



MEETING THE GLOBAL DEMAND FOR **INTELLIGENT ENERGY**

THIRD-QUARTER REPORT

Quarterly Report for the
period ended September 30, 2019



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

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SECTION 1: OVERVIEW

Introduction

The purpose of this Management's Discussion and Analysis ("MD&A") is to explain the financial results and to assist the reader in understanding the nature and importance of changes and trends as well as the risks and uncertainties that may affect the operating results and financial position of Northland Power Inc. ("Northland" or the "Company"). This MD&A should be read in conjunction with Northland's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2019 and 2018, as well as its audited consolidated financial statements for the years ended December 31, 2018 and 2017 ("**2018 Annual Report**") and Northland's most recent Annual Information Form dated February 21, 2019 ("**2018 AIF**"). This material is available on SEDAR at www.sedar.com and on Northland's website at northlandpower.com.

This MD&A contains forward-looking statements that are based on certain estimates and assumptions that were considered reasonable on November 6, 2019; actual results may differ materially. 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 6, 2019; 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, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur. Forward-looking statements are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects," "anticipates," "plans," "predicts," "believes," "estimates," "intends," "targets," "projects," "forecasts" or negative versions thereof and other similar expressions or future or conditional verbs such as "may," "will," "should," "would" and "could." These statements may include, without limitation, statements regarding future adjusted EBITDA, free cash flow, dividend payments and dividend payout ratios; the construction, completion, attainment of commercial operations, cost and output of development projects; litigation claims; plans for raising capital; and the future operations, business, financial condition, financial results, priorities, ongoing objectives, strategies and outlook of Northland and its subsidiaries. These statements are based upon certain material factors or assumptions that were applied in developing the forward-looking statements, including the design specifications of development projects, the provisions of contracts to which Northland or a subsidiary is a party, management's current plans and its perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. Forward-looking statements are subject to numerous risks and uncertainties, which include, but are not limited to, revenue contracts, counterparty risks, contractual operating performance, variability of revenue from generating facilities powered by intermittent renewable resources, offshore wind concentration, natural gas and power market risks, operational risks, permitting, construction risks, project development 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, health and worker safety risks, market compliance risk, government regulations and policy 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 the 2018 Annual Report and the 2018 AIF. Other than as specifically required by law, Northland undertakes no obligation to update any forward-looking statements to reflect events or circumstances after such date or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Non-IFRS Financial Measures

This MD&A and certain of Northland's press releases include references to the Company's adjusted earnings before interest, income taxes, depreciation and amortization ("**adjusted EBITDA**"), free cash flow and applicable payout ratio and per share amounts, measures not prescribed by International Financial Reporting Standards (**IFRS**), and therefore do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. Adjusted EBITDA and free cash flow are presented at Northland's share of underlying operations. These measures should not be considered alternatives to net income (loss), cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Rather, these measures are provided to complement IFRS measures in the analysis of Northland's results of operations from management's perspective. Management believes that adjusted EBITDA, free cash flow and applicable payout ratio and per share amounts are widely accepted financial indicators used by investors and securities analysts to assess the performance of a company, including its ability to generate cash through operations. For reconciliations of these non-IFRS measures to their nearest IFRS measure, refer to *SECTION 4.4: Adjusted EBITDA* for a reconciliation of consolidated net income (loss) under IFRS to reported adjusted EBITDA and *SECTION 4.5 Free Cash Flow* for a reconciliation of cash provided by operating activities under IFRS to reported free cash flow.

Adjusted EBITDA

Adjusted EBITDA represents core operating performance of the business excluding leverage, income tax and non-core accounting items. Adjusted EBITDA is calculated as 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, elimination of non-controlling interests (excluding management and incentive fees to Northland), equity accounting, costs attributable to an asset or business acquisition, and other adjustments as appropriate. 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 long-term value of the business. Free cash flow is calculated as cash provided by operating activities adjusted for short-term changes in operating working capital; non-expansionary capital expenditures; interest incurred on outstanding debt; scheduled principal repayments; major maintenance and debt reserves; exclusion of pre-completion revenue and operating costs for projects under construction; interest income from Northland's subordinated loan to Gemini; proceeds from government grants; non-controlling interests; preferred share dividends; net proceeds from sale of development assets; costs attributable to an asset or business acquisition and other adjustments as appropriate, including lease payments.

For clarity, Northland's free cash flow reflects a reduction for expenditures on development activities until an advanced project qualifies for capitalizing development expenditures. Where Northland controls the distribution policy from 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 all on-going obligations (except common and class A share dividends) to be available to invest in growth initiatives and fund dividend payments.

The free cash flow payout ratio indicates the proportion of free cash flow paid as dividends, whether in cash or in shares under Northland's dividend re-investment plan (**DRIP**). The net payout ratio indicates the proportion of free cash flow paid as cash dividends (not reinvested). The payout ratio generally reflects Northland's ability to fund expansionary capital expenditures and sustain dividends.

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

SECTION 2: NORTHLAND'S OPERATING FACILITIES

As of September 30, 2019, Northland owns or has a net economic interest in 2,014 megawatts (**MW**) of power-producing facilities with a total operating capacity of approximately 2,429 MW. Northland's operating facilities produce electricity from renewable resources and natural gas for sale primarily under long-term power purchase agreements (**PPA**) or other revenue arrangements with creditworthy customers in order to generate predictable cash flows.

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 below:

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

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

(2) As at September 30, 2019, Northland's economic interest was unchanged from December 31, 2018.

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

As of September 30, 2019, Northland had 399 MW of generating capacity under construction, representing the Deutsche Bucht offshore wind project ("**Deutsche Bucht**") in the North Sea and the La Lucha solar project ("**La Lucha**") in Mexico, in addition to its 60% equity stake in the 1,044 MW Hai Long projects under development in Taiwan (refer to *SECTION 8: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES* for additional information). Furthermore, Northland has a portfolio of projects in various stages of development in Europe, North America, Latin America and Asia.

Refer to the 2018 AIF for additional information on Northland's operating facilities and projects under construction or development as of December 31, 2018.

SECTION 3: CONSOLIDATED HIGHLIGHTS

3.1: Significant Events

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

Acquisition of EBSA and Subscription Receipts Offering

On September 9, 2019, Northland announced it entered into an agreement to purchase a 99.2% interest in a Colombian regulated utility, Empresa de Energía de Boyacá (“EBSA”), for approximately \$1.05 billion, including existing debt of COP 550 billion (approximately \$215 million), subject to certain purchase price adjustments (the “**Acquisition**”). Closing of the Acquisition is expected in the fourth quarter and, under the terms of the purchase agreement, the final purchase price will take into account EBSA’s rate tariff for the 2019-2023 period, which is expected to be approved by the Colombian energy and utility regulator (Comisión de Regulación de Energía y Gas or “CREG”) in the fourth quarter.

EBSA holds the sole franchise rights for electricity distribution in the Boyacá region of Colombia and is an electricity retailer for the regulated residential sector in the region. EBSA owns and operates an extensive distribution network, serving approximately 480,000 regulated customers. EBSA’s net revenue is highly regulated, of which approximately 80% is earned from its distribution business and the remainder primarily from its electricity retail business. The Acquisition expands Northland’s Latin American platform, facilitating participation in future growth projects across all electricity segments in Colombia. The Acquisition also diversifies Northland’s asset portfolio by asset class and geography, and is expected to generate average mid-single digit accretion to Free Cash Flow per Share during the current regulatory period ending 2023, and increasing accretion over the long-term.

Concurrent with the announcement of the Acquisition, Northland completed a public offering of 14,289,000 Subscription Receipts (the “**Offering**”) for gross proceeds of \$347 million, which convert to an equivalent number of common shares upon closing of the Acquisition. In addition to the net proceeds from the Offering, the initial purchase price is expected to be funded through proceeds drawn under a fully committed bridge credit facility, the assumption of the existing debt of EBSA totaling COP 550 billion (approximately \$220 million) and Northland’s existing credit facilities. The long-term funding for the Acquisition will replace the bridge credit facility with non-recourse debt expected to be funded in the first quarter of 2020. Refer to *SECTION 6: EQUITY, LIQUIDITY AND CAPITAL RESOURCES* and *SECTION 8: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES* for additional information.

La Lucha Solar Project Update

In May 2019, Northland announced the final investment decision followed by the commencement of the construction of its 100%-owned La Lucha 130 MW solar project in the State of Durango, Mexico, which Northland originated as part of its broader Mexico development strategy. The project is progressing according to schedule and on budget. Total capital cost for the project is approximately \$190 million with project completion expected in the second half of 2020. Negotiation of bilateral power contracts are expected to be finalized prior to project completion. Refer to *SECTION 8: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES* for additional information.

Deutsche Bucht Offshore Wind Project Update

The construction of Northland’s Deutsche Bucht offshore wind project remains on budget and all 31 monopile foundation turbines were installed by the end of August 2019, ahead of schedule, and generating power by the end of September 2019. Installation of the two turbines utilizing mono bucket foundations is expected to begin in the fourth quarter of 2019; however, full completion may extend into the first quarter of 2020 due to delays in the manufacturing of the mono bucket foundations resulting from supplier disruptions and the potential for adverse weather. The total estimated project cost remains at approximately €1.4 billion (CAD \$2.0 billion).

Hai Long Offshore Wind Project Update

In February 2019, Northland and its 40% partner, Yushan Energy, executed a 20-year PPA with Taiwan Power Company (“**Taipower**”) for the Hai Long 2A offshore wind project, based on the 300 MW Feed-in-Tariff (“**FIT**”) allocation. Refer to *SECTION 8: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES* for additional information.

Addition to Northland's Executive Team

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

Secondary Offering of Common Shares

On April 5, 2019, a secondary offering closed for Northland's common shares held by entities controlled by James Temerty, the Chair of the Board of Directors of Northland. Northland did not receive any proceeds from this transaction. Subsequent to the closing, Mr. Temerty beneficially owned, or exercised control and direction over, approximately 11.5% of the common shares and all of the 1,000,000 Class A shares of Northland.

3.2: Operating Highlights

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

Summary of Consolidated Results

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
FINANCIALS				
Sales	\$ 378,437	\$ 350,175	\$ 1,220,799	\$ 1,174,724
Gross profit	355,945	320,985	1,136,871	1,090,236
Operating income	176,900	149,889	610,433	562,162
Net income (loss)	110,621	93,278	391,085	340,257
Adjusted EBITDA	224,312	196,797	712,021	670,209
Cash provided by operating activities	\$ 241,554	\$ 193,274	890,789	842,724
Free cash flow	74,112	63,948	251,125	248,964
Cash dividends paid to common and Class A shareholders ⁽¹⁾	54,119	40,219	162,243	119,458
Total dividends declared ⁽²⁾	54,122	53,122	162,265	158,815
Per Share				
Net income (loss) - basic	\$ 0.42	\$ 0.38	\$ 1.48	\$ 1.28
Free cash flow - basic	\$ 0.41	\$ 0.36	\$ 1.39	\$ 1.40
Total dividends declared ⁽²⁾	\$ 0.30	\$ 0.30	\$ 0.90	\$ 0.90
ENERGY VOLUMES				
Electricity production in gigawatt hours (GWh)	2,058	1,777	6,394	5,895

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

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

SECTION 4: RESULTS OF OPERATIONS

4.1: Operating Results

Offshore Wind Facilities

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Electricity production (GWh) ⁽¹⁾	850	636	2,520	2,339
Sales/gross profit ⁽²⁾⁽³⁾	\$ 231,164	\$ 201,437	\$ 734,525	\$ 710,124
Plant operating costs ⁽³⁾	29,435	34,850	95,469	107,476
Operating income	126,531	96,518	425,208	389,262
Adjusted EBITDA	\$ 139,144	\$ 110,974	\$ 432,616	\$ 401,160

(1) Includes GWh both produced and attributed to paid curtailments as well as pre-completion production recorded in Q3 2019.

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

(3) For 2019, the sales/gross profit and plant operating costs includes pre-completion revenue and the allocated plant operating costs for the operational wind turbines at Deutsche Bucht recorded in Q3.

Northland's three offshore wind facilities, Gemini, Nordsee One and Deutsche Bucht, are located in the North Sea, off the coasts of the Netherlands and Germany. Wind facilities tend to produce more electricity during winter due to denser air and higher winds compared to summer, the effect of which is reflected in the respective fiscal quarter's results. For the year ended December 31, 2018, Gemini and Nordsee One contributed approximately 34% and 26%, respectively, of Northland's total adjusted EBITDA. Refer to the 2018 AIF for additional information on Northland's offshore wind facilities.

Gemini has subsidy agreements with the Government of the Netherlands which expire in 2031. The subsidies top up the wholesale market-based revenue generated by Gemini to a fixed, contractual rate per megawatt hour (**MWh**) and are subject to an annual production ceiling (the "**Gemini Subsidy Cap**"), beyond which, production earns revenue at wholesale market prices. Based on management's expectations of wind resources and resultant electricity production volumes, the Gemini Subsidy Cap and the associated earnings would be achieved during the fourth quarter of the calendar year. The top up to a fixed contractual rate is subject to a floor price, however, thereby exposing Gemini to market price risk if the average wholesale market price for the year falls below the contractual floor price of approximately €44/MWh. For the nine months ended September 30, 2019, the loss on sales from the average wholesale market price falling below the contractual floor price is estimated at €5 million or 1.3% of revenues from Gemini. For the nine months ended September 30, 2018, the wholesale market price exceeded the contractual floor price, to the benefit of Gemini.

