

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

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## **SECTION 1: OVERVIEW**

### **Introduction**

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

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

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

### **Forward-Looking Statements**

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

any forward-looking statements to reflect events or circumstances after such date or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

## **Non-IFRS Financial Measures**

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

### **Adjusted EBITDA**

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

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

### **Free Cash Flow**

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

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

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

## Adjusted Free Cash Flow

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

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

## SECTION 2: NORTHLAND'S OPERATING FACILITIES

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

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

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

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

(2) As at September 30, 2021, Northland's economic interest was unchanged from December 31, 2020 with the exception of Spanish portfolio, which Northland acquired on August 11, 2021. Spanish portfolio's results are consolidated in Northland's financial results effective on the acquisition date.

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

## SECTION 3: CONSOLIDATED HIGHLIGHTS

### 3.1: Significant Events

Significant events during the first nine months of 2021 and through the date of this MD&A are described below. Refer to *SECTION 8: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES* for additional information on projects and acquisitions.

#### **COVID-19 and Business Update**

The COVID-19 pandemic (“COVID-19”) has had significant effects across global economies and sectors, including reduced power demand within the renewable energy sector. Each of Northland’s operating facilities are deemed to be essential infrastructure and, as such, operations have continued uninterrupted to date.

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

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

While the vast majority of Northland’s revenues are contracted under long-term agreements with creditworthy counterparties, there is some, yet limited, exposure to the wholesale market price of electricity at the offshore wind facilities and to unpaid curtailment from negative prices. Refer to *4.1: Operating Results* for additional information. Refer to *SECTION 12: FINANCIAL RISKS AND UNCERTAINTIES* for additional information on risks associated with COVID-19.

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

#### **Balance Sheet and ESG Advancements:**

##### ***Extension of \$1.0 Billion Revolving Corporate Credit Facility and Completion of Sustainability Linked Loan Overlay***

In September 2021, Northland extended its \$1 billion revolving corporate credit facility with a syndicate of both Canadian and global financial institutions to 2026 (from 2024) and executed several amendments to increase liquidity available to fund growth. Concurrently, the Company implemented a Sustainability Linked Loan (SLL) overlay. The implementation of the SLL is an important milestone for Northland and is aligned with the Company’s Environmental, Social and Governance (ESG) initiatives and green financing framework introduced in February 2021. The SLL is based on achieving defined targets related to both increasing renewable generating capacity and reducing carbon emissions intensity, and is expected to provide Northland with cost savings if the targets are met. The SLL is an important step in integrating Northland’s ESG performance with its financing objectives. All margin savings are expected to be used to fund the Company’s global sustainability initiatives.

##### ***Canadian Solar Portfolio Debt Restructuring***

In the third quarter, Northland restructured and upsized the senior debt on a number of its Canadian solar facilities, resulting in one-time cash distribution to Northland totaling \$40 million. This refinancing constitutes green project financing supporting Northland’s ESG initiatives. To date in 2021, Northland has received cash distributions amounting to \$113 million from optimizing and upsizing project finance and other debt structures to further enhance liquidity to fund growth. These cash distributions are not included in Free Cash Flow or Adjusted Free Cash Flow.

##### ***Fitch Rating***

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

## **Growth Updates:**

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

### ***Nordsee Two and Nordsee Three 850MW Offshore Wind Projects***

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

### ***Colombian 130MW Solar Projects***

Subsequent to the third quarter, Northland, in partnership with EDF Renewables, a subsidiary of Électricité de France S.A. (EPA:EDF), successfully submitted a joint-bid into the renewables auction in Colombia and were awarded the right to build two solar projects with a total combined capacity of 130MW. The solar projects will benefit from Power Purchase Agreements (PPAs) with multiple energy distribution and commercial entities in Colombia, starting in 2023 and lasting for 15 years. The PPAs will be denominated in Colombian pesos and will have annual indexation to the Colombian Producer Price index (PPI). In addition, the projects will receive a reliability charge in US dollars, which will account for approximately 10% of total revenues of the projects. Northland has a 50 percent interest in the projects with commercial operations expected in the second half of 2023. These projects represent further execution on Northland's growth platform in Colombia, leveraging its existing position in EBSA to secure and develop additional renewable projects. These solar projects closely follow the development of Northland's 16MW Helios solar project, which achieved financial close in the second quarter of 2021.

### ***Japan Offshore Wind***

In September, the Japanese government designated four new sea areas as "promising areas" for the development of offshore wind under its Round Three process. Included in these four areas was Isumi City, Chiba Prefecture, where Northland is progressing with the development of its Chiba offshore wind project, in consortium with Shizen Energy and Tokyo Gas. Additionally, Katagami, Akita Prefecture, where Northland continues to explore an opportunity through a consortium with Mitsui and Osaka Gas, was also designated in the promising areas list. The designation as "promising areas" for these two regions is a key milestone in the early-stage development processes for these two projects, that could have a total productive capacity of up to 900MW when complete.

### ***Spanish Renewables Acquisition***

On August 11, 2021, Northland completed its previously announced acquisition of a Spanish operating portfolio of onshore renewable projects (the "**Spanish portfolio**") with a total combined net capacity of 551MW. The transaction included the acquisition of minority interests not included in the initial announced transaction. The portfolio includes 33 operating assets comprised of onshore wind (435MW), solar photovoltaic (66MW), and a concentrated solar (50MW) located throughout Spain. Total cash consideration at closing was €348 million (\$511 million) with the assumption of debt totaling €719 million (\$1,055 million). The acquisition was funded using proceeds from Northland's common equity offering completed on April 14, 2021.

