. Under the terms of the Gemini debt amendment completed in the fourth quarter of 2022, 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.

Second Quarter

Adjusted EBITDA of $232 million for the three months ended June 30, 2023, decreased 31% or $103 million compared to the same quarter of 2022. The significant factors decreasing Adjusted EBITDA include:

- $41 million decrease in the contribution from the Spanish renewables portfolio, primarily due to lower merchant revenue by $46 million, partially offset by increase in band adjustments by $14 million, as described in *Section 4.1: Operating Results*, and lower wind resource;
- $37 million decrease in the contribution primarily from a one-time management fee from Kirkland Lake received in 2022;
- $20 million decrease in operating results at the offshore wind facilities primarily due to the non-recurrence of the unprecedented spike in market prices realized in the first half of 2022 and slightly lower production across all offshore wind facilities. These declines were partially offset by higher turbine availability at Nordsee One following the completion of the RSA replacement campaign in 2022 and the effect of foreign exchange fluctuations due to the strengthening of the Euro and other items; and
- $24 million increase in G&A costs and development expenditures, with the latter driven by timing of spend.

The factor partially offsetting the decrease in the Adjusted EBITDA were:

- $23 million in gains from partial asset sell-down.

Year to date

Adjusted EBITDA of $584 million for the six months ended June 30, 2023, decreased 23% or $171 million compared to the same period of 2022. The significant factors decreasing Adjusted EBITDA include:

- $56 million decrease in operating results at the offshore wind facilities compared to the same period of 2022, primarily due to the non-recurrence of the unprecedented spike in market prices realized in the first half of 2022, lower production across all offshore wind facilities and higher 2022 P&I factor adjustment recorded in 2023 (which reduced Gemini's 2022 revenues, as calculated by the Dutch authority in April 2023), partially offset by the foreign exchange fluctuations due to the strengthening of the Euro and other items;
- $53 million decrease in the contribution from the Spanish renewables portfolio, primarily due to lower merchant revenue and Ri by $84 million and $19 million, respectively, partially offset by increase in band adjustments by $58 million, as described in *Section 4.1: Operating Results*, and lower wind resource;
- $40 million decrease in contribution primarily from a one-time management fee from Kirkland Lake received in 2022; and
- $35 million increase in G&A costs and development expenditures, with the latter driven by timing of spend.

The factor partially offsetting the decrease in the Adjusted EBITDA were:

- $23 million in gains from partial asset sell-down.

4.6: 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 June 30,		Six months ended June 30,	
	2023	**2022**	**2023**	**2022**
Cash provided by operating activities	**$ 204,278**	$ 312,337	**$ 501,340**	$ 758,956
Adjustments:				
Net change in non-cash working capital balances related to operations	**55,170**	25,883	**135,025**	40,992
Non-expansionary capital expenditures	**(414)**	(18,480)	**(899)**	(31,310)
Restricted funding for major maintenance, debt and decommissioning reserves	**(6,811)**	(6,004)	**(2,653)**	(11,098)
Interest	**(97,345)**	(75,521)	**(139,610)**	(148,033)
Scheduled principal repayments on facility debt	**(274,157)**	(307,944)	**(325,642)**	(348,385)
Funds set aside (utilized) for scheduled principal repayments	**104,016**	125,152	**(8,166)**	(16,926)
Preferred share dividends	**(1,521)**	(2,741)	**(3,003)**	(5,441)
Consolidation of non-controlling interests	**(16,670)**	4,644	**(61,653)**	(41,804)
Investment income (1)	**9,755**	4,222	**17,270**	8,398
Proceeds under NER300 and warranty settlement at Nordsee One	**—**	21,164	**—**	38,876
Others (2)	**64,988**	62,831	**83,972**	75,693
Free Cash Flow (3)	**$ 41,289**	$ 145,543	**$ 195,981**	$ 319,918
Add Back: Growth expenditures	**28,859**	16,467	**54,237**	34,077
Less: Historical growth expenditures' recovery due to sell-down	**(7,445)**	—	**(7,445)**	—
Adjusted Free Cash Flow (3)	**$ 62,703**	$ 162,010	**$ 242,773**	$ 353,995

(1) Investment income includes Gemini interest income and repayment of Gemini subordinated debt.

(2) Others mainly include the effect of foreign exchange rates and hedges, interest rate hedge, Nordsee One interest on shareholder loans, share of joint venture project development costs, acquisition costs, lease payments, interest income, Northland's share of Adjusted Free Cash Flow from equity accounted investees, gains from sales of development assets, interest on corporate-level debt raised to finance capitalized growth project and other non-cash expenses adjusted in working capital excluded from Free Cash Flow in the period.

