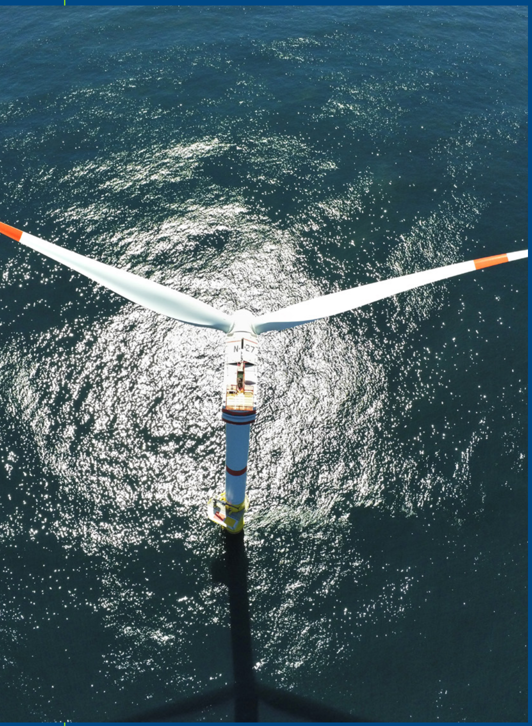
NORTHLAND POWER

First Quarter Report

Quarterly Report for the period ended March 31, 2023



Intelligent Energy. Greener Planet.

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

Table of Contents

SECTION 1: OVERVIEW

Introduction

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

This MD&A contains forward-looking statements that are based on certain estimates and assumptions that were considered reasonable on May 9, 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 May 9, 2023; actual results may differ materially. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans. Readers are cautioned that such statements may not be appropriate for other purposes. Northland's actual results could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, the events anticipated by the forward-looking statements may or may not transpire or occur. Forward-looking statements include statements that are not historical facts and are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects," "anticipates," "plans," "predicts," "believes," "estimates," "intends," "targets," "projects," "forecasts" or negative versions thereof and other similar expressions or future or conditional verbs such as "may," "will," "should," "would" and "could." These statements may include, without limitation, statements regarding future Adjusted EBITDA, Adjusted Free Cash Flow and Free Cash Flow, respective per share amounts, dividend payments and dividend payout ratios, guidance, the completion of construction, acquisitions, dispositions, investments or financings and the timing thereof, attainment of financial close and commercial operations, the potential for future production from project pipelines, cost and output of development projects, litigation claims, statements regarding Northland's sustainability and environmental, social, and governance goals, including its 65% reduction of its greenhouse gas emissions intensity by 2030 (from 2019 baseline), plans for raising capital, 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 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 approximately 50% of its Adjusted EBITDA, counterparty risks, contractual operating performance, variability of sales from generating facilities powered by intermittent renewable resources, offshore wind concentration, natural gas and power market risks, 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. 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.

Adjusted EBITDA

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

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

Adjusted Free Cash Flow

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

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

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

Free Cash Flow

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

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

SECTION 2: NORTHLAND'S BUSINESS

As of March 31, 2023, Northland owns or has a net economic interest in 2,616 megawatts (**"MW"**) of power-producing facilities with a total gross operating capacity of approximately 3,026MW and a regulated utility. Northland's facilities produce electricity from clean energy sources for sale primarily under long-term PPAs or other revenue arrangements with creditworthy counterparties. Northland's utility is a distributor and retailer of electricity, compensated under a regulated framework. These operating assets provide stable cash flow and are primarily located in Canada, Germany, the Netherlands, Spain and Colombia. Northland's significant assets under construction and development are located in Canada, Mexico, Taiwan, Poland, Germany, Colombia and the United States. Refer to the 2022 AIF for additional information on Northland's key operating facilities as of December 31, 2022, and refer to *SECTION 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) (2)
Offshore Wind	1,184	894
Onshore Renewable		
Wind	837	749
Solar	262	247
Efficient Natural Gas		
Canada	743	726
Utility		
Colombia	n/a	n/a
Total	**3,026**	**2,616**

(1) Presented at Northland's economic interest.

(2) As at March 31, 2023, Northland's economic interest was unchanged from December 31, 2022.

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

Project	Geographic Region	Technology	Gross Capacity (MW)	Current ownership	Development Stage	Contract type	Estimated COD
Construction Projects							
Ball Hill	United States	Onshore wind	108	100%	Under construction	20-year CfD (5)	2023
Bluestone	United States	Onshore wind	112	100%	Under construction	20-year CfD (5)	2023
La Lucha	Mexico	Solar	130	100%	Under construction	TBD	2023
Total			**350**				
Capitalized Growth Projects							
Suba	Colombia	Solar	130	50%	Late-stage	15-year PPA	TBD
Oneida	Canada	Battery Energy Storage	250	Majority	Mid/late-stage	20-year capacity contract	2025
Hai Long (1)	Taiwan	Offshore wind	1,044	60%	Late-stage	22-year PPA	2026/2027
Baltic Power	Poland	Offshore wind	1,200	49%	Late-stage	25-year CfD	2026
Nordsee Cluster A (2)	Germany	Offshore wind	658	49%	Mid-stage	TBD (3)	2026/2027
Total			**3,282**				
Identified Growth Projects							
Jurassic	Canada	Solar	220	100%	Mid/late-stage		2025
Alberta Solar	Canada	Solar	1,400	100%	Mid/late-stage		
Nordsee Cluster B (2)	Germany	Offshore wind	900	49%	Mid-stage		
Chiba	Japan	Offshore wind	600	50%	Early/mid-stage		
Dado Ocean	South Korea	Offshore wind	Up to 1,000	100%	Early/mid-stage		
ScotWind	Scotland	Offshore wind	2,340	100%	Early-stage		2027 - 2030+
Hecate	Canada	Offshore wind	400	100%	Early-stage		
CanWind	Taiwan	Offshore wind	500	100%	Early-stage		
Bobae	South Korea	Offshore wind	600	100%	Early-stage		
Wando	South Korea	Offshore wind	Up to 1,800	100%	Early-stage		
Total			**9,760**				
Additional Pipeline							
Various (4)		Various	**6,800**		Early-Stage		TBD
Total Pipeline			**20,192**				

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

(2) Nordsee Cluster A comprises Nordsee Two (433MW) and Godewind (225MW). Nordsee Cluster B comprises Nordsee Three (420MW) and Nordsee Delta (480MW).