Nordsee One has a Feed-In Tariff (**FIT**) contract with the German government which expires in 2027. The associated tariff is added to the wholesale market price, effectively generating a fixed unit price for energy sold. Under the German *Renewable Energy Sources Act*, while the tariff compensates for most production curtailments required by the system operator, Nordsee One does not receive revenue for periods where the market power price remains negative for longer than six consecutive hours.

Deutsche Bucht produced its first revenues in the third quarter of 2019. Revenues and costs were recorded in operating income and adjusted EBITDA as individual wind turbines became operational during the construction stage. Free cash flow excludes pre-completion revenue and operating costs from Deutsche Bucht during the construction phase. Refer to **SECTION 8: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES** for additional information.

Northland's offshore wind facility results are affected by foreign exchange rate fluctuations between the Euro and Canadian dollar, which primarily affect sales, net income and adjusted EBITDA. Northland has entered into foreign exchange rate hedging transactions for a substantial portion of anticipated free cash flow, mitigating some of the effects of foreign exchange rate fluctuations.

Electricity production, including pre-completion production, for the three months ended September 30, 2019, increased 33.6% or 214 GWh compared to the same quarter of 2018 primarily due to pre-completion production from Deutsche Bucht and higher wind resource in the North Sea, partially offset by lower grid availability due to repairs by the system operator at Nordsee One. Production for the nine months ended September 30, 2019, increased 7.7% or 181 GWh compared to the same period of 2018 primarily due to similar factors affecting the third quarter, partially offset by unpaid curtailment from periods of negative market pricing at Nordsee One and cable repairs at Gemini in the second quarter of 2019.

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Pre-completion electricity production (GWh)	106	—	106	—
Pre-completion revenue in sales/gross profit ⁽¹⁾	17,271	—	17,271	—
Pre-completion revenue in construction-in-progress	10,813	—	10,813	—
Total pre-completion revenue	\$ 28,084	\$ —	\$ 28,084	\$ —

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

Sales of \$231 million for the three months ended September 30, 2019, increased 14.8% or \$30 million compared to the same quarter of 2018 primarily due to pre-completion revenues from Deutsche Bucht and factors affecting production, partially offset by unfavourable foreign exchange rate fluctuations of \$8 million. Sales of \$735 million for the nine months ended September 30, 2019, increased 3.4% or \$24 million compared to the same period of 2018 primarily due to the same factors described above combined with the effect of the return of a 2017 overpayment by Gemini to the off-taker in the second quarter of 2018. Foreign exchange rate fluctuations resulted in \$22 million lower sales for the nine months ended September 30, 2019, compared to the same period of 2018.

Plant operating costs of \$29 million and \$95 million for the three and nine months ended September 30, 2019, decreased 15.5% or \$5 million and 11.2% or \$12 million compared to the same periods of 2018 primarily due to the timing of repairs and maintenance, lower insurance premiums at Gemini and lower costs at Nordsee One from operating efficiencies.

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

Operating income of \$127 million and \$425 million for the three and nine months ended September 30, 2019, respectively, increased 31.1% or \$30 million and 9.2% or \$36 million compared to the same periods of 2018 primarily due to higher sales and lower plant operating costs, as described above.

Adjusted EBITDA of \$139 million and \$433 million, for the three and nine months ended September 30, 2019, respectively, increased 25.4% or \$28 million and 7.8% or \$31 million compared to the same periods of 2018 primarily due to the factors described above.

Thermal Facilities

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Electricity production (GWh)	937	879	2,849	2,569
Sales ⁽¹⁾	\$ 93,739	\$ 96,939	\$ 307,746	\$ 298,212
Less: cost of sales	21,682	29,190	76,620	84,488
Gross profit	72,057	67,749	231,126	213,724
Plant operating costs	13,550	11,041	38,521	36,043
Operating income	48,990	47,382	164,051	147,817
Adjusted EBITDA ⁽²⁾	\$ 61,343	\$ 59,229	\$ 199,338	\$ 188,356

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

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

The contractual structures of Northland's thermal facilities ensure the facility's gross profit is generally stable, within a seasonal profile, regardless of production or sales levels so long as the plant is available. Under some PPAs, the facility is reimbursed for certain costs of sales by the counterparty. When possible, management also aims to maximize returns through the re-marketing of natural gas storage and transportation ("**gas optimization**"). For the year ended December 31, 2018, Northland's six thermal facilities contributed approximately 30% of total adjusted EBITDA, with North Battleford, Iroquois Falls and Thorold accounting for approximately 27%. Refer to the 2018 AIF for additional information on Northland's thermal facilities.

Electricity production of 937 GWh for three months ended September 30, 2019, increased 6.6% or 58 GWh compared to the same quarter of 2018 primarily due to an increase in off-peak production and new incremental capacity at North Battleford and the effect of a maintenance outage in 2018 at another Northland facility. Production for the nine months ended September 30, 2019, increased 10.9% or 280 GWh compared to the same period of 2018 largely due to the same factors described above combined with greater dispatches at Thorold as a result of favourable market conditions in Ontario in the first quarter of 2019.

Sales of \$94 million for the three months ended September 30, 2019, decreased 3.3% or \$3 million compared to the same quarter of 2018 primarily due to lower cost of sales at Thorold resulting in lower reimbursements by the counterparty. Sales of \$308 million for the nine months ended September 30, 2019, increased 3.2% or \$10 million compared to the same period of 2018 primarily due to higher off-peak production and new incremental capacity at North Battleford, lower reported sales at Iroquois Falls in the second quarter of 2018 due to the effect of the reduced rate escalation by the system operator as well as maintenance outages at a facility last year. These favourable variances were partially offset by a lower estimated PPA rate at Iroquois Falls in 2019.

Gross profit of \$72 million and \$231 million for the three and nine months ended September 30, 2019, respectively, increased 6.4% or \$4 million and 8.1% or \$17 million compared to the same periods of 2018 largely due to lower gas transportation costs and favourable operating results at North Battleford and Iroquois Falls, as described above.

Plant operating costs of \$14 million and \$39 million for the three and nine months ended September 30, 2019, respectively, increased 22.7% or \$3 million and 6.9% or \$2 million compared to the same periods of 2018 primarily due to a maintenance outage.

Operating income of \$49 million for the three months ended September 30, 2019, increased 3.4% or \$2 million compared to the same quarter of 2018 primarily due to favourable operating results at Iroquois Falls and North Battleford, partially offset by the effect of a maintenance outage. Operating income of \$164 million for the nine months ended September 30, 2019, increased 11.0% or \$16 million compared to the same period of 2018 primarily due to higher gross profit partially offset by higher plant operating costs, as described above.

Adjusted EBITDA of \$61 million and \$199 million for the three and nine months ended September 30, 2019, respectively, increased 3.6% or \$2 million and 5.8% or \$11 million compared to the same periods of 2018 primarily due to the same factors increasing operating income.

On-shore Renewable Facilities

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Electricity production (GWh) ⁽¹⁾	271	262	1,025	987
On-shore wind	\$ 20,909	20,231	\$ 91,131	\$ 87,659
Solar	31,579	31,568	77,690	78,729
Sales/gross profit ⁽²⁾	52,488	51,799	168,821	166,388
On-shore wind	6,878	8,164	20,009	19,741
Solar	1,202	1,374	3,765	3,568
Plant operating costs	8,080	9,538	23,774	23,309
Operating income	20,434	19,332	73,265	74,115
On-shore wind	10,121	8,260	49,746	47,192
Solar	26,730	26,370	64,261	65,164
Adjusted EBITDA	\$ 36,851	\$ 34,630	\$ 114,007	\$ 112,356

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

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

Northland's on-shore renewable assets comprise four on-shore wind and three solar facilities located in Ontario and Québec. On-shore wind projects are similar in nature operationally to offshore wind; however, with lower operating costs and generally lower wind resources. Solar power facilities have much lower fixed operating costs per unit of capacity than thermal or wind facilities. Electricity production from solar facilities tends to be less variable than wind but is limited to available sunlight, which is generally higher in the summer than in the winter. For the year ended December 31, 2018, Northland's on-shore renewable facilities contributed approximately 16% of total adjusted EBITDA. Refer to the 2018 AIF for additional information on Northland's on-shore renewable facilities.

Electricity production at the on-shore renewable facilities for the three months ended September 30, 2019, was 3.4% or 9 GWh higher than the same quarter of 2018 largely due to higher wind resource. Production for the nine months ended September 30, 2019, was 3.8% or 38 GWh higher than the same period last year primarily due to higher wind resource, partially offset by lower resources at the solar facilities in the second quarter of 2019.

Sales of \$52 million and \$169 million for the three and nine months ended September 30, 2019, increased 1.3% or \$1 million and 1.5% or \$2 million compared to the same periods of 2018 primarily due to higher production at the wind facilities, as described above. Production variances at the solar facilities have a larger effect on sales than the wind facilities since solar facilities receive a higher contracted price per MW.

Plant operating costs of \$8 million for the three months ended September 30, 2019, were 15.3% or \$1 million lower than the same quarter of 2018 primarily due to the timing of profit-sharing fees to the turbine maintenance provider at certain wind facilities. Plant operating costs of \$24 million for the nine months ended September 30, 2019, were in line with the same period of 2018.

Operating income and *adjusted EBITDA* of \$20 million and \$37 million, respectively, for the three months ended September 30, 2019, increased 5.7% or \$1 million and 6.4% or \$2 million compared to the same quarter of 2018 largely due to higher production at the wind facilities and lower plant operating costs at certain wind facilities, as described above. Operating income and adjusted EBITDA of \$73 million and \$114 million for the nine months ended September 30, 2019, respectively, was in line with the same period of 2018 primarily because higher production at the wind facilities was offset by lower production at the solar facilities.

4.2: General and Administrative Costs and Other Income

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Corporate overhead	\$ 8,035	\$ 7,284	\$ 23,383	\$ 24,800
Development overhead	4,702	3,979	13,685	11,588
Development projects	4,567	2,412	13,853	12,081
Corporate G&A costs	17,304	13,675	50,921	48,469
Operations G&A	3,199	1,891	9,397	10,162
Acquisition costs	978	—	978	—
Total G&A costs	21,481	15,566	61,296	58,631

Corporate G&A costs for the three months ended September 30, 2019, increased 26.5% or \$4 million compared to the same quarter of 2018 primarily due to the timing of expenditures related to project development activities and higher personnel costs to support Northland's growth. Corporate G&A costs for the nine months ended September 30, 2019, increased 5.1% or \$2 million compared to the same period of 2018 primarily due to the timing of expenditures related to project development activities and higher personnel costs.

Development overhead costs relate primarily to personnel, rent and other office costs not directly attributable to identifiable development projects. Development project costs are generally third-party costs directly attributable to identifiable development projects, whose capitalization begins once management determines that the project has a high likelihood of being pursued through to completion (refer to the 2018 Annual Report for additional information on the policy for capitalization of development costs).

Operations G&A costs for the three months ended September 30, 2019, increased 69.2% or \$1 million compared to the same quarter of 2018 primarily due to timing of certain costs. Operations G&A costs for the nine months ended September 30, 2019 decreased 7.5% or \$1 million compared to the same period of 2018 primarily due to lower personnel costs at the offshore wind facilities and timing of certain other costs.

Acquisition costs are generally third-party transaction-related costs directly attributable to an asset or business acquisition and these costs are excluded from adjusted EBITDA and free cash flow. For the three and nine months ended September 30, 2019, acquisition costs totaled \$1 million and relate to the acquisition of EBSA.

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Corporate G&A costs	(17,304)	(13,675)	(50,921)	(48,469)
Gemini interest income	3,915	5,396	14,429	16,189
Other ⁽¹⁾	715	243	2,904	617
Corporate items in Adjusted EBITDA	\$ (12,674)	\$ (8,036)	\$ (33,588)	\$ (31,663)

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

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

4.3: 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, 2019.

Third Quarter

Total Sales of \$378 million increased 8.1% or \$28 million compared to the same quarter of 2018 primarily due to pre-completion revenues at Deutsche Bucht and higher production at Gemini and Nordsee One, partially offset by the effect of unfavourable foreign exchange rate fluctuations.

Gross profit of \$356 million increased 10.9% or \$35 million compared to the same quarter of 2018 primarily due to the same factors affecting sales described above as well as lower gas transportation costs at thermal facilities.

Plant operating costs decreased 7.9% or \$4 million compared to the same quarter of 2018 primarily due to the timing of repairs and maintenance at the offshore wind facilities and lower costs at Nordsee One from operating efficiencies, partially offset by a maintenance outage at one facility.

G&A costs increased 38.0% or \$6 million compared to the same quarter of 2018 primarily due to the timing of expenditures related to project development activities and higher personnel costs to support Northland's growth.

Finance costs, net (primarily interest expense) decreased 7.0% or \$6 million compared to the same quarter of 2018 primarily due to declining interest costs as a result of scheduled principal repayments on facility-level loans, a lower outstanding balance on corporate credit facilities and the redemption of convertible debentures in December 2018.

Fair value gain on derivative contracts was \$41 million compared to a \$44 million gain in the same quarter of 2018 primarily due to the movement in the fair value of interest rate swaps and foreign exchange contracts.

Other (income) expense decreased by \$5 million mainly due to the sale of an operating asset in 2018.

Primarily as a result of the factors described above, partially offset by an \$8 million higher tax expense, net income increased \$17 million in the third quarter of 2019 compared to the same quarter of 2018.

