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

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SECTION 1: OVERVIEW

Introduction

The purpose of this Management's Discussion and Analysis ("**MD&A**") is to explain the financial results 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 Northland Power Inc. ("**Northland**" or the "**Company**"). This MD&A should be read in conjunction with Northland's audited consolidated financial statements for the year ended December 31, 2019 and 2018, and Northland's most recent Annual Information Form ("**2019 AIF**"). This material is available on SEDAR at www.sedar.com and on Northland's website at northlandpower.com.

This MD&A, dated February 25, 2020, compares Northland's financial results and financial position for the year ended December 31, 2019, with those for the year ended December 31, 2018. Certain prior period disclosures have been reclassified for consistency with the current period presentation. Northland's Audit Committee reviewed this MD&A and the associated audited consolidated financial statements and notes, and its Board of Directors approved these documents prior to their release.

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

Forward-Looking Statements

This MD&A contains forward-looking statements that are based on certain estimates and assumptions that were considered reasonable on February 25, 2020; 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 are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects," "anticipates," "plans," "predicts," "believes," "estimates," "intends," "targets," "projects," "forecasts" or negative versions thereof and other similar expressions or future or conditional verbs such as "may," "will," "should," "would" and "could." These statements may include, without limitation, statements regarding future adjusted EBITDA, free cash flow, dividend payments and dividend payout ratios; the construction, completion, attainment of commercial operations, cost and output of development projects; litigation claims; plans for raising capital; and the future operations, business, financial condition, financial results, priorities, ongoing objectives, strategies and outlook of Northland and its subsidiaries. These statements are based upon certain material factors or assumptions that were applied in developing the forward-looking statements, including the design specifications of development projects, the provisions of contracts to which Northland or a subsidiary is a party, management's current plans and its perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. Forward-looking statements are subject to numerous risks and uncertainties, which include, but are not limited to, revenue contracts, counterparty risks, contractual operating performance, variability of revenue from generating facilities powered by intermittent renewable resources, offshore wind concentration, natural gas and power market risks, operational risks, recovery of utility operating costs, permitting, construction risks, project development risks, acquisition risks, financing risks, interest rate and refinancing risks, liquidity risk, credit rating risk, currency fluctuation risk, variability of cash flow and potential impact on dividends, taxation, natural events, environmental risks, health and worker safety risks, market compliance risk, government regulations and policy risks, utility rate regulation risks, international activities, reliance on information technology, labour relations, reputational risk, insurance risk, risks relating to co-ownership, bribery and corruption risk, legal contingencies, and the other factors described in this MD&A and the 2019 AIF. 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 and certain of Northland's press releases includes references to the Company's adjusted earnings before interest, income taxes, depreciation and amortization ("**adjusted EBITDA**"), free cash flow and applicable payout ratio and per share amounts, measures not prescribed by International Financial Reporting Standards (**IFRS**), and therefore do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. Adjusted EBITDA and free cash flow 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 adjusted EBITDA, free cash flow and applicable payout ratio and per share amounts are widely accepted 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 measures to their nearest IFRS measure, refer to *SECTION 5.4: Adjusted EBITDA* for a reconciliation of consolidated net income (loss) under IFRS to reported adjusted EBITDA and *SECTION 5.5: Free Cash Flow* for a reconciliation of cash provided by operating activities under IFRS to reported free cash flow.

Adjusted EBITDA

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

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

Free Cash Flow

Free cash flow represents the cash generated from the business that management believes is representative of cash available to pay dividends, while preserving the long-term value of the business. Free cash flow is calculated as Northland's share of cash provided by operating activities adjusted for short-term changes in operating working capital; non-expansionary capital expenditures; interest incurred on outstanding debt; scheduled principal repayments; major maintenance and debt reserves; interest income from Northland's subordinated loan to Gemini; proceeds from government grants; preferred share dividends; net proceeds from sale of development assets; and other adjustments as appropriate, including lease payments and excludes pre-completion revenue and operating costs for projects under construction and costs attributable to an asset or business acquisition.

For clarity, Northland's free cash flow reflects a reduction for expenditures on development activities until an advanced project qualifies for capitalizing development expenditures. Where Northland controls the distribution policy of its investments, free cash flow reflects Northland's share of the investment's underlying free cash flow, otherwise, Northland includes the cash distributions received from the investment. Free cash flow from foreign operations is translated to Canadian dollars at the exchange rate Northland realizes on cash distributions.

Management believes free cash flow is a meaningful measure of Northland's ability to generate cash flow, after on-going obligations (except common and class A share dividends), to invest in growth initiatives and fund dividend payments.

The free cash flow payout ratio indicates the proportion of free cash flow paid as dividends, whether in cash or in shares under Northland's dividend re-investment plan (**DRIP**). The net payout ratio indicates the proportion of free cash flow paid as cash dividends. The payout ratio generally reflects Northland's ability to fund expansionary capital expenditures and sustain dividends.

Northland's debt and equity for a project are generally funded and/or committed at the beginning of construction, but it may be several years before the project starts to generate cash flow. As a result, from time to time, Northland may have a temporarily higher payout ratio than it would if the future free cash flow from projects under construction were reflected in the calculation. This factor may affect the comparability of Northland's payout ratio to that of industry peers.

SECTION 2: STRATEGY AND KEY FACTORS SUPPORTING SUSTAINABLE PERFORMANCE

Business Objective

Northland's primary objective is to provide its shareholders with sustainable dividends and share value growth from the successful management of its assets, businesses and investments related to the production, delivery and sale of electricity-related products.

Vision

Northland's vision is to be a top clean and green developer, owner, constructor and operator of sustainable infrastructure assets, inspiring our people to achieve a sustainable and prosperous future for all of our stakeholders.

Business Strategy

Northland's business strategy is centered on establishing a significant global presence as a sustainable power provider. Northland aims to increase shareholder value by leveraging its expertise and early mover advantage in relevant markets to create and operate high-quality, sustainable projects supported by revenue contracts that deliver predictable cash flows. Northland leverages its operational knowledge and the application of appropriate technology to enhance operational performance, with the goal of reducing the impact of energy usage on the environment. Northland aims to inspire its people to achieve excellence by embracing and living Northland's values on a daily basis.

To successfully execute its strategy, Northland must excel in each of the following strategic objectives:

(i) Winning Business

The global shift to renewable energy sources is creating opportunities based on favourable government policies aimed at sustainability, energy security and reducing greenhouse gas emissions. Northland is well positioned through its regional development offices to capture development opportunities that will help facilitate the global advancement of renewable energy targets. Northland develops, constructs and operates sustainable infrastructure projects across a range of clean and green technologies, such as wind (offshore and on-shore), solar and thermal (natural-gas-fired and biomass) and asset classes, such as utilities. Clean-burning natural-gas-fired plants provide reliable baseload and dispatchable power, grid support and backup for renewable generation as needed by customers. Northland remains focused on pursuing growth opportunities in jurisdictions that meet Northland's risk management criteria such as North America, Europe, Latin America and Asia. Northland manages its development processes prudently by regularly balancing the probability of success against associated costs and risks.

(ii) Building Facilities

Northland aims to increase shareholder value by creating high-quality projects designed for the intended purpose of earning income from revenue contracts. Northland exercises judgment, discipline and acumen in its construction activities to ensure maximum success. Northland's successful record of on-time, on-budget project execution results from these core strengths and contributes to consistent investor returns.

(iii) Operating Facilities

A core element of Northland's strategy is the optimization of revenues and predetermined costs through revenue contracts with creditworthy counterparties. For the thermal generation facilities, the key terms of operating facilities' long-term power purchase agreements (**PPA**) and fuel supply contracts are aligned for each facility, such that revenues and cost escalations are substantially linked. For renewable generation facilities, Northland does not incur an associated cost of sales and generally enters into long-term operating and maintenance contracts with leading service providers at predetermined rates. This approach provides predictability for each facility's operating income and cash flow, while ensuring ongoing environmental sustainability and the health and safety of employees and host communities.

Northland's management maximizes sustainable returns through a focus on efficient and effective facility operations; longer-term asset management; and structuring sales supply and maintenance agreements to maximize revenues, while carefully managing risk. Opportunities to maximize returns beyond the contract terms are routinely sought and achieved.

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

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(iv) Organizational Effectiveness

Underpinning Northland's strategy is a focus on strong management of key corporate functions such as: governance; human resources and talent management; construction; environment; health and safety; finance and accounting; management information systems and communications. Management recognizes that a commitment to organizational effectiveness is an essential component of Northland's long-term success and continued growth.

SECTION 3: NORTHLAND'S OPERATING FACILITIES

As of December 31, 2019, Northland owns or has a net economic interest in 2,014 megawatts (**MW**) of power-producing facilities with a total operating capacity of approximately 2,429 MW. Northland's operating facilities produce electricity from renewable resources and natural gas for sale primarily under long-term PPA or other revenue arrangements with creditworthy customers in order to generate predictable cash flows. Subsequent to December 31, 2019, Northland acquired Empresa de Energía de Boyacá ("**EBSA**"), a regulated power distribution utility located in Colombia serving 480,000 customers.

Northland's MD&A and audited consolidated financial statements include the results of its operating facilities, the most significant of which are presented below:

	Year of Commercial Operations or Acquisition	Geographic region (1)	Economic interest (2)	Gross Production Capacity (MW)	Net Production Capacity (MW)
Offshore Wind					
Gemini	2017	The Netherlands	60%	600	360
Nordsee One	2017	Germany	85%	332	282
Thermal					
Iroquois Falls	1997	Ontario	100%	120	120
Kingston	1997	Ontario	100%	110	110
Kirkland Lake (3)	1993	Ontario	77%	132	102
North Battleford	2013	Saskatchewan	100%	260	260
Spy Hill	2011	Saskatchewan	100%	86	86
Thorold	2010	Ontario	100%	265	265
On-shore Renewable					
Cochrane Solar	2015	Ontario	63%	40	25
Grand Bend	2016	Ontario	50%	100	50
Jardin	2009	Québec	100%	133	133
McLean's	2014	Ontario	50%	60	30
Mont Louis	2011	Québec	100%	101	101
Solar	2014	Ontario	100%	90	90
Utility					
EBSA	2020	Colombia	99%	n/a	n/a
Total				**2,429**	**2,014**

(1) Operating thermal and on-shore renewable facilities are located in Canada.

(2) As at December 31, 2019, Northland's economic interest was unchanged from December 31, 2018. Northland's acquisition of EBSA was completed on January 14, 2020 and will be consolidated in Northland's financial results effective the acquisition date.

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

As of December 31, 2019, Northland had 399 MW of generating capacity under construction, representing the Deutsche Bucht offshore wind project ("**Deutsche Bucht**") in the North Sea and the La Lucha solar project ("**La Lucha**") in Mexico, in addition to its 60% equity stake in the 1,044 MW Hai Long projects under development in Taiwan (refer to *SECTION 9: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES* for additional information). Furthermore, Northland actively pursues projects in various stages of development in North America, Europe, Latin America and Asia.