(3) Nordsee Cluster A has secured interconnection rights for zero subsidy bid, with the intention to secure a long-term corporate PPA.

(4) Various include ~6,800MW of other early-stage pipeline projects.

(5) 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.

SECTION 3: CONSOLIDATED HIGHLIGHTS

3.1: Significant Events

Significant events during the first quarter 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:

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, 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.

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 $121.5 million.

At-The-Market Equity Program

During the first quarter of 2023, Northland took a more moderate approach to the use of its "at-the-market" equity program (**"ATM program"**), taking into consideration its financial close capital requirements in 2023 and the current share price. The proceeds raised to date are intended to be used to fund projects that are expected to achieve financial close in 2023.

During the three months ended March 31, 2023, Northland issued 1,209,937 Common Shares under the ATM program at an average price of $34.43 per Common Share for gross proceeds of $42 million (net proceeds $41 million). Year-to-date as at May 9, 2023, Northland has issued a total of 1,210,537 Common Shares at an average price of $34.43 per Common Share for gross proceeds of $42 million (net proceeds $41 million).

Renewables Growth updates:

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

ScotWind Partnership

Following a competitive process in 2022 to secure a partner to join the development of the ScotWind offshore wind projects. On May 9, 2023, Northland signed definitive agreements 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 Battery 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 the battery 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, subject to final closing conditions, that will allow the project to access approximately $700 million in senior and subordinated debt financing in connection with achieving financial close. Financial close for the project is expected in 2023, with full commercial operations to commence in 2025.

Hai Long Offshore Wind Project

The Hai Long early construction works program and fabrication of key components continue to progress. The project received its major construction permit as planned. The project financing is progressing towards financial close in 2023, albeit slower and under more challenging conditions than 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. Furthermore, in the quarter, Northland signed an amendment to the Corporate Power Purchase Agreement (the **"CPPA"**) that resulted in the extension of the CPPA tenor by two years from 20 to 22 years.

Baltic Power Offshore Wind Project

The project continues to advance toward financial close, expected in 2023. Baltic Power is in the process of finalizing contracts with suppliers for key components. The continued inflationary price environment is expected to result in the total project cost being in excess of the previously expected range of $5 billion to $6 billion. The increase in project costs is expected to be almost fully funded by non-recourse debt. The project's 25-year Contract for Difference (**"CfD"**) offtake agreement, which was initially denominated in Polish Zloty will now be denominated in Euros at effectively the same rate and inflation indexation will commence with a base year of 2021 (from 2022 previously), providing offsetting benefits to the higher inflationary price pressures experienced. Northland's equity funding expectations and returns remain in line with prior disclosures.

New York Onshore Wind Projects

Construction activities at the 112MW Bluestone project and the 108MW Ball Hill project continue, with all of the turbines at Bluestone having been installed and pre-commissioned and installation of the turbines at Ball Hill progressing. Once installation and commissioning of all turbines are completed, commercial operations are expected to occur in 2023.

South Korean Offshore Wind Projects

Electricity Business Licenses (**"EBLs"**) for the full 1,000MW capacity at Dado Ocean have been secured, providing exclusivity on the leases for the project. In addition, Northland's second project, the 600MW Bobae project, has been awarded EBLs for approximately 400MW, and work continues on securing EBLs for the remaining 200MW. Other development activities for the projects are continuing to advance.

La Lucha Mexican Solar Project

Northland continues to work to achieve commercial operations at its 130MW La Lucha solar project in Mexico. The project was connected to the Mexican grid and energized. The project is now coordinating with the relevant authorities on the final procedures to achieve full commercial operations, which is expected in 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 plans to carry out 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 carbon neutral 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:

		Three months ended March 31,		
Three months ended March 31,		**2023**		**2022**
FINANCIALS				
Sales	**$**	**621,721**	$	695,054
Gross profit		**568,903**		635,764
Operating income		**272,542**		363,396
Net income (loss)		**107,137**		287,580
Net income (loss) attributable to common shareholders		**69,894**		229,142
Adjusted EBITDA (a non-IFRS measure) (2)		**351,701**		420,149
Cash provided by operating activities		**297,062**		446,618
Adjusted Free Cash Flow (a non-IFRS measure) (2)		**180,071**		191,985
Free Cash Flow (a non-IFRS measure) (2)		**154,693**		174,375
Cash dividends paid		**50,047**		47,393
Total dividends declared (1)	**$**	**75,316**	$	68,496
Per Share				
Weighted average number of shares — basic and diluted (000s)		**250,793**		227,691
Net income (loss) attributable to common shareholders — basic and diluted	**$**	**0.27**	$	0.99
Adjusted Free Cash Flow — basic (a non-IFRS measure) (2)	**$**	**0.72**	$	0.84
Free Cash Flow — basic (a non-IFRS measure) (2)	**$**	**0.62**	$	0.77
Total dividends declared	**$**	**0.30**	$	0.30
ENERGY VOLUMES				
Electricity production in gigawatt hours (**GWh**)		**2,831**		2,923

(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.