Year-to-date

Total Sales of \$1.2 billion increased 3.9% or \$46 million compared to 2018 primarily due to pre-completion revenues at Deutsche Bucht and higher overall production at the offshore wind and thermal facilities. These positive variances were partially offset by foreign exchange rate fluctuations for Gemini and Nordsee One.

Gross profit of \$1.1 billion increased 4.3% or \$47 million compared to 2018 primarily due to the same factors affecting sales described above and lower gas transportation costs at thermal facilities.

Plant operating costs decreased 5.4% or \$9 million compared to 2018 primarily due to the timing of repairs at Gemini and lower costs at Nordsee One from operating efficiencies compared to the same period last year, partially offset by a maintenance outage at one facility.

G&A costs increased 4.5% or \$3 million compared to 2018 primarily due to the timing of expenditures related to project development activities and higher personnel costs.

Finance costs, net (primarily interest expense) decreased 6.6% or \$17 million compared to 2018 primarily due to declining interest costs as a result of scheduled principal repayments on facility-level loans, a lower outstanding balance on corporate credit facilities and the redemption of convertible debentures in December 2018.

Fair value gain on derivative contracts was \$110 million compared to a \$89 million gain in 2018 primarily due to the movement in the fair value of interest rate swaps and foreign exchange contracts.

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

Other (income) expense improved by \$3 million compared to 2018 primarily due to insurance proceeds received related to construction and a non-cash fair value adjustment on a loan receivable, partially offset by the gain on sale of an operating asset in 2018.

Mainly due to the factors described above, combined with a \$22 million higher tax expense, compared to the same period last year, net income increased \$51 million for the nine months ended September 30, 2019 compared to 2018.

4.4: Adjusted EBITDA

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net income (loss)	\$ 110,621	\$ 93,278	\$ 391,085	\$ 340,257
Adjustments:				
Finance costs, net	78,130	84,002	237,511	254,404
Gemini interest income	3,915	5,396	14,429	16,189
Provision for (recovery of) income taxes	23,604	15,680	80,970	59,341
Depreciation of property, plant and equipment	110,308	103,445	318,383	312,576
Amortization of contracts and intangible assets	4,663	3,502	14,157	10,574
Fair value (gain) loss on derivative contracts	(40,871)	(43,583)	(109,623)	(89,253)
Foreign exchange (gain) loss	(370)	671	5,093	(6,913)
Elimination of non-controlling interests	(67,734)	(63,696)	(231,269)	(223,377)
Finance lease (lessor) and equity accounting	835	1,936	2,610	2,808
Other adjustments	1,211	(3,834)	(11,325)	(6,397)
Adjusted EBITDA	\$ 224,312	\$ 196,797	\$ 712,021	\$ 670,209

Adjusted EBITDA includes interest income earned on Northland's €117 million subordinated debt to Gemini, which includes accrued interest. Cash interest payments commenced in 2017 and semi-annual principal payments will commence in 2027 until maturity in 2032. Northland consolidates the financial results of Gemini and, as a result, Northland's loan balances, investment income, and interest expense are eliminated upon consolidation.

The adoption of IFRS 16 effective January 1, 2019 has resulted in an increase in adjusted EBITDA relative to last year since prior period figures are not restated. The increase in adjusted EBITDA for the full year 2019 compared to 2018 is an estimated \$6 million.

For the nine months ended September 30, 2019, other adjustments primarily include insurance proceeds received related to construction, a non-cash fair value adjustment on a loan receivable and acquisition costs. For the nine months ended September 30, 2018, other adjustments primarily include a gain on sale of an operating asset.

Third Quarter

Adjusted EBITDA of \$224 million for the three months ended September 30, 2019, increased 14.0% or \$28 million compared to the same quarter of 2018. The significant factors increasing adjusted EBITDA include:

- \$16 million increase as a result of net pre-completion revenues at Deutsche Bucht;
- \$8 million increase in operating results from Gemini due to higher production as well as lower insurance costs; and
- \$4 million increase in operating results from Nordsee One primarily due to higher production as well as lower costs from operating efficiencies.

Factors partially offsetting the increase in adjusted EBITDA include:

- \$4 million increase in corporate items in adjusted EBITDA primarily due to the timing of expenditures related to project development activities and higher personnel costs to support Northland's growth.

Year-to-date

Adjusted EBITDA of \$712 million for the nine months ended September 30, 2019, increased 6.2% or \$42 million compared to the same period last year. The significant factors increasing adjusted EBITDA include:

- \$16 million increase as a result of net pre-completion revenues at Deutsche Bucht;
- \$11 million increase primarily due to the effect of the reduced rate escalation adjustments at Iroquois Falls recorded in the second quarter of 2018 and higher production at North Battleford;

- \$10 million increase at Gemini primarily due to higher production, the effect of the return of a 2017 overpayment by Gemini to the off-taker recorded in 2018 as well as lower plant operating costs; and
- \$5 million increase at Nordsee One primarily due to higher production and lower plant operating costs, partially offset by unpaid curtailment from periods of negative market pricing during the second quarter of 2019.

The increase in adjusted EBITDA was partially offset by a \$2 million increase in corporate items primarily due to the timing of expenditures related to project development activities and personnel costs.

4.5 Free Cash Flow

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Cash provided by operating activities	\$ 241,554	\$ 193,274	\$ 890,789	\$ 842,724
Adjustments:				
Net change in non-cash working capital balances related to operations	12,096	36,422	(21,360)	(15,519)
Non-expansory capital expenditures	(1,814)	(1,807)	(3,966)	(2,913)
Restricted funding for major maintenance, debt and decommissioning reserves	(2,098)	(1,586)	(10,900)	(9,012)
Interest paid, net	(46,008)	(54,754)	(184,061)	(202,529)
Scheduled principal repayments on facility debt	(18,051)	(22,116)	(257,760)	(218,929)
Funds set aside (utilized) for scheduled principal repayments	(72,782)	(68,640)	(78,260)	(73,142)
Preferred share dividends	(2,936)	(2,899)	(8,796)	(8,634)
Consolidation of non-controlling interests	(29,926)	(26,934)	(84,171)	(95,387)
Lease payments	(1,953)	—	(4,799)	—
Investment income ⁽¹⁾	4,644	5,750	16,453	17,062
Nordsee One proceeds from government grant	4,766	4,124	15,613	14,430
Foreign exchange	(1,904)	1,563	(5,235)	1,182
Other ⁽²⁾	(11,476)	1,551	(12,422)	(369)
Free cash flow	\$ 74,112	\$ 63,948	\$ 251,125	\$ 248,964

(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, Deutsche Bucht net pre-completion revenues excluded from free cash flow, acquisition costs and non-cash expenses adjusted in working capital excluded from free cash flow, partially offset by stock-based compensation awards settled in cash in the period.

Scheduled principal repayments on facility term loans reflect repayments as paid. Funds set aside (utilized) for scheduled principal repayments allocates semi-annual repayments evenly across two quarters as well as adjusts for timing of quarterly repayments. Gemini's principal repayment schedule is weighted towards the first payment of the year to align with Gemini's expected cash flow profile. For 2019, Northland's share of Gemini and Nordsee One's principal repayments are expected to total €79 million and €72 million, respectively, (2018 - €77 million and €49 million).

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Cash dividends paid to common and Class A shareholders	\$ 54,119	\$ 40,219	\$ 162,243	\$ 119,458
Free cash flow payout ratio - cash dividends ⁽¹⁾			60.7%	48.3%
Total dividends paid to common and Class A shareholders ⁽²⁾	\$ 54,119	\$ 53,060	\$ 162,243	\$ 158,632
Free cash flow payout ratio - total dividends ^{(1) (2)}			63.4%	64.6%
Weighted average number of shares - basic (000s) ⁽³⁾	180,403	177,263	180,285	177,240
Weighted average number of shares - diluted (000s) ⁽⁴⁾	187,815	188,317	187,231	188,485
Per share (\$/share)				
Dividends paid	\$0.30	\$0.30	\$0.90	\$0.90
Free cash flow — basic	\$0.41	\$0.36	\$1.39	\$1.40
Free cash flow — diluted	\$0.40	\$0.35	\$1.36	\$1.35

(1) On a rolling four-quarter basis.

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

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

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

Third Quarter

Free cash flow of \$74 million for the three months ended September 30, 2019, was 15.9% or \$10 million higher than the same quarter of 2018.

Factors increasing free cash flow include:

- \$15 million increase in overall earnings primarily due to the factors affecting adjusted EBITDA except net pre-completion revenues from Deutsche Bucht, which are excluded from free cash flow; and
- \$8 million decrease in net interest expense due to declining interest costs as a result of scheduled principal repayments on facility-level loans, lower outstanding balance on corporate credit facilities and redemption of convertible debentures in December 2018.

Factors partially offsetting the increase in free cash flow include:

- \$7 million increase in current taxes related to the offshore wind facilities; and
- \$4 million increase in corporate G&A primarily due to the timing of expenditures related to project development activities and higher personnel costs to support Northland's growth.

Year-to-date

Free cash flow of \$251 million for the nine months ended September 30, 2019 was 0.9% or \$2 million higher than the same period last year.

Factors increasing free cash flow include:

- \$24 million increase in overall earnings primarily due to the factors affecting adjusted EBITDA except net pre-completion revenues from Deutsche Bucht, which are excluded from free cash flow; and
- \$23 million decrease in net interest expense due to declining interest costs as a result of scheduled principal repayments on facility-level loans, lower outstanding balance on corporate credit facilities and redemption of convertible debentures in December 2018.

Factors partially offsetting the increase in free cash flow include:

- \$34 million increase in scheduled principal repayments, primarily for Nordsee One debt;

- \$10 million increase in current taxes related to the offshore wind facilities; and
- \$2 million increase in corporate G&A primarily due to the timing of expenditures related to project development activities and higher personnel costs.

As at September 30, 2019, the rolling four quarter free cash flow net payout ratio was 60.7%, calculated on the basis of cash dividends paid and 63.4% calculated on the basis of total dividends, compared to 48.3% and 64.6%, respectively, in 2018. The increase in the free cash flow payout ratio calculated on the basis of cash from 2018 was primarily due to an increase in the number of shares due to the redemption of the convertible debentures in December 2018 and also due to a decrease in the DRIP participation since the discount was reduced to nil effective December 2018.

SECTION 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, 2019 and December 31, 2018.

As at	September 30, 2019	December 31, 2018
Assets		
Cash and cash equivalents	\$ 302,682	\$ 278,400
Restricted cash	685,775	450,437
Trade and other receivables	278,686	275,088
Other current assets	50,012	39,675
Property, plant and equipment	8,070,202	8,105,845
Contracts and other intangible assets	527,298	581,097
Other assets ⁽¹⁾	508,145	534,563
	\$ 10,422,800	\$ 10,265,105
Liabilities		
Trade and other payables	267,948	197,828
Interest-bearing loans and borrowings	6,971,878	7,011,572
Net derivative liabilities ⁽²⁾	568,169	537,157
Net deferred tax liability ⁽²⁾	193,008	179,549
Other liabilities ⁽³⁾	982,472	798,377
	\$ 8,983,475	\$ 8,724,483
Total equity	1,439,325	1,540,622
	\$ 10,422,800	\$ 10,265,105

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

(2) Presented on a net basis.

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

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

- *Restricted cash* increased by \$235 million primarily due to proceeds from the subscription receipts offering, partially offset by the release of funds for debt service at Nordsee One, which were reclassified to cash as a result of an amendment to Nordsee One's debt facility agreement in the first quarter.
- *Property, plant and equipment* decreased by \$36 million mainly due to foreign exchange rate fluctuations and depreciation, partially offset by construction-related activities at Deutsche Bucht and La Lucha and the initial recognition of lease assets of \$60 million.
- *Contracts and other intangible assets* decreased by \$54 million primarily due to foreign exchange rate fluctuations and amortization.
- *Trade and other payables* increased by \$70 million, mainly due to the timing of construction-related payables at Deutsche Bucht partially offset by exchange rate fluctuations.

- *Interest-bearing loans and borrowings* decreased by \$40 million, primarily due to scheduled principal repayments on project debt and foreign exchange rate fluctuations, partially offset by Deutsche Bucht construction activities.
- *Net deferred tax liability* (deferred tax asset less deferred tax liabilities) increased by \$13 million due to movements in the differential between accounting and tax balances, particularly the movement in net derivative liabilities.
- *Other liabilities* increased by \$184 million, mainly due to the subscription receipts offering and the initial recognition of lease liabilities of \$60 million, partially offset by partial repayment of Northland's revolving facility and foreign exchange rate fluctuations.

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 development expenditure commitments, monthly cash dividend requirements and other needs in the normal course of operations. Northland finances these commitments through cash flow from operations, non-recourse project financing, corporate credit facilities, convertible debentures and equity, such as common and preferred shares.

Equity and Convertible Unsecured Subordinated Debentures

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

For period ended	September 30, 2019	December 31, 2018
Shares outstanding, beginning of year	179,201,743	174,440,081
Conversion of debentures	213,599	2,527,626
Shares issued under the LTIP	—	23,467
Shares issued under the DRIP	—	2,210,569
Shares outstanding, end of period	179,415,342	179,201,743
Class A shares	1,000,000	1,000,000
Total common and convertible shares outstanding, end of period	180,415,342	180,201,743

Preferred shares outstanding as at September 30, 2019 and December 31, 2018 are as follows:

As at	September 30, 2019	December 31, 2018
Series 1	4,501,565	4,501,565
Series 2	1,498,435	1,498,435
Series 3	4,800,000	4,800,000
Total	10,800,000	10,800,000

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

As at September 30, 2019, Northland had 179,415,342 common shares outstanding with no change in Class A and preferred shares outstanding from December 31, 2018. During the first nine months of 2019, \$4.6 million of convertible debentures were converted into 213,599 common shares.