The acquisition immediately places Northland as a top ten renewable power operator in Spain and creates a platform for growth in an attractive market for renewables. Northland intends to leverage the acquisition of the Spanish portfolio to build a platform with asset management, development, and operations and maintenance capabilities that can competitively pursue onshore renewables acquisition and development opportunities across Europe over the next decade.

### ***Nordsee One Component Issue***

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



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

The ten RSA were replaced at a cost of €13 million (\$16 million at Northland's share) and the total cost to replace all 54 RSA is now expected to be slightly lower than estimated last quarter, and within a range of €50 million and €60 million (\$65 million and \$75 million at Northland's share). The costs are expected to be almost fully covered by the warranty bond settlement received in 2020 relating to outstanding warranty obligations of Nordsee One's turbine manufacturer upon its insolvency. Refer to the *Section 4.1: Operating Results* for additional information.

### ***Green Financings Executed***

Northland introduced its Green Financing Framework in February 2021, to allow the Company and its subsidiaries to issue green bonds, loans (corporate and project level) and other financing instruments for Eligible Green Projects. The focus of the Green Financing initiatives is to support climate change mitigation efforts by developing and investing in renewable energy infrastructure assets that increase green energy production. Northland has successfully executed its first two green financings with its onshore wind projects in New York and Helios solar project in Colombia; the latter being one of the first renewable project financings in the country. Both projects secured construction financings which have been designated as green loans by their respective lenders.

### ***New York 320MW Onshore Wind Project Update***

Northland continues to progress its three onshore wind projects in New York State ("**NY Wind**"), with two of the projects, Ball Hill and Bluestone, comprising 220MW, having achieved financial close in the second quarter and secured green financing in the form of a non-recourse project loan, tax equity bridge loan and letters of credit, with a consortium of lenders totaling US\$381 million (approximately C\$476 million), at a 1.45% interest rate during construction. Northland will fund investment in the two projects from the equity offering in April 2021 and also expects to secure permanent tax equity investments for the two projects ahead of commercial operations in 2022. Construction activities commenced in the second quarter of 2021 for Ball Hill and Bluestone. Northland's third New York onshore wind project, High Bridge (100MW), is under active development. The total capital cost for the first two projects is expected to be approximately \$0.6 billion. Earlier in the year, all three projects were awarded 20-year indexed Renewable Energy Certificate (**REC**) agreements with the New York State Energy Research and Development Authority as part of renewable energy solicitations.

### ***Helios 16MW Solar Project Update***

During the second quarter, Northland's 16MW Helios solar project in Colombia also achieved financial close. The project secured a green loan and with construction already underway, commercial operations is expected in the first quarter of 2022. Helios represents Northland's first development project in Colombia which capitalizes on EBSA's grandfathered rights, allowing it to expand into the energy generation market in Colombia, to service the power needs of non-regulated municipal, commercial and industrial (**C&I**) customers. Helios has secured a 12-year power purchase agreement with EBSA, which, in turn, will secure offtake agreements with non-regulated customers. The total capital cost for Helios is expected to be under \$20 million.

### ***La Lucha 130MW Solar Project Update***

The 130MW solar project in the State of Durango, Mexico, has completed its activities relating to the physical construction, however, certain activities relating to the energization of the project continue to be delayed. In order to achieve commercial operations, the facility requires energization followed by testing, which is conducted by CENACE (Independent System Operator) and CFE (Federal Electricity Commission). Final approvals, energization, testing and interconnection of renewable power projects have generally been delayed in Mexico by pandemic related government and CFE temporary office closures and reduced operating capacity. In addition, these processes have seen further delays that are likely related to the uncertainty created by the Mexican government's so far unsuccessful attempts to amend electricity sector regulations and constitutionally embedded legislation and timelines remain uncertain as a result. Efforts to secure commercial offtake and project financing are expected to be finalized only after commercial operations. As a result of the aforementioned delays, total capital costs for the project are expected to be around \$200 million, up from \$190 million originally.

### ***Baltic Power, Polish Offshore Wind Project Update***

In March 2021, Northland completed its acquisition of a 49% interest in the Baltic Power offshore wind project (“**Baltic Power**”) in the Baltic Sea with a total capacity of up to 1,200MW of offshore wind generation, for a total cash consideration of PLN 255 million (\$82 million). Pursuant to the joint venture agreement, Northland has made development commitments of approximately €33 million (\$49 million) to be funded over the next two years. As contractual milestones are met, Northland expects to commit to additional development funding.

In June 2021, the Baltic Power project, with a potential for up to 1,200MW of operating capacity and in which Northland has 49% interest, secured a 25-year Contract for Differences (“**CfD**”) from Poland’s Energy Regulatory Office under the Polish Offshore Wind Act. Under the 25-year contract, the project is guaranteed a price of PLN 319.60 per MWh, which is adjusted to annual indexation by Poland’s annual average consumer price index. The CfD is subject to review and final approval from Polish authorities and the European Commission. Upon successful achievement of all necessary approvals, construction of Baltic Power is expected to commence in 2023 following financial close, with commercial operations anticipated in 2026.

### ***Hai Long 1,044MW Offshore Wind Project Update***

In July 2021, Hai Long received an amendment to the project’s Environmental Impact Assessment (“**EIA**”) from Taiwan’s Environmental Protection Agency to accommodate a larger, 14MW turbine with longer blade lengths. Receipt of the EIA amendment allows Hai Long to complete further fieldwork to improve wind generation yields. In April 2021, Hai Long received confirmation from the Taiwan Bureau of Energy that Hai Long 2A has secured approval for the Industrial Relevance Proposal, which sets out Northland’s commitments to local supply chain and procurement, marking the achievement of a significant milestone. The project continues to progress well with financial close expected in 2022.