SECTION 4: RESULTS OF OPERATIONS

The following table summarizes operating results by technology and geography:

Three months ended March 31,	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	**1,399**	1,401	**$ 346,008**	$ 396,634	**$ 48,640**	$ 37,513	**$ 199,060**	$ 262,437	**$ 225,956**	$ 262,365	**$ 92,216**	$ 103,807
Onshore Renewable Facilities												
Canada	**325**	389	**$ 50,774**	$ 55,236	**$ 7,554**	$ 6,894	**$ 21,952**	$ 27,026	**$ 31,598**	$ 37,281	**$ 11,521**	$ 16,663
Spain	**295**	258	**64,620**	72,988	**11,818**	11,389	**32,003**	40,583	**51,284**	62,701	**9,551**	36,139
	620	647	**$ 115,394**	$ 128,224	**$ 19,372**	$ 18,283	**$ 53,955**	$ 67,609	**$ 82,882**	$ 99,982	**$ 21,072**	$ 52,802
Efficient Natural Gas Facilities												
Canada	**811**	874	**$ 94,832**	$ 100,670	**$ 8,842**	$ 9,202	**$ 46,172**	$ 44,111	**$ 56,305**	$ 56,037	**$ 33,403**	$ 26,324
Utilities												
Colombia	**n/a**	n/a	**$ 65,101**	$ 65,345	**$ 15,616**	$ 15,257	**$ 18,107**	$ 20,762	**$ 25,304**	$ 27,381	**$ 18,800**	$ 24,571

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

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

(3) See Forward-Looking Statements and Non-IFRS Financial Measures above.

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 three months ended March 31, 2023, Gemini, Nordsee One and Deutsche Bucht contributed approximately 20%, 19% and 18%, respectively, to the 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 March 31, 2023, the APX price was €130/MWh.
- 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.

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 was capped.

In January 2023, the mechanism for the EU price cap was finalized by the majority of member states. The cap on Gemini will be at the SDE price of €169/MWh and Nordsee One and Deutsche Bucht will be eligible to receive merchant revenue up to €30/MWh above their respective subsidy price (**"EEG"**) plus 6% of the wholesale price. In both countries, only 10% of any revenue above the cap can now be retained by the facilities. Within Northland's annual guidance, we have not projected any revenue in excess of the contracted Dutch SDE or German EEG price for each facility.

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 March 31,				
	2023 (1)	**2022 (1)**	**Historical Average (2)**	**Historical High (2)**	**Historical Low (2)**
Electricity production (GWh)					
Gemini	**744**	722	710	826	629
Nordsee One	**347**	357	347	408	312
Deutsche Bucht	**308**	322	314	348	279
Total	**1,399**	1,401			

(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 March 31, 2023, was largely in line with the same quarter of 2022.

Sales of $346 million for the three months ended March 31, 2023, decreased 13% or $51 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 quarter of 2022. This decline was partially offset by higher turbine availability at Nordsee One following the completion of the rotor shaft assembly ("**RSA**") replacement campaign in 2022 and the effect of foreign exchange fluctuations due to the strengthening of the Euro. Adjusted Free Cash Flow and Free Cash Flow are largely unchanged primarily due to hedges in place that mitigate the foreign exchange rate fluctuations.

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

	Three months ended March 31,			
		2023		**2022**
Effect of Gemini APX hedge losses (1)	**$**	**2,292**	$	5,200
Lower turbine availability at Nordsee One (due to RSA campaign)		**—**		2,642
Unpaid curtailment due to negative prices in Germany		**2,619**		813
Unpaid curtailment due to grid outages in Germany	**$**	**466**	$	19

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

Operating costs of $49 million for the three months ended March 31, 2023, increased 30% or $11 million, compared to the same quarter of 2022, primarily due to higher maintenance costs at offshore wind facilities.

Operating income and Adjusted EBITDA of $199 million and $226 million, respectively, for the three months ended March 31, 2023, decreased 24% or $63 million and 14% or $36 million compared to the same quarter of 2022, due to the same factors as noted above.

Onshore Renewable Facilities

Northland's onshore renewables comprise 996MW (at Northland's share) of onshore wind and solar facilities located in Canada and Spain. Onshore wind facilities are similar in nature operationally to offshore wind; however, with lower operating costs and generally lower wind resource. Solar power facilities have lower fixed operating costs per unit of capacity than other renewable power technologies. Electricity production from solar facilities tends to be less variable than wind but is limited to available sunlight, which is generally higher in the second and third quarters than in the first and fourth quarters. For the three months ended March 31, 2023, Northland's onshore renewable facilities in Canada and Spain contributed approximately 8% and 13%, 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 23 sites and 7.1% for 10 sites, over the full regulatory life of the facilities, regardless of settled wholesale power price (**"pool price"**).

The revenue for each facility has three components:

- The return on investment (**"Ri"**), sized to complete the target return based on the merchant revenue assumed ex-ante (the **"posted price"**);
- 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 revenue and the revenue at the 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, but the band adjustments are paid in the following years, creating volatility in the current year's cash distributions, that therefore depends only on the merchant pool prices.

For 2023, the regulator's posted price increased to €208/MWh. During the first quarter of 2023, pool prices remained lower than the posted price resulting in favorable band adjustments, which only partially offset lower-than-expected merchant revenue.

In addition, a regulatory change has been introduced in 2023 that changes the reference price used in the band adjustment mechanism and, therefore creates a gap between the actual merchant revenue and the merchant revenue recognized by the mechanism. This new regulation will impact 25% of the generation in 2023 and subsequently increase to 50% in 2024 and 75% in 2026. In response to this change, management is considering a hedging strategy to mitigate the effects of this change.

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 March 31, 2023, was 4% or 28GWh lower than the same quarter of 2022, due to lower wind resource across the Canadian onshore facilities, partially offset by higher wind and solar resource at the Spanish facilities.