As of the date of this MD&A, Northland has 179,438,952 common shares outstanding with no change in Class A and preferred shares outstanding from September 30, 2019. If the convertible debentures outstanding as at September 30, 2019, totaling \$151 million, were converted in their entirety, an additional 7.0 million common shares would be issued.

Subscription Receipts

In September 2019, Northland completed a public offering of 14,289,000 Subscription Receipts for gross proceeds of \$347 million. The holder of each Subscription Receipt is entitled to receive one common share at closing of the EBSA acquisition as well as payment equivalent to any dividends paid on common shares in the period prior to closing of the acquisition.

Normal Course Issuer Bid (NCIB)

Pursuant to its NCIB, commencing December 17, 2018, Northland is authorized to purchase for cancellation, up to 8,000,000 common shares representing approximately 4.5% of Northland's then issued and outstanding common shares. The NCIB will expire on December 16, 2019, or such earlier date as Northland completes its purchases pursuant to the NCIB. For the nine months ended September 30, 2019, no common shares were purchased under the NCIB.

Liquidity and Capital Resources

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Cash and cash equivalents, beginning of period	\$ 288,696	\$ 455,158	\$ 278,400	\$ 400,573
Cash provided by operating activities	241,554	193,274	890,789	842,724
Cash used in investing activities	(218,869)	(99,481)	(651,162)	(481,031)
Cash (used in) provided by financing activities	(10,243)	(229,669)	(210,894)	(452,161)
Effect of exchange rate differences	1,544	(4,272)	(4,451)	4,905
Cash and cash equivalents, end of period	\$ 302,682	\$ 315,010	\$ 302,682	\$ 315,010

Year-to-date

Cash and cash equivalents for the nine months ended September 30, 2019, increased \$24 million due to \$891 million in cash provided by operating activities, partially offset by \$651 million in cash used in investing activities, \$211 million in cash used in financing activities and the effect of foreign exchange translation of \$4 million.

Cash provided by operating activities for the nine months ended September 30, 2019, was \$891 million comprising:

- \$391 million of net income;
- \$478 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
- \$21 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, 2019, was \$651 million, primarily due to \$692 million used for the purchase of property, plant and equipment, primarily for the construction of Deutsche Bucht and La Lucha. Partially offsetting cash used in investing activities was a \$33 million change in working capital primarily related to the timing of construction payables at Deutsche Bucht.

Cash used in financing activities for the nine months ended September 30, 2019, was \$211 million, primarily comprising:

- \$436 million in repayments under the corporate revolving facility (\$178 million) and scheduled principal repayments on project debt (\$258 million);
- \$187 million in interest payments;
- \$171 million of common, Class A and preferred share dividends; and
- \$96 million in dividends to the non-controlling shareholders.

Factors partially offsetting cash used in financing activities include:

- \$612 million of proceeds primarily from borrowings under Deutsche Bucht's construction loan; and
- \$70 million change in restricted cash, primarily from release of funds set aside for debt service at Nordsee One.

Movement of the euro against the Canadian dollar decreased cash and cash equivalents by \$4 million for the nine months ended September 30, 2019. Northland aims to mitigate the effects of exchange rate fluctuations through a variety of mechanisms, including foreign exchange rate hedges and using euro-denominated corporate debt for operating expenditures and the purchase of property, plant and equipment in euros by Deutsche Bucht.

Property, plant and equipment

The following table provides a continuity of the cost of property, plant and equipment for the nine months ended September 30, 2019:

	Cost balance as at Dec. 31, 2018	Additions ⁽¹⁾	Other ⁽²⁾	Exchange rate differences	Cost balance as at Sept. 30, 2019
Operations:					
Offshore wind	\$ 5,666,499	\$ 172	\$ 14,159	\$ (437,190)	5,243,640
Thermal ⁽³⁾	1,760,009	1,871	47	—	1,761,927
On-shore renewable	1,721,698	599	28,087	—	1,750,384
Construction:					
Offshore wind	819,462	656,750	1,960	(86,212)	1,391,960
On-shore renewable	—	29,549	3,854	(1,102)	32,301
Corporate	26,851	2,655	15,024	(920)	43,610
Total	\$ 9,994,519	\$ 691,596	\$ 63,131	\$ (525,424)	\$ 10,223,822

(1) Includes pre-completion revenue of \$11 million for Deutsche Bucht. See Operating Facilities Results section for additional information.

(2) Includes initial recognition of lease right-of-use assets and amounts accrued under the LTIP. Refer to Note 2.3 and 4 of the interim financial statements for additional information on lease recognition.

(3) Excludes Spy Hill lease receivable accounting treatment.

Long-term Debt

Operating facilities and projects under construction are financed primarily with non-recourse project debt with fixed or hedged interest rates and repayments tied to the terms of the project's initial PPA post-completion. Each project is undertaken as a special-purpose entity so that an adverse event at one facility would not affect Northland's other facilities. By owning and operating high-quality assets and applying its deep, long-term experience, Northland expects to continue to enjoy a competitive cost of capital, which maximizes returns from growth initiatives.

The following table provides a continuity of Northland's debt for the nine months ended September 30, 2019:

	Balance as at Dec. 31, 2018	Financings, net of costs	Repayments	Amort. of costs/fair value	Exchange rate differences	Balance as at Sept. 30, 2019
Operations:						
Offshore wind	\$ 4,160,574	\$ —	\$ (193,394)	\$ 13,527	\$ (314,215)	3,666,492
Thermal	995,131	—	(28,904)	931	—	967,158
On-shore renewable	1,100,198	—	(35,462)	796	—	1,065,532
Construction:						
Offshore wind	755,669	592,023	—	3,023	(78,019)	1,272,696
Corporate⁽¹⁾	309,274	20,227	(178,479)	607	(19,173)	132,456
Total	\$ 7,320,846	\$ 612,250	\$ (436,239)	\$ 18,884	\$ (411,407)	\$ 7,104,334

(1) Excludes convertible unsecured subordinated debentures.

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

In addition to the loans outstanding in the above table, as at September 30, 2019, \$40 million of letters of credit were outstanding under non-recourse project-level credit facilities for operational use.

Debt Covenants

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

Corporate Credit Facilities and Letters of Credit

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

As at September 30, 2019	Facility size	Amount drawn	Outstanding letters of credit	Available capacity	Maturity date
Syndicated revolving facility	\$ 1,000,000	\$ 137,066	\$ 90,151	\$ 772,783	Jun. 2024
Bilateral letter of credit facility	100,000	—	99,388	612	Mar. 2021
Export credit agency backed letter of credit facility	100,000	—	43,783	56,217	Mar. 2020
Total	\$ 1,200,000	\$ 137,066	\$ 233,322	\$ 829,612	
Less: deferred financing costs		4,610			
Total, net		\$ 132,456			

- Northland repaid \$120 million (€80 million) of the balance drawn on the revolving facility in the first quarter of 2019 and an additional \$37 million (€25 million) in the third quarter of 2019.
- In the second quarter of 2019, the \$1 billion revolving credit facility was extended to June 22, 2024.
- In the third quarter of 2019, the \$100 million bilateral letter of credit facility was extended to March 31, 2021.
- Amounts drawn against the revolving facility reflect €95 million converted at the period-end exchange rate.
- Of the \$233 million of corporate letters of credit issued as at September 30, 2019, \$114 million relates to projects under advanced development or construction.
- Northland has finalized the terms of a 12-month bridge credit facility intended as part of the initial funding for the EBSA acquisition and plans to execute and draw on the facility at the time of the acquisition close.

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 and U.S. dollar denominated balances to the appropriate quarter-end Canadian dollar equivalent and due to fair value movements of financial derivative contracts.

With the exception of the adoption of IFRS 16 in 2019 (refer to note 2 of the unaudited interim condensed consolidated financial statements), accounting policies and principles have been applied consistently for all periods presented in the table below.

<i>In millions of dollars, except per share information</i>	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	2019	2019	2019	2018	2018	2018	2018	2017
Total sales	\$ 378.4	343.8	498.5	\$ 380.9	\$ 350.2	\$ 338.2	\$ 486.4	\$ 394.6
Operating income	176.9	145.9	287.6	170.7	150.4	130.5	281.2	196.5
Net income (loss)	110.6	76.2	204.2	65.3	93.2	69.0	178.0	82.3
Adjusted EBITDA	224.3	194.0	293.7	221.3	196.8	183.0	290.4	238.7
Cash provided by operating activities	241.6	341.3	307.8	291.2	193.3	343.3	306.1	257.6
Free cash flow	74.1	35.2	141.8	88.7	63.9	37.0	148.0	69.5
Per share statistics								
Net income (loss) - basic	\$ 0.42	\$ 0.28	\$ 0.78	\$ 0.23	\$ 0.38	\$ 0.29	\$ 0.61	\$ 0.25
Net income (loss) - diluted	0.41	0.28	0.76	0.22	0.37	0.28	0.59	0.25
Free cash flow - basic	0.41	0.20	0.79	0.50	0.36	0.21	0.84	0.40
Total dividends declared	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.28

SECTION 8: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES

Acquisition of EBSA Regulated Distribution Utility – Colombia

On September 9, 2019, Northland announced it entered into an agreement to purchase a 99.2% interest in a Colombian regulated utility, Empresa de Energía de Boyacá ("**EBSA**"), for approximately \$1.05 billion, including existing debt of COP 550 billion (approximately \$215 million), subject to certain purchase price adjustments (the "**Acquisition**"). Closing of the Acquisition is expected in the fourth quarter and, under the terms of the purchase agreement, the final purchase price will take into account EBSA's rate tariff for the 2019-2023 period, which is expected to be approved by the Colombian energy and utility regulator (Comisión de Regulación de Energía y Gas or "**CREG**") in the fourth quarter.

EBSA holds the sole franchise rights for electricity distribution in the Boyacá region of Colombia and is an electricity retailer for the regulated residential sector in the region. EBSA owns and operates an extensive distribution network, serving approximately 480,000 regulated customers. EBSA's net revenue is highly regulated, of which approximately 80% is earned from its distribution business and the remainder primarily from its electricity retail business.

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

EBSA, like most electric distribution utilities, earns revenue by charging customers a rate approved under the regulatory framework administered by CREG. The rate charged is set for a five-year period and includes amounts retained by EBSA, as retailer and distributor, and amounts passed on to other electricity system participants, such as the transmission operator. EBSA's portion of the rate is determined based on its asset base (i.e. the "rate base"), inflation indexation per the established Colombian producer price index and a regulated average weighted average cost of capital ("**WACC**") of approximately 11.5% for a five-year period. The rate base takes into account the depreciated cost of existing equipment and anticipated future expenditure for maintenance and growth. EBSA's portion of the rate also includes standardized allowances set by the regulator intended to cover fixed and variable operating costs. The rate is designed to ensure EBSA earns a predictable and stable return. EBSA submitted its most recent rate application in September 2018, based on which, EBSA's rate base for 2019 is expected to

be approximately COP 1,600 billion (\$630 million). EBSA's rate base is expected to grow in the long-run as result of inflation indexation and rate base investments, which are expected to be self-funded through cash from operations and non-recourse debt. EBSA is expected to contribute adjusted EBITDA in 2020 of approximately COP 255 billion (\$100 million) based on the submitted rate application.

La Lucha 130 MW Solar Project – Mexico

In May 2019, Northland announced the final investment decision followed by the commencement of the construction of its 100%-owned La Lucha 130 MW solar project in the State of Durango, Mexico, which Northland originated as part of its broader Mexico development strategy. The project is progressing according to schedule and on budget. Total capital cost for the project is approximately \$190 million with project completion expected in the second half of 2020.

Construction is progressing on schedule with most engineering and the site preparation work complete and ready for the installation of major foundations and photovoltaic infrastructure. Initial equipment deliveries are expected in the fourth quarter of 2019. Negotiation of bilateral power contracts continues with a range of commercial and industrial offtakers in the regional market and is expected to be finalized prior to project completion. Northland expects to utilize non-recourse project financing to finance La Lucha once construction is complete.

Deutsche Bucht 269 MW Offshore Wind Project – Germany

The construction of Northland's Deutsche Bucht offshore wind project remains on budget and all 31 monopile foundation turbines were installed by the end of August 2019, ahead of schedule, and generating power by the end of September 2019. Installation of the two turbines utilizing mono bucket foundations is expected to begin in the fourth quarter of 2019; however, full completion may extend into the first quarter of 2020 due to delays in the manufacturing of the mono bucket foundations resulting from supplier disruptions and the potential for adverse weather. The total estimated project cost remains at approximately €1.4 billion (CAD \$2.0 billion).

Hai Long 1,044 MW Offshore Wind Project – Taiwan

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

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

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

In February 2019, Northland and Yushan Energy executed a 20-year PPA with Taipower for the Hai Long 2A offshore wind project, based on the 300 MW FIT allocation. Northland remains engaged in developing Hai Long 2B and Hai Long 3 sub-projects and expects to execute their respective PPAs with Taipower in 2019.