### ***Enhanced Dispatch Contract (EDC) executed for Kirkland Lake Facility***

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

### ***Equity Offering***

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

### ***Deutsche Bucht Refinancing***

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



### 3.2: Operating Highlights

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

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

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

## SECTION 4: RESULTS OF OPERATIONS

### 4.1: Operating Results

#### Offshore Wind Facilities

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

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

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

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

Northland's three offshore wind facilities, Gemini, Nordsee One and Deutsche Bucht, are located off the coasts of the Netherlands and Germany. Wind facilities are subject to seasonality, and accordingly, tend to produce more electricity during winter due to denser air and higher winds compared to summer, the effect of which is reflected in the respective fiscal quarter's results. In addition, variability in offshore wind resource results in similar fluctuations in quarter-to-quarter financial results. Factors such as exposure to market prices, turbine or grid availability can also have a significant effect on financial results, though typically to a lesser extent than variability in wind resource. For the nine months ended September 30, 2021, Gemini, Nordsee One and Deutsche Bucht contributed approximately 22%, 16% and 16%, respectively, of Northland's reported Adjusted EBITDA from facilities.

Results for Northland's offshore wind facilities are also affected by foreign exchange rate fluctuations between the Euro and Canadian dollar, which primarily affect presented sales, net income and Adjusted EBITDA. Northland has entered into long-term foreign exchange rate hedges, at an average rate of \$1.60/€ for 2021 compared to \$1.59/€ for 2020 for a substantial portion of anticipated euro-denominated Free Cash Flow, mitigating the effects of foreign exchange rate fluctuations with respect to this metric.

#### Variability within Operating Results

Gemini has subsidy agreements with the Government of the Netherlands which expire in 2031. Under the agreements, revenue is earned through a combination of annual average Dutch wholesale market price (**APX**), a subsidy top-up (**SDE**) and a markup to compensate for annual profile and imbalance (**P&I**) costs from the offtaker, which are variable from year to year. The SDE mechanism tops-up the APX to a set price of €169 per megawatt hour (**MWh**) for up to 2,385 gigawatt hours of annual production ("**Gemini Subsidy Cap**"). The SDE mechanism is designed to ensure the full subsidy is received by Gemini annually. For production beyond the Gemini Subsidy Cap, revenue is earned at the APX less P&I costs.

The SDE is subject to an annual contractual floor price ("**SDE floor**"), thereby exposing Gemini to market price risk when the APX falls below the annual SDE floor, approximately €46/MWh for 2021. The APX has been below the SDE floor for the majority of Gemini's five years of operation, with the exception of 2021.

Nordsee One and Deutsche Bucht have a Feed-In Tariff contract with the German government whereby the associated tariff is added to the German wholesale market price, effectively generating a fixed unit price for energy sold. Under the German Renewable Energy Sources Act, while the tariff compensates for most production curtailments required by the system operator, the facilities do not receive revenue for periods where the market power price remains negative for longer than six consecutive hours ("**negative prices**"). The facilities are also subject to unpaid curtailments by the German system operator for scheduled and unscheduled grid repairs ("**grid outages**") of up to 28 days annually at each facility, which can have a significant effect on earnings depending on the season.

### *Gemini APX Hedges*

In 2020, Gemini experienced a significant decline in the APX below the SDE floor as a result of reduced energy consumption caused by COVID-19 pandemic-related lockdowns in Europe. As a result, and due to the uncertainty relating to the duration of the pandemic, in the second quarter of 2020, Northland entered into financial derivatives for 2021, and to a lesser extent 2022 and 2023. At the time, with APX declining below the SDE floor, these derivatives were intended to mitigate further deterioration of the APX, with some exposure to lost revenues should the APX increase above the SDE floor.

Through the first quarter of 2021, the APX commenced increasing above the SDE floor, in part prompted by continued rising natural gas and carbon prices in Europe, resulting in lost revenue for Gemini. As a result, in May 2021, Northland entered into offsetting financial derivatives to limit the potential lost revenue for 2021 to 2023 under the original financial derivatives. While limiting revenue losses in the future, the offsetting derivatives crystallized financial losses (“**APX hedge losses**”) for Northland amounting to \$25 million, \$19 million and \$9 million for the second half of 2021, 2022 and 2023, respectively. These net unrealized losses will be settled in the future periods to which they relate. For the nine months ended September 30, 2021, Gemini recognized \$23 million of financial losses. There will be no further net losses in 2021 and 2022 beyond these amounts.

In order to minimize further fluctuations in market revenue at Gemini, subsequent to second quarter, Northland has purchased financial put contracts for the majority of production in the fourth quarter of 2021 and for 2022 to mitigate risk should the APX fall below the SDE floor. These put options were entered into with a strike price approximately equal to the SDE floor, and only became commercially viable in 2021 as the APX increased substantially above the SDE floor. The incremental cost of the put options acquired is \$2 million for 2022. Management intends to enter into further put contracts as appropriate for future years, in accordance with Northland’s risk management policy.

### *Nordsee One Component Issue*

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

To date in 2021, Nordsee One has replaced 10 of 54 RSA and will continue the replacement campaign in 2022 and 2023. Management expects to replace all remaining RSA between 2022 and 2023, as parts become available and weather conditions allow. In some cases, Nordsee One may curtail the performance of turbines in order to briefly extend their life, which would affect overall production (“**turbine availability**”) and is expected to lead to loss of revenue in 2022 and 2023. This issue is not expected at Gemini and Deutsche Bucht, which utilize different turbines.