(3) See Forward-Looking Statements and Non-IFRS Financial Measures above. Further, note that non-IFRS measures during the three and six months ended June 30, 2023, include the effect of changes in the definition of non-IFRS measures. For a reconciliation of these non-IFRS financial measures to the ones before definition change refer to 4.7: Reconciliation to 'Non-IFRS Measures Before Definition Change'.

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

Scheduled principal repayments on facility debt reflect repayments as paid. *Funds set aside (utilized) for scheduled principal repayments* allocate 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.

Select Scheduled Principal Repayments (at Northland's share)		2023		2022
Gemini	€	**88,497**	€	127,103
Nordsee One		**86,767**		88,411
Deutsche Bucht		**78,071**		76,507
Spanish portfolio (1)		**85,334**		124,603
Total	€	**338,669**	€	416,624

(1) Northland is currently evaluating debt re-sculpting options to adjust the scheduled principal repayments to match with the revised cash flow profile from the Spanish portfolio.

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

Others mainly include foreign exchange hedge settlement of $21 million, interest rate hedge settlement of $11 million and interest income of $16 million, partially offset by the foreign exchange rates and hedges of $7 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.

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

	Three months ended June 30,				Six months ended June 30,			
		2023		**2022**		**2023**		**2022**
Adjusted EBITDA (2)	**$**	**232,255**	$	335,192	**$**	**583,954**	$	755,341
Adjustments:								
Scheduled debt repayments		**(144,207)**		(147,853)		**(283,543)**		(295,554)
Interest expense		**(54,744)**		(60,023)		**(99,160)**		(121,304)
Current taxes		**(17,694)**		(32,725)		**(64,690)**		(89,109)
Non-expansionary capital expenditure		**(413)**		(15,749)		**(720)**		(26,668)
Utilization (funding) of maintenance and decommissioning reserves		**(6,347)**		(5,574)		**(2,645)**		(10,230)
Lease payments, including principal and interest		**(1,464)**		(116)		**(4,529)**		(3,123)
Preferred dividends		**(1,521)**		(2,741)		**(3,003)**		(5,441)
Foreign exchange hedge gain (loss)		**6,830**		32,929		**30,288**		48,091
Proceeds under NER300 and warranty settlement at Nordsee One		**—**		17,989		**—**		33,044
EBSA Refinancing proceeds, net of growth capital expenditures		**—**		3,953		**—**		16,777
Others (1)		**28,594**		20,261		**40,029**		18,094
Free Cash Flow (2)	**$**	**41,289**	$	145,543	**$**	**195,981**	$	319,918
Add back: Growth expenditures		**28,859**		16,467		**54,237**		34,077
Less: Historical growth expenditures' recovery due to sell-down		**(7,445)**		—		**(7,445)**		—
Adjusted Free Cash Flow (2)	**$**	**62,703**	$	162,010	**$**	**242,773**	$	353,995

(1) Others mainly include Gemini interest income, repayment of Gemini subordinated debt, interest rate hedge settlement, gains from sales of development assets, and interest received on third-party loans to partners.

(2) See Forward-Looking Statements and Non-IFRS Financial Measures above. Further, note that non-IFRS measures during the three and six months ended June 30, 2023, include the effect of changes in the definition of non-IFRS measures. For a reconciliation of these non-IFRS financial measures to the ones before definition change refer to 4.7: Reconciliation to 'Non-IFRS Measures Before Definition Change'.

Second Quarter

Adjusted Free Cash Flow of $63 million for the three months ended June 30, 2023, was 61% or $99 million lower than the same quarter of 2022.

The significant factors decreasing Adjusted Free Cash Flow were:

- $103 million decrease in contribution from the operating facilities leading to lower Adjusted EBITDA primarily due to the factors described above; and

- $30 million net proceeds from the sale of two efficient natural gas facilities in April 2022.

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

- $15 million decrease in current taxes primarily at offshore wind facilities and the Spanish portfolio as a result of lower operating results; and
- $12 million gains from sales of offshore wind development assets in Europe and foreign exchange hedge settlements.

Free Cash Flow, which is reduced by growth expenditures, totaled $41 million for the three months ended June 30, 2023, and was 72% or $104 million lower than the same quarter of 2022, due to the same factors as Adjusted Free Cash Flow.

Year to date

Adjusted Free Cash Flow of $243 million for the six months ended June 30, 2023, was 31% or $111 million lower than the same period of 2022.

The significant factors decreasing Adjusted Free Cash Flow were:

- $171 million decrease in contribution from operating facilities leading to lower Adjusted EBITDA primarily due to the factors described above; and
- $30 million net proceeds from the sale of two efficient natural gas facilities in April 2022.

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

- $26 million gains from sales of offshore wind development assets in Europe and foreign exchange hedge settlements;
- $24 million decrease in current taxes primarily at offshore wind facilities and the Spanish portfolio as a result of lower operating results;
- $22 million decrease in net finance costs primarily due to scheduled repayments on facility-level loans and higher loan repayments related to loan restructurings in 2022;
- $12 million decrease due to scheduled debt repayments on facility-level loans; and
- $11 million contribution primarily from EBSA maturity hedge settlements.