SECTION 9: OUTLOOK

Northland aims to increase shareholder value by creating high-quality projects underpinned by revenue arrangements that deliver predictable cash flows. Management actively seeks to invest in technologies and jurisdictions where Northland can benefit from an early-mover advantage and establish a meaningful presence while striving for excellence in managing Northland's operating facilities by enhancing their performance and value.

As of November 6, 2019, primarily due to the passage of three quarters, management has narrowed its guidance range for 2019 adjusted EBITDA to be in the range of \$950 to \$1,000 million (formerly, \$920 to \$1,010 million) and 2019 free cash flow per share to be in the range of \$1.65 to \$1.80 (formerly, \$1.65 to \$1.95). The narrowed range reflects Northland's year-to-date results including lower than forecast offshore wind production as well as unpaid curtailments at Nordsee One. Additionally, as a result of the industry expecting unpaid curtailments to continue in 2020, management has revised Deutsche Bucht's contribution to adjusted EBITDA in 2020 to between €155 to €175 million (formerly, €165 to €185 million).

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.

SECTION 11: FUTURE ACCOUNTING POLICIES

Northland assesses each new IFRS or amendment to determine whether it may have a material impact on its consolidated financial statements. As at September 30, 2019, there have been no accounting pronouncements by the International Accounting Standards Board that would materially affect Northland's consolidated financial statements.

SECTION 12: RISKS AND UNCERTAINTIES

For information concerning Northland's risks, uncertainties, financial instruments and contractual commitments refer to Northland's 2018 Annual Report and the 2018 AIF filed electronically at www.sedar.com under Northland's profile. Management believes there have been no material changes in the business environment or risks faced by Northland during the quarter that have not been disclosed in the 2018 Annual Report or the 2018 AIF.

Northland's overall risk management approach seeks to mitigate the financial risks to which it is exposed in order to maintain stable and sustainable levels of cash available to pay dividends to shareholders. Northland does not seek to mitigate fair value risk. Northland classifies financial risks into the categories of market risk, counterparty risk and liquidity risk. Refer to Note 15 of the 2018 Annual Report for additional information on Northland's risk management.

SECTION 13: CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING

A rigorous and comprehensive financial governance framework is in place at Northland and its subsidiaries. Northland's 2018 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 2019 in association with the filing of the 2018 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, 2019, 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, 2019, that have materially affected or are reasonably likely to materially affect Northland's internal controls over financial reporting.

Interim Condensed Consolidated Financial Statements

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Interim Condensed Consolidated Balance Sheets

In thousands of Canadian dollars

As at	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Assets		
Cash and cash equivalents	\$ 302,682	\$ 278,400
Restricted cash [Note 6.4, 7]	685,775	450,437
Trade and other receivables	278,686	275,088
Other current assets	50,012	39,675
Derivative assets [Note 8]	18,952	8,187
Total current assets	\$ 1,336,107	\$ 1,051,787
Property, plant and equipment [Note 3, 4]	8,070,202	8,105,845
Contracts and other intangible assets	527,298	581,097
Goodwill	204,942	204,942
Finance lease receivable	141,798	144,889
Derivative assets [Note 8]	35,877	6,502
Long-term deposits	53,527	56,845
Deferred tax asset	55,625	56,156
Other assets	107,878	127,887
Total assets	\$ 10,533,254	\$ 10,335,950
Liabilities and equity		
Trade and other payables	\$ 267,948	\$ 197,828
Interest-bearing loans and borrowings	420,765	428,570
Subscription receipts [Note 6.4]	332,104	—
Convertible debentures [Note 5.2]	150,334	—
Dividends payable	18,042	18,713
Derivative liabilities [Note 8]	114,725	136,464
Total current liabilities	\$ 1,303,918	\$ 781,575
Interest-bearing loans and borrowings	6,551,113	6,583,002
Corporate credit facilities [Note 5.1]	132,456	309,274
Convertible debentures [Note 5.2]	—	153,969
Provisions and other liabilities	349,536	316,421
Derivative liabilities [Note 8]	508,273	415,382
Deferred tax liability	248,633	235,705
Total liabilities	\$ 9,093,929	\$ 8,795,328
Equity		
Common and Class A shares [Note 6.1]	\$ 2,442,650	\$ 2,438,036
Preferred shares	260,880	260,880
Contributed surplus	255	326
Accumulated other comprehensive loss	(223,381)	(68,659)
Deficit	(1,454,441)	(1,558,875)
Equity attributable to shareholders	1,025,963	1,071,708
Non-controlling interests [Note 7]	413,362	468,914
Total equity	1,439,325	1,540,622
Total liabilities and equity	\$ 10,533,254	\$ 10,335,950

See accompanying notes.

Interim Condensed Consolidated Statements of Income (Loss)

In thousands of Canadian dollars except per Share and Share information

(Unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Sales	\$ 378,437	\$ 350,175	\$ 1,220,799	\$ 1,174,724
Cost of sales	22,492	29,190	83,928	84,488
Gross profit	\$ 355,945	\$ 320,985	\$ 1,136,871	\$ 1,090,236
Expenses				
Plant operating costs	51,064	55,429	157,763	166,828
General and administrative costs - operations	11,234	9,175	32,780	34,962
General and administrative costs - development	10,247	6,391	28,516	23,669
Depreciation of property, plant and equipment	110,308	103,445	318,383	312,576
	\$ 182,853	\$ 174,440	\$ 537,442	\$ 538,035
Investment income	729	188	1,708	439
Finance lease income	3,079	3,156	9,296	9,522
Operating income	\$ 176,900	\$ 149,889	\$ 610,433	\$ 562,162
Finance costs, net [Note 10]	78,130	84,002	237,511	254,404
Amortization of contracts and other intangible assets	4,663	3,502	14,157	10,574
Foreign exchange (gain) loss	(370)	671	5,093	(6,913)
Fair value (gain) loss on derivative contracts [Note 8]	(40,871)	(43,583)	(109,623)	(89,253)
Other (income) expense	1,123	(3,661)	(8,760)	(6,248)
Income (loss) before income taxes	\$ 134,225	\$ 108,958	\$ 472,055	\$ 399,598
Provision for (recovery of) income taxes				
Current	12,247	3,757	33,964	20,511
Deferred	11,357	11,923	47,006	38,830
	23,604	15,680	80,970	59,341
Net income (loss)	\$ 110,621	\$ 93,278	\$ 391,085	\$ 340,257
Net income (loss) attributable to:				
Non-controlling interests [Note 7]	32,560	22,751	115,590	105,306
Common shareholders	78,061	70,527	275,495	234,951
	\$ 110,621	\$ 93,278	\$ 391,085	\$ 340,257
Weighted average number of Shares outstanding - basic (000s) [Note 9]	180,403	177,263	180,285	177,240
Weighted average number of Shares outstanding - diluted (000s) [Note 9]	187,815	188,317	187,231	188,485
Net income (loss) per share - basic [Note 9]	\$ 0.42	\$ 0.38	\$ 1.48	\$ 1.28
Net income (loss) per share - diluted [Note 9]	\$ 0.41	\$ 0.37	\$ 1.45	\$ 1.24

See accompanying notes.

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

In thousands of Canadian dollars

<i>(Unaudited)</i>	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net income (loss)	\$ 110,621	\$ 93,278	\$ 391,085	\$ 340,257
Items that may be re-classified into net income (loss):				
Exchange rate differences on translation of foreign operations	(33,038)	(33,737)	(93,323)	(13,889)
Change in fair value of hedged derivative contracts [Note 8]	(46,810)	46,471	(170,985)	(23,342)
Deferred tax recovery (expense)	8,479	(10,038)	33,546	5,843
Other comprehensive income (loss)	\$ (71,369)	\$ 2,696	\$ (230,762)	\$ (31,388)
Total comprehensive income (loss)	\$ 39,252	\$ 95,974	\$ 160,323	\$ 308,869
Total comprehensive income (loss) attributable to:				
Non-controlling interests [Note 7]	8,594	20,610	39,550	97,502
Common shareholders	30,658	75,364	120,773	211,367
	\$ 39,252	\$ 95,974	\$ 160,323	\$ 308,869

See accompanying notes.

Interim Condensed Consolidated Statements of Changes in Equity

In thousands of Canadian dollars

<i>(Unaudited)</i>									
	Common and Class A shares	Preferred shares	Deficit	Contributed surplus	Accumulated other comprehensive income (loss)	Equity attributable to shareholders'	Non- controlling interests	Total equity	
December 31, 2018	\$ 2,438,036	\$ 260,880	\$ (1,558,875)	\$ 326	\$ (68,659)	\$ 1,071,708	\$ 468,914	\$ 1,540,622	
Net income (loss)	—	—	275,495	—	—	275,495	115,590	391,085	
Deferred income taxes	—	—	—	—	32,276	32,276	1,270	33,546	
Change in translation of net investment in foreign operations	—	—	—	—	(73,315)	(73,315)	(20,008)	(93,323)	
Change in fair value of hedged derivative contracts [Note 8]	—	—	—	—	(113,683)	(113,683)	(57,302)	(170,985)	
Deferred rights [Note 6.1]	—	—	—	(71)	—	(71)	—	(71)	
Common and Class A share and non- controlling interest dividends declared [Note 6.3, 7]	—	—	(162,265)	—	—	(162,265)	(95,102)	(257,367)	
Preferred share dividends [Note 6.2]	—	—	(8,796)	—	—	(8,796)	—	(8,796)	
Conversion of debentures [Note 6.1]	4,614	—	—	—	—	4,614	—	4,614	
September 30, 2019	\$ 2,442,650	\$ 260,880	\$ (1,454,441)	\$ 255	\$ (223,381)	\$ 1,025,963	\$ 413,362	\$ 1,439,325	

See accompanying notes.

Interim Condensed Consolidated Statements of Changes in Equity - continued

In thousands of Canadian dollars

<i>(Unaudited)</i>	Common and Class A shares	Preferred shares	Long-Term Incentive Plan reserve	Deficit	Contributed surplus	Accumulated other comprehensive income (loss)	Equity attributable to shareholders'	Non- controlling interests	Total equity
December 31, 2017	\$ 2,335,892	\$ 260,880	\$ 8,872	\$ (1,640,041)	\$ 582	\$ (20,358)	\$ 945,827	\$ 512,058	\$ 1,457,885
Net income (loss)	—	—	—	234,951	—	—	234,951	105,306	340,257
Deferred income taxes	—	—	—	—	—	5,634	5,634	209	5,843
Change in translation of net investment in foreign operations	—	—	—	—	—	(10,625)	(10,625)	(3,264)	(13,889)
Change in fair value of hedged derivative contracts [Note 8]	—	—	—	—	—	(18,593)	(18,593)	(4,749)	(23,342)
LTIP shares and deferred rights [Note 6.1]	583	—	(6,722)	—	(327)	—	(6,466)	—	(6,466)
Disposal of non-controlling interest [Note 7]	—	—	—	26,943	—	—	26,943	(26,943)	—
Common and Class A share and non- controlling interest dividends declared [Note 6.3, 7]	39,174	—	—	(158,815)	—	—	(119,641)	(121,601)	(241,242)
Preferred share dividends [Note 6.2]	—	—	—	(8,634)	—	—	(8,634)	—	(8,634)
Conversion of debentures [Note 6.1]	496	—	—	—	—	—	496	—	496
Transfer of LTIP reserve to liabilities	—	—	(2,150)	—	—	—	(2,150)	—	(2,150)
September 30, 2018	\$ 2,376,145	\$ 260,880	\$ —	\$ (1,545,596)	\$ 255	\$ (43,942)	\$ 1,047,742	\$ 461,016	\$ 1,508,758

See accompanying notes.

Interim Condensed Consolidated Statements of Cash Flows

In thousands of Canadian dollars

(Unaudited)	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2019	2018	2019	2018
Operating activities				
Net income (loss)	\$ 110,621	\$ 93,278	\$ 391,085	\$ 340,257
Items not involving cash or operations:				
Depreciation of property, plant and equipment	110,308	103,445	318,383	312,576
Amortization of contracts and other intangibles	4,663	3,502	14,157	10,574
Finance costs, net	55,693	62,051	207,718	224,104
Fair value (gain) loss on derivative contracts [Note 8]	(40,871)	(43,583)	(109,623)	(89,253)
Finance lease	968	891	2,845	2,618
Unrealized foreign exchange (gain) loss	(370)	671	5,093	(6,913)
Loss (gain) on sale of assets	1,303	(3,342)	962	(5,739)
Deferred tax expense (recovery)	11,357	11,923	47,006	38,830
Other	(22)	860	(8,197)	151
	\$ 253,650	\$ 229,696	\$ 869,429	\$ 827,205
Net change in working capital related to operations	(12,096)	(36,422)	21,360	15,519
Cash provided by operating activities	\$ 241,554	\$ 193,274	\$ 890,789	\$ 842,724
Investing activities				
Purchase of property, plant and equipment	(175,082)	(94,842)	(691,562)	(277,531)
Acquisitions, net	—	(4,086)	—	(4,086)
Restricted cash utilization (funding)	17,520	(949)	446	(48,006)
Interest received	838	909	2,689	2,410
Other	—	3,117	4,466	4,868
Net change in working capital related to investing activities	(62,145)	(3,630)	32,799	(158,686)
Cash used in investing activities	\$ (218,869)	\$ (99,481)	\$ (651,162)	\$ (481,031)
Financing activities				
Proceeds from borrowings, net of transaction costs	210,483	182,117	612,250	997,036
Repayment of borrowings	(76,566)	(271,991)	(436,239)	(986,641)
Interest paid	(46,846)	(55,663)	(186,750)	(204,939)
Restricted cash utilization (funding)	(10,293)	(10,410)	70,176	(3,793)
Lease principal payments	(1,483)	—	(3,726)	—
Common and Class A share dividends [Note 6.3]	(54,119)	(40,219)	(162,243)	(119,458)
Dividends to non-controlling interests [Note 7]	(29,758)	(28,713)	(95,795)	(122,211)
Preferred share dividends [Note 6.2]	(2,936)	(2,899)	(8,796)	(8,634)
Other	1,275	(1,891)	229	(3,521)
Cash (used in) provided by financing activities	\$ (10,243)	\$ (229,669)	\$ (210,894)	\$ (452,161)
Effect of exchange rate differences on cash and cash equivalents	1,544	(4,272)	(4,451)	4,905
Net change in cash and cash equivalents during the period	13,986	(140,148)	24,282	(85,563)
Cash and cash equivalents, beginning of period	288,696	455,158	278,400	400,573
Cash and cash equivalents, end of period	\$ 302,682	\$ 315,010	\$ 302,682	\$ 315,010

See accompanying notes.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

1. Description of Northland's Business

Northland Power Inc. ("**Northland**") is incorporated under the laws of Ontario, Canada and has ownership or net economic interests, through its subsidiaries, in operating power-producing facilities and in projects under construction or in development phases. Northland's operating assets comprise facilities that produce electricity from clean energy sources for sale primarily under long-term power purchase agreements (**PPAs**) or other revenue arrangements with creditworthy customers in order to provide stable cash flow. Northland's operating assets and investments are primarily located in Canada, Germany and the Netherlands. Northland's significant assets under construction are located in Germany and Mexico.