Refer to the 2019 AIF for additional information on Northland's operating facilities and projects under construction or development.

SECTION 4: CONSOLIDATED HIGHLIGHTS

4.1: Significant Events

Significant events during 2019 and through the date of this MD&A are described below.

Acquisition of Offshore Wind Development Company in South Korea

On February 24, 2020, Northland announced the acquisition of Dado Ocean Wind Farm Co., Ltd ("**Dado Ocean**"), an offshore wind development company based in Korea with rights to multiple early-stage development sites off the southern coast of the Korean Peninsula.

Acquisition of EBSA and Subscription Receipts Offering

On January 14, 2020, Northland completed its previously announced acquisition of a 99.2% interest in the Colombian regulated power distribution utility, Empresa de Energía de Boyacá S.A E.S.P ("**EBSA"**), for a total purchase price of COP 2,412 billion ($960 million) including existing debt of COP 550 billion (approximately $219 million) (the "**EBSA Acquisition**"). The EBSA Acquisition was subject to customary closing conditions, including the receipt of approval by the local regulator of EBSA's proposed tariff for the next regulatory period. Pursuant to the share purchase agreement, the purchase price was adjusted to COP 2,412 billion ($960 million) from COP 2,665 billion ($1.05 billion) based on the tariff resolution issued by the regulator in December 2019, and remains subject to post-closing adjustments to the purchase price following a review of the tariff resolution.

Concurrent with the announcement of the EBSA Acquisition in September 2019, Northland issued 14,289,000 subscription receipts in a public offering (the "**Offering**") for gross proceeds of $347 million, which converted to 14,289,000 common shares upon closing of the EBSA Acquisition on January 14, 2020. In addition to the net proceeds from the Offering, the initial purchase price was funded through proceeds drawn under a bridge credit facility (the "**EBSA Bridge**"), the assumption of the existing debt of EBSA totaling COP 550 billion (approximately $219 million) and Northland's existing credit facilities. The long-term funding for EBSA will include replacing the EBSA Bridge with non-recourse debt, expected to occur in the first half of 2020.

Refer to *SECTION 7: EQUITY, LIQUIDITY AND CAPITAL RESOURCES* and *SECTION 9: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES* for additional information.

Deutsche Bucht Offshore Wind Project Update

Construction of the Deutsche Bucht offshore wind project was highlighted by the installation of all 31 monopile foundations and turbines, ahead of schedule, and generating power by the end of September 2019, earning $96 million of pre-completion revenues in sales in 2019. Installation of the two turbines utilizing mono bucket foundations ("**Demonstrator Project**") was paused in the fourth quarter of 2019 following the identification of technical issues. A thorough evaluation of the cause of the technical issues is ongoing and there is a possibility that the Demonstrator Project may not proceed. As a result of the uncertainty, Northland recorded a non-cash impairment loss of $98 million for project costs incurred to date associated with the Demonstrator Project. The total estimated project cost remains at approximately €1.4 billion ($2.0 billion). Refer to *SECTION 9: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES* for additional information.

Joint Venture for Future Offshore Wind Projects in Japan

In November 2019, Northland signed an agreement with Shizen Energy Inc. ("**Shizen Energy**") to jointly establish Chiba Offshore Wind Inc. ("**Chiba**") to develop early stage offshore wind development opportunities in Japan. The prospective projects have an expected combined capacity of approximately 600 MW. Northland and Shizen Energy intend to collaborate to further develop these and other opportunities.

La Lucha Solar Project Update

In May 2019, Northland started construction of the La Lucha 130 MW solar project in the State of Durango, Mexico. The project is progressing according to schedule and on track with estimated project costs. Total capital cost for the project is expected to be $190 million with project completion anticipated in the second half of 2020**.**

Negotiation of bilateral power contracts continues with qualified providers of retail electricity services in Mexico ("**Qualified Suppliers**") for delivery of energy and clean energy certificates to commercial and industrial off-takers and is expected to be finalized prior to project completion. Refer to *SECTION 9: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES* for additional information.

Hai Long Offshore Wind Project Update

In February 2019, Northland and its 40% partner, Yushan Energy, executed a 20-year PPA with Taiwan Power Company ("**Taipower**") for the Hai Long 2A offshore wind project, based on the 300 MW Feed-in-Tariff (**FIT**) allocation. In the fourth quarter of 2019, preferred supplier agreements for turbine supply and balance of plant components were executed, for all of Hai Long 2 and 3. Northland continues to develop Hai Long 2B and Hai Long 3 sub-projects allocated a total of 744 MW under auction in 2018 and expects to execute their respective PPAs in 2020. Refer to *SECTION 9: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES* for additional information.

Change to Northland's Chair of the Board

In December 2019, Northland announced that John W. Brace was named Chair of the Board. James C. Temerty stepped down as Chair but will continue to serve as a Director of the Company. Mr. Brace joined Northland in 1988, shortly after the Company was founded. He was appointed Chief Executive Officer (**CEO**) in 2003 and served in the role until his retirement in 2018. Mr. Brace helped steer Northland through many of its projects and initiatives and its growth over his tenure as CEO. He was appointed to the Board of Directors in 2018 where he has continued his involvement in the future success of the Company.

Addition to Northland's Executive Team

In October 2019, David Povall joined Northland as the Executive Vice President, Development. David is based out of the Toronto office and is responsible for leading the Company's development initiatives in key markets around the globe. David brings to Northland more than 20 years of experience in the international power generation industry, including greenfield project development spanning multiple jurisdictions and technologies. Most recently, he served as Chief Executive Officer of Acacia Renewables, a Macquarie-owned developer focused on the Japanese market.

Secondary Offering of Common Shares

In April 2019, a secondary offering closed for Northland's common shares held by entities controlled by James Temerty, the Chair of the Board of Directors of Northland at the time. Northland did not receive any proceeds from this transaction. Subsequent to the closing, Mr. Temerty beneficially owned, or exercised control and direction over, approximately 11.5% of the common shares and all of the 1,000,000 Class A shares of Northland. As of December 31, 2019, Mr. Temerty owns or has control or direction over 20,740,884 common shares representing 11.6% of the outstanding common shares.

4.2: Operating Highlights

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

Summary of Consolidated Results

Year ended December 31,		2019		2018		2017
FINANCIALS						
Sales	**$**	**1,658,977**	$	1,555,587		1,376,256
Gross profit		**1,542,689**		1,441,366		1,236,717
Operating income		**813,700**		732,848		632,126
Net income (loss)		**451,754**		405,508		275,836
Adjusted EBITDA (a non-IFRS measure)		**984,736**		891,484		765,176
Cash provided by operating activities		**1,224,415**		1,133,884		849,007
Free cash flow (a non-IFRS measure)		**318,480**		337,623		256,100
Cash dividends paid to common and Class A shareholders (1)		**216,373**		163,605		134,307
Total dividends declared (2)		**216,396**		212,353		189,981
Total assets (3)		**10,478,668**		10,335,950		10,280,517
Total non-current liabilities (3)		**7,569,921**		8,013,753		7,934,212
Per Share						
Weighted average number of shares - basic (000s)		**180,322**		177,757		175,383
Net income (loss) - basic	**$**	**1.71**	$	1.50	$	0.85
Free cash flow - basic	**$**	**1.77**	$	1.90	$	1.46
Total dividends declared	**$**	**1.20**	$	1.20	$	1.09
ENERGY VOLUMES						
Electricity production in gigawatt hours (**GWh**) (4)		**9,060**		8,254		7,193

(1) Increase from prior period primarily as a result of shares under the DRIP being sourced from the secondary market such that all dividends declared reflect cash outflow from Northland.

(2) Represents total dividends declared to common and class A shareholders including dividends in cash or in shares under the DRIP.

(3) As at December 31.

(4) Includes Deutsche Bucht's pre-completion production volumes. Refer to Section 5.1 Operating Results for additional information.

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SECTION 5: RESULTS OF OPERATIONS

5.1: Operating Results

Offshore Wind Facilities

Northland's offshore wind facilities consist of Gemini and Nordsee One as well as the Deutsche Bucht project currently under construction and generating pre-completion revenue. The following table summarizes their operating results:

	Three months ended December 31,				Year ended December 31,			
		2019		2018		2019		2018
Electricity production (GWh) (1)		**1,356**		1,108		**3,876**		3,447
Sales/gross profit (2)(3)	**$**	**271,192**	$	220,932	**$**	**1,005,717**	$	931,056
Operating costs (3)		**33,113**		35,967		**128,582**		143,443
Operating income		**151,973**		116,091		**577,181**		505,353
Adjusted EBITDA	**$**	**192,771**	$	132,807	**$**	**625,387**	$	533,967

(1) Includes GWh both produced and attributed to paid curtailments as well as pre-completion production for Deutsche Bucht in 2019.

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

(3) For 2019, the sales/gross profit and operating costs includes pre-completion revenue and the allocated operating costs for the operational wind turbines at Deutsche Bucht.

Northland's three offshore wind facilities, Gemini, Nordsee One and Deutsche Bucht, are located in the North Sea, off the coasts of the Netherlands and Germany. Wind facilities tend to produce more electricity during winter due to denser air and higher winds compared to summer, the effect of which is reflected in the respective fiscal quarter's results. For the year ended December 31, 2019, Gemini and Nordsee One contributed approximately 32% and 24%, respectively, of Northland's reported adjusted EBITDA from facilities. Refer to the 2019 AIF for additional information on Northland's offshore wind facilities.

Gemini has subsidy agreements with the Government of the Netherlands which expire in 2031. The subsidies top up the wholesale market-based revenue generated by Gemini to a fixed, contractual rate per megawatt hour (**MWh**) and are subject to an annual production ceiling (the "**Gemini Subsidy Cap**"), beyond which production earns revenue at wholesale market prices. Based on management's expectations of wind resources and resultant electricity production volumes, the Gemini Subsidy Cap and the associated earnings would be achieved during the fourth quarter of the calendar year. The top up to a fixed contractual rate is subject to a floor price, thereby exposing Gemini to market price risk if the average wholesale market price for the year falls below the contractual floor price ("**SDE floor**") of approximately €44/MWh. For the year ended December 31, 2019, the loss on sales from the average wholesale market price falling below the SDE floor was €5 million or 2.3% of Northland's share of revenues of Gemini. For the year ended December 31, 2018, the average wholesale market price exceeded the SDE floor, to the benefit of Gemini.

Nordsee One has a Feed-In Tariff contract with the German government which expires in 2027. The associated tariff is added to the wholesale market price, effectively generating a fixed unit price for energy sold. Under the German *Renewable Energy Sources Act*, while the tariff compensates for most production curtailments required by the system operator, Nordsee One does not receive revenue for periods where the market power price remains negative for longer than six consecutive hours. Nordsee One may also be subject to unpaid curtailment by the system operator for grid repairs. For the year ended December 31, 2019, the loss on sales from unpaid curtailments was €11 million or 6.1% of Northland's share of revenues of Nordsee One (2018 - €3 million or 1.8%).