Free Cash Flow, which is reduced by growth expenditures, totaled $196 million for the six months ended June 30, 2023, and was 39% or $124 million lower than the same period of 2022, 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 June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Cash dividends paid to shareholders	**$ 51,148**	$ 48,442	**$ 101,195**	$ 95,835
Adjusted Free Cash Flow payout ratio — cash dividends (1) (3)			**58 %**	32 %
Free Cash Flow payout ratio — cash dividends (1) (3)			**79 %**	38 %
Total dividends paid to shareholders (2)	**$ 75,667**	$ 69,472	**$ 150,788**	$ 137,593
Adjusted Free Cash Flow payout ratio — total dividends (1) (2) (3)			**84 %**	48 %
Free Cash Flow payout ratio — total dividends (1) (2) (3)			**115 %**	56 %
Weighted avg. number of shares — basic and diluted (000s)	**252,356**	232,321	**251,579**	230,019
Per share ($/share)				
Dividends paid	**$ 0.30**	$ 0.30	**$ 0.60**	$ 0.60
Adjusted Free Cash Flow — basic and diluted (3)	**$ 0.25**	$ 0.70	**$ 0.96**	$ 1.54
Free Cash Flow — basic and diluted (3)	**$ 0.16**	$ 0.63	**$ 0.78**	$ 1.39

(1) On a rolling four-quarter basis.

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

(3) See Forward-Looking Statements and Non-IFRS Financial Measures above. Further, note that non-IFRS measures during the three and six months ended June 30, 2023, include the effect of changes in the definition of non-IFRS measures. For a reconciliation of these non-IFRS financial measures to the ones before definition change refer to 4.7: Reconciliation to 'Non-IFRS Measures Before Definition Change'.

At June 30, 2023, the rolling four quarter Adjusted Free Cash Flow and the Free Cash Flow net payout ratio was 58% and 79%, respectively, calculated on the basis of cash dividends paid, compared to 32% and 38% for the same period ending June 30, 2022. The Free Cash Flow net payout ratio was similarly higher compared to the same period ending June 30, 2022, primarily due to non-recurrence of the unprecedented spike in market prices realized in first half of 2022, net of higher loan repayments related to loan restructurings in 2022.

4.7: Reconciliation to 'Non-IFRS Measures Before Definition Change'

The following table reconciles the revised non-IFRS financial measures to the ones before definition change:

	Three months ended June 30, 2023			Six months ended June 30, 2023		
	Adjusted EBITDA	**Adjusted Free Cash Flow**	**Free Cash Flow**	**Adjusted EBITDA**	**Adjusted Free Cash Flow**	**Free Cash Flow**
Non-IFRS measures before definition change	**$ 201,077**	**$ 53,556**	**$ 32,142**	**$ 552,776**	**$ 233,626**	**$ 186,834**
Effect of changes in non-IFRS measures:						
Impairment of capitalized growth projects	8,211	8,211	8,211	8,211	8,211	8,211
Gains from partial asset sell-down	22,967	—	—	22,967	—	—
Interest on corporate-level debt raised to finance capitalized growth project	—	936	936	—	936	936
Revised non-IFRS measures	**$ 232,255**	**$ 62,703**	**$ 41,289**	**$ 583,954**	**$ 242,773**	**$ 195,981**

SECTION 5: CHANGES IN FINANCIAL POSITION

The following table provides a summary of account balances derived from the unaudited interim condensed consolidated statements of financial position as at June 30, 2023 and December 31, 2022.

As at	**June 30, 2023**	**December 31, 2022**
Assets		
Cash and cash equivalents	**$ 1,004,116**	$ 1,299,833
Restricted cash	**192,286**	160,142
Trade and other receivables	**292,119**	397,771
Other current assets	**108,669**	242,381
Property, plant and equipment, net	**9,360,873**	9,377,584
Contracts and other intangible assets, net	**478,437**	515,775
Derivative assets	**623,483**	751,975
Deferred tax asset	**32,875**	27,240
Investment in joint ventures	**1,020,837**	441,565
Other assets (1)	**1,072,773**	1,008,343
	$ 14,186,468	$ 14,222,609
Liabilities		
Trade and other payables	**$ 568,464**	$ 959,213
Loans and borrowings	**7,220,572**	6,971,722
Derivative liabilities	**168,163**	105,975
Deferred tax liability	**699,746**	697,577
Other liabilities (2)	**764,155**	763,849
	$ 9,421,100	$ 9,498,336
Total Equity	**4,765,368**	4,724,273
	$ 14,186,468	$ 14,222,609

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

(2) Includes dividends payable, corporate credit facilities, provisions and other liabilities.