Management expedited the replacement campaign in 2021 to minimize future downtime of the wind turbines, however, it is estimated that Nordsee One will incur lost revenue, due to turbine availability, of approximately €9 million (\$12 million at Northland’s share) in 2021. The ten RSA were replaced at a cost of €13 million (\$16 million at Northland’s share) and the total cost to replace all 54 RSA is now expected to be slightly lower than estimated last quarter, and within a range of €50 million and €60 million (\$65 million and \$75 million at Northland’s share). The costs are expected to be almost fully covered by the warranty bond settlement received in 2020 relating to outstanding warranty obligations of Nordsee One’s turbine manufacturer upon its insolvency. Northland continues to assess the potential lost revenue for 2022 and 2023.

### *Historical Offshore Production*

An important indicator for the offshore wind facilities is historical average of the power production of each offshore wind facility, where available. The following table summarizes actual electricity production and the historical average, high and low for the applicable operating periods of each offshore facility:

	Three months ended September 30,				
	2021 <sup>(1)</sup>	2020 <sup>(1)</sup>	Historical Average <sup>(2)</sup>	Historical High <sup>(2)</sup>	Historical Low <sup>(2)</sup>
Electricity production (GWh)					
Gemini	397	478	448	524	397
Nordsee One	173	194	196	220	173
Deutsche Bucht	164	169	n/a	n/a	n/a
<b>Total</b>	<b>734</b>	<b>841</b>			

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

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

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

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

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

Sales of \$197 million for the three months ended September 30, 2021, decreased 23% or \$60 million compared to the same quarter of 2020 largely due to similar factors affecting production, as shown below, and foreign exchange rate fluctuations. Sales of \$773 million for the nine months ended September 30, 2021, decreased 16% or \$143 million compared to the same period of 2020 primarily due to lower wind resource in the North Sea compared to the same period last year and losses at Nordsee One due to turbine availability, partially offset by fewer periods of uncompensated outages and of negative prices in Germany, as shown below. Foreign exchange rate fluctuations resulted in \$5 million lower sales for the nine months ended September 30, 2021, compared to the same period of 2020.

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

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

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

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

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

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

## Efficient Natural Gas Facilities

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

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

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

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

The contractual structures of Northland's efficient natural gas facilities ensure each facility's gross profit is generally stable, within a seasonal profile, regardless of production or sales levels, so long as the plant is available. Under some PPAs, the facility is reimbursed for certain costs of sales by the counterparty. Management also aims to maximize returns through the re-marketing of natural gas storage and transportation ("**gas optimization**") through its energy marketing initiatives. For the nine months ended September 30, 2021, Northland's six efficient natural gas facilities contributed approximately 23% of reported Adjusted EBITDA from facilities, with the three largest, North Battleford, Iroquois Falls and Thorold accounting for approximately 20%.

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

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

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

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

## Onshore Renewable Facilities

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

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

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

(2) LTA is the average of the historical power production since 2015 for Canadian facilities.

(3) Onshore renewable facilities do not have cost of sales and as a result, the reported sales figures equal gross profit.

(4) For 2021, production, sales/gross profit and operating costs include results from the Spanish portfolio acquired on August 11, 2021.

Northland's onshore renewables comprise onshore wind and solar facilities located in Canada and Spain. Onshore wind facilities are similar in nature operationally to offshore wind; however, with lower operating costs and generally lower wind resources. Solar power facilities have lower fixed operating costs per unit of capacity than efficient natural gas or wind facilities. Electricity production from solar facilities tends to be less variable than wind but is limited to available sunlight, which is generally higher in the summer than in the winter. For the nine months ended September 30, 2021, Northland's onshore renewable facilities contributed approximately 15% of reported Adjusted EBITDA from facilities.

The Spanish portfolio, acquired in August 2021, includes 33 operating assets comprised of onshore wind (435MW), solar photovoltaic (66MW), and a concentrated solar (50MW) located throughout Spain. The portfolio operates under a regulated asset base (RAB) framework that essentially guarantees producers a specified pre-tax rate of return (over the full regulatory life of the facility), irrespective of wholesale market prices or actual production. Under the regulatory framework, regulated revenues are adjusted at the start of every three or six years, for onshore wind and solar, respectively, to offset the variability of spot wholesale market prices in the preceding 3- or 6-year regulatory period. The majority of Spanish sites are entitled to receive a guaranteed rate of return ("RoR") of 7.39% until 2031, while some solar sites earn a guaranteed RoR of 7.09% until 2025. The Spanish onshore wind facilities have an average remaining regulatory life of 8 years, while the solar facilities have an average remaining regulatory life of 19 years, after which, power will be sold at prevailing wholesale pool prices.

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

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

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



## Utility

The following table summarizes the operating results of EBSA:

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

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

EBSA holds the sole franchise rights for electricity distribution in the Boyacá region of Colombia and is an electricity retailer for the regulated residential sector in the region. EBSA owns and operates an extensive distribution network, serving about half a million customers. EBSA's net revenue is almost entirely regulated, of which the vast majority is earned from its distribution business and the remainder primarily from its electricity retail business. EBSA's results are affected by exchange rate fluctuations between the Canadian dollar and the Colombian Peso. For 2021, Northland has hedged the foreign exchange rate at COP\$2,795:CAD\$1 for nearly all of the anticipated Colombian peso-denominated cash flow, mitigating the effects of fluctuations with respect to this metric (2020: COP\$2,704:CAD\$1). For the nine months ended September 30, 2021, utility operations contributed approximately 8% of reported Adjusted EBITDA from facilities.