Northland is a corporation domiciled in Canada with common shares ("**Shares**"), subscription receipts ("**Subscription Receipts**"), Series 1 cumulative rate reset preferred shares ("**Series 1 Preferred Shares**"), Series 2 cumulative floating rate preferred shares ("**Series 2 Preferred Shares**"), Series 3 cumulative rate reset preferred shares ("**Series 3 Preferred Shares**") and Series C convertible unsecured subordinated debentures ("**2020 Debentures**") that are publicly traded on the Toronto Stock Exchange ("**TSX**"). Northland is the parent company for the operating subsidiaries that carry on Northland's business. Northland's registered office is located in Toronto, Ontario.

These unaudited interim condensed consolidated financial statements ("**Interim Financial Statements**") include the results of Northland and its subsidiaries, of which the most significant are listed in the following table:

	Geographic region ⁽¹⁾	% voting ownership as at Sept. 30, 2019 ⁽²⁾
Offshore Wind		
Buitengaats C.V. and ZeeEnergie C.V. (" Gemini ")	The Netherlands	60.0%
Nordsee One GmbH (" Nordsee One ")	Germany	85.0%
Northland Deutsche Bucht GmbH (" Deutsche Bucht ")	Germany	100.0%
Thermal		
Iroquois Falls Power Corp. (" Iroquois Falls ")	Ontario, Canada	100.0%
Kingston CoGen Limited Partnership (" Kingston ")	Ontario, Canada	100.0%
Kirkland Lake Power Corp. (" Kirkland Lake ") ⁽³⁾	Ontario, Canada	100.0%
North Battleford Power L.P. (" North Battleford ")	Saskatchewan, Canada	100.0%
Spy Hill Power L.P. (" Spy Hill ")	Saskatchewan, Canada	100.0%
Thorold CoGen L.P. (" Thorold ")	Ontario, Canada	100.0%
On-shore Renewable		
Four solar facilities (" Cochrane Solar ")	Ontario, Canada	62.5%
Grand Bend Wind L.P. (" Grand Bend ")	Ontario, Canada	50.0%
Saint-Ulric Saint-Léandre Wind L.P. (" Jardin ")	Québec, Canada	100.0%
McLean's Mountain Wind L.P. (" McLean's ")	Ontario, Canada	50.0%
Mont-Louis Wind L.P. (" Mont Louis ")	Québec, Canada	100.0%
Nine solar facilities (" Solar ")	Ontario, Canada	100.0%
NP Energia La Lucha SA de CV (" La Lucha ")	Mexico	100.0%

(1) Geographic region corresponds to place of incorporation or, in the case of partnerships, registration, for all entities listed except North Battleford and Spy Hill, which are registered in Ontario, Canada.

(2) As at September 30, 2019, Northland's economic interest was unchanged from December 31, 2018.

(3) Northland holds a 68% controlling interest in Canadian Environmental Energy Corporation (CEEC), which holds 100% of the voting shares of Kirkland Lake. Northland's effective net economic interest in Kirkland Lake is approximately 77%.

2. Summary of Significant Accounting Policies and Changes

2.1 Basis of Preparation and Statement of Compliance

These Interim Financial Statements of Northland and its subsidiaries were prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, utilizing the accounting policies Northland outlined in its December 31, 2018 audited annual consolidated financial statements, except for the change in accounting policies discussed in Note 2.3 below. The accounting policies are in line with International Financial Reporting Standards (IFRS) guidelines. The Interim Financial Statements do not include all of the information and disclosures required in the audited annual consolidated financial statements and should be read in conjunction with Northland's 2018 audited annual consolidated financial statements.

These Interim Financial Statements are presented in Canadian dollars and all values are presented in thousands except where otherwise indicated.

Certain prior period disclosures have been reclassified for consistency with the current period presentation.

The Interim Financial Statements for the three and nine months ended September 30, 2019 were approved by the Board of Directors on November 6, 2019.

2.2 Basis of Consolidation

The Interim Financial Statements comprise the financial statements of Northland and its subsidiaries at and for the three and nine months ended September 30, 2019. Subsidiaries are fully consolidated on the date that Northland obtains control and continue to be consolidated until the date that such control ceases. Control is achieved when Northland is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Northland reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated balance sheets and consolidated statements of income (loss) from the date Northland gains control until the date control ceases. All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

2.3 Change in Accounting Policies

In 2016, the International Accounting Standards Board (IASB) replaced IAS 17, "Leases" ("IAS 17"), IFRIC 4, "Determining Whether an Arrangement Contains a Lease" ("IFRIC 4"), SIC-15, "Operating Leases - Incentives", and SIC-27, "Evaluating the Substance of Transactions Involving the Legal Form of a Lease" with a new accounting standard, IFRS 16, "Leases" ("IFRS 16"), which sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model. At the commencement date of a lease, a lessee recognizes a liability to make lease payments and an asset representing the right to use the underlying asset. The standard includes two recognition exemptions — leases of "low-value" assets and short-term leases (i.e. leases with a lease term of 12 months or less). Lessees will be required to recognize an interest expense element on the lease liability and a depreciation expense on the lease right-of-use (ROU) asset. Upon the occurrence of certain events, such as a change in the lease term or a change in future lease payments resulting from a change in an index or rate, the lessee is required to remeasure the lease liability and will generally recognize the impact as an adjustment to the lease ROU asset. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

Initial application of IFRS 16

Northland has applied IFRS 16 from January 1, 2019 using the modified retrospective approach. Accordingly, comparative information was not restated. Northland elected to utilize practical expedients available under the modified retrospective approach in order to:

- Not reassess whether a contract is, or contains, a lease at the date of initial application, resulting in Northland only applying IFRS 16 to existing contracts previously identified as leases under IAS 17 and IFRIC 4;
- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- Not apply the requirements of IFRS 16 to short-term leases and leases for which the underlying asset is of low value.

Under the selected transition approach, lessees previously classified as finance leases under IAS 17, carry forward at the existing balance of assets and liabilities prior to initial application.

For lessees previously classified as operating leases under IAS 17, Northland recognized a lease liability under IFRS 16 equal to the present value of remaining lease payments discounted at the lessee's incremental borrowing rate and chose to recognize a lease ROU asset in an amount equal to the lease liability. As at January 1, 2019, Northland recognized an increase in lease assets and liabilities of \$60 million on the consolidated balance sheets. The lease ROU asset balance is included in "property, plant and equipment" in the consolidated balance sheets. The long-term portion of the lease liability balance is included in "provisions and other liabilities" and the current portion is included in "trade and other payables" in the consolidated balance sheets.

The table below reconciles the lease commitments disclosed in the 2018 audited annual consolidated financial statements to the lease liability recognized on January 1, 2019:

Lease commitments disclosed as at December 31, 2018	\$	90,422
Less: Variable lease payments		(11,439)
Less: Application of IFRS 16 policy for payment measurement and lease term ⁽¹⁾		(5,626)
Less: Other adjustments ⁽²⁾		4,972
		78,329
Discounted using the weighted average lessee's incremental borrowing rate of 3.40%		(18,661)
Lease liability recognized as at January 1, 2019	\$	59,668

(1) Includes adjustments for consumer price index escalation considered in commitments but treated as a change in future lease payments and remeasurement of the lease liability when incurred under IFRS 16, partially offset by additional payments expected from reasonably certain renewals.

(2) Includes adjustments for short-term and low-value leases, commitments that do not meet the definition of a lease under IFRS 16 and commitments related to leases previously classified as finance leases.

As a result of initial adoption of IFRS 16, general and administrative (**G&A**) and plant operating costs decreased while depreciation expense and finance costs increased on the consolidated statements of income (loss).

Accounting policy for leases under IFRS 16

Northland as a lessor

Northland enters into PPAs to provide electricity and electricity-related products at predetermined prices. At inception of the contract, Northland assesses whether it is, or contains, a lease that conveys to the counterparty the right to control the use of Northland's property, plant and equipment (**PP&E**) in return for payment. If the PPA meets the definition of a lease and the terms of the contract do not transfer substantially all of the benefits and risks of ownership of PP&E, it is classified as an operating lease. Where the terms do transfer substantially all of the benefits and risks of ownership, it is classified as a finance lease.

Finance lease receivables are initially recognized at amounts equal to the present value of the net investment in the lease. Finance lease income is recognized in a manner that produces a constant rate of return on Northland's net investment in the lease and is included in operating income.

At the commencement of the lease, which generally coincides with start of commercial operations of the facility, Northland separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

Northland as a lessee

At the inception of a contract, Northland assesses whether the contract is, or contains, a lease that conveys to Northland the right to control the use of an underlying asset in return for payment. If the contract meets the definition of a lease, a lease liability is recognized in an amount equal to the present value of the unpaid lease payments discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used. Lease payments include: (i) all fixed payments; (ii) variable payments that depend on an index or rate; and (iii) any purchase option or termination penalty reasonably certain to be incurred. A lease ROU asset is recognized in amount equal to the lease liability less any lease incentives received and plus: (i) any payments made prior to the start of the lease; (ii) any initial direct costs incurred; and (iii) an estimate of the cost to restore the asset as required by the lease contract.

Northland remeasures the lease liability in response to changes in future lease payments, such as consumer price index (**CPI**) escalations or changes in lease term, adjusting the lease asset by an equivalent amount.

Northland applies the cost model to subsequently measure lease ROU assets and applies the same impairment policy as other PP&E. Lease ROU assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. The lease term includes any renewal or termination Northland is reasonably certain to exercise. In the case of land leased for future development, Northland assumes an initial lease term of 5 years. Where leased assets are required for the operation of the facility, Northland assumes the lease will be renewed to match the term of the facility's PPA. Northland reassesses the lease term in response to significant events or changes in circumstances. If a lease transfers ownership of the underlying asset or Northland expects to exercise a purchase option, the related ROU asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of the lease.

2.4 Future Accounting Policies

Northland assesses each new IFRS or amendment to determine whether it may have a material impact on its consolidated financial statements. As at September 30, 2019, there have been no accounting pronouncements by the IASB that would materially affect Northland's consolidated financial statements.

3. Property, Plant and Equipment

As at	September 30, 2019	December 31, 2018
Property, plant and equipment, net	\$ 6,582,298	\$ 7,280,499
Construction-in-progress	1,430,317	825,346
Lease ROU asset [Note 4]	57,587	—
Total property, plant and equipment, net	\$ 8,070,202	\$ 8,105,845

For the nine months ended September 30, 2019, construction-in-progress relates primarily to construction activities on the Deutsche Bucht and La Lucha projects.

4. Leases

Northland and several of its subsidiaries have entered into leases for land with private landowners and public municipalities as well as leases for buildings and operating equipment. The original terms of these leases range from one to 37 years.

The amount of the lease ROU asset and associated depreciation by type of underlying asset as at September 30, 2019 is as follows:

	Land	Vehicle	Equipment	Building	Total
As at December 31, 2018 ⁽¹⁾	\$ —	\$ —	\$ 2,808	\$ —	\$ 2,808
Initial recognition [Note 2.3]	35,311	182	10,902	13,273	59,668
Additions	337	21	66	1,663	2,087
Depreciation expense	(1,705)	(52)	(1,663)	(1,567)	(4,987)
Foreign exchange	(397)	(8)	(772)	(812)	(1,989)
As at September 30, 2019	\$ 33,546	\$ 143	\$ 11,341	\$ 12,557	\$ 57,587

(1) Reflects leases previously classified as finance leases for which a lease asset was recognized in the consolidated balance sheets at December 31, 2018.

The lease ROU asset balance is included in "property, plant and equipment" in the consolidated balance sheets.