Significant changes in Northland's unaudited interim condensed consolidated statements of financial position were as follows:

- *Cash and Cash Equivalents* decreased by $296 million primarily due to investments in Hai Long and Baltic offshore wind projects, and the Oneida energy storage project, partially offset by proceeds from the Green Notes.
- *Other current assets* decreased by $134 million primarily due to deposit settlement for the redemption of Series 3 Preferred Shares.
- *Investment in joint ventures* increased by $579 million primarily due to the investment in Hai Long and Baltic offshore wind projects.
- *Property, plant and equipment* decreased by $17 million primarily due to depreciation expense and construction-related activities, partially offset by foreign exchange fluctuations.
- *Net derivative assets* decreased $191 million from a net derivative asset at December 31, 2022, primarily due to the effects of interest rates in Canada, the US and Europe, and strengthening of the Euro against the Canadian dollar.
- *Loans and borrowings* increased by $249 million mainly due to issuance of the Green Notes, construction related drawdown and foreign exchange fluctuation, partially offset by the scheduled principal repayments on facility-level debt.

SECTION 6: EQUITY, LIQUIDITY AND CAPITAL RESOURCES

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

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 2023 and 2022 was as follows:

As at	June 30, 2023	December 31, 2022
Common shares		
Shares outstanding, beginning of year	**250,017,357**	226,882,751
Equity offering	**1,210,537**	20,894,982
Shares issued under the LTIP	**—**	14,974
Shares issued under the DRIP	**1,563,901**	2,224,650
Total common shares outstanding, end of period	**252,791,795**	250,017,357

Preferred shares outstanding as at June 30, 2023, and December 31, 2022 were as follows:

As at	June 30, 2023	December 31, 2022
Preferred shares outstanding		
Series 1	**4,762,246**	4,762,246
Series 2	**1,237,754**	1,237,754
Series 3	**—**	4,800,000
Total	**6,000,000**	10,800,000

In May 2023, Northland's corporate credit rating was reaffirmed at BBB (stable) by Fitch, a global rating agency, in addition to S&P's BBB (stable) rating.

On January 3, 2023, Northland completed the previously announced redemption of 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 $122 million.

At June 30, 2023, Northland had 252,791,795 common shares outstanding (as at December 31, 2022 - 250,017,357) with no change in preferred shares Series 1 and Series 2 outstanding from December 31, 2022.

As of August 10, 2023, Northland has 253,104,982 common shares outstanding with no change in preferred shares Series 1 and Series 2 outstanding from June 30, 2023.

Liquidity and Capital Resources

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

	Three months ended June 30,		Six months ended June 30,	
	2023	**2022**	**2023**	**2022**
Cash and cash equivalents, beginning of period	**$ 978,071**	$ 1,203,634	**$ 1,299,833**	$ 673,692
Cash provided by operating activities	**204,278**	312,337	**501,340**	758,956
Cash (used in) investing activities	**(281,536)**	(71,550)	**(766,413)**	(151,030)
Cash (used in) provided by financing activities	**152,478**	(480,319)	**17,462**	(288,944)
Effect of exchange rate differences	**(49,175)**	(21,335)	**(48,106)**	(49,907)
Cash and cash equivalents, end of period	**$ 1,004,116**	$ 942,767	**$ 1,004,116**	$ 942,767

Year to date

Cash and cash equivalents for the six months ended June 30, 2023, decreased $296 million due to $766 million of cash used in investing activities and $48 million effect of foreign exchange translation, partially offset by cash provided by operations of $501 million and $17 million by financing activities.

Cash provided by operating activities for the six months ended June 30, 2023, was $501 million comprising:

- $129 million of net income; and
- $508 million in non-cash and non-operating items such as depreciation and amortization, finance costs, changes in fair value of derivative contracts and deferred taxes.

Factor partially offsetting cash provided by operating activities include:

- $135 million in changes in working capital due to the timing of payables, receivables and deposits.

Cash used in investing activities for the six months ended June 30, 2023, was $766 million, primarily comprising:

- $214 million used for the purchase of property, plant and equipment, mainly for ongoing construction at New York onshore wind projects, Oneida energy storage project and other projects; and
- $620 million used mainly for the investment in the Hai Long and Baltic Power offshore wind projects.

Cash provided by financing activities for the six months ended June 30, 2023, was $17 million, primarily comprising:

- $490 million received from the issuance of Green Notes;
- $80 million of draws on project level debt primarily for construction of the projects;
- $41 million received from common shares issued under the ATM program in the first quarter; and
- $47 million proceeds from issuance of shares in subsidiaries that do not involve loss of control.