Sales of $115 million for the three months ended March 31, 2023, decreased 10% or $13 million compared to the same quarter of 2022, primarily driven by lower production at the Canadian Onshore facilities and lower pool prices in Spain.

Operating income and Adjusted EBITDA of $54 million and $83 million, respectively, for the three months ended March 31, 2023, decreased 20% or $14 million and 17% or $17 million compared to the same quarter 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 three months ended March 31, 2023, Northland's efficient natural gas facilities contributed approximately 14% of reported Adjusted EBITDA from facilities, with the two largest facilities, North Battleford and Thorold accounting for approximately 12%.

Electricity production for the three months ended March 31, 2023, decreased 7% or 64GWh, compared to the same quarter of 2022, mainly due to lower market demand for dispatchable power during the comparatively mild Ontario winter.

Sales of $95 million decreased 6% or $6 million compared to the same quarter of 2022, primarily due to lower energy tariffs as a result of lower natural gas prices.

Adjusted EBITDA of $56 million for the three months ended March 31, 2023 was largely in line with the same quarter of 2022.

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$3,079:CAD$1 (2022: COP$3,128: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 three months ended March 31, 2023, EBSA contributed approximately 6% of reported Adjusted EBITDA from facilities.

EBSA earns revenue by charging customers a rate approved under the regulatory framework administered by the local regulator, the Comisión de Regulación de Energía y Gas (**"CREG"**). The rate charged is set for an expected five-year period and includes amounts retained by EBSA, as retailer and distributor, and amounts passed through to other electricity system participants, such as the transmission operator. The next rate review is due in 2023. 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 $65 million and $43 million for the three months ended March 31, 2023, remained in line with the same quarter of 2022.

Operating income and Adjusted EBITDA of $18 million and $25 million, respectively, for the three months ended March 31, 2023, decreased 13% or $3 million and 8% or $2 million, compared to the same quarter of 2022, primarily due to 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 March 31,	
	2023	**2022**
Corporate G&A	**$ 14,801**	$ 13,375
Operations G&A [(1)]	**8,225**	6,353
Total G&A costs	**$ 23,026**	$ 19,728

(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 $15 million for the three months ended March 31, 2023, were 11% or $1 million higher than the same quarter of 2022, primarily due to increased personnel costs and other costs supporting Northland's global growth, in-line with management's expectations.

Operations G&A costs of $8 million for the three months ended March 31, 2023, were 29% or $2 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 March 31,			
		2023		2022
Business development	**$**	**9,739**	$	4,642
Project development		**3,268**		2,648
Development overhead		**11,267**		9,997
Acquisition costs (1)		**135**		481
Development costs	**$**	**24,409**	$	17,768
Joint venture project development costs (2)		**1,104**		323
Growth expenditures (3)	**$**	**25,378**	$	17,610
Growth expenditures on a per share basis	**$**	**0.10**	$	0.08

(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 months ended March 31, 2023, were higher compared to the same quarter 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 months ended March 31, 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 months ended March 31, 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 three months ended March 31, 2023.

First Quarter

Sales of $622 million decreased 11% or $73 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 quarter of 2022 and lower production across Canadian onshore facilities.

Gross profit of $569 million decreased 11% or $67 million compared to the same quarter of 2022 due to the same reasons impacting sales.

Operating costs of $93 million increased 16% or $13 million compared to the same quarter of 2022 primarily due to higher maintenance costs at offshore wind facilities.

G&A costs of $23 million increased 17% or $3 million primarily due to personnel and other costs supporting Northland's global growth, in-line with management's expectations and annual financial guidance.

Development costs of $24 million increased 37% or $7 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 $67 million decreased 18% or $14 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 loss on derivative contracts was $83 million compared to a $128 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 gain of $29 million was primarily due to unrealized gain from fluctuations in the closing foreign exchange rates.

Net income of $107 million in the first quarter of 2023 compared to $288 million in the same quarter 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 March 31,	
	2023	**2022**
Net income (loss)	**$ 107,137**	$ 287,580
Adjustments:		
Finance costs, net	**67,214**	81,504
Gemini interest income	**2,099**	3,707
Provision for (recovery of) income taxes	**38,855**	100,554
Depreciation of property, plant and equipment	**145,175**	147,415
Amortization of contracts and intangible assets	**13,700**	10,058
Fair value (gain) loss on derivative contracts	**80,939**	(133,445)
Foreign exchange (gain) loss	**(29,174)**	32,374
Elimination of non-controlling interests	**(78,967)**	(100,854)
Finance lease (lessor)	**(1,458)**	(1,664)
Others (1)	**6,181**	(7,080)
Adjusted EBITDA (2)	**$ 351,701**	$ 420,149

(1) Others primarily include share of results from equity investments, acquisition costs and other expenses (income).

(2) See Forward-Looking Statements and Non-IFRS Financial Measures above.

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.

First Quarter

Adjusted EBITDA of $352 million for the three months ended March 31, 2023, decreased 16% or $68 million compared to the same quarter of 2022. The significant factors decreasing Adjusted EBITDA include a $36 million decrease in operating results at the offshore wind facilities and an $11 million decrease in the contribution from the Spanish renewables portfolio primarily due to the factors described above.