Deutsche Bucht produced its first revenues in the third quarter of 2019. Revenues and costs were recorded in operating income and adjusted EBITDA as individual wind turbines became operational during the construction stage. Free cash flow excludes pre-completion revenue and operating costs from Deutsche Bucht during the construction phase. Refer to *SECTION 9: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES* for additional information.

Northland's offshore wind facility results are 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 foreign exchange rate hedging transactions for a substantial portion of anticipated free cash flow, mitigating some of the effects of foreign exchange rate fluctuations.

Electricity production, including pre-completion production, for the three months ended December 31, 2019, increased 22.4% or 248 GWh compared to the same quarter of 2018 primarily due to pre-completion production from Deutsche Bucht partially offset by lower wind resource in the North Sea and unpaid curtailments at Nordsee One due to grid repairs by the system operator and periods of negative market pricing. Production for the year ended December 31, 2019, increased 12.5% or 429 GWh compared to the same period of 2018 primarily due to pre-completion production from Deutsche Bucht and higher wind resource in the North Sea, partially offset by unpaid curtailments at Nordsee One.

The table below summarizes total pre-completion production and revenue and the portion recognized in sales earned by Deutsche Bucht.

	Three months ended December 31,		Year ended December 31,	
	2019	**2018**	**2019**	**2018**
Pre-completion electricity production (GWh)	**300**	—	**406**	—
Pre-completion revenue in sales/gross profit [(1)]	**78,834**	—	**96,105**	—
Pre-completion revenue in construction-in-progress	**728**	—	**11,541**	—
Total pre-completion revenue	**$ 79,562**	$ —	**$ 107,646**	$ —

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

Sales of $271 million for the three months ended December 31, 2019, increased 22.7% or $50 million compared to the same quarter of 2018 primarily due to pre-completion revenues from Deutsche Bucht and factors affecting production as described above, partially offset by wholesale market price below the SDE floor at Gemini and unfavourable foreign exchange rate fluctuations of $9 million. Sales of $1.0 billion for the year ended December 31, 2019, increased 8.0% or $75 million compared to the same period of 2018 primarily due to the same factors described above. Foreign exchange rate fluctuations resulted in $31 million lower sales for the year ended December 31, 2019, compared to the same period of 2018.

Operating costs of $33 million and $129 million for the three months and year ended December 31, 2019, respectively, decreased 7.9% or $3 million and 10.4% or $15 million compared to the same periods of 2018 primarily due to the timing of repairs and maintenance, lower insurance premiums at Gemini and lower costs at Nordsee One from operating efficiencies.

In September 2019, the turbine manufacturer for Nordsee One declared non-fulfillment of its service maintenance agreement after having filed for insolvency in April 2019. Nordsee One previously depended on the manufacturer to complete outstanding warranty work and perform under its service maintenance agreement. In preparation for the insolvency, Northland and Nordsee One entered into a service maintenance agreement in July 2019 whereby Northland provides all maintenance services on behalf of the manufacturer for Nordsee One's benefit. Northland does not currently anticipate a material financial impact from this matter.

Operating income of $152 million and $577 million for the three months and year ended December 31, 2019, respectively, increased 30.9% or $36 million and 14.2% or $72 million compared to the same periods of 2018 primarily due to higher sales and lower operating costs, as described above.

Adjusted EBITDA of $193 million and $625 million, for the three months and year ended December 31, 2019, respectively, increased 45.2% or $60 million and 17.1% or $91 million compared to the same periods of 2018 primarily due to the factors described above.

Thermal Facilities

The following table summarizes the operating results of the thermal facilities:

	Three months ended December 31,		Year ended December 31,	
	2019	**2018**	**2019**	**2018**
Electricity production (GWh)	**938**	875	**3,787**	3,444
Sales [(1)]	**$ 113,408**	$ 107,744	**$ 421,154**	$ 405,956
Less: cost of sales	**29,402**	26,155	**106,022**	110,643
Gross profit	**84,006**	81,589	**315,132**	295,313
Operating costs	**15,708**	15,456	**54,229**	51,499
Operating income	**58,350**	56,730	**222,401**	204,547
Adjusted EBITDA [(2)]	**$ 71,017**	$ 72,875	**$ 270,355**	$ 261,231

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

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

The contractual structures of Northland's thermal facilities ensure the facility's gross profit is generally stable, within a seasonal profile, regardless of production or sales levels, so long as the plant is available. Under some PPAs, the facility is reimbursed for certain costs of sales by the counterparty. When possible, management also aims to maximize returns through the re-marketing of natural gas storage and transportation ("**gas optimization**"). For the year ended December 31, 2019, Northland's six thermal facilities contributed approximately 28% of reported adjusted EBITDA from facilities, with North Battleford, Iroquois Falls and Thorold accounting for approximately 25%. Refer to the 2019 AIF for additional information on Northland's thermal facilities.

Electricity production of 938 GWh and 3,787 GWh for the three months and year ended December 31, 2019, increased 7.3% or 64 GWh and 10.0% or 343 GWh, respectively, compared to the same periods of 2018 primarily due to an increase in off-peak production and the sale of continued enhancement of capacity at North Battleford in 2019, increased dispatches at Thorold and the effect of a maintenance outage in 2018 at another Northland facility.

Sales of $113 million for the three months ended December 31, 2019, increased 5.3% or $6 million compared to the same quarter of 2018 primarily due to higher production and the sale of continued enhancement of capacity at North Battleford partially offset by lower cost of sales at Thorold resulting in lower reimbursements by the counterparty. Sales of $421 million for the year ended December 31, 2019, increased 3.7% or $15 million compared to the same period of 2018 primarily due to higher off-peak production and new incremental capacity at North Battleford, lower reported sales at Iroquois Falls in 2018 due to the effect of a reduced rate escalation by the system operator as well as maintenance outages at a facility last year.

Gross profit of $84 million and $315 million for the three months and year ended December 31, 2019, respectively, increased 3.0% or $2 million and 6.7% or $20 million with the same periods of 2018 largely due to lower gas transportation costs and favourable operating results at North Battleford and Iroquois Falls, as described above.

Operating costs of $16 million for the three months ended December 31, 2019, were in line with the same quarter of 2018. Operating costs of $54 million for the year ended December 31, 2019, increased 5.3% or $3 million compared to the same period of 2018 primarily due to overall higher production at the thermal facilities and a maintenance outage in the third quarter of 2019.

Operating income of $58 million for the three months ended December 31, 2019, increased 2.9% or $2 million compared to the same quarter of 2018 primarily due to favourable operating results at Iroquois Falls and North Battleford. Operating income of $222 million for the year ended December 31, 2019, increased 8.7% or $18 million compared to the same period of 2018 primarily due to higher gross profit partially offset by higher operating costs, as described above.

Adjusted EBITDA of $71 million for the three months ended December 31, 2019 decreased 2.5% or $2 million primarily due to the sale of one of Northland's managed facilities in 2018 which offset the increase in operating income. Adjusted EBITDA of $270 million for the year ended December 31, 2019, increased 3.5% or $9 million compared to the same period of 2018 primarily due to the same factors increasing operating income.

On-shore Renewable Facilities

The following table summarizes the operating results of the on-shore renewable facilities:

	Three months ended December 31,		Year ended December 31,	
	2019	**2018**	**2019**	**2018**
Electricity production (GWh) (1)	**372**	376	**1,397**	1,364
On-shore wind	**$ 38,885**	38,663	**$ 130,016**	$ 126,322
Solar	**11,474**	9,215	**89,164**	87,944
Sales/gross profit (2)	**50,359**	47,878	**219,180**	214,266
On-shore wind	**6,044**	6,589	**26,053**	26,330
Solar	**1,547**	1,455	**5,312**	5,023
Operating costs	**7,591**	8,044	**31,365**	31,353
Operating income	**20,608**	16,888	**93,873**	91,003
On-shore wind	**22,076**	22,339	**71,822**	69,531
Solar	**9,453**	7,049	**73,452**	72,213
Adjusted EBITDA	**$ 31,529**	$ 29,388	**$ 145,274**	$ 141,744

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

(2) On-shore renewable facilities do not have cost of sales and as a result, the reported sales figures equal gross profit.

Northland's on-shore renewable assets comprise on-shore wind and solar facilities located in Ontario and Québec. On-shore wind projects are similar in nature operationally to offshore wind; however, with lower operating costs and generally lower wind resources. Solar power facilities have lower fixed operating costs per unit of capacity than thermal or wind facilities. Electricity production from solar facilities tends to be less variable than wind but is limited to available sunlight, which is generally higher in the summer than in the winter. For the year ended December 31, 2019, Northland's on-shore renewable facilities contributed approximately 16% of reported adjusted EBITDA from facilities. Refer to the 2019 AIF for additional information on Northland's on-shore renewable facilities.

Electricity production at the on-shore renewable facilities for the three months ended December 31, 2019, was in line with the same quarter of 2018, noting lower wind resource but higher solar resource. Production for the year ended December 31, 2019, was 2.5% or 34 GWh higher than 2018 due to higher wind and solar resources.

Sales of $50 million for the three months ended December 31, 2019, increased 5.2% or $2 million compared to the same quarter of 2018 primarily due to higher production at the solar facilities. Sales of $219 million for the year ended December 31, 2019, increased 2.3% or $5 million due to higher production at the wind and solar facilities, as described above. Production variances at the solar facilities have a larger effect on sales than the wind facilities since solar facilities receive a higher contracted price per MW.

Operating costs of $8 million and $31 million for the three months and year ended December 31, 2019, were largely in line with the same periods of 2018.

Operating income and *adjusted EBITDA* of $21 million and $32 million, respectively, for the three months ended December 31, 2019, increased 22.0% or $4 million and 7.3% or $2 million compared to the same quarter of 2018 primarily due to higher production at the solar facilities and lower costs at certain wind facilities. Operating income and adjusted EBITDA of $94 million and $145 million for the year ended December 31, 2019, respectively increased 3.2% or $3 million and 2.5% or $4 million due to higher production at the wind and solar facilities.

5.2: General and Administrative Costs and Other Income

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

	Three months ended December 31,		Year ended December 31,	
	2019	**2018**	**2019**	**2018**
Corporate overhead	**$ 10,797**	$ 10,111	**$ 34,180**	$ 34,911
Development overhead	**4,834**	3,777	**18,519**	15,365
Development projects	**10,574**	5,886	**24,427**	17,967
Corporate G&A costs	**26,205**	19,774	**77,126**	68,243
Operations G&A	**3,052**	1,802	**12,449**	11,963
Acquisition costs	**276**	—	**1,254**	—
Total G&A costs	**29,533**	21,576	**90,829**	80,206

Corporate G&A costs for the three months and year ended December 31, 2019, increased 32.5% or $6 million and 13.0% or $9 million, respectively, compared to the same periods in 2018 primarily due to an increasing level of project development activities, including the Hai Long offshore wind project, and higher personnel costs to support Northland's growth.