Factors partially offsetting cash provided by financing activities include:

- $326 million in scheduled principal repayments on the facility-level debt;
- $128 million in interest payments; and
- $164 million of common and preferred share dividends as well as dividends to non-controlling interest (**"NCI"**).

Movement of foreign currencies, including primarily the Euro, U.S. dollar and Colombian peso, against the Canadian dollar decreased cash and cash equivalents by $48 million for the six months ended June 30, 2023. 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 six months ended June 30, 2023:

	Balance as at Jan 1, 2023	Additions	Provisions, disposals and other (1)	Exchange rate differences	Balance as at Jun 30, 2023
Operations:					
Offshore wind	$ 6,752,871	$ 189	$ (26,575)	$ (12,442)	**$ 6,714,043**
Onshore renewable	3,314,585	13,041	(868)	(2,986)	**3,323,772**
Efficient natural gas(2)	1,318,950	2,223	(4,165)	—	**1,317,008**
Utility	507,462	13,924	(1,112)	69,761	**590,035**
Construction:					
Onshore renewable	870,008	167,578	3,399	9,693	**1,050,678**
Corporate	100,247	26,921	(4,658)	(782)	**121,728**
Total	**$ 12,864,123**	**$ 223,876**	**$ (33,979)**	**$ 63,244**	**$ 13,117,264**

(1) Includes disposal of assets and amounts accrued under the long-term incentive plan (**"LTIP"**).

(2) Excludes Spy Hill lease receivable accounting treatment.

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 six months ended June 30, 2023:

	Balance as at Jan 1, 2023	Financings, net of costs	Repayments	Amort. of costs/fair value	Exchange rate differences	Balance as at Jun 30, 2023
Operations:						
Offshore wind	$ 3,483,259	$ —	$ (194,142)	$ 10,482	$ (4,403)	**$ 3,295,196**
Onshore renewable	1,757,472	77	(98,661)	2,306	2,708	**1,663,902**
Efficient natural gas	875,317	11,655	(32,552)	293	—	**854,713**
Utility	518,847	—	(150)	(571)	53	**518,180**
Construction:						
Onshore renewable	336,827	68,219	(137)	638	(6,983)	**398,565**
Green Notes (2)	—	490,016	—	—	—	**490,016**
Corporate (1)	(2,817)	674,833	(656,844)	1,146	(4,160)	**12,158**
Total	**$ 6,968,905**	**$ 1,244,800**	**$ (982,486)**	**$ 14,294**	**$ (12,785)**	**$ 7,232,730**

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

(2) On June 21, 2023, Northland closed its offering of $500 million ($490 million, net of transaction costs) Green Notes.

Additionally, as at June 30, 2023, $101 million of letters of credit were outstanding under non-recourse project-level credit facilities for operational use.

During the six months ended June 30, 2023, Northland entered into multiple financing activities. Refer to *Section 3.1: Significant Events* for additional information.

Debt Covenants

Northland generally conducts its business activities 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 its 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 June 30, 2023, Northland and its subsidiaries were in compliance with all financial covenants under the applicable credit agreements.

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 June 30, 2023	Facility size	Amount drawn [4]	Outstanding letters of credit [5]	Available capacity	Maturity date
Sustainability linked loan syndicated revolving facility	$ 1,000,000	$ 15,000	$ 296,359	$ 688,641	Sep. 2027
Bilateral letter of credit facility	150,000	—	145,313	4,687	Sep. 2024
Export credit agency backed letter of credit facility [1]	200,000	—	69,757	130,243	Mar. 2025
Export credit agency backed letter of credit facility [2]	100,000	—	38,856	61,144	n/a
Total — Long term facilities	**$ 1,450,000**	**$ 15,000**	**$ 550,285**	**$ 884,715**	
Short term revolving facility [3]	250,000	—	—	250,000	Oct. 2023
Total	**$ 1,700,000**	**$ 15,000**	**$ 550,285**	**$ 1,134,715**	

(1) During the six months ended June 30, 2023, the Export credit agency backed LC facility size was increased by $100 million and the maturity date was extended to March 2025.

(2) This facility does not have a specified maturity date.

(3) During the second quarter, Northland secured a short-term credit facility amounting to $250 million with a maturity date of October 2023. This facility is available for general corporate funding purposes.

(4) Deferred financing cost, as at June 30, 2023, associated with the syndicated revolving facility amounting to $3 million (December 31, 2022 - $3 million) is included within the other assets in the Interim Condensed Consolidated Statements of Financial Position.

(5) As at June 30, 2023, outstanding letters of credit include LCs issued in favor of joint ventures amounting to $291 million.

- Of the $550 million of corporate letters of credit issued as at June 30, 2023, $360 million relates to projects under advanced development or construction.