Northland expenses payments for leases that are short-term (i.e. term of 12 months or less) and low value as well as variable payments that are excluded from lease payments, such as usage-based fees or utilities charges. For the three and nine months ended September 30, 2019, lease expenses of \$0.5 million and \$1.7 million, respectively, was recognized in "general and administrative costs" and "plant operating costs" in the consolidated statements of income (loss).

5. Corporate Credit Facilities and Convertible Debentures

5.1 Corporate Credit Facilities

The corporate credit facilities are summarized in the table below:

	Facility size	Amount drawn as at Sept. 30, 2019	Outstanding letters of credit	Available capacity	Maturity	Amount drawn as at Dec. 31, 2018
Syndicated revolving facility ⁽¹⁾	\$ 1,000,000	\$ 137,066	\$ 90,151	\$ 772,783	Jun. 2024	\$ 312,720
Bilateral letter of credit facility	100,000	—	99,388	612	Mar. 2021	—
Export credit agency backed letter of credit facility	100,000	—	43,783	56,217	Mar. 2020	—
Total		\$ 137,066	\$ 233,322	\$ 829,612		\$ 312,720
Less: deferred financing costs		4,610				3,446
Total, net		\$ 132,456				\$ 309,274

(1) The amount drawn on the syndicated revolving facility comprises €95 million (2018 - €200 million) converted to CAD at the period-end exchange rate.

Northland repaid \$120 million (€80 million) of the balance drawn on the revolving facility in the first quarter of 2019 and an additional \$37 million (€25 million) in the third quarter of 2019.

In the second quarter of 2019, the \$1 billion revolving credit facility was extended to June 22, 2024.

In the third quarter of 2019, the \$100 million bilateral letter of credit facility was extended to March 31, 2021.

Amounts drawn under the syndicated revolving facility are collateralized by a debenture security and general security agreement that constitutes a first-priority lien on all of the real property and present and future property and assets of Northland.

5.2 Convertible Debentures

The 2020 Debentures have a maturity of June 30, 2020 (“2020 Debentures”) and may be converted into Shares at a conversion price of \$21.60 per share at any time prior to the maturity date. The debentures are summarized below:

	Maturity date	Number of additional Shares if fully converted as at Sept. 30, 2019	Outstanding as at Sept. 30, 2019	Outstanding as at Dec. 31, 2018
2020 Debentures	June 30, 2020	7,005,278	151,314	155,928
Less: deferred financing costs			980	1,959
Total, net			\$ 150,334	\$ 153,969

At issuance, Northland estimated the fair value of the embedded holder option as nominal, and as a result, the entire amount of the Debentures was classified as a long-term liability.

The payment of convertible unsecured subordinated debenture principal and interest is subordinated in right of payment to the prior payment of all senior indebtedness of Northland.

6. Equity

6.1 Common Shares and Class A Shares

Northland is authorized to issue an unlimited number of Shares. The terms and conditions of Northland's Class A Shares are defined in Northland's articles of incorporation. The Class A Shares are convertible into Shares on a one-for-one basis.

The change in Shares and Class A Shares during 2019 and 2018 was as follows:

	September 30, 2019		December 31, 2018	
	Shares	Amount	Shares	Amount
Shares outstanding, beginning of year	179,201,743	\$ 2,423,421	174,440,081	\$ 2,321,277
Conversion of debentures	213,599	4,614	2,527,626	54,597
Shares issued under the LTIP	—	—	23,467	583
Shares issued under the DRIP	—	—	2,210,569	47,611
Change in deferred taxes	—	—	—	(647)
Shares outstanding, end of period	179,415,342	\$ 2,428,035	179,201,743	\$ 2,423,421
Class A shares	1,000,000	14,615	1,000,000	14,615
Total common and convertible shares outstanding, end of period	180,415,342	\$ 2,442,650	180,201,743	\$ 2,438,036

Dividend Re-Investment Plan

The Dividend Re-Investment Plan (**DRIP**) provides shareholders and the Class A shareholder the right to reinvest their dividends in Shares up to a 5% discount to the market price as defined in the DRIP. Shares issued under the DRIP can be sourced from treasury or purchased on the market at the election of Northland's Board of Directors. For the three and nine months ended September 30, 2019, all Shares issued under the DRIP were purchased on the secondary market with a no discount to the market price. Northland's Board of Directors has the discretion to alter the discount or source of Shares issued under the DRIP.

Share-based compensation

Northland's Long-Term Incentive Plan (**LTIP**) provides for a maximum of 3.1 million Shares to be reserved and available for grant to employees of Northland and its subsidiaries. As at September 30, 2019, 1.2 million Shares remain available for future issuance under the LTIP. Shares may be awarded based on development profits, which arise from new projects or acquisitions ("**Development LTIP**"). The number of Shares awarded at each milestone is determined using the amount of expected development profits at that milestone date. As a result, the amount of Development LTIP costs recognized depends on the estimated number of Shares to be issued at each milestone date, which in turn is based on management's best estimate of a project's expected development profit. Changes in estimates related to the number of Shares to be issued, forfeiture rates and vesting dates and changes in fair value up to the grant date are recognized in the period of the change. Awards under the LTIP may be settled in Shares or in cash, at the discretion of Northland's Board of Directors.

Shares may also be awarded under the LTIP to recognize achievements or attract and retain executives ("**Deferred Rights**"). Grants of Deferred Rights vest over a maximum of a three-year period, and the expected cost is expensed over the vesting period.

For the three and nine months ended September 30, 2019, Northland capitalized \$0.4 million and \$1.5 million (2018 - nil and net decrease of \$0.6 million) and expensed \$0.1 million and \$0.3 million (2018 - \$0.2 million and \$0.7 million) of costs under the LTIP. No forfeitures are assumed to occur. The balance of accrued awards related to the Development LTIP is shown in liabilities because these awards are expected to be settled in cash.

In addition to the LTIP, stock-based compensation in the form of Restricted Share Units (**RSU**) and Deferred Share Units (**DSU**) may be granted by Northland to employees and directors. These awards are settled and paid in cash and accounted for as a liability until paid.

6.2 Preferred Shares

Preferred share dividends, excluding tax, were paid as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Series 1	\$ 988	\$ 988	\$ 2,965	\$ 2,965
Series 2	424	387	1,259	1,097
Series 3	1,524	1,524	4,572	4,572
Total	\$ 2,936	\$ 2,899	\$ 8,796	\$ 8,634

6.3 Dividends

Dividends declared per Share and in aggregate were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Dividends declared per Share	\$ 0.30	\$ 0.30	\$ 0.90	\$ 0.90
Aggregate dividends declared				
Dividends in cash	\$ 54,122	\$ 40,448	\$ 162,265	\$ 119,712
Dividends in shares ⁽¹⁾	—	12,674	—	39,103
Total	\$ 54,122	\$ 53,122	\$ 162,265	\$ 158,815

(1) For the three and nine months ended September 30, 2019, all dividends declared under the DRIP were sourced from the secondary market.

6.4 Subscription Receipts

In September 2019, Northland completed a public offering of 14,289,000 Subscription Receipts for gross proceeds of \$347 million or net proceeds of \$332 million after transaction costs. The holder of each Subscription Receipt is entitled to receive one common share at closing of the acquisition of Empresa de Energía de Boyacá (“EBSA”) as well as payment equivalent to any dividends paid on common shares in the period prior to closing of the acquisition [Note 12.1]. The net proceeds from the sale of the Subscription Receipts are held in escrow, pending satisfaction of acquisition closing conditions, and are included in “restricted cash” on the consolidated balance sheets. Proceeds will be released on the earlier of the date of acquisition closing, the date of notice by Northland that the acquisition will not proceed or the release deadline of April 15, 2020. If the acquisition does not proceed, the Subscription Receipt holders are entitled to interest earned on proceeds while held in escrow.

7. Non-controlling Interests

Non-controlling interests relate to the interests not owned by Northland for Gemini (40%), Nordsee One (15%), McLean’s (50%), Grand Bend (50%), Cochrane Solar (37.5%) and CEEC (32%). CEEC has voting control of Kirkland Lake but ownership interest of 8.8% as a result of non-voting ownership interest held by third-parties.

Summarized financial information on items subject to non-controlling interests in the consolidated balance sheets (shown at 100% totals) are as follows:

September 30, 2019	Current assets ⁽¹⁾	Long-term assets	Current liabilities	Long-term liabilities
Gemini	\$ 384,873	\$ 3,219,083	\$ 287,661	\$ 2,843,918
Nordsee One	125,347	1,377,347	152,677	1,009,904
McLean’s	3,890	137,600	7,016	133,913
Grand Bend	6,959	323,465	10,949	357,461
Cochrane Solar	13,611	292,409	11,718	173,014
CEEC	21,288	24,599	3,963	11,066
Total	\$ 555,968	\$ 5,374,503	\$ 473,984	\$ 4,529,276

December 31, 2018	Current assets ⁽¹⁾		Long-term assets		Current liabilities		Long-term liabilities	
Gemini	\$	376,620	\$	3,631,820	\$	302,426	\$	3,109,424
Nordsee One		202,843		1,562,072		174,564		1,108,656
McLean's		5,625		138,439		6,892		132,180
Grand Bend		17,200		326,678		2,953		355,595
Cochrane Solar		9,992		305,657		10,851		174,884
CEEC		20,994		25,406		8,837		12,520
Total	\$	633,274	\$	5,990,072	\$	506,523	\$	4,893,259

(1) As at September 30, 2019, restricted cash of \$147 million (December 2018 - \$243 million) is included for Gemini and Nordsee One where the availability of funds is intended for debt repayments and final construction costs.

As at September 30, 2019, Northland had an outstanding receivable balance of \$39.7 million with Cochrane Solar's First Nations partner (2018 - \$38.7 million). This balance appears at a fair value of \$30.7 million (2018 - \$25.0 million) on the consolidated balance sheets, including \$4.2 million classified as "trade and other receivables" and the remaining portion as "other assets".

The change in non-controlling interests during 2019 and 2018 is as follows:

	Gemini		Nordsee One		McLean's		Grand Bend		Cochrane Solar		CEEC		Total	
As at January 1, 2018	\$	241,514	\$	33,225	\$	7,881	\$	8,279	\$	57,349	\$	163,810	\$	512,058
Net income (loss) attributable ⁽¹⁾		89,646		18,696		971		5,808		1,678		10,579		127,378
Dividends and distributions declared ⁽¹⁾		(100,473)		—		(2,830)		(14,010)		(7,725)		(5,872)		(130,910)
Allocation of other comprehensive income (loss) ⁽¹⁾		(12,183)		30		—		—		(516)		—		(12,669)
Disposal of non-controlling interests		—		—		—		—		—		(26,943)		(26,943)
As at December 31, 2018	\$	218,504	\$	51,951	\$	6,022	\$	77	\$	50,786	\$	141,574	\$	468,914
Net income (loss) attributable ⁽¹⁾		90,249		12,138		597		2,608		1,679		8,319		115,590
Dividends and distributions declared ⁽¹⁾		(63,319)		(14,299)		(2,835)		(13,036)		(1,613)		—		(95,102)
Allocation of other comprehensive income (loss) ⁽¹⁾		(66,053)		(7,063)		—		—		(2,924)		—		(76,040)
As at September 30, 2019	\$	179,381	\$	42,727	\$	3,784	\$	(10,351)	\$	47,928	\$	149,893	\$	413,362

(1) Net income (loss), dividends and distributions, and other comprehensive income (loss) are shown at the respective non-controlling interest share.

As at September 30, 2019, there were no dividends payable owed to CEEC on the consolidated balance sheets (2018 - \$0.7 million).

8. Financial Instruments

The derivative financial instruments consist of the following:

As at September 30, 2019	Current assets	Current liabilities	Long-term assets	Long-term liabilities	Total
Derivatives designated for hedge accounting					
Canadian dollar interest rate swaps	\$ 68	\$ (7,307)	\$ 93	\$ (46,743)	\$ (53,889)
U.S. dollar foreign exchange contracts	1,209	—	457	—	1,666
Euro interest rate swaps	—	(66,170)	—	(394,779)	(460,949)
Euro foreign exchange contracts	4,124	(46)	11,167	(44,947)	(29,702)
Power forward contracts	561	(619)	1	(247)	(304)
Derivatives not designated for hedge accounting					
Canadian dollar interest rate swaps	—	(27,515)	—	—	(27,515)
U.S. dollar foreign exchange contracts	50	(1)	—	—	49
Euro foreign exchange contracts	12,038	(20)	23,869	(2,915)	32,972
Gas forward contracts	902	(13,047)	290	(18,642)	(30,497)
Total	\$ 18,952	\$ (114,725)	\$ 35,877	\$ (508,273)	\$ (568,169)

As at December 31, 2018	Current assets	Current liabilities	Long-term assets	Long-term liabilities	Total
Derivatives designated for hedge accounting					
Canadian dollar interest rate swaps	\$ 98	\$ (6,692)	\$ 338	\$ (33,691)	\$ (39,947)
U.S. dollar foreign exchange contracts	1,308	—	483	—	1,791
Euro interest rate swaps	—	(88,915)	—	(221,417)	(310,332)
Euro foreign exchange contracts	—	(2,973)	1,250	(110,619)	(112,342)
Power forward contracts	1,300	(5)	—	(13)	1,282
Derivatives not designated for hedge accounting					
Canadian dollar interest rate swaps	1	(21,570)	3	—	(21,566)
U.S. dollar foreign exchange contracts	33	—	—	—	33
Euro foreign exchange contracts	2,361	(1,045)	2,578	(18,296)	(14,402)
Gas forward contracts	3,086	(15,264)	1,850	(31,346)	(41,674)
Total	\$ 8,187	\$ (136,464)	\$ 6,502	\$ (415,382)	\$ (537,157)

The change in derivative financial instruments for the nine months ended September 30, 2019 and 2018 is as follows:

	Designated in hedge relationships					Fair value changes on derivatives not designated in hedge relationships ⁽²⁾	Foreign exchange gain (loss)	Balance as at Sept. 30, 2019 asset (liability)
	Balance as at Dec. 31, 2018 asset (liability)	Changes in fair value recognized in OCI ⁽¹⁾	Cash and accrued payments / (receipts) ⁽²⁾	Unrealized fair value changes ⁽²⁾				
Canadian dollar interest rate swaps	\$ (61,513)	\$ (16,990)	\$ 6,210	\$ (3,166)	\$ (5,945)	\$ —	\$ —	\$ (81,404)
Euro interest rate swaps	(310,332)	(226,724)	54,116	(8,359)	—	30,350	\$	(460,949)
Gas forward contracts	(41,674)	—	—	—	11,177	—	\$	(30,497)
Power forward contracts	1,282	(1,466)	—	(119)	(1)	—	\$	(304)
U.S. dollar foreign exchange contracts	1,824	(206)	—	97	—	—	\$	1,715
Euro foreign exchange contracts	(126,744)	74,401	(364)	6,171	49,806	—	\$	3,270
Total	\$ (537,157)	\$ (170,985)	\$ 59,962	\$ (5,376)	\$ 55,037	\$ 30,350	\$	\$ (568,169)

(1) Amounts recognized in "Change in fair value of hedged derivative contracts" in the consolidated statements of comprehensive income (loss).