Development overhead costs relate primarily to personnel, rent and other office costs not directly attributable to identifiable development projects. *Development project costs* are generally third-party costs directly attributable to identifiable development projects, whose capitalization begins once management determines that the project has a high likelihood of being pursued through to completion (refer to Note 2.6 of the audited consolidated financial statements for the year ended December 31, 2019, for additional information on the policy for capitalization of development costs).

Operations G&A costs for the three months ended December 31, 2019, increased 69.4% or $1 million compared to the same quarter of 2018 primarily due to costs incurred related to energy marketing activities and timing of certain costs. Operations G&A costs for the year ended December 31, 2019, remained consistent compared to the same period of 2018 primarily due to costs incurred related to energy marketing activities, partially offset by lower personnel costs at the offshore wind facilities and timing of certain other costs.

Acquisition costs are generally third-party transaction-related costs directly attributable to an asset or business acquisition and these costs are excluded from adjusted EBITDA and free cash flow. For the year ended December 31, 2019, acquisition costs totaled $1 million and primarily relate to the EBSA Acquisition.

The following table presents the effect of corporate G&A costs and other income on adjusted EBITDA:

	Three months ended December 31,		Year ended December 31,	
	2019	**2018**	**2019**	**2018**
Corporate G&A costs	**(26,205)**	(19,774)	**(77,126)**	(68,243)
Other development project costs (1)	**(849)**	—	**(849)**	—
Gemini interest income	**3,897**	5,349	**18,326**	21,538
Other (2)	**465**	630	**3,369**	1,247
Corporate items in Adjusted EBITDA	**$ (22,692)**	$ (13,795)	**$ (56,280)**	$ (45,458)

(1) Includes Northland's share of costs incurred by a joint venture.

(2) Includes corporate investment income and energy marketing income (net).

Gemini interest income represents interest earned on the subordinated debt receivable from Gemini to Northland. Since Northland consolidates the financial results of Gemini, the subordinated debt balances and related investment income and interest expense eliminate upon consolidation; nevertheless, Gemini interest income is included in Northland's consolidated adjusted EBITDA because it reflects returns generated from an investment in core assets.

5.3: Consolidated Results

The following discussion of the significant factors contributing to the consolidated financial results should be read in conjunction with Northland's audited consolidated financial statements for the year ended December 31, 2019.

	Three months ended December 31,		Year ended December 31,	
	2019	**2018**	**2019**	**2018**
Electricity production (GWh)	**2,666**	2,359	**9,060**	8,254
Sales	**$ 438,178**	$ 380,863	**$ 1,658,977**	$ 1,555,587
Less: Cost of sales	**32,360**	29,733	**116,288**	114,221
Gross profit	**405,818**	351,130	**1,542,689**	1,441,366
Expenses				
Operating costs	**56,413**	59,467	**214,176**	226,295
G&A - operations	**13,849**	11,912	**46,629**	46,874
G&A - development	**15,684**	9,663	**44,200**	33,332
Depreciation of property, plant and equipment	**120,421**	102,585	**438,804**	415,161
	206,367	183,627	**743,809**	721,662
Investment income	**758**	45	**2,466**	484
Finance lease income	**3,058**	3,138	**12,354**	12,660
Operating income	**203,267**	170,686	**813,700**	732,848
Finance costs, net	**93,657**	83,030	**331,168**	337,434
Amortization of contracts and intangible assets	**10,691**	8,542	**24,848**	19,116
Impairment of property, plant and equipment	**97,782**	—	**97,782**	—
Foreign exchange (gain) loss	**84**	(4,460)	**5,177**	(11,373)
Fair value (gain) loss on derivative contracts	**(51,733)**	1,629	**(161,356)**	(87,624)
Other expense (income)	**(5,640)**	(7,586)	**(14,400)**	(13,834)
Income (loss) before income taxes	**58,426**	89,531	**530,481**	489,129
Provision for (recovery of) income taxes				
Current	**15,272**	20,408	**49,236**	40,919
Deferred	**(17,515)**	3,872	**29,491**	42,702
Provision for (recovery of) income taxes	**(2,243)**	24,280	**78,727**	83,621
Net income (loss)	**$ 60,669**	$ 65,251	**$ 451,754**	$ 405,508
Net income (loss) per share - basic	**$ 0.23**	$ 0.23	**$ 1.71**	$ 1.50
Net income (loss) per share - diluted	**$ 0.23**	$ 0.22	**$ 1.68**	$ 1.46

Fourth Quarter

Total Sales and *gross profit* of $438 million and $406 million, respectively increased 15.0% or $57 million and 15.6% or $55 million compared to the same quarter of 2018 primarily due to pre-completion revenues at Deutsche Bucht and higher overall production at the thermal and solar facilities. The positive performance was partially offset by lower production at Gemini and Nordsee One, wholesale market prices below the SDE floor at Gemini and the effect of unfavourable foreign exchange rate fluctuations.

Operating costs of $56 million decreased 5.1% or $3 million compared to the same quarter of 2018 primarily due to the timing of repairs and maintenance at the offshore wind facilities, lower insurance premiums at Gemini and lower costs at Nordsee One from operating efficiencies.

G&A costs of $30 million increased 36.9% or $8 million compared to the same quarter of 2018 primarily due to an increasing level of project development activities, including the Hai Long offshore wind project, and higher personnel costs to support Northland's growth.

Finance costs, *net* (primarily interest expense) of $94 million increased 12.8% or $11 million compared to the same quarter of 2018 primarily due to the amortization of deferred financing costs related to the subscription receipts, partially offset by declining interest costs as a result of scheduled principal repayments on facility-level loans and the redemption of convertible debentures in December 2018.

Impairment of property, plant and equipment of $98 million was recorded due to a non-cash impairment loss for project costs incurred to date associated with the Demonstrator Project at Deutsche Bucht.

Fair value gain on derivative contracts was $52 million compared to a $2 million loss in the same quarter of 2018 primarily due to the favourable movement in Colombian pesos foreign exchange contracts and natural gas forward contracts.

Other (income) expense decreased by $2 million mainly due to higher insurance proceeds received in 2018 compared to 2019 in relation to Nordsee One construction claims, which are now resolved.

Net income decreased $5 million in the fourth quarter of 2019 compared to the same quarter of 2018 primarily as a result of the factors described above, partially offset by a $27 million lower tax expense**.**

2019

Total Sales of $1.7 billion increased 6.6% or $103 million compared to 2018 primarily due to pre-completion revenues at Deutsche Bucht and higher overall production at all the operating facilities. The positive performance was partially offset by wholesale market prices below the SDE floor at Gemini and foreign exchange rate fluctuations for Gemini and Nordsee One.

Gross profit of $1.5 billion increased 7.0% or $101 million compared to 2018 primarily due to the same factors affecting sales described above and lower gas transportation costs at thermal facilities.

Operating costs of $214 million decreased 5.4% or $12 million compared to 2018 primarily due to the timing of repairs at offshore wind facilities, lower insurance premiums at Gemini and lower costs at Nordsee One from operating efficiencies, partially offset by a maintenance outage at one facility.

G&A costs of $91 million increased 13.2% or $11 million compared to 2018 primarily due to an increasing level of project development activities, including the Hai Long offshore wind project, and higher personnel costs to support Northland's growth.

Finance costs, *net* (primarily interest expense) of $331 million decreased 1.9% or $6 million compared to 2018 primarily due to declining interest costs as a result of scheduled principal repayments on facility-level loans, and the redemption of convertible debentures in December 2018, partially offset by the amortization of deferred financing costs related to subscription receipts.

Impairment of property, plant and equipment of $98 million was recorded due to a non-cash impairment loss for project costs incurred to date associated with the Demonstrator Project at Deutsche Bucht.

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

Fair value gain on derivative contracts was $161 million compared to an $88 million gain in 2018 primarily due to the movement in the fair value of interest rate swaps and foreign exchange contracts.

Other (income) expense was in line with the same period of 2018 primarily due to a higher non-cash fair value adjustment on a loan receivable in 2019, partially offset by higher insurance proceeds received in 2018 and a gain on sale of an operating asset in 2018.

Net income increased $46 million for the year ended December 31, 2019 compared to 2018 mainly due to the factors described above.

5.4: Adjusted EBITDA

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

	Three months ended December 31,		Year ended December 31,	
	2019	**2018**	**2019**	**2018**
Net income (loss)	**$ 60,669**	$ 65,251	**$ 451,754**	$ 405,508
Adjustments:				
Finance costs, net	**93,657**	83,030	**331,168**	337,434
Gemini interest income	**3,898**	5,349	**18,327**	21,538
Provision for (recovery of) income taxes	**(2,243)**	24,280	**78,727**	83,621
Depreciation of property, plant and equipment	**120,421**	102,585	**438,804**	415,161
Amortization of contracts and intangible assets	**10,691**	8,542	**24,848**	19,116
Fair value (gain) loss on derivative contracts	**(51,733)**	1,629	**(161,356)**	(87,624)
Foreign exchange (gain) loss	**84**	(4,460)	**5,177**	(11,373)
Impairment of property, plant and equipment	**97,782**	—	**97,782**	—
Elimination of non-controlling interests	**(55,860)**	(58,258)	**(287,129)**	(281,635)
Finance lease (lessor) and equity accounting	**1,172**	914	**3,782**	3,722
Other adjustments	**(5,823)**	(7,587)	**(17,148)**	(13,984)
Adjusted EBITDA	**$ 272,715**	$ 221,275	**$ 984,736**	$ 891,484

Adjusted EBITDA includes interest income earned on Northland's €117 million subordinated debt to Gemini, including accrued interest. Semi-annual principal payments will commence in 2027 until maturity in 2032. Northland consolidates the financial results of Gemini and, as a result, Northland's loan balances, investment income, and interest expense are eliminated upon consolidation.

The adoption of IFRS 16 effective January 1, 2019, resulted in an increase in adjusted EBITDA relative to last year since prior period figures are not restated. The increase in adjusted EBITDA for the full year 2019 compared to 2018 is $7 million.

For the year ended December 31, 2019, other adjustments primarily include insurance proceeds received related to construction, a non-cash fair value adjustment on a loan receivable and acquisition costs. For the year ended December 31, 2018, other adjustments primarily include a gain on sale of an operating asset.

Fourth Quarter

Adjusted EBITDA of $273 million for the three months ended December 31, 2019, increased 23.2% or $51 million compared to the same quarter of 2018. The significant factor increasing adjusted EBITDA include:

- $77 million increase as a result of net pre-completion revenues at Deutsche Bucht.

Factors partially offsetting the increase in adjusted EBITDA include:

- $10 million decrease in operating results from Gemini due to lower wind resource and wholesale market price below the SDE floor, partially offset by lower insurance costs;
- $9 million increase in corporate items in adjusted EBITDA primarily due to an increasing level of project development activities, including the Hai Long offshore wind project, and higher personnel costs to support Northland's growth; and
- $7 million decrease in operating results from Nordsee One primarily due to lower wind resource, unpaid curtailment resulting from grid repairs by the system operator and periods of negative market pricing, partially offset by lower costs from operating efficiencies.