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 March 31,	
	2023	**2022**
Cash provided by operating activities	**$ 297,062**	$ 446,618
Adjustments:		
Net change in non-cash working capital balances related to operations	**79,855**	15,109
Non-expansionary capital expenditures	**(485)**	(12,830)
Restricted funding for major maintenance, debt and decommissioning reserves	**4,158**	(5,094)
Interest	**(42,265)**	(72,511)
Scheduled principal repayments on facility debt	**(51,485)**	(40,441)
Funds set aside (utilized) for scheduled principal repayments	**(112,182)**	(142,078)
Preferred share dividends	**(1,482)**	(2,700)
Consolidation of non-controlling interests	**(44,983)**	(46,448)
Investment income (1)	**7,515**	4,176
Proceeds under NER300 and warranty settlement at Nordsee One	**—**	17,712
Others (2)	**18,985**	12,862
Free Cash Flow (3)	**$ 154,693**	$ 174,375
Add Back: Growth expenditures	**25,378**	17,610
Adjusted Free Cash Flow (3)	**$ 180,071**	$ 191,985

(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, 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.

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		**85,334**		124,603
Total	**€**	**338,669**	€	416,624

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 $6 million and interest income of $9 million, partially offset by the foreign exchange rates and hedges of $16 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 March 31,			
		2023		2022
Adjusted EBITDA (2)	**$**	**351,701**	$	420,149
Adjustments:				
Scheduled debt repayments		**(139,336)**		(147,701)
Interest expense		**(44,416)**		(61,281)
Current taxes		**(46,996)**		(56,384)
Non-expansionary capital expenditure		**(307)**		(10,919)
Utilization (funding) of maintenance and decommissioning reserves		**3,702**		(4,656)
Lease payments, including principal and interest		**(3,065)**		(3,007)
Preferred dividends		**(1,482)**		(2,700)
Foreign exchange hedge gain (loss)		**23,458**		15,162
Proceeds under NER300 and warranty settlement at Nordsee One		**—**		15,055
EBSA Refinancing proceeds, net of growth capital expenditures		**—**		12,824
Others (1)		**11,434**		(2,167)
Free Cash Flow (2)	**$**	**154,693**	$	174,375
Add Back: Growth expenditures		**25,378**		17,610
Adjusted Free Cash Flow (2)	**$**	**180,071**	$	191,985

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

(2) See Forward-Looking Statements and Non-IFRS Financial Measures above.

First Quarter

Adjusted Free Cash Flow of $180 million for the three months ended March 31, 2023, was 6% or $12 million lower than the same quarter of 2022.

The significant factor decreasing Adjusted Free Cash Flow was $68 million decrease in contribution from offshore wind and onshore renewable facilities leading to lower Adjusted EBITDA.

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

- $20 million increase primarily from foreign exchange hedge settlements; and

- $17 million decrease in net finance costs primarily due to scheduled repayments on facility-level loans and higher loan repayments related to loan restructurings at Gemini and the Spanish portfolio in 2022.

Free Cash Flow, which is reduced by growth expenditures, totaled $155 million for the three months ended March 31, 2023, and was 11% or $20 million lower than the same quarter 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 March 31,	
	2023	**2022**
Cash dividends paid to shareholders	**$ 50,047**	$ 47,393
Adjusted Free Cash Flow payout ratio - cash dividends (1) (3)	**34 %**	42 %
Free Cash Flow payout ratio - cash dividends (1) (3)	**40 %**	52 %
Total dividends paid to shareholders (2)	**$ 75,121**	$ 68,121
Adjusted Free Cash Flow payout ratio - total dividends (1) (2) (3)	**49 %**	62 %
Free Cash Flow payout ratio - total dividends (1) (2) (3)	**58 %**	77 %
Weighted avg. number of shares - basic and diluted (000s)	**250,793**	227,691
Per share ($/share)		
Dividends paid	**$ 0.30**	$ 0.30
Adjusted Free Cash Flow — basic and diluted (3)	**$ 0.72**	$ 0.84
Free Cash Flow — basic and diluted (3)	**$ 0.62**	$ 0.77

(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.

At March 31, 2023, the rolling four quarter Adjusted Free Cash Flow and the Free Cash Flow net payout ratio improved to 34% and 40%, respectively, calculated on the basis of cash dividends paid, compared to 42% and 52% for the same period ending March 31, 2022. The improvement in both net payout ratios was due to higher reported Adjusted Free Cash Flow. The Free Cash Flow net payout ratio was similarly improved compared to the same period ending March 31, 2022.

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 March 31, 2023 and December 31, 2022.

As at		March 31, 2023		December 31, 2022
Assets				
Cash and cash equivalents	**$**	**978,071**	$	1,299,833
Restricted cash		**176,091**		160,142
Trade and other receivables		**331,861**		397,771
Other current assets		**98,307**		242,381
Property, plant and equipment, net		**9,399,185**		9,377,584
Contracts and other intangible assets, net		**497,269**		515,775
Net derivative assets (2)		**490,268**		646,000
Investment in joint ventures		**878,801**		441,565
Other assets (1)		**1,042,578**		1,008,343
	$	**13,892,431**	$	14,089,394
Liabilities				
Trade and other payables	**$**	**684,761**	$	959,213
Facility-level loans and borrowings		**7,001,210**		6,971,722
Net deferred tax liability (2)		**653,852**		670,337
Other liabilities (3)		**744,340**		763,849
	$	**9,084,163**	$	9,365,121
Total equity		**4,808,268**		4,724,273
	$	**13,892,431**	$	14,089,394

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

(2) Presented on a net basis.

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

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

- *Cash and Cash Equivalents* decreased by $322 million primarily due to investments in Hai Long and Baltic offshore wind projects, partially offset by other inflows.
- *Other current assets* decreased by $144 million primarily due to deposit settlement for the redemption of Series 3 Preferred Shares.
- *Investment in joint ventures* increased by $437 million primarily due to the investment in Hai Long and Baltic offshore wind projects.
- *Property, plant and equipment* increased by $22 million primarily due to construction-related activities and foreign exchange fluctuations, partially offset by the depreciation expense.
- *Net derivative assets* decreased $156 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.
- *Facility-level loans and borrowings* increased by $29 million mainly due to construction related drawdown and foreign exchange fluctuation, partially offset by the scheduled principal repayments on facility-level debt.
- *Other liabilities* decreased by $20 million primarily due to decrease in Spanish portfolio's band adjustments.