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

SECTION 7: SUMMARY OF QUARTERLY CONSOLIDATED RESULTS

Northland's consolidated financial results are affected by seasonal factors, contract provisions and extraordinary items, which result in quarterly variations. Northland's quarterly net income (loss) also varies due to any non-cash impairments/ recoveries and foreign exchange adjustments required to translate euro, 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	**Q2 2023**	**Q1 2023**	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**	**Q4 2021**	**Q3 2021**
Total sales	$ 472	$ 622	$ 641	$ 556	$ 557	$ 695	$ 640	$ 432
Operating income (1)	103	273	270	202	216	363	301	80
Net income (loss)	22	107	324	76	268	288	130	(5)
Adjusted EBITDA	232	352	353	290	335	420	364	211
Cash provided by operating activities	204	297	551	523	312	447	559	280
Adjusted Free Cash Flow	63	180	41	66	162	192	182	35
Free Cash Flow	$ 41	$ 155	$ 16	$ 45	$ 146	$ 174	$ 156	$ 11
Per share statistics								
Net income (loss) attributable to common shareholders — basic (2)	$ 0.01	$ 0.27	$ 1.12	$ 0.33	$ 1.01	$ 0.99	$ 0.45	$ (0.03)
Net income (loss) attributable to common shareholders — diluted (2)	0.01	0.27	1.12	0.33	1.01	0.99	0.45	(0.03)
Adjusted Free Cash Flow — basic	0.25	0.72	0.16	0.28	0.70	0.84	0.80	0.15
Free Cash Flow — basic	0.16	0.62	0.06	0.19	0.63	0.77	0.69	0.05
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 8: 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:

Thorold upgrade

As part of the Ontario government's energy transition and security policies, and consistent with Northland's strategy to optimize existing operating facilities to enhance value and performance, Northland continues to carry out its plans for an upgrade of its 265MW Thorold Co-Generation facility in Ontario, Canada. The optimization will result in an increase to the electricity generating capacity of the facility by 23MW, an expected improvement in the facility's heat rate, which could decrease overall emissions intensity at the facility, without impacting Northland's 2040 net zero targets and will provide an additional fixed contract revenue stream for Northland. The upgrade is expected to be in service by the end of 2024. On April 24, 2023, as part of our optimization of the facility, Northland was awarded a 5-year extension of the PPA for Thorold by IESO from 2030 to 2035. Concurrently, Northland completed the restructuring of Thorold's project debt with (i) additional debt of $26 million to finance the upgrade; (ii) a decrease in all-in interest rate to 6.4% (previously 6.7%); and (iii) reduction of certain LC requirements. Thorold will continue to operate under a dispatch model.

South Korean Offshore Wind Projects

The Dado offshore wind project has been awarded EBLs for the full 1,270MW capacity, providing exclusivity over the development areas. Northland's second project, the 616MW Bobae project, has also been awarded the requisite EBLs. The next step for each project is to progress engineering surveys and secure grid capacity as part of progressing to mid-stage development. Other development activities for the projects are continuing to advance. 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 Energy Storage Project

In December 2022, Northland entered into an agreement to acquire a majority interest in a late-stage, grid-connected energy storage project in southern Ontario, Canada. The Oneida Energy Storage Project is a 250MW/1GWh energy storage facility. Northland will be the majority owner and take the lead role in its construction, financing and operation. The project successfully executed a 20-year Energy Storage Facility Agreement (**"ESFA"**) with the Independent Electricity System Operator (**"IESO"**) that offers monthly capacity payments. The remainder of the revenue will come from operating on the wholesale market. The project also finalized a battery supply agreement, and a long-term service agreement with Tesla Inc., to supply key components and services, and an EPC agreement with Aecon Group Inc. for designing, engineering and constructing the facility. On March 30, 2023, Northland and its partners signed a credit agreement with an external lender, that will allow the project to access approximately $700 million in senior and subordinated debt financing. On May 15, 2023, the Oneida energy storage project reached financial close, as the project successfully completed all necessary financing conditions. Construction activities have commenced, which are focused on road construction and site preparation before receiving the major equipment. Northland currently owns 74% of the project, which is being developed in partnership with NRStor Inc., Six Nations of the Grand River Development Corporation and Aecon Group Inc. Full commercial operations for the project are expected to commence in 2025.

Alberta Portfolio

In December 2022, Northland acquired a development platform and a portfolio of solar development projects in Alberta, Canada, continuing its growth and leadership in renewable energy in Canada, which established 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 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 are expected to 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 joined 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.

On May 9, 2023, Northland signed a partnership agreement with ESB, a leading Irish energy company for a 24.5% interest in both projects. The partnership with ESB demonstrates the strong interest in ScotWind and in developing offshore wind in Scotland and provides an opportunity to bring in a strong, long-term partner to share in the costs and help advance the development process.