2019

Adjusted EBITDA of $985 million for the year ended December 31, 2019, increased 10.5% or $93 million compared to the same period last year. The significant factors increasing adjusted EBITDA include:

- $93 million increase as a result of net pre-completion revenues at Deutsche Bucht; and

- $9 million increase primarily due to the effect of the reduced rate escalation adjustments at Iroquois Falls recorded in 2018 and higher production at North Battleford in 2019.

The factor partially offsetting the increase in adjusted EBITDA was an $11 million increase in corporate items in adjusted EBITDA primarily due to an increasing level of project development activities, including the Hai Long offshore wind project, and higher personnel costs to support Northland's growth.

5.5: Free Cash Flow

The following table reconciles cash flow from operations to free cash flow:

	Three months ended December 31,		Year ended December 31,	
	2019	**2018**	**2019**	**2018**
Cash provided by operating activities	**$ 333,626**	$ 291,160	**$ 1,224,415**	$ 1,133,884
Adjustments:				
Net change in non-cash working capital balances related to operations	**4,263**	(2,454)	**(17,097)**	(17,973)
Non-expansionary capital expenditures	**(5,616)**	(2,745)	**(9,582)**	(5,658)
Restricted funding for major maintenance, debt and decommissioning reserves	**(3,276)**	(4,701)	**(14,176)**	(13,713)
Interest paid, net	**(104,659)**	(111,596)	**(288,720)**	(314,125)
Scheduled principal repayments on facility debt	**(154,407)**	(154,748)	**(412,167)**	(373,677)
Funds set aside (utilized) for scheduled principal repayments	**72,413**	72,107	**(5,847)**	(1,035)
Preferred share dividends	**(2,932)**	(2,920)	**(11,728)**	(11,554)
Consolidation of non-controlling interests	**(17,132)**	(17,112)	**(111,773)**	(112,499)
Cash from operating activities from projects under construction	**(67,637)**	—	**(81,530)**	1,457
Lease payments	**(1,883)**	—	**(6,682)**	—
Investment income (1)	**5,607**	13,074	**22,060**	30,136
Nordsee One proceeds from government grant	**6,883**	5,969	**22,496**	20,399
Foreign exchange	**4,330**	(2)	**9,565**	1,180
Other (2)	**(2,225)**	2,627	**(754)**	801
Free cash flow	**$ 67,355**	$ 88,659	**$ 318,480**	$ 337,623

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

(2) Other includes adjustments for Nordsee One interest on shareholder loans, equity accounting, acquisition costs and non-cash expenses adjusted in working capital excluded from free cash flow, partially offset by stock-based compensation awards settled in cash in the period.

Scheduled principal repayments on facility term loans reflect repayments as paid. Funds set aside (utilized) for scheduled principal repayments allocates semi-annual repayments evenly across two quarters as well as adjusts for timing of quarterly repayments. Gemini's principal repayment schedule is weighted towards the first payment of the year to align with Gemini's expected cash flow profile.

Free cash flow incorporates interest expense each quarter as it is accrued in net income and working capital or paid.

The following table summarizes cash and total dividends paid and respective free cash flow payout ratios as well as per share amounts:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Cash dividends paid to common and Class A shareholders	$ 54,130	$ 44,147	$ 216,373	$ 163,605
Free cash flow payout ratio - cash dividends (1)			67.9%	48.5%
Total dividends paid to common and Class A shareholders (2)	$ 54,130	$ 53,246	$ 216,373	$ 211,877
Free cash flow payout ratio - total dividends (1) (2)			67.9%	62.8%
Weighted average number of shares - basic (000s) (3)	180,434	178,031	180,322	177,757
Weighted average number of shares - diluted (000s) (4)	187,421	189,604	187,625	189,593
Per share ($/share)				
Dividends paid	$0.30	$0.30	$1.20	$1.20
Free cash flow — basic	$0.37	$0.50	$1.77	$1.90
Free cash flow — diluted	$0.37	$0.48	$1.73	$1.81

(1) On a rolling four-quarter basis.

(2) Represents dividends paid in cash and in shares under the DRIP. For 2019, cash dividends equal total dividends because shares under the DRIP are being sourced from the secondary market.

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

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

Fourth Quarter

Free cash flow of $67 million for the three months ended December 31, 2019, was 24.0% or $21 million lower than the same quarter of 2018.

Factors decreasing free cash flow include:

- $18 million decrease in overall earnings primarily due to the factors affecting adjusted EBITDA except net pre-completion revenues from Deutsche Bucht, which are excluded from free cash flow; and
- $6 million increase in corporate G&A primarily due to an increasing level of project development activities, including the Hai Long offshore wind project, and higher personnel costs to support Northland's growth.

The factor partially offsetting the decrease in free cash flow was a $5 million decrease in net interest expense due to a lower outstanding balance of amortizing debt and the redemption of the convertible debentures in December 2018.

2019

Free cash flow of $318 million for the year ended December 31, 2019, was 5.7% or $19 million lower than 2018.

Factors decreasing free cash flow include:

- $35 million increase in scheduled principal repayments, primarily for Nordsee One debt;
- $9 million increase in corporate G&A primarily due to an increasing level of project development activities, including the Hai Long offshore wind project, and higher personnel costs to support Northland's growth; and
- $9 million increase in current taxes related to the offshore wind facilities.

Factors partially offsetting the decrease in free cash flow include:

- $28 million decrease in net interest expense due to a lower outstanding balance of amortizing debt and the redemption of the convertible debentures in December 2018; and
- $6 million increase in overall earnings primarily due to the factors affecting adjusted EBITDA except net pre-completion revenues from Deutsche Bucht, which are excluded from free cash flow.

As at December 31, 2019, the rolling four quarter free cash flow net payout ratio was 67.9%, calculated on the basis of cash dividends paid and calculated on the basis of total dividends, compared to 48.5% and 62.8%, respectively, in 2018. The increase in the free cash flow payout ratio calculated on the basis of cash from 2018 was primarily due to an increase in the number of shares due to the redemption of the convertible debentures in December 2018 and also due to a decrease in the DRIP participation since the discount was reduced to nil effective December 2018.

SECTION 6: CHANGES IN FINANCIAL POSITION

The following table provides a summary of account balances derived from the audited consolidated balance sheets as at December 31, 2019 and December 31, 2018.

As at		December 31, 2019		December 31, 2018
Assets				
Cash and cash equivalents	**$**	**268,193**	$	278,400
Restricted cash		**623,007**		450,437
Trade and other receivables		**295,427**		275,088
Other current assets		**44,521**		39,675
Property, plant and equipment		**8,072,519**		8,105,845
Contracts and other intangible assets		**521,050**		581,097
Other assets (1)		**521,898**		534,563
	$	**10,346,615**	$	10,265,105
Liabilities				
Trade and other payables		**193,160**		197,828
Interest-bearing loans and borrowings		**6,893,227**		7,011,572
Net derivative liabilities (2)		**438,772**		537,157
Net deferred tax liability (2)		**192,226**		179,549
Other liabilities (3)		**1,118,478**		798,377
	$	**8,835,863**	$	8,724,483
Total equity		**1,510,752**		1,540,622
	$	**10,346,615**	$	10,265,105

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

(2) Presented on a net basis.

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

Significant changes in Northland's audited consolidated balance sheets were as follows:

- *Restricted cash* increased by $173 million primarily due to proceeds from the subscription receipts offering, partially offset by the release of funds for debt service at Nordsee One, which were reclassified to cash as a result of an amendment to Nordsee One's debt facility agreement in the first quarter.
- *Property, plant and equipment* decreased by $33 million mainly due a non-cash impairment of project costs incurred to date associated with the Demonstrator Project at Deutsche Bucht of $98 million, foreign exchange rate fluctuations and depreciation, partially offset by construction-related activities at Deutsche Bucht and La Lucha and the initial recognition of lease assets of $60 million.
- *Contracts and other intangible assets* decreased by $60 million primarily due to foreign exchange rate fluctuations and amortization.
- *Interest-bearing loans and borrowings* decreased by $118 million, primarily due to scheduled principal repayments on project debt and foreign exchange rate fluctuations, partially offset by Deutsche Bucht construction activities.
- *Net deferred tax liability* (deferred tax asset less deferred tax liabilities) increased by $13 million due to movements in the differential between accounting and tax balances, particularly the movement in net derivative liabilities.

- *Other liabilities* increased by $320 million, mainly due to the subscription receipts offering, the initial recognition of lease liabilities of $60 million and the initial recognition of the decommissioning liability at Deutsche Bucht, partially offset by partial repayment of Northland's syndicated revolving facility and foreign exchange rate fluctuations.

SECTION 7: EQUITY, LIQUIDITY AND CAPITAL RESOURCES

Northland maintains sufficient liquidity to meet short- and medium-term cash needs and ensures that it has access to sufficient resources to capitalize on investment opportunities and to meet development 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, corporate credit facilities, convertible debentures and equity, such as common and preferred shares.

Dividends

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

Under the DRIP, common shareholders and the Class A shareholder may elect to reinvest their dividends in common shares. On November 6, 2018, Northland reduced the discount under its DRIP from 5% to 0% and announced that shares would be sourced through market purchases.

Equity and Convertible Unsecured Subordinated Debentures

The change in shares and class A shares during 2019 and 2018 was as follows:

	December 31, 2019	December 31, 2018
Shares outstanding, beginning of year	**179,201,743**	174,440,081
Conversion of debentures	**239,476**	2,527,626
Shares issued under the LTIP	**—**	23,467
Shares issued under the DRIP	**—**	2,210,569
Shares outstanding, end of year	**179,441,219**	179,201,743
Class A shares	**1,000,000**	1,000,000
Total common and convertible shares outstanding, end of year	**180,441,219**	180,201,743

Preferred shares outstanding as at December 31, 2019 and December 31, 2018 are as follows:

As at	December 31, 2019	December 31, 2018
Series 1	**4,501,565**	4,501,565
Series 2	**1,498,435**	1,498,435
Series 3	**4,800,000**	4,800,000
Total	**10,800,000**	10,800,000

In their most recent report issued in October 2018, Standard & Poor's reaffirmed Northland's corporate credit rating of BBB (Stable). In addition, Northland's preferred share rating was reaffirmed on Standard & Poor's Canada scale of BB+.

As at December 31, 2019, Northland had 179,441,219 common shares with no change in Class A and preferred shares outstanding from December 31, 2018. During 2019, $5 million of convertible debentures were converted into 239,476 common shares.

As of the date of this MD&A, Northland has 193,780,165 common shares outstanding with no change in Class A and preferred shares outstanding from December 31, 2019. The increase in common shares outstanding since December 31, 2019, is primarily due to the conversion of the subscription receipts. If the convertible debentures outstanding as at December 31, 2019, totaling $150 million, were converted in their entirety, an additional 7 million common shares would be issued.