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, including sales made pursuant to the ATM program.

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	March 31, 2023	December 31, 2022
Common shares		
Shares outstanding, beginning of year	**250,017,357**	226,882,751
Equity offering	**1,209,937**	20,894,982
Shares issued under the LTIP	**—**	14,974
Shares issued under the DRIP	**735,190**	2,224,650
Total common shares outstanding, end of period	**251,962,484**	250,017,357

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

As at	March 31, 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

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 $121.5 million.

At March 31, 2023, Northland had 251,962,484 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 May 9, 2023, Northland has 252,210,890 common shares outstanding with no change in preferred shares Series 1 and Series 2 outstanding from March 31, 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 March 31,	
	2023	**2022**
Cash and cash equivalents, beginning of period	**$ 1,299,833**	$ 673,692
Cash provided by operating activities	**297,062**	446,618
Cash (used in) investing activities	**(484,877)**	(79,480)
Cash (used in) provided by financing activities	**(135,016)**	191,375
Effect of exchange rate differences	**1,069**	(28,572)
Cash and cash equivalents, end of period	**$ 978,071**	$ 1,203,633

First Quarter

Cash and cash equivalents for the three months ended March 31, 2023, decreased $322 million due to cash provided by operations of $297 million and $1 million effect of foreign exchange translation, partially offset by $485 million of cash used in investing activities and $135 million in financing activities.

Cash provided by operating activities for the three months ended March 31, 2023, was $297 million comprising:

- $107 million of net income;
- $270 million in non-cash and non-operating items such as depreciation and amortization, finance costs, changes in fair value of financial instruments and deferred taxes; and
- $80 million in changes in working capital due to the timing of payables, receivables and deposits.

Cash used in investing activities for the three months ended March 31, 2023, was $485 million, primarily comprising:

- $64 million used for the purchase of property, plant and equipment, mainly for ongoing construction at New York Wind and other projects; and
- $434 million used mainly for the investment in the Hai Long and Baltic Power Offshore Wind projects.

Cash used in financing activities for the three months ended March 31, 2023, was $135 million, primarily comprising:

- $51 million in scheduled principal repayments on the facility-level debt;
- $42 million in interest payments; and
- $83 million of common and preferred share dividends as well as dividends to non-controlling interest (**"NCI"**).

Factors partially offsetting cash used in financing activities include:

- $41 million received from common shares issued under the ATM program; and
- $26 million of draws on project debt primarily for construction of the projects.

Movement of foreign currencies, including primarily the Euro, U.S. dollar and Colombian peso, against the Canadian dollar increased cash and cash equivalents by $1 million for the three months ended March 31, 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 three months ended March 31, 2023:

	Balance as at Jan 1, 2023	Additions	Provisions, disposals and other (1)	Exchange rate differences	Balance as at Mar 31, 2023
Operations:					
Offshore wind	$ 6,752,871	$ 189	$ (25,894)	$ 77,833	**$ 6,804,999**
Onshore renewable	3,314,585	4,570	1,765	18,147	**3,339,067**
Efficient natural gas(2)	1,318,950	40	(4,165)	—	**1,314,825**
Utility	507,462	7,183	(655)	20,048	**534,038**
Construction:					
Onshore renewable	870,008	42,646	—	15,767	**928,421**
Corporate	100,247	12,744	(1,843)	398	**111,546**
Total	**$ 12,864,123**	**$ 67,372**	**$ (30,792)**	**$ 132,193**	**$ 13,032,896**

(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 three months ended March 31, 2023:

	Balance as at Jan 1, 2023	Financings, net of costs	Repayments	Amort. of costs/fair value	Exchange rate differences	Balance as at Mar 31, 2023
Operations:						
Offshore wind	$ 3,483,259	$ —	$ —	$ 5,183	$ 40,470	**$ 3,528,912**
Onshore renewable	1,757,472	—	(42,149)	1,227	9,523	**1,726,073**
Efficient natural gas	875,317	—	(9,127)	67	—	**866,257**
Utility	518,847	—	(72)	(936)	17	**517,856**
Construction:						
Onshore renewable	336,827	25,558	(137)	320	(456)	**362,112**
Corporate (1)	(2,817)	—	—	(115)	—	**(2,932)**
Total	**$ 6,968,905**	**$ 25,558**	**$ (51,485)**	**$ 5,746**	**$ 49,554**	**$ 6,998,278**

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

Additionally, as at March 31, 2023, $88 million of letters of credit were outstanding under non-recourse project-level credit facilities for operational use.

During the year ended March 31, 2023, Northland entered into multiple financing activities. Refer to *Section 3.1: Significant Events* for additional information.

Debt Covenants

Northland generally conducts its business indirectly through separate subsidiary legal entities and is dependent on the distribution of cash from those subsidiary entities to fund development expenses, defray its corporate expenses, repay corporate debt and pay cash dividends to shareholders. Most operating subsidiaries hold non-recourse debt, which typically prohibits distributions if the loan is in default (notably for non-payment of principal or interest) or if the entity fails to achieve a benchmark debt service coverage ratio, which is the ratio of EBITDA to scheduled principal and interest payments over a specified time period. As of March 31, 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 March 31, 2023	Facility size	Amount drawn (3)	Outstanding letters of credit (4)	Available capacity	Maturity date
Sustainability linked loan syndicated revolving facility	$ 1,000,000	$ —	$ 494,284	$ 505,716	Sep. 2027
Bilateral letter of credit facility	150,000	—	136,788	13,212	Sep. 2024
Export credit agency backed letter of credit facility (1)	200,000	—	76,673	123,327	Mar. 2025
Export credit agency backed letter of credit facility (2)	100,000	—	39,540	60,460	n/a
Total	**$ 1,450,000**	**$ —**	**$ 747,285**	**$ 702,715**	

(1) During the three months ended March 31, 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) Deferred financing cost, as at March 31, 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.