Nordsee Offshore Wind Cluster

On May 25, 2023, Northland announced the sale of its 49% ownership stake in the Nordsee Cluster offshore wind portfolio (**"NSC"**) to its partner on the portfolio, RWE Offshore Wind GmbH (**"RWE"**). The sale provided RWE with 100% ownership of the projects for a cash consideration of approximately €35 million, which included a premium to Northland's costs incurred to date. The transaction transferred all assets, liabilities and committed contractual obligations relating to NSC, to RWE in the second quarter of 2023. The sale of NSC is consistent with Northland's strategy to prioritize projects within its development pipeline that are strategically and financially consistent with its investment approach.

Suba Colombian Solar Projects

Northland holds a 50% of economic interest in the 130MW Suba projects in Colombia. Its partner, EDF Renewables, holds the remaining 50%. After an in-depth evaluation, Northland and EDF Renewables have jointly elected not to proceed with the development of the Suba projects.

New York Onshore Wind Project**s**

Work towards achieving commercial operations on the 108MW Ball Hill project and 112MW Bluestone project continues, with commercial operations expected to occur in 2023. The projects were previously awarded 20-year indexed REC agreements with the New York State Energy Research and Development Authority that will effectively guarantee a fixed price per each MWh produced.

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 a 100% stake in the High Bridge project. The transaction is expected to close by the third quarter of 2023, subject to the satisfaction of certain customary closing conditions.

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 1,140MW of offshore wind generation.

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 Contract for Difference (**"CfD"**) offtake agreement, now denominated in Euros, includes an inflation indexation feature commencing with a base year of 2021, providing offsetting benefits to the higher inflationary price pressures experienced. Northland's equity funding expectations and returns remain in line with previously disclosed expectations as a result of the inflation indexation, which has offset the impact of previously disclosed cost increases experienced. Upon successful achievement of all necessary approvals, financial close and construction of Baltic Power is expected to commence in 2023, with commercial operations anticipated in 2026.

Baltic Power continued to make progress during the quarter having signed all of the supply chain contracts for the project. The financing process continues to advance with a consortium of local and international banks as well as ECAs. The project continues to advance to financial close, expected in 2023. Northland has a 49% working interest in Baltic Power, with its partner Orlen S.A. holding the remaining 51%.

La Lucha Mexican Solar Project

Northland has completed all connection and energization activities relating to its 130MW La Lucha solar power project in Mexico, with the project having achieved full commercial operations in June 2023. The project has been generating revenues since being connected to the Mexican energy grid and is expected to contribute $6 million of Adjusted EBITDA towards the 2023 financial results.

Hai Long Offshore Wind Project

In July 2022, Northland announced the signing of a 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. During the first quarter, the project received its major construction permit as planned and signed an amendment to the CPPA that resulted in the extension of CPPA tenor by two years from 20 to 22 years. Subsequent to quarter end, the project signed another amendment to the CPPA that extended its tenor by a further eight years from 22 to 30 years and signed amendments to extend the long stop dates of certain key supplier contracts.

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. The early construction works program and fabrication of key components continue to progress. The project started in-water activities in April 2023 following the receipt of its major construction permit, as planned.

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, including certain amendments relating thereto, 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 and is advancing through its credit approvals, albeit at a slower pace and under more challenging conditions than initially expected due to market specific factors. The final credit approval process was launched in March 2023 to secure the necessary funding commitments from local and international lenders and ECAs to achieve financial close. The delay in financial close to later in 2023 is currently not expected to impact commercial operations for the project, which remain targeted for 2026-2027.

On December 14, 2022, Northland signed an agreement with Gentari International Renewables Pte. Ltd. (**"Gentari"**) to sell 49% of its current stake in Hai Long. Upon closing, the transaction will result in Gentari holding a 29.4% indirect equity interest in Hai Long. Northland will hold a 30.6% interest in the project upon the achievement of transaction close and will continue to take the lead role in its construction and operation.

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 1,022MW (613MW 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	294	176	2024	FIT
Hai Long 2B	224	134	2025	Auction
Hai Long 3	504	303	2025	Auction
Total	**1,022**	**613**		

(1) Represents Northland's current 60% economic interest.

SECTION 9: OUTLOOK

As of August 10, 2023, management's 2023 financial outlook remains unchanged from prior guidance, albeit now at the lower end, as a result of the aforementioned regulatory changes in Spain. Adjusted EBITDA in 2023 is expected to be in the range of $1.2 billion to $1.3 billion, Adjusted Free Cash Flow per share in 2023 is expected to be in the range of $1.70 to $1.90 and Free Cash Flow per share in 2023 is expected to be in the range of $1.30 to $1.50. As discussed previously, the regulatory change impact is expected to reduce Adjusted EBITDA by approximately $90 million and Adjusted Free Cash Flow and Free Cash Flow by $75 million in 2023 due to the recent regulatory changes. However, the noted impacts are expected to be mitigated through better than expected performance on other planned activities in 2023, including sell downs, that continue to be part of our ongoing business strategy.