Subscription Receipts

In September 2019, Northland completed the Offering of 14,289,000 subscription receipts for gross proceeds of $347 million. At closing of the EBSA Acquisition on January 14, 2020, the subscription receipts converted to common shares with each subscription receipt holder receiving one common share as well as a payment equivalent to dividends paid on common shares in the period since the Offering. This resulted in the issuance of 14,289,000 additional common shares subsequent to year end, following which there were no outstanding subscription receipts.

Normal Course Issuer Bid

In December 2019, the Toronto Stock Exchange (**TSX**) approved the renewal of Northland's Normal Course Issuer Bid (**NCIB**) commencing December 17, 2019, and ending December 16, 2020. Pursuant to the NCIB, Northland may purchase for cancellation up to 8,000,000 common shares representing approximately 4.5% of Northland's issued and outstanding common shares. In accordance with TSX rules, any daily purchases (other than pursuant to a block purchase exemption) on the TSX under the NCIB are limited to a maximum of 148,272 common shares, which represents 25% of the average daily trading volume on the TSX for the six months ended November 30, 2019.

Northland Power believes that the market price of its common shares may trade in a price range that does not fully reflect their inherent value, and that the acquisition of the common shares may represent an appropriate use of available funds. For the year ended December 31, 2019, no common shares were purchased under the NCIB.

Liquidity and Capital Resources

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

	Three months ended December 31,		Year ended December 31,	
	2019	2018	**2019**	2018
Cash and cash equivalents, beginning of year	**$ 302,682**	$ 315,010	**$ 278,400**	$ 400,573
Cash provided by operating activities	**333,626**	291,160	**1,224,415**	1,133,884
Cash used in investing activities	**(106,833)**	(108,061)	**(757,995)**	(589,092)
Cash (used in) provided by financing activities	**(260,208)**	(226,154)	**(471,102)**	(678,315)
Effect of exchange rate differences	**(1,074)**	6,445	**(5,525)**	11,350
Cash and cash equivalents, end of year	**$ 268,193**	$ 278,400	**$ 268,193**	$ 278,400

Fourth Quarter

Cash and cash equivalents for the fourth quarter of 2019 decreased $34 million from September 30, 2019 due to cash used in financing activities of $260 million, cash used in investing activities of $107 million and $1 million effect of foreign exchange translation, partially offset by cash provided by operations of $334 million.

The decrease in cash and cash equivalents during the quarter was largely due to:

- Scheduled debt repayments, including semi-annual repayments of Gemini and Nordsee One debt;
- Interest payments associated with borrowings; and
- Construction expenditures related to the Deutsche Bucht and La Lucha projects.

The decrease was partially offset by cash flow from operating facilities and utilization of restricted cash for Deutsch Bucht construction activities.

2019

Cash and cash equivalents for the year ended December 31, 2019, decreased $10 million due to cash used in investing activities of $758 million, cash used in financing activities of $471 million and $6 million effect of foreign exchange translation, partially offset by $1,224 million in cash provided by operations.

Cash provided by operating activities for the year ended December 31, 2019 was $1,224 million comprising:

- $452 million of net income;

- $756 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
- $17 million in changes in working capital due to the timing of payables, receivables and deposits.

Cash used in investing activities for the year ended December 31, 2019, was $758 million, primarily comprising:

- $766 million used for the purchase of property, plant and equipment, mainly for the construction of Deutsche Bucht and La Lucha;
- $56 million in changes in working capital primarily related to the timing of construction payables at Deutsche Bucht; and
- $58 million utilization of restricted cash mainly related to Deutsch Bucht construction activities.

Cash used in financing activities for the year ended December 31, 2019, was $471 million, primarily comprising:

- $125 million in net repayments under the corporate syndicated revolving facility;
- $412 million in scheduled principal repayments on project debt;
- $292 million in interest payments;
- $228 million of common, Class A and preferred share dividends;
- $99 million in dividends to the non-controlling shareholders; and
- $6 million in lease principal payments.

Factors partially offsetting cash used in financing activities include:

- $613 million of proceeds drawn on project debt from borrowings under Deutsche Bucht's construction loan; and
- $80 million change in restricted cash, primarily from release of funds set aside for debt service at Nordsee One.

Movement of the euro against the Canadian dollar decreased cash and cash equivalents by $6 million for the year ended December 31, 2019. Northland aims to mitigate the effects of exchange rate fluctuations through a variety of mechanisms, including foreign exchange rate hedges and using euro-denominated corporate debt for operating expenditures and the purchase of property, plant and equipment in euros by Deutsche Bucht.

Property, Plant and Equipment

The following table provides a continuity of the cost of property, plant and equipment for the year ended December 31, 2019:

	Cost balance as at Dec. 31, 2018	Additions(1)	Other (2)	Exchange rate differences	Transfers	Cost balance as at Dec. 31, 2019
Operations:						
Offshore wind	$ 5,666,499	$ 2,726	$ 11,167	$ (387,944)	$ 1,452,559	**$ 6,745,007**
Thermal (3)	1,760,009	2,218	(114)	—	—	**1,762,113**
On-shore renewable	1,721,698	757	28,105	—	—	**1,750,560**
Construction:						
Offshore wind	819,462	718,995	(12,654)	(73,244)	(1,452,559)	**—**
On-shore renewable	—	37,891	3,854	(377)	—	**41,368**
Corporate	26,851	15,184	13,361	(811)	—	**54,585**
Total	$ 9,994,519	$ 777,771	$ 43,719	$ (462,376)	$ —	**$ 10,353,633**

(1) Includes pre-completion revenue of $12 million for Deutsche Bucht. See SECTION 5.1 Results of Operations for additional information.

(2) Includes initial recognition of lease right-of-use assets, amounts accrued under the LTIP, initial recognition of the decommissioning provision for and an impairment related to Deutsche Bucht. Refer to Note 2.3 and 8.2 of the annual financial statements for additional information on lease recognition. Refer to Note 20 of the annual financial statements for additional information on the impairment.

(3) Excludes Spy Hill lease receivable accounting treatment.

Long-term Debt

Operating facilities and projects under construction are financed primarily with non-recourse project debt with fixed or hedged interest rates and repayments tied to the terms of the project's initial PPA post-completion. Each project is undertaken 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 initiatives.

The following table provides a continuity of Northland's debt for the year ended December 31, 2019:

	Balance as at Dec. 31, 2018	Financings, net of costs	Repayments	Amort. of costs/fair value	Exchange rate differences	Balance as at Dec. 31, 2019
Operations:						
Offshore wind	$ 4,160,574	$ —	$ (321,134)	$ 17,881	$ (279,266)	**$ 3,578,055**
Thermal	995,131	—	(45,181)	1,538	—	**951,488**
On-shore renewable	1,100,198	—	(45,852)	1,056	—	**1,055,402**
Construction:						
Offshore wind	755,669	613,293	—	5,419	(66,099)	**1,308,282**
Corporate (1)	309,274	581,634	(706,637)	825	(13,712)	**171,384**
Total	$ 7,320,846	$ 1,194,927	$ (1,118,804)	$ 26,719	$ (359,077)	**$ 7,064,611**

(1) Excludes convertible unsecured subordinated debentures and subscription receipts.

In February 2019, Nordsee One amended its debt facility agreement to include a debt service reserve facility, resulting in the release of approximately €50 million in funds previously restricted for debt service.

In addition to the loans outstanding in the above table, as at December 31, 2019, $40 million of letters of credit were outstanding under non-recourse project-level credit facilities for operational use.

Debt Covenants

Northland generally conducts its business indirectly through separate subsidiary legal entities and is dependent on the distribution of cash from those subsidiary entities to defray its corporate expenses, repay corporate debt and to pay cash dividends to common, Class A and preferred shareholders. Most operating subsidiaries hold non-recourse debt, which typically prohibits distributions if the loan is in default (notably for non-payment of principal or interest) or if the entity fails to achieve a benchmark debt service coverage ratio, which is the ratio of EBITDA to scheduled principal and interest payments over a specified time period. Northland and its subsidiaries were in compliance with all debt covenants for the year ended December 31, 2019.

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 table below:

As at December 31, 2019	Facility size	Amount drawn	Outstanding letters of credit	Available capacity	Maturity date
Syndicated revolving facility	$ 1,000,000	$ 175,689	$ 92,925	$ 731,386	Jun. 2024
Bilateral letter of credit facility	100,000	—	99,393	607	Mar. 2021
Export credit agency backed letter of credit facility	100,000	—	44,221	55,779	Mar. 2020
Total	**$ 1,200,000**	**$ 175,689**	**$ 236,539**	**$ 787,772**	
Less: deferred financing costs		4,305			
Total, net		**$ 171,384**			

- In the year ended December 31, 2019, Northland made net repayments of $125 million on the syndicated revolving facility, with the remaining movement in the year due to foreign exchange fluctuations.
- In the second quarter of 2019, the $1.0 billion revolving credit facility was extended to June 22, 2024.

- In the third quarter of 2019, the $100 million bilateral letter of credit facility was extended to March 31, 2021.
- As part of the initial funding of the EBSA Acquisition, Northland entered into the EBSA Bridge, a $495 million 12-month bridge credit facility. The terms of the EBSA Bridge are aligned with the terms of Northland's syndicated revolving facility. Northland drew the full $495 million on January 14, 2020, and subsequently repaid $310 million using the proceeds from the Offering.
- Of the $237 million of corporate letters of credit issued as at December 31, 2019, $116 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.

Exposure to LIBOR and EURIBOR

LIBOR and EURIBOR are the two key global benchmark rates used to determine interest rates and value government and corporate bonds, loans, currency and interest rate swaps and many other financial products. Regulators are expected to discontinue the use of these rates by the end of 2021, at which time each jurisdiction will identify its own alternative replacement rate. Each jurisdiction has formed working groups to identify and develop a preferred successor rate.

As at December 31, 2019, Northland had €4.3 billion of EURIBOR-linked borrowings and derivatives that extend beyond 2021. Northland did not have any US dollar LIBOR-linked borrowings or derivatives at the end of 2019. Northland expects to incur additional USD borrowings during 2020 to fund the construction of La Lucha.

In 2019, management formed an internal task force to monitor industry developments and develop a transition plan in consultation with legal counsel and advisors. Transition activities will include a comprehensive review of financial exposures, discussions with lenders as well as planning and implementing potential amendments to preserve the originally intended economics of loan arrangements. Management does not currently expect a material financial impact and continues to monitor and manage the situation.