(4) As at March 31, 2023, outstanding letters of credit include LCs issued in favor of joint ventures amounting to $455 million.

- Of the $747 million of corporate letters of credit issued as at March 31, 2023, $545 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	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Total sales	$ 622	$ 641	$ 556	$ 557	$ 695	$ 640	$ 432	$ 408
Operating income [1]	273	269	202	216	364	301	80	108
Net income (loss)	107	324	76	268	288	130	(5)	(6)
Adjusted EBITDA	352	353	290	335	420	364	211	203
Cash provided by operating activities	297	551	523	312	447	559	280	361
Adjusted Free Cash Flow	180	41	66	162	192	182	35	22
Free Cash Flow	$ 155	$ 16	$ 45	$ 146	$ 174	$ 156	$ 11	$ 6
Per share statistics								
Net income (loss) attributable to common shareholders - basic [2]	$ 0.27	$ 1.12	$ 0.33	$ 1.01	$ 0.99	$ 0.45	$ (0.03)	$ (0.06)
Net income (loss) attributable to common shareholders - diluted [2]	0.27	1.12	0.33	1.01	0.99	0.45	(0.03)	(0.06)
Adjusted Free Cash Flow - basic	0.72	0.16	0.28	0.70	0.84	0.80	0.15	0.10
Free Cash Flow - basic	0.62	0.06	0.19	0.63	0.77	0.69	0.05	0.03
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 plans to carry out 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 carbon neutral 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 its EBLs for the full 1,000MW capacity, providing exclusivity on the leases for the project. The project is expected to advance to mid-stage development and will begin progressing engineering surveys and securing grid capacity. Northland's second project, the 600MW Bobae project, has been awarded EBLs for approximately 400MW and work continues on securing EBLs for the remaining 200MW. 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 Battery Storage Project

In December 2022, Northland entered into an agreement to acquire a majority interest in a late-stage, grid-connected battery energy storage project in southern Ontario, Canada. The Oneida Energy Storage Project is a 250MW/1GWh battery storage facility and is being developed in partnership with NRStor Inc. and the Six Nations of the Grand River Development Corporation. Northland will be the majority owner and take the lead role in its construction, financing and operation. The project 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 the battery 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, subject to final closing conditions, that will allow the project to access approximately $700 million in senior and subordinated debt financing in connection with achieving financial close. Financial close for the project is expected in 2023, with full commercial operations to commence in 2025.

Alberta Portfolio

In December 2022, Northland acquired a development platform 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 battery energy storage pipeline encompassing over 1.6GW and 1.2GWh, respectively, of which 220MW Jurassic Project could reach commercial operations as early as 2025. The projects are expected to be accretive to Free Cash Flow per share as they reach commercial operation. All projects 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.

Following a competitive process in 2022 to secure a partner to join the development of the ScotWind offshore wind projects. On May 9, 2023, Northland signed definitive agreements 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

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

Colombian Solar Projects

In November 2021, Northland, in partnership with EDF Renewables, a subsidiary of Électricité de France S.A. (EPA:EDF), successfully submitted a joint-bid into the renewables auction in Colombia and was awarded the right to build two solar projects with a total combined capacity of 130MW. The solar projects will benefit from a 15-year PPA with multiple energy distribution and commercial entities in Colombia, starting in 2023. The PPA is denominated in Colombian pesos and has annual indexation to the Colombian Producer Price index (**"PPI"**). In addition, the projects would receive a reliability charge in US dollars, which is expected to account for approximately 10% of total revenues of the projects. Northland effectively holds a 50% of economic interest in Suba and its partner, EDF Renewables holds the remaining 50%. Given continuing permitting delays on the Suba projects, the Company is considering various options to deliver on the PPA, all of which remain under review, including entering into interim energy purchase contracts and developing a different project in the region that is more advanced toward achieving financial close and commercial operations.

***New York Onshore Wind Project*s**

Construction activities at the 112MW Bluestone project and the 108MW Ball Hill project continue, with all of the turbines at Bluestone having been installed and pre-commissioned and installation of the turbines at Ball Hill progressing. Once installation and commissioning of all turbines are completed, commercial operations are 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 the entire stake in the Highbridge project. The transaction is expected to close in the second half of 2023.

Baltic Power Polish Offshore Wind Project

In March 2021, Northland completed its acquisition of a 49% interest in the Baltic Power offshore wind project in the Polish Baltic Sea with a total capacity of 1,200MW of offshore wind generation. The remaining 51% is owned by PKN Orlen holding.

In June 2021, Baltic Power secured a 25-year CfD from Poland's Energy Regulatory Office under the Polish Offshore Wind Act at a guaranteed price of PLN 319.60 per MWh, which is adjusted to annual indexation by Poland's annual average consumer price index. The project's 25-year CfD offtake agreement, which was initially denominated in Polish Zloty will now be denominated in Euros at effectively the same rate and inflation indexation will commence with a base year of 2022 (from 2023 previously), providing offsetting benefits to the higher inflationary price pressures experienced. Baltic Power continues to advance towards financial close, expected in 2023. 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 is in the process of finalizing contracts with suppliers for key components. The continued inflationary price environment is expected to result in the total project cost being in excess of the previously expected range of $5 billion to $6 billion. The increase in project costs is expected to be almost fully funded by non-recourse debt. The project's 25-year Contract for Difference (**"CfD"**) offtake agreement, which was initially denominated in Polish Zloty will now be denominated in Euros at effectively the same rate and inflation indexation will commence with a base year of 2021 (from 2022 previously), providing offsetting benefits to the higher inflationary price pressures experienced. Northland's equity funding expectations and returns remain in line with prior disclosures.