EBSA earns revenue by charging customers a rate approved under the regulatory framework administered by the local regulator, the Comisión de Regulación de Energía y Gas ("CREG"). The rate charged is set for an expected five-year period and includes amounts retained by EBSA, as retailer and distributor, and amounts passed through to other electricity system participants, such as the transmission operator. The rate base takes into account the depreciated cost of existing equipment and anticipated future investments for maintenance and growth. EBSA's portion of the rate also includes standardized allowances set by the regulator intended to cover fixed and variable operating costs, including increases in corporate tax rates in 2022. The rate is designed to ensure EBSA earns a predictable and stable return.

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

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

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

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

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

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

## 4.2: General and Administrative Costs

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

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

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

Corporate G&A costs for the three and nine months ended September 30, 2021, were 44.8% or \$3 million and 29.7% or \$6 million higher than the same periods of 2020 primarily due to higher personnel and other costs in support of Northland's global growth.

Operations G&A is incurred at the operating facilities, and for the three and nine months ended September 30, 2021, were largely in line with the same periods of 2020.

## 4.3: Growth Expenditures

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

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

(1) Excluded from growth expenditures

(2) Includes Northland's share of development costs incurred at Baltic Power, Chiba and other joint venture projects.

(3) Excludes acquisition costs but includes share of project development costs incurred by joint ventures.

To achieve its long-term growth objectives, Northland expects to deploy early-stage investment capital (growth expenditures) to advance its projects. With regional development offices in Europe, Asia, North America and Latin America fully functional and with the growth opportunities currently secured, Northland expects to incur higher growth expenditures and capital investments in future years to fund its identified development pipeline and opportunities sourced through the regional development offices.

Early-stage growth expenditures reduce near-term Free Cash Flow and short-term liquidity until projects achieve commercial operation but should deliver sustainable growth in Free Cash Flow over the long-run. These growth expenditures are added back to Free Cash Flow to determine Adjusted Free Cash Flow. Refer to the 2020 Annual Report for additional information.

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

Project development costs are attributable to select early- to mid-stage development projects under active development that are likely to generate cash flow over the long-run. For the three and nine months ended September 30, 2021, project developments costs were lower since capitalization had previously commenced under IFRS for the Hai Long project. Refer

to *SECTION 8: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES* for additional information on notable development projects.

*Development overhead* primarily relates to personnel, rent and other office costs not directly attributable to specific development projects. Development overhead reflects Northland's resources and development offices in key target jurisdictions focused on securing long-term growth opportunities in those jurisdictions.

*Acquisition costs* are generally third-party transaction-related costs directly attributable to an executed business acquisition, such as the Spanish portfolio, and are excluded from Northland's non-IFRS financial measures. For the nine months ended September 30, 2021, acquisition costs totaled \$6 million based on costs incurred on successful acquisition pursuits.

#### **4.4: Consolidated Results**

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

##### **Third Quarter**

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

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

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

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

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

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

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

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

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

##### **Year to date**

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

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

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

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

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

*Finance costs, net* (primarily interest expense) of \$243 million decreased 10% or \$27 million compared to 2020 primarily as a result of scheduled repayments on facility-level loans and repayment of borrowings on the corporate revolving facility in April 2021. 2020 also included interest on convertible debentures redeemed in May 2020.

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

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

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

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

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

#### **4.5: Adjusted EBITDA**

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

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

*Gemini interest income* reflects interest earned on Northland's €117 million subordinated debt to Gemini. Semi-annual principal payments to Northland will commence in 2027 until maturity in 2032. Northland consolidates the financial results of Gemini and, as a result, Northland's loan balances, investment income, and interest expense are eliminated upon consolidation. Gemini interest income is included in Northland's consolidated Adjusted EBITDA because it reflects returns generated from an investment in core assets.

*Other adjustments* primarily include non-cash loss on equity investments for the nine months ended September 30, 2021. For the nine months ended September 30, 2020, other adjustments primarily include proceeds from sale of two turbines and insurance proceeds received.

### ***Third Quarter***

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

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

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

### ***Year to date***

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

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

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

## 4.6: Free Cash Flow and Adjusted Free Cash Flow

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

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

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

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

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

*Scheduled principal repayments on facility debt* reflect repayments as paid. *Funds set aside (utilized) for scheduled principal repayments* allocates repayments across the quarters in order to more clearly reflect the Company's performance. Gemini's principal repayment schedule is weighted towards the first payment of the year to align with Gemini's expected annual cash flow profile, while Nordsee One and Deutsche Bucht's principal repayments are equally weighted. For 2021, Northland's share of Gemini, Nordsee One and Deutsche Bucht's principal repayments are €84 million, €94 million and €76 million, respectively (2020 - €82 million, €80 million and €84 million). For 2021, Northland's share of the Spanish portfolio's principal repayment is €23 million.

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



In 2014, Nordsee One was awarded a grant under the European Commission's NER 300 program. The total grant value of €70 million was recorded as a reduction in property, plant and equipment upon completion of the project. Cash proceeds from the grant are based on production volumes, and with the final cash payments expected in 2023 for production in 2022. Proceeds under the grant attributable to Nordsee One's production are included in Free Cash Flow. For the nine months ended September 30, 2021 and September 30, 2020, proceeds from this program, based on production, totaled \$7 million and \$10 million, respectively.

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

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

(1) On a rolling four-quarter basis.

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

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

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

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

### Third Quarter

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

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

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

### Year to date

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

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

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

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

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

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

**Sources of liquidity in addition to Free Cash Flow**

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

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

(1) 2021 represents the release of cash from Deutsche Bucht's debt service reserve account following the implementation of a debt service reserve facility when the senior debt was restructured. 2020 represents the release of cash from Gemini's debt service reserve account following the implementation of a debt service reserve facility.