Financial Commitments and Contractual Obligations

In the ordinary course of business, Northland enters into financial and derivative contracts. The contractual maturities of Northland's material financial liabilities as at December 31, 2019, are summarized below:

	2020	2021-2022	2023-2024	>2024
Derivative contracts				
Euro foreign exchange contracts	$ 194,351	$ 359,585	$ 309,960	$ 954,266
Financial natural gas contract	58,561	67,468	—	—
Colombian peso foreign exchange contracts	727,528	—	—	—
U.S. dollar foreign exchange contracts	27,614	19,355	—	—
Power financial contracts	7,847	7,454	—	—
Loans and borrowings				
Interest-bearing loans and borrowings - principal	569,151	1,172,705	1,263,944	4,210,063
Interest-bearing loans and borrowings - interest, including interest rate swaps	274,939	507,165	422,983	758,557
Corporate credit facilities, including interest	26,196	5,138	180,134	—
Convertible debentures, including interest	154,335	—	—	—
Total	**$ 2,040,522**	**$ 2,138,870**	**$ 2,177,021**	**$ 5,922,886**

Non-Financial Commitments and Contractual Obligations

The following table summarizes all material fixed contractual commitments and obligations as at December 31, 2019, for non-financial contracts. The amounts are based on the assumptions of a 2% annual consumer price index increase, a Canadian dollar/euro exchange rate of $1.56 and Canadian dollar/U.S. dollar exchange rate of $1.31. The table includes maintenance and services agreements and natural gas transportation demand charges for which Northland is liable whether or not natural gas is shipped. The construction commitment relates to the construction of the Deutsche Bucht project. The cash obligations related to the leases for land and buildings, dismantlement and management fees to non-controlling interest partners are also included.

	2020	2021-2022	2023-2024	>2024
Maintenance agreements	$ 170,319	$ 376,540	$ 347,972	$ 2,065,439
Construction, excluding debt, interest and fees	123,083	—	—	—
Natural gas supply and transportation, fixed portion	32,479	66,896	43,810	50,959
Leases	10,767	19,464	15,073	57,134
Dismantlement funding	14,739	29,897	30,148	215,908
Management fees	1,038	2,109	2,154	12,378
Total	**$ 352,425**	**$ 494,906**	**$ 439,157**	**$ 2,401,818**

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

SECTION 8: SUMMARY OF QUARTERLY CONSOLIDATED RESULTS

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

With the exception of the adoption of IFRS 16 in 2019 (refer to Note 2.3 of the audited consolidated financial statements), accounting policies and principles have been applied consistently for all periods presented in the table below.

In millions of dollars, except per share information	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Total sales	$ 438	$ 378	$ 344	$ 499	$ 381	$ 350	$ 338	$ 486
Operating income	203	177	146	288	171	150	131	281
Net income (loss)	61	111	76	204	65	93	69	178
Adjusted EBITDA	273	224	194	294	221	197	183	290
Cash provided by operating activities	334	242	341	308	291	193	343	306
Free cash flow	67	74	35	142	89	64	37	148
Per share statistics								
Net income (loss) - basic	$ 0.23	$ 0.42	$ 0.28	$ 0.78	$ 0.23	$ 0.38	$ 0.29	$ 0.61
Net income (loss) - diluted	0.23	0.41	0.28	0.76	0.22	0.37	0.28	0.59
Free cash flow - basic	0.37	0.41	0.20	0.79	0.50	0.36	0.21	0.84
Total dividends declared	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30

SECTION 9: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES

Acquisition of Offshore Wind Development Company in South Korea

On February 24, 2020, Northland announced the acquisition of Dado Ocean Wind Farm Co., Ltd ("**Dado Ocean**"), an offshore wind development company based in Korea with rights to multiple early-stage development sites off the southern coast of the Korean Peninsula.

Acquisition of EBSA Regulated Power Distribution Utility – Colombia

On January 14, 2020, Northland completed its previously announced acquisition of a 99.2% interest in EBSA for a total purchase price of COP 2,412 billion ($960 million) including existing debt of COP 550 billion (approximately $219 million) (the "**EBSA Acquisition**"). The EBSA Acquisition was subject to customary closing conditions, including the receipt of approval by the local regulator of EBSA's proposed tariff for the next regulatory period. Pursuant to the share purchase agreement, the purchase price was adjusted to COP 2,412 billion ($960 million) from COP 2,665 billion ($1.05 billion) based on the tariff resolution issued by the regulator in December 2019, and remains subject to post-closing adjustments to the purchase price following a review of the tariff resolution.

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 approximately 480,000 customers. EBSA's net revenue is almost entirely regulated, of which the vast majority is earned from its distribution business and the remainder primarily from its electricity retail business.

The EBSA Acquisition expands Northland's Latin American platform, facilitating participation in future growth projects across all electricity segments in Colombia. Colombia offers an attractive jurisdiction for infrastructure investments, having the third largest population in the region, a growing middle class and expected gross domestic product growth of 3% in 2019. The EBSA Acquisition also diversifies Northland's portfolio by adding a perpetual utility infrastructure business.

EBSA, like most electric distribution utilities, earns revenue by charging customers a rate approved under a regulatory framework administered by Comisión de Regulación de Energía y Gas ("**CREG**"). The rate charged is set for a five-year period and includes amounts retained by EBSA, as retailer and distributor, and amounts passed on to other electricity system participants, such as the transmission operator. EBSA's portion of the rate is determined based on its asset base (i.e. the "rate base"), inflation indexation per the established Colombian producer price index and a regulated weighted average cost of capital ("**WACC**") of approximately 11.5% for an expected five-year period. The rate base takes into account the depreciated cost of existing equipment and anticipated future expenditure 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.

EBSA's rate base is expected to grow in the long-run as result of inflation indexation and rate base investments, which are expected to be self-funded through cash from operations and non-recourse debt.

Deutsche Bucht 269 MW Offshore Wind Project – Germany

Construction of the Deutsche Bucht offshore wind project was highlighted by the installation of all 31 monopile foundations and turbines, ahead of schedule, and generating power by the end of September 2019, earning $96 million of pre-completion revenues in sales in 2019. Installation of the two turbines utilizing mono bucket foundations ("**Demonstrator Project**") was paused in the fourth quarter of 2019 following the identification of technical issues. A thorough evaluation of the cause of the technical issues is ongoing and there is a possibility that the Demonstrator Project may not proceed. As a result of the uncertainty, Northland recorded a non-cash impairment loss of $98 million for project costs incurred to date associated with the Demonstrator Project. The total estimated project cost remains at approximately €1.4 billion ($2.0 billion).

Joint Venture with Shizen Energy for Offshore Wind Projects in Japan

In November 2019, Northland signed an agreement with Shizen Energy Inc. ("**Shizen Energy**") to jointly establish Chiba Offshore Wind Inc. ("**Chiba**") to develop early stage offshore wind development opportunities in Japan. The prospective projects have an expected combined capacity of approximately 600 MW. Northland and Shizen Energy intend to collaborate to further develop these and other opportunities.

La Lucha 130 MW Solar Project – Mexico

In May 2019, Northland started construction of the La Lucha 130 MW solar project in the State of Durango, Mexico. The project is progressing according to schedule and on track with estimated project costs. Total capital cost for the project is expected to be $190 million with project completion anticipated in the second half of 2020.

Construction is progressing on schedule with engineering almost fully complete, procurement of major components finalized and installation in progress. Negotiation of bilateral power contracts continues with qualified providers of retail electricity services in Mexico ("**Qualified Suppliers**") for delivery of energy and clean energy certificates to commercial and industrial off-takers and is expected to be finalized prior to project completion. Northland intends to utilize non-recourse project financing for La Lucha once construction is complete.

Hai Long 1,044 MW Offshore Wind Project – Taiwan

In 2018, the Hai Long project owned by Northland and its 40% partner, Yushan Energy, was allocated a total of 1,044 MW (626 MW net to Northland) by the Bureau of Energy of Taiwan under a FIT program and an auction process. Key aspects of the Hai Long project are presented below:

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

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

In February 2019, Northland and Yushan Energy executed a 20-year PPA with Taipower for the Hai Long 2A offshore wind project, based on the 300 MW FIT allocation. In the fourth quarter of 2019, preferred supplier agreements for turbine supply and balance of plant components were executed, covering all sub-projects. Northland continues to develop Hai Long 2B and Hai Long 3 sub-projects allocated a total of 744 MW under auction in 2018 and expects to execute their respective PPAs in 2020.

SECTION 10: OUTLOOK

Northland actively pursues new sustainable infrastructure opportunities that encompass a range of clean technologies, including wind, solar and natural gas power generation as well as electricity grid networks.

Northland's development strategy focuses on creating high-quality projects underpinned by revenue arrangements that deliver predictable cash flows. Management actively seeks to invest in technologies and jurisdictions where Northland can benefit from an early-mover advantage and establish a meaningful presence. As such, the 2020 guidance range reflects higher development expenses in pursuit of the Company's continued execution of its global growth strategy. This includes expenditures related to the development and advancement of Hai Long, the new joint venture in Japan and other offshore wind projects.

Adjusted EBITDA

In 2020, management expects adjusted EBITDA to be in the range of $1.1 billion to $1.2 billion. 2020 adjusted EBITDA is expected to be higher relative to the revised 2019 guidance primarily due to the following factors (all amounts approximate):

- Incremental contribution from Deutsche Bucht for a full year of operations, excluding the Demonstrator Project ($140 million to $155 million increase); and
- Contributions from La Lucha, which is expected to be completed in the second half of 2020, and from newly acquired EBSA based on the final tariff expected, assuming an average exchange rate of COP 2,512/CAD ($100 million to $105 million increase) .

Factors partially offsetting the increase in 2020 adjusted EBITDA include:

- Lower anticipated contribution from thermal facilities primarily due to stronger than expected performance in 2019 and one-time costs expected in 2020 ($15 million to $20 million impact); and
- Lower assumed market prices at Gemini and higher unpaid curtailments at Nordsee One ($5 million to $20 million impact)

assuming an average foreign exchange rate of CAD$1.49/Euro; and

- Higher G&A costs primarily due to increased level of development activities ($40 million to $50 million impact).

Free Cash Flow

In 2020, management expects free cash flow per share to be in the range of $1.70 to $2.05 per share. 2020 free cash flow per share is adjusted from the revised 2019 guidance primarily due to the following factors (all amounts approximate):

- Contribution from Deutsche Bucht for the full year including one-time excess pre-completion revenue from 2019, net of partial year principal debt repayments, and excluding the Demonstrator Project ($120 million to $130 million); and
- Contributions from La Lucha, which is expected to be completed in the second half of 2020, and from newly acquired EBSA based on the final tariff expected ($30 million to $35 million increase).

Factors partially offsetting the increase in expected free cash flow include:

- Lower assumed market prices and higher taxes at Gemini and higher unpaid curtailments at Nordsee One ($10 million to $20 million impact);
- Lower anticipated contribution from thermal facilities primarily due to stronger than expected performance in 2019 and one-time costs expected in 2020 ($10 million to $15 million impact);
- Higher G&A costs primarily due to increased level of development activities ($40 million to $50 million impact);
- Higher scheduled principal debt repayments at certain operating facilities ($20 million impact);
- Higher interest on corporate borrowings primarily due to the EBSA Acquisition funding offset by lower interest on the 2020 Debentures, maturing in mid-2020 ($5 million impact); and
- An increase in the weighted average number of common shares outstanding as a result of the subscription receipts offering associated with the EBSA Acquisition and the maturity of the 2020 Debentures.