La Lucha Mexican Solar Project

The 130MW La Lucha solar project in the State of Durango, Mexico, completed its activities relating to the physical construction in 2022. Northland continues to work to achieve commercial operations at its 130MW La Lucha solar project in Mexico. The project was connected to the Mexican grid and energized. The project is now coordinating with the relevant authorities on the final procedures to achieve full commercial operations, which is expected in 2023.

Hai Long Offshore Wind Project

In July 2022, Northland announced the signing of a Corporate Power Purchase Agreement (the **"CPPA"**) that covers 100 percent of the power generated from Hai Long 2B and 3, which have a combined capacity of 744MW. The agreement is with an investment grade counterparty (S&P: AA-) and is for a 20-year period at a fixed-price, commencing once Hai Long reaches full commercial operations in late 2026. The contracted price under the CPPA is more favourable than the fixed auction rate originally awarded in 2018 and is a key accomplishment as Northland progresses Hai Long towards financial close. In addition, the PPAs with Taipower are not affected by the signing of the CPPA and provide a backstop to the CPPA. In the quarter, Northland signed an amendment to the CPPA that resulted in the extension of the CPPA tenor by two years from 20 to 22 years.

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 and certain market conditions pushed back the launch of the project financing and slowed its initial progress. The project financing is progressing towards financial close in 2023, albeit at a slower pace and 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 is currently not expected to impact commercial operations for the project, which remain targeted for 2026-2027.

On December 14, 2022, Northland signed a share purchase agreement (the **"Hai Long SPA"**) with Gentari to sell 49% of Northland's ownership interest in Hai Long at an equity consideration of approximately NT$18 billion ($0.8 billion), subject to the closing terms of the agreement. This transaction will result in Gentari holding a 29.4% indirect equity interest in Hai Long, with Northland holding a 30.6% interest and continuing to take the lead role in its construction and operation. Pursuant to the Hai Long SPA, the completion of the sale to Gentari is expected to occur following the achievement of financial close of Hai Long and remains subject to receipt of customary regulatory approvals and satisfaction of all closing conditions pursuant to the terms of the Hai Long SPA.

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

Sub-project	Gross Capacity (MW)	Net Capacity (MW) (1)	Year of Grid Connection	Type of Procurement
Hai Long 2A	300	180	2024	FIT
Hai Long 2B	232	139	2025	Auction
Hai Long 3	512	307	2025	Auction
Total	**1,044**	**626**		

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

SECTION 9: OUTLOOK

As of May 9, 2023, management's 2023 financial outlook remains unchanged from prior guidance. 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. Adjusted Free Cash Flow excludes approximately $100 million (approximately $0.40 per share) in growth expenditures that support growth and new initiatives. These growth expenditures are expected to support secured projects, including, ScotWind, the South Korean projects, and the recently acquired Alberta solar portfolio, in addition to other Canadian and US opportunities.

Northland has access to $580 million of available liquidity, including $74 million of cash on hand and approximately $506 million of capacity on its corporate revolving credit facility as at March 31, 2023, which can be utilized to fund growth projects as they ultimately advance to financial close. As expected, available liquidity has decreased by approximately $400 million, as compared to December 31, 2022, primarily due to capital investments in the Hai Long and Baltic Power offshore wind projects to advance the projects.

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

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

Northland 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 majority of the renewable projects it develops. Any gains (or losses) from the future sell-down of ownership interests in development assets would be included in Adjusted Free Cash Flow and Free Cash Flow as they relate to capturing development profits at key milestones.

In 2023, Northland's focus is on achieving financial close on the Baltic Power and Hai Long offshore wind projects as well as the Oneida battery storage project in Ontario, Canada. Over the longer term, as previously disclosed at our 2023 investor day in February 2023, Northland remains positioned to achieve substantial growth in Adjusted EBITDA by 2027, upon achieving targeted commercial operations of Baltic Power and Hai Long. With 3 gigawatts (GW) of gross operating capacity and a robust development pipeline of nearly 20GW, the Company is well positioned for an accelerating global energy transition. Northland intends to be selective and pursue only the projects within its pipeline that meet its strategic objectives and targeted returns.

Funding Strategy

In 2023, Northland's focus is on achieving financial close on the Baltic Power and Hai Long offshore wind projects as well as the Oneida battery storage project in Ontario, Canada. The project finance process for each of the three projects is currently progressing and is estimated to aggregate to a requirement for $12.5 billion of project finance debt. They are 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, export credit agencies ("**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 cash on hand, proceeds from sell-downs, asset sales, the use of corporate hybrid debt and to a lesser extent equity issuances under its ATM program. 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 three aforementioned projects.

The following table summarizes Northland's sources of liquidity to fund dividends, and growth and capital investments, including Adjusted Free Cash Flow generated:

	Year to Date - March 31, 2023	December 31, 2022
Dividend Reinvestment Program	**$ 25,074**	$ 85,424
Release of funds from debt service reserve (1)	**—**	33,813
Equity offering (net proceeds) (2)	**41,002**	851,610
Liquidity Generated Before Adjusted Free Cash Flow	**$ 66,076**	$ 970,847
Adjusted Free Cash Flow	**180,071**	460,892
Total Liquidity Generated	**$ 246,147**	$ 1,431,739

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

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

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

SECTION 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 March 31, 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.sedar.com 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 March 31, 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

During the three months ended March 31, 2023, there has been no changes in the internal controls over financial reporting, that have materially affected, or are reasonably likely to materially affect, Northland's internal controls over financial reporting.