## SECTION 5: CHANGES IN FINANCIAL POSITION

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

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

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

(2) Presented on a net basis.

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

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

- *Restricted cash* decreased by \$68 million primarily due to the release of funds set aside for debt service at Deutsche Bucht, which were reclassified to cash, as a result of an amendment to Deutsche Bucht's debt facility agreement, partially offset by funds set aside for semi-annual bond payments.
- *Property, plant and equipment* increased by \$993 million primarily due to the consolidation of the Spanish portfolio and construction-related activities at Northland's identified projects, partially offset by depreciation and foreign exchange fluctuation.
- *Equity investment* increased by \$131 million mainly as a result of the purchase price of Baltic Power and the additional equity contribution accrued in pursuance of the purchase agreement.
- *Other assets* increased by \$81 million primarily due to the consolidation of the Spanish portfolio, partially offset by the write-off of Iroquois Falls' goodwill, as a result of the expiry of its purchase price agreement in December 2021 and foreign exchange fluctuation.
- *Trade and other payables* increased by \$243 million primarily due to consolidation of the Spanish portfolio, construction activities and purchase price commitments payable to Baltic Power.
- *Facility-level loans and borrowings* increased by \$492 million mainly due to consolidation of the Spanish portfolio, partially offset by repayment of revolving corporate credit facility from the proceeds of the equity offering and also scheduled principal repayments on facility-level debt and foreign exchange fluctuation.
- *Other liabilities* decreased by \$280 million primarily due to a repayment of corporate borrowings.

## SECTION 6: EQUITY, LIQUIDITY AND CAPITAL RESOURCES

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

### **Dividends**

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

### **Equity and Convertible Unsecured Subordinated Debentures**

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

	September 30, 2021	December 31, 2020
	Shares	Shares
Shares outstanding, beginning of year	202,171,075	179,441,219
Conversion of subscription receipts	—	14,289,000
Equity Offering	22,500,500	—
Conversion of debentures	—	6,896,136
Conversion of Class A shares	—	1,000,000
Shares issued under the LTIP	14,509	—
Shares issued under the DRIP	1,568,874	544,720
<b>Shares outstanding, end of period</b>	<b>226,254,958</b>	<b>202,171,075</b>

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

As at	September 30, 2021	December 31, 2020
<b>Preferred shares outstanding</b>		
Series 1	4,762,246	4,762,246
Series 2	1,237,754	1,237,754
Series 3	4,800,000	4,800,000
<b>Total</b>	<b>10,800,000</b>	<b>10,800,000</b>

In their most recent report issued in March 2021, Standard & Poor's reaffirmed Northland's corporate credit rating of BBB (Stable). In addition, Northland's preferred share rating was reaffirmed on Standard & Poor's Canada scale of BB+.

In September 2021, Northland received a second corporate credit rating of BBB (stable) from Fitch Ratings Inc., one of the top global rating agencies.

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

As of November 10, 2021, Northland has 226,457,895 common shares outstanding with no change in preferred shares outstanding from September 30, 2021.

## Liquidity and Capital Resources

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
<b>Cash and cash equivalents, beginning of period</b>	\$ 863,673	\$ 409,074	\$ 434,989	\$ 268,193
Cash provided by operating activities	280,397	278,381	1,049,927	1,011,102
Cash used in investing activities	(513,085)	(46,734)	(788,562)	(810,770)
Cash used in financing activities	(100,355)	(184,554)	(74,566)	(54,619)
Effect of exchange rate differences	2,449	30,873	(88,709)	73,134
<b>Cash and cash equivalents, end of period</b>	\$ 533,079	\$ 487,040	\$ 533,079	\$ 487,040

### Year to date

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

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

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

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

- \$514 million paid for the acquisition of the Spanish portfolio and Baltic Power, net of cash acquired; and
- \$263 million used for the purchase of property, plant and equipment, mainly for the ongoing construction at New York Wind, La Lucha and Hai Long projects.

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

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

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

Movement of foreign currencies, including primarily the Euro and Colombian peso, against the Canadian dollar decreased cash and cash equivalents by \$89 million for the nine months ended September 30, 2021. Northland aims to mitigate the effects of exchange rate fluctuations through a variety of mechanisms, including foreign exchange hedges and natural hedges by corporate debt denominated in USD or Euro for operating expenditures.

## Property, Plant and Equipment

The following table provides a continuity of the cost of property, plant and equipment for the nine months ended September 30, 2021:

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

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

(2) Excludes Spy Hill lease receivable accounting treatment.

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

## Long-term Debt

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

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

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

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

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

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

In the third quarter, Northland restructured and upsized the senior debt on a number of its Canadian solar facilities, resulting in one-time cash distribution to Northland totaling \$40 million. This refinancing constitutes green project financing supporting Northland's ESG initiatives. To date in 2021, Northland has received cash distributions amounting to \$113 million from optimizing and upsizing project finance and other debt structures to further enhance liquidity to fund growth. These cash distributions are not included in Free Cash Flow or Adjusted Free Cash Flow.



## Debt Covenants

Northland generally conducts its business indirectly through separate subsidiary legal entities and is dependent on the distribution of cash from those subsidiary entities to defray its corporate expenses, repay corporate debt and to pay cash dividends to common and preferred shareholders. Most operating subsidiaries hold non-recourse debt, which typically prohibits distributions if the loan is in default (notably for non-payment of principal or interest) or if the entity fails to achieve a benchmark debt service coverage ratio, which is the ratio of EBITDA to scheduled principal and interest payments over a specified time period. Northland and its subsidiaries were in compliance with all debt covenants for the period ended September 30, 2021.