(2) Amounts recognized in "Fair value (gain) loss on derivative contracts" in the consolidated statements of income (loss).

	Designated in hedge relationships					Fair value changes on derivatives not designated in hedge relationships ⁽²⁾	Foreign exchange gain (loss)	Balance as at Sept. 30, 2018 asset (liability)
	Balance as at Dec. 31, 2017 asset (liability)	Changes in fair value recognized in OCI ⁽¹⁾	Cash and accrued payments / (receipts) ⁽²⁾	Unrealized fair value changes ⁽²⁾				
Canadian dollar interest rate swaps	\$ (70,603)	\$ 7,050	\$ 8,005	\$ 1,112	\$ 4,948	\$ —	\$ —	\$ (49,488)
Euro interest rate swaps	(281,912)	(19,948)	72,880	(18,112)	—	1,683	\$	(245,409)
Gas forward contracts	(44,228)	—	—	—	2,769	—	\$	(41,459)
Power forward contracts	—	687	—	—	—	—	\$	687
U.S. dollar foreign exchange contracts	2,112	305	—	13	—	—	\$	2,430
Euro foreign exchange contracts	(90,857)	(11,436)	(3,543)	17,208	4,110	—	\$	(84,518)
Total	\$ (485,488)	\$ (23,342)	\$ 77,342	\$ 221	\$ 11,827	\$ 1,683	\$	\$ (417,757)

(1) Amounts recognized in "Change in fair value of hedged derivative contracts" in the consolidated statements of comprehensive income (loss).

(2) Amounts recognized in "Fair value (gain) loss on derivative contracts" in the consolidated statements of income (loss).

The objective of Northland's hedges is to reduce volatility in its cash flow related to changes in foreign exchange, interest rates and market prices for gas and power. The nature of the risks that Northland is exposed to and the related hedge objectives did not change in the three and nine months ended September 30, 2019.

9. Net Income (Loss) per Share

The calculation of basic net income (loss) per Share is based on the consolidated net income (loss) for the period, less preferred share dividends divided by the sum of the weighted average number of Shares outstanding and the weighted average number of Class A Shares. Diluted net income per Share is calculated by dividing consolidated net income (loss), net of preferred share dividends, plus expenses related to the debt that is assumed to be converted by the weighted average number of Shares used in the basic net income (loss) per Share calculation plus the number of Shares that would be issued assuming conversion of the 2020 Debentures into Shares during the period.

The reconciliation of the numerator in calculating basic and diluted net income (loss) is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net income (loss) for the period attributable to common shareholders	\$ 78,061	\$ 70,527	\$ 275,495	\$ 234,951
Less: preferred share dividends, net	(2,936)	(2,899)	(8,796)	(8,634)
Net income (loss) attributable to common shareholders for basic earnings	\$ 75,125	\$ 67,628	\$ 266,699	\$ 226,317
Add back: convertible unsecured subordinated debentures interest and amortization	1,595	2,499	4,848	7,589
Net income (loss) attributable to common shareholders for diluted earnings	\$ 76,720	\$ 70,127	\$ 271,547	\$ 233,906

The reconciliation of the denominator in calculating basic and diluted per share amounts is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Weighted average number of Shares outstanding	179,402,810	176,263,275	179,284,623	176,239,515
Weighted average number of Class A shares	1,000,000	1,000,000	1,000,000	1,000,000
Weighted average number of Shares outstanding, basic	180,402,810	177,263,275	180,284,623	177,239,515
Effect of dilutive securities:				
Convertible unsecured subordinated debentures	7,411,784	11,054,141	6,945,962	11,245,249
Weighted average number of Shares outstanding, diluted	187,814,594	188,317,416	187,230,585	188,484,764

10. Finance Costs

Net finance costs consist of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Interest on debt, borrowings and bank fees	\$ 68,554	\$ 77,426	\$ 214,835	\$ 234,420
Amortization of deferred financing costs	8,833	6,388	20,827	19,081
Discount on provisions for decommissioning liability	1,098	1,097	3,343	3,313
Lease interest	483	—	1,195	—
Finance income	(838)	(909)	(2,689)	(2,410)
Finance costs, net	\$ 78,130	\$ 84,002	\$ 237,511	\$ 254,404

For the three and nine months ended September 30, 2019, \$6.5 million and \$21.1 million (2018 - \$6.3 million and \$19.4 million) in interest was incurred related to facilities under construction, which was capitalized and included in construction-in-progress.

11. Operating Segment Information

Northland identified the following operating segments: (i) offshore wind, which includes Gemini, Nordsee One and Deutsche Bucht; (ii) thermal; (iii) on-shore renewable, and (iv) other, which includes energy marketing income, investment income and costs associated with corporate activities. The operating segments have been identified based upon the nature of operations and technology used in the generation of electricity. Northland analyzes the performance of its operating segments based on their operating income, which is defined as revenue less operating expenses.

Significant information for each segment for the consolidated statements of income (loss) is as follows:

Three months ended September 30, 2019	External sales	Inter-segment sales	Total sales	Depreciation of property, plant and equipment	Finance costs, net	Operating income (loss)
Offshore wind	\$ 231,164	\$ —	\$ 231,164	\$ 73,249	\$ 45,029	\$ 126,531
Thermal	93,739	—	93,739	12,506	13,980	48,990
On-shore renewables	52,488	—	52,488	23,365	14,966	20,434
Other ⁽¹⁾	1,046	28,338	29,384	1,188	4,155	(19,055)
Eliminations	—	(28,338)	(28,338)	—	—	—
Total	\$ 378,437	\$ —	\$ 378,437	\$ 110,308	\$ 78,130	\$ 176,900

(1) Other inter-segment sales include intercompany management fees, energy marketing activities and maintenance services, which are eliminated on consolidation.

Three months ended September 30, 2018	External sales	Inter-segment sales	Total sales	Depreciation of property, plant and equipment	Finance costs, net	Operating income (loss)
Offshore wind	\$ 201,437	\$ —	\$ 201,437	\$ 67,814	\$ 48,013	\$ 96,518
Thermal	96,939	—	96,939	12,422	14,628	47,382
On-shore renewables	51,799	—	51,799	22,657	14,948	19,332
Other	—	15,768	15,768	552	6,413	(13,343)
Eliminations	—	(15,768)	(15,768)	—	—	—
Total	\$ 350,175	\$ —	\$ 350,175	\$ 103,445	\$ 84,002	\$ 149,889

Nine months ended September 30, 2019	External sales	Inter-segment sales	Total sales	Depreciation of PP&E	Finance costs, net	Operating income (loss)
Offshore wind	\$ 734,525	\$ —	\$ 734,525	\$ 208,510	\$ 138,442	\$ 425,208
Thermal	307,746	—	307,746	37,456	42,284	164,051
On-shore renewable	168,821	—	168,821	69,926	44,482	73,265
Other ⁽¹⁾	9,707	106,219	115,926	2,491	12,303	(52,091)
Eliminations	—	(106,219)	(106,219)	—	—	—
Total	\$ 1,220,799	\$ —	\$ 1,220,799	\$ 318,383	\$ 237,511	\$ 610,433

(1) Other inter-segment sales include intercompany management fees, energy marketing activities and maintenance services, which are eliminated on consolidation.

Nine months ended September 30, 2018	External sales	Inter-segment sales	Total sales	Depreciation of PP&E	Finance costs, net	Operating income (loss)
Offshore wind	\$ 710,124	\$ —	\$ 710,124	\$ 205,552	\$ 147,155	\$ 389,262
Thermal	298,212	—	298,212	37,270	44,098	147,817
On-shore renewable	166,388	—	166,388	68,135	43,590	74,115
Other	—	67,595	67,595	1,619	19,561	(49,032)
Eliminations	—	(67,595)	(67,595)	—	—	—
Total	\$ 1,174,724	\$ —	\$ 1,174,724	\$ 312,576	\$ 254,404	\$ 562,162

Significant information for each segment for the consolidated balance sheets is as follows:

As at September 30, 2019	PP&E, net	Contracts and other intangibles, net	Goodwill	Equity-accounted investment	Total assets
Offshore wind	\$ 5,877,892	\$ 468,072	\$ —	\$ —	\$ 7,208,746
Thermal	914,319	59,226	150,201	—	1,441,434
On-shore renewable	1,249,353	—	54,741	—	1,377,030
Other	28,638	—	—	3,407	506,044
Total	\$ 8,070,202	\$ 527,298	\$ 204,942	\$ 3,407	\$ 10,533,254

As at December 31, 2018	PP&E, net	Contracts and other intangibles, net	Goodwill	Equity-accounted investment	Total assets
Offshore wind	\$ 5,883,408	\$ 517,253	\$ —	\$ —	\$ 7,369,367
Thermal	949,800	63,844	150,201	—	1,486,609
On-shore renewable	1,258,585	—	54,741	—	1,368,366
Other	14,052	—	—	3,696	111,608
Total	\$ 8,105,845	\$ 581,097	\$ 204,942	\$ 3,696	\$ 10,335,950

Information on operations by geographic area is as follows:

Sales

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Europe	\$ 231,164	\$ 201,437	\$ 734,525	\$ 710,124
North America	147,273	148,738	486,274	464,600
Total	\$ 378,437	\$ 350,175	\$ 1,220,799	\$ 1,174,724

Property, plant and equipment, net

As at	September 30, 2019	December 31, 2018
Europe ⁽¹⁾	\$ 5,888,289	\$ 5,883,409
North America	2,181,913	2,222,436
Total	\$ 8,070,202	\$ 8,105,845

(1) Includes PP&E related to non-operating corporate assets.

12. Litigation, Claims, Contingencies and Commitments

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.

12.1 Acquisition of EBSA Regulated Utility

On September 9, 2019, Northland announced it entered into an agreement to purchase a 99.2% interest in a Colombian regulated utility, EBSA, for approximately \$1.05 billion, including existing debt, subject to certain purchase price adjustments (the “**Acquisition**”). Closing of the Acquisition is expected in the fourth quarter and, under the terms of the purchase agreement, the final purchase price will take into account EBSA’s rate tariff for the 2019-2023 period, which is expected to be approved by the Colombian energy and utility regulator (Comisión de Regulación de Energía y Gas or “**CREG**”) in the fourth quarter. The initial purchase price is expected to be funded through net proceeds from the completed Subscription Receipts offering [Note 6.4], proceeds drawn under a fully committed bridge credit facility, the assumption of the existing debt of EBSA totaling COP 550 billion (approximately \$215 million) and Northland’s existing credit facilities.

Corporate Information

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 Mr. Russell Goodman
 Ms. Linda L. Bertoldi
 Dr. Marie Bountrogianni
 Mr. John W. Brace
 Mr. Barry Gilmour
 Mr. Keith Halbert

EXECUTIVE OFFICERS

Mr. Mike Crawley
 President and Chief Executive Officer
 Mr. Paul J. Bradley
 Chief Financial Officer
 Mr. Troy Patton
 Chief Operations Officer
 Mr. David Povall
 Executive Vice President, Development
 Mr. Morten Melin
 Executive Vice President, Construction
 Mr. Michael D. Shadbolt
 Vice President and General Counsel
 Ms. Tracy Robillard
 Secretary

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COMMON SHARES, DEBENTURES AND PREFERRED SHARES

Northland's common shares, subscription receipts, Series C convertible unsecured subordinated debentures and Series 1, Series 2 and Series 3 preferred shares are listed on the Toronto Stock Exchange and trade under the symbols NPI, NPI.DB.C, NPI.PR.A, NPI.PR.B and NPI.PR.C, respectively.

TAX CONSIDERATIONS

Northland's common shares, preferred shares and convertible unsecured subordinated debentures are qualified investments for RRSPs and DPSPs under the Income Tax Act (Canada).

CONTACT NORTHLAND

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Our Vision:

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



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POWER**

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