The 2020 development expenses are expected to total $0.45 to $0.50 of 2020 free cash flow per share, including Hai Long development costs and development overhead, an increase from a total of $0.24 per share in 2019.

SECTION 11: LITIGATION, CLAIMS AND CONTINGENCIES

Litigation, claims and other contingencies arise from time to time in the ordinary course of business for Northland. None of these contingencies, individually or in aggregate, are expected to result in a liability that would have a material adverse effect on Northland. Refer to Note 24 of the audited consolidated financial statements for the year ended December 31, 2019 for additional information.

SECTION 12: SUSTAINABILITY AND CLIMATE CHANGE

Sustainability and Northland's Business Model

Sustainability and the need for clean energy were key factors leading to the Company being established in 1987 and continue to be a fundamental part of the business environment in which Northland operates. Sustainability underlies and influences many of the key business risks identified and managed by management and overseen by the Board of Directors. Understanding, measuring, and managing the opportunities and risks arising from the global shift to renewable energy sources, as a result of climate change is a core component of Northland's business activities and critical to delivering on its vision. Northland holds the view that demand for electricity from renewable sources will continue to rise as a result of growing recognition of the adverse effects of climate change and an increasing number of jurisdictions adopting de-carbonization policies and renewable energy targets.

Growth of Renewable Assets Portfolio

Northland sees significant growth opportunities in its renewable asset portfolio as a result of the general trend towards global de-carbonization, which encourages sustainable power generation from clean and green technologies. Northland expects these opportunities to span short, medium and long-term time horizons as such policies spread to new parts of the globe and strengthen in advanced economies. Northland is currently pursuing such opportunities through active development of sustainable projects in North America, Europe, Latin America and Asia. Refer to the 2019 AIF for a summary of regulatory developments in the markets where Northland operates.

Enterprise Risk Management

Climate change, which increases the likelihood of unexpected, severe and more frequent weather-related natural disasters such as severe storms, droughts, heat waves, rising temperatures and sea levels and changing precipitation patterns, presents both risks and opportunities to Northland. Climate change has raised the importance of access to clean energy, energy security and energy efficiency, which Northland is well-positioned to contribute to.

Northland manages the business risks presented by climate change as part of its Enterprise Risk Management (**ERM**) program. Northland's ERM program builds risk identification, assessment, response planning, reporting and monitoring into routine business activities, with ownership of key risks delegated throughout the organization. Assessment, using quantification of business impacts wherever possible, occurs on an ongoing basis.

Climate change related compliance requirements did not have a significant financial or operational impact on Northland's earnings or capital expenditures in 2019.

Climate Change Related Opportunities

New Business Opportunities

Northland expects to identify new business opportunities due to continued interest and growth in clean and renewable power technologies as well as increased investment by public and private entities in the sector. For example, many commercial and industrial entities are partnering with sustainable power producers for their energy needs. Such partnerships and capital investments are expected to lead to enhanced performance and reliability and/or reduced operating costs, improving Northland's operating and financial results. Continued investment in clean technology may also uncover new applications for existing technologies and entirely new business models, which Northland is well-positioned to benefit from.

Greater Access to Capital

Northland expects to benefit from direct business partnerships as well as the trend of increasing capital allocations by large institutional investors to companies pursing environmentally sustainable business models. Northland's current shareholder base includes large institutional investors and "green funds" that have found Northland to meet their criteria. Newer financial products, such as green bonds, present additional opportunities to raise capital in the future.

Reputational Advantage

Northland's business model has and is expected to continue to attract and retain top talent due to employees' growing preference to work for companies whose actions and strategy align with their own beliefs. Northland's sustainability focus provides an advantage in the competition for top talent at all levels of the organization. Similarly, Northland benefits from its positive brand image and reputation when seeking new business partners, exploring new jurisdictions and obtaining regulatory approvals.

Climate Change Related Risks

Increased Variability of Results

Climate change may increase the potential for increased variability of renewable resources, resulting in higher variability of electricity production and financial results, across all time horizons. Research on the impact of climate change on wind and solar patterns in areas of concentrated renewable power production, though growing, remains in early stages. Reliable information on localized impact for specific regions over the long-term is not yet available in today's climate change computer simulation models. Northland's concentration of offshore wind farms in the North Sea presents a performance and operating risk. Over the long-term, the effects of climate change and severe weather events may also change energy demand patterns and market prices in the regions where Northland operates to the benefit or detriment of Northland.

Acute and Chronic Effect on Physical Assets

Northland's facilities and projects are exposed to the elements such as wind, water and in the case of the offshore wind projects, movement of the sea floor. They are also susceptible to extreme weather conditions and natural disasters such as hurricanes, tornadoes, lightning storms, icing events and in the case of distribution lines, fires. Extreme weather conditions and natural disasters can cause downtime, construction delays, production losses and/or damage to equipment. Natural events may also make it impossible for operations and maintenance crews to access the disabled equipment to deliver parts and provide services.

Northland is exposed to weather risk and subsurface risk during the construction and operation of its offshore wind farms. Northland attempts to mitigate these risks through the purchase of insurance and/or the inclusion of provisions under applicable construction agreements with contractors. However, insurance policies and/or construction agreements may not provide coverage for certain events, or coverage may be insufficient to compensate for all of the losses suffered by a project. Such insurance may not continue to be available at all or at economically feasible cost.

Northland's operations rely on assets such as transmission grids, towers and substations owned and operated by third-parties. These assets may also be adversely affected by extreme weather events and climate change and which Northland has little ability to control. Similarly, Northland's operating and construction activities could be affected by the impact of extreme weather events on its supply chain.

Regulatory Compliance

With the growing scrutiny of environmental impacts of business activities, Northland faces the risk of increased costs for regulatory compliance such as carbon pricing programs for natural gas fired thermal facilities, maintenance of air and water quality standards, limiting greenhouse gas emissions and costs of compliance during the construction phase.

Northland monitors global regulatory developments and acts to manage the related financial and business risks associated with its activities. For example, the Pan-Canadian Framework on Clean Growth and Climate Change, established by the Canadian government in 2016, provided a back-stop to provincial carbon pricing programs. Under the program, a fuel charge is applied to a range of fuels, including natural gas and industrial facilities are subject to an Output-Based Pricing System (**OBPS**) for carbon emissions above applicable limits. Industrial facilities may pay the OBPS or procure equivalent credits from other companies. Northland's thermal facilities are subject to OBPS programs, federally or through an equivalent provincial program. Substantially all of Northland's operating thermal facilities pass the costs of compliance through to the counterparty under the terms of their PPA.

Northland discloses its direct greenhouse gas and air emissions in its Sustainability Report and plans to continue to measure and report on these metrics annually. Northland recognizes the long-term importance of sustainability and the role of renewable energy in counteracting climate change and is focused on increasing the capacity of its renewable asset portfolio in response to the threat of climate change.

SECTION 13: FINANCIAL RISKS AND UNCERTAINTIES

Northland's activities expose it to a variety of risks. Refer to the 2019 AIF for a summary of factors in addition to those discussed below that could significantly affect the operations and financial results of Northland.

Northland's risk management objective is to mitigate fluctuations in cash flows in order to maintain stable and sustainable 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, where appropriate, mitigating financial risks in compliance with internal policies and external requirements under non-recourse project financing arrangements. Northland uses derivative financial instruments to manage certain financial risks but does not engage in speculative activity. Material financial risks are monitored and reported regularly to the Audit Committee of the Board of Directors. The risks associated with Northland's financial instruments and Northland's policies for mitigating these risks are described below.

Market Risk

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

(i) Interest Rate Risk

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

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

(ii) Credit Spread Risk

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

(iii) Currency Risk

Currency risk arises because the Canadian dollar equivalent of transactions, assets or liabilities denominated in foreign currencies may vary due to changes in foreign exchange rates. Northland is exposed to changes in the euro, U.S. dollar and Colombian peso; notably, through the euro-denominated consolidated financial statements of Gemini, Nordsee One and Deutsche Bucht project. Northland manages this risk by hedging material net foreign currency cash flows to the extent practical and economical in order to minimize material cash flow fluctuations.

Northland has entered into foreign exchange contracts to effectively fix foreign exchange conversion rates on substantially all forecasted euro-denominated cash inflows from Gemini, Nordsee One and Deutsche Bucht.

(iv) Commodity Price Risk

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

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

Counterparty Risk

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

Northland manages counterparty risk by contracting with highly creditworthy counterparties wherever possible, such as government-related entities and large financial institutions. Northland's cash, derivative financial instruments, unfunded loan commitments and insurance policies are contracted with creditworthy financial institutions. Northland's gas, transportation, equipment, maintenance and construction contracts are with highly rated and/or large, well-capitalized counterparties wherever possible.

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

Liquidity Risk

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

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

Northland is also subject to internal liquidity risk because it conducts its business activities through separate legal entities (subsidiaries and affiliates) and is dependent on cash distributions from those entities to defray corporate expenses and pay dividends. Most operating subsidiaries hold non-recourse debt. Such non-recourse financing agreements typically prohibit distributions if the loan is in default (notably for non-payment of principal or interest) or if the entity fails to achieve a benchmark debt service coverage ratio, which is the ratio of Adjusted EBITDA to scheduled loan principal and interest payments over a specified time period. For the year ended December 31, 2019, Northland and its subsidiaries were in compliance with all debt covenants.

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

Refer to Note 24 in the audited consolidated financial statements for the year ended December 31, 2019, for additional information related to Northland's commitments and obligations.

SECTION 14: CRITICAL ACCOUNTING ESTIMATES

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

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

Additional information on the significant estimates, judgments and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in Note 3 in the audited consolidated financial statements for the year ended December 31, 2019.

SECTION 15: FUTURE ACCOUNTING POLICIES

Northland assesses each new IFRS or amendment to determine whether it may have a material impact on its consolidated financial statements. As at December 31, 2019, there have been no accounting pronouncements by the International Accounting Standards Board that would materially affect Northland's consolidated financial statements beyond those described in Note2.3 of the audited consolidated financial statements.

SECTION 16: CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

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

An evaluation of the effectiveness of the design and operation of Northland's disclosure controls and procedures was conducted as of December 31, 2019, by and under the supervision of management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that Northland's disclosure controls and procedures, as defined in National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", are effective to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules and forms.

Internal Controls over Financial Reporting

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

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

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

An evaluation of the effectiveness of the design and operation of Northland's internal controls over financial reporting was conducted as of December 31, 2019, by and under the supervision of management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that Northland's internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting and the preparation of the audited consolidated financial statements in accordance with IFRS.

No changes were made in Northland's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, Northland's internal controls over financial reporting in the year ended December 31, 2019.