## Corporate Credit Facilities and Letters of Credit

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

As at September 30, 2021	Facility size	Amount drawn	Outstanding letters of credit	Available capacity	Maturity
Sustainability linked loan (SLL) syndicated revolving facility	\$ 1,000,000	\$ —	\$ 215,932	\$ 784,068	Sep. 2026
Bilateral letter of credit facility	150,000	—	144,729	5,271	Mar. 2023
Export credit agency backed letter of credit facility	100,000	—	74,412	25,588	Mar. 2022
Export credit agency backed letter of credit facility	50,000	—	39,218	10,782	n/a <sup>(1)</sup>
<b>Total</b>	<b>\$ 1,300,000</b>	<b>\$ —</b>	<b>\$ 474,291</b>	<b>\$ 825,709</b>	
Less: deferred financing costs		—			
<b>Total, net</b>		<b>\$ —</b>			

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

- Of the \$474 million of corporate letters of credit issued as at September 30, 2021, \$62 million relates to projects under advanced development or construction.
- During the nine months ended September 30, 2021, Northland made net repayments of \$348 million on the syndicated revolving facility, with remaining movement in the period due to foreign exchange fluctuations. The repayment occurred following the equity offering in April 2021.
- In September 2021, Northland extended its \$1 billion revolving corporate credit facility with a syndicate of both Canadian and global financial institutions to 2026 (from 2024) and executed several amendments to increase liquidity available to fund growth. Concurrently, the Company implemented a Sustainability Linked Loan (**SLL**) overlay. In addition, the parental guarantee limit increased from \$50 million to \$300 million.
- In July 2021, Northland entered into a new \$50 million export credit agency backed corporate letter of credit facility to support its global growth.

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

## SECTION 7: SUMMARY OF QUARTERLY CONSOLIDATED RESULTS

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

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

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

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

## SECTION 8: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES

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

### **Spanish Renewables Acquisition**

On August 11, 2021, Northland completed its previously announced acquisition of a Spanish operating portfolio of onshore renewable projects (the "**Spanish portfolio**") with a total combined net capacity of 551MW. The transaction included the acquisition of minority interests not included in the initial announced transaction. The portfolio includes 33 operating assets comprised of onshore wind (435MW), solar photovoltaic (66MW), and a concentrated solar (50MW) located throughout Spain. Total cash consideration at closing was €348 million (\$511 million with the assumption of debt totaling €719 million (\$1,055 million). The acquisition was funded using proceeds from Northland's common equity offering completed on April 14, 2021.

In 2020, the Spanish government made a commitment to achieve 70% of electricity generation from renewable energy sources by 2030 as part of the Law on Climate Change and Energy Transition. The 2030 target translates into a requirement for an estimated 35 to 40 GW of additional renewables capacity. In support of its 2030 goal, the Spanish government is expected to auction a further 16.5 GW of solar and onshore wind capacity over the next five years. In addition, the Spanish market has developed into one of the most active corporate offtake markets in Europe, which together with the expected procurement noted above and an attractive merchant power market, offer several routes to market for new renewables. Spain has also announced a 2030 target of 4 GW of hydrogen and 20 GW of storage, which align with Northland's energy transition growth objectives. Northland intends to leverage the acquisition of the Spanish portfolio to build a platform with asset management, development, and operations and maintenance capabilities that can competitively pursue onshore renewables acquisition and development opportunities across Europe over the next decade.

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

The assumed net debt of €719 million (\$1,055 million) is non-recourse, fixed rate debt, with maturities matching the regulatory lives of the assets. Based on the transaction metrics upon closing, Northland expects the acquisition to be immediately accretive to Free Cash Flow per share and Adjusted Free Cash Flow per share. In addition, Northland has entered into long-term Euro denominated foreign exchange hedges, at an average rate of \$1.73/€, which hedges approximately 76% of projected distributions from the Spanish portfolio from 2021-2035 to mitigate foreign exchange rate volatility, consistent with its corporate risk mitigation strategy.

### ***New York 320MW Onshore Wind Project Update***

Northland continues to progress its three onshore wind projects in New York State ("**NY Wind**"), with two of the projects, Ball Hill and Bluestone, comprising 220MW, having achieved financial close in the second quarter and secured green financing in the form of a non-recourse project loan, tax equity bridge loan and letters of credit, with a consortium of lenders totaling US\$381 million (approximately C\$476 million), at a 1.45% interest rate during construction. Northland will fund investment in the two projects from the equity offering in April 2021 and also expects to secure permanent tax equity investments for the two projects ahead of commercial operations in 2022. Construction activities commenced in the second quarter of 2021 for Ball Hill and Bluestone. Northland's third New York onshore wind project, High Bridge (100MW), is under active development. The total capital cost for the first two projects is expected to be approximately \$600 million. Earlier in the year, all three projects were awarded 20-year indexed REC agreements with the New York State Energy Research and Development Authority as part of renewable energy solicitations.

The New York projects form part of Northland's broader strategy for onshore renewable development in the United States, where the Company is targeting a total portfolio of 1GW and has hired a dedicated local team of people to execute on this strategy. The projects will offer social, economic and environmental benefits to New York State and once complete, are expected to contribute to the State's green energy production, helping fulfill New York's clean energy transformation.