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 as well as key equipment and construction contracts, which may not always be available or available on terms acceptable to Northland. Similarly, the inability to achieve financial close within the timelines contemplated under key equipment and construction contracts for a project or to secure the necessary extensions of such contracts on terms acceptable to Northland could have a materially adverse effect on the execution of a project. 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 continues to implement a selective partnership strategy to sell interests in certain development projects on or before financial close. The Company will assess each opportunity individually and intends to remain a long-term owner of the renewable power assets it develops.

Over the longer term, Northland remains positioned to achieve substantial growth in Adjusted EBITDA by 2027, upon achieving targeted commercial operations of Oneida, Baltic Power and Hai Long, each with long-term contracted revenues of between 20 to 30 years.

With over 3 gigawatts (GW) of gross operating capacity and a robust development pipeline of approximately 16GW, the Company is well positioned for an accelerating global energy transition. Northland intends to be selective and pursue only projects within its pipeline that meet its strategic objectives and targeted returns closely monitoring macroeconomic conditions surrounding renewables development globally.

Funding Strategy & Update on Financial Close of Hai Long and Baltic Power

Having successfully achieved financial close of the Oneida energy storage project in 2023, Northland's focus is on achieving financial close on the Baltic Power and Hai Long offshore wind projects. Both projects are progressing towards financial close in 2023, though Hai Long continues to be more challenging than expected due to market specific factors. Each project is presently in active workstreams with resources and efforts focused on securing all necessary milestones and conditions precedent to achieve financial close. Collectively the project finance processes are being supported by a diverse group of Northland's project partners, lenders, including global financial institutions, local lenders, ECAs, government infrastructure lenders and multi-lateral agencies. At this time, Northland intends to utilize non-recourse project-level financing as the primary source of funding, with Northland's equity requirements expected to be supported by available liquidity on hand, proceeds from sell-downs, assets sales and the net proceeds from the recently issued Green Notes. Other than closing on the respective project financings and the 29.4% sell-down to Gentari, there are no further external funding needs for Northland to achieve financial close. At this time and based on current market conditions, management believes the

Company will have access to the necessary capital required to achieve financial close of the two aforementioned offshore wind projects. Taking into account the proceeds from the Green Notes issuance Northland has access to $1,012 million of available liquidity, including $73 million of cash on hand and approximately $939 million of capacity on its corporate revolving credit facilities as at June 30, 2023.

SECTION 10: LITIGATION, CLAIMS AND CONTINGENCIES

Litigation, claims and other contingencies arise from time to time in the ordinary course of business for Northland. None of these contingencies, individually or in aggregate, are expected to result in a liability that would have a material adverse effect on Northland. Refer to Note 15 of the unaudited interim condensed consolidated financial statements for additional information including any contingencies arising as a result of completed acquisitions.

SECTION 11: FUTURE ACCOUNTING POLICIES

Management assesses each new IFRS or amendment to determine whether it may have a material impact on Northland's consolidated financial statements. As at June 30, 2023, 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 12: FINANCIAL RISKS AND UNCERTAINTIES

For information on Northland's key risks, uncertainties, financial instruments and contractual commitments refer to Northland's 2022 Annual Report and the 2022 AIF filed electronically at www.sedarplus.ca under Northland's profile. Management does not believe there have been material changes in the business environment or risks faced by Northland during the period that have not been disclosed in the 2022 Annual Report or the 2022 AIF.

Northland's risk management objective is to mitigate fluctuations in cash flows and ensure stable levels of cash available to pay dividends to shareholders. Northland does not seek to mitigate fair value risk. Northland classifies financial risks into market risk, counterparty risk and liquidity risk. Northland manages financial risks by identifying, evaluating and mitigating financial risks in compliance with internal policies and external requirements under non-recourse project financing arrangements. Northland uses derivative financial instruments to manage certain financial risks but does not engage in speculative activity. Material financial risks are monitored and reported regularly to the Audit Committee of the Board of Directors. Refer to Note 19 of the 2022 Annual Report for additional information on Northland's risk management approach.

SECTION 13: CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate disclosure controls and internal controls over financial reporting as defined under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings of the Canadian Securities Administrators (**"NI 52-109"**).

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.

Northland has filed certifications as required under NI 52-109, signed by its CEO and CFO certifying certain matters with respect to the design of disclosure controls and procedures, and the design of internal controls over financial reporting including the appropriateness of the financial disclosures in its annual filings and the effectiveness of such disclosure controls and procedures as of June 30, 2023.

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.

Changes In Internal Control over Financial Reporting

There were no changes in the internal controls over financial reporting in the second quarter of 2023 that have materially affected, or are reasonably likely to materially affect, Northland's internal controls over financial reporting.