### ***Helios 16MW Solar Project Update***

During the second quarter, Northland's 16MW Helios solar project in Colombia also achieved financial close. The project secured a green loan and with construction already underway, commercial operations is expected in the first quarter of 2022. Helios represents Northland's first development project in Colombia which capitalizes on EBSA's grandfathered rights, allowing it to expand into the energy generation market in Colombia, to service the power needs of non-regulated municipal, commercial and industrial (**C&I**) customers. Helios has secured a 12-year power purchase agreement with EBSA, which, in turn, will secure offtake agreements with non-regulated customers. The total capital cost for Helios is expected to be under \$20 million.

### ***Nordsee Two and Nordsee Three 850MW Offshore Wind Projects***

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

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

In March 2021, Northland completed its acquisition of a 49% interest in the Baltic Power offshore wind project ("**Baltic Power**") in the Baltic Sea with a total capacity of up to 1,200MW of offshore wind generation, for a total cash consideration of PLN 255 million (\$82 million). Baltic Power is a mid-development stage project located approximately 23 kilometers offshore from Poland's coast in the Baltic Sea with a total capacity of up to 1,200MW. The project, which has secured its location permit, filed its environmental permit application in 2020 and signed its grid connection agreement, will allow Northland to capitalize on the growth in renewable energy demand in a growing Central European market. Baltic Power adds to Northland's offshore wind portfolio and provides a new market to enhance the geographic and regulatory diversity in its asset portfolio.

In June 2021, the Baltic Power project, with a potential for up to 1,200MW of operating capacity and in which Northland has 49% interest, secured a 25-year Contract for Differences (“CfD”) from Poland’s Energy Regulatory Office under the Polish Offshore Wind Act. Under the 25-year contract, the project is guaranteed a price of PLN 319.60 per MWh, which is adjusted to annual indexation by Poland’s annual average consumer price index. The CfD is subject to review and final approval from Polish authorities and the European Commission. Upon successful achievement of all necessary approvals, construction of Baltic Power is expected to commence in 2023 following financial close, with commercial operations anticipated in 2026.

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

***La Lucha 130MW Solar Project Update***

The 130MW solar project in the State of Durango, Mexico, has completed its activities relating to the physical construction, however, certain activities relating to the energization of the project continue to be delayed. In order to achieve commercial operations, the facility requires energization followed by testing, which is conducted by CENACE (Independent System Operator) and CFE (Federal Electricity Commission). Final approvals, energization, testing and interconnection of renewable power projects have generally been delayed in Mexico by pandemic related government and CFE temporary office closures and reduced operating capacity. In addition, these processes have seen further delays that are likely related to the uncertainty created by the Mexican government’s so far unsuccessful attempts to amend electricity sector regulations and constitutionally embedded legislation and timelines remain uncertain as a result. Efforts to secure commercial offtake and project financing are expected to be finalized only after commercial operations. As a result of the aforementioned delays, total capital costs for the project are expected to be around \$200 million, up from \$190 million originally.

***Joint Venture with Shizen Energy for Offshore Wind Projects in Japan***

Northland and Shizen Energy are jointly developing an early-stage offshore wind development opportunities (“Chiba Offshore Wind Inc.” or “Chiba”) in Japan. The prospective projects have an expected combined capacity of approximately 600MW. In late 2020, Shizen divested a portion of its investment in Chiba to Tokyo Gas, thereby reducing Northland’s share of the growth expenditures. In September, the Japanese government designated four new sea areas as “promising areas” for the development of offshore wind under its Round Three process. Included in these four areas was Isumi City, Chiba Prefecture, where Northland is progressing with the development of its Chiba offshore wind project, in consortium with Shizen Energy and Tokyo Gas. Additionally, Katagami, Akita Prefecture, where Northland continues to explore an opportunity through a consortium with Mitsui and Osaka Gas, was also designated in the promising areas list. The designation as “promising areas” for these two regions is a key milestone in the early-stage development processes for these two projects, that could have a total productive capacity of up to 900MW when complete.

***Hai Long 1,044MW Offshore Wind Project Update***

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

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

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

In July 2021, Hai Long received an amendment to the project’s Environmental Impact Assessment (“EIA”) from Taiwan’s Environmental Protection Agency to accommodate a larger, 14MW turbine with longer blade lengths. Receipt of the EIA amendment allows Hai Long to complete further fieldwork to improve wind generation yields. In April 2021, Hai Long received confirmation from the Taiwan Bureau of Energy that Hai Long 2A has secured approval for the Industrial Relevance Proposal, which sets out Northland’s commitments to local supply chain and procurement, marking the achievement of a significant milestone.

Hai Long expects to execute additional preferred supplier agreements with major contractors in the near-term. Having executed a 20-year PPA with Taipower for the Hai Long 2A offshore wind project in 2019, Northland expects to execute

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

## **SECTION 9: OUTLOOK**

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

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

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

In September 2021, the Dutch Ministry of Finance submitted the 2022 Budget and Tax Plan to parliament for approval, which included rules within the corporate income tax act to limit the ability to deduct interest from 30% to 20% of EBITDA (as defined in the Dutch budget) and to increase the corporate income tax rate from 25% to 25.8%. These proposals are likely to be enacted by parliament and to apply as of January 1, 2022. If enacted, Gemini's free cash flow will be negatively affected.

### **Iroquois Falls Update**

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

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

## **SECTION 10: LITIGATION, CLAIMS AND CONTINGENCIES**

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

## **SECTION 11: FUTURE ACCOUNTING POLICIES**

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

## **SECTION 12: FINANCIAL RISKS AND UNCERTAINTIES**

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

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

### ***Risks related to COVID-19 pandemic***

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

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

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

## **SECTION 13: CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING**

### ***Disclosure Controls and Procedures***

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

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