Interim Condensed Consolidated Financial Statements

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NORTHLAND POWER

Interim Condensed Consolidated Balance Sheets

In thousands of Canadian dollars

(Unaudited) As at		March 31, 2021		December 31, 2020
Assets				
Cash and cash equivalents	$	**549,948**	$	434,989
Restricted cash		**119,756**		192,530
Trade and other receivables		**454,657**		372,137
Other current assets		**74,355**		66,379
Derivative assets (Note 9)		**18,467**		10,649
Total current assets	$	**1,217,183**	$	1,076,684
Property, plant and equipment (Note 4)		**8,230,043**		8,679,959
Contracts and other intangible assets		**498,747**		533,171
Goodwill		**640,704**		708,706
Finance lease receivable		**135,007**		136,198
Derivative assets (Note 9)		**48,112**		22,838
Long-term deposits		**76,694**		79,787
Deferred tax asset		**57,184**		67,626
Investment in joint venture (Note 3)		**132,859**		1,759
Other assets		**92,228**		92,742
Total assets	$	**11,128,761**	$	11,399,470
Liabilities and equity				
Trade and other payables	$	**293,543**	$	252,691
Facility-level loans and borrowings (Note 5)		**586,792**		608,446
Dividends payable		**20,263**		20,217
Derivative liabilities (Note 9)		**132,397**		178,510
Total current liabilities	$	**1,032,995**	$	1,059,864
Facility-level loans and borrowings (Note 5)		**6,348,331**		6,628,754
Corporate credit facilities (Note 6.1)		**386,469**		351,402
Provisions and other liabilities		**553,441**		550,878
Derivative liabilities (Note 9)		**360,575**		437,608
Deferred tax liability		**385,410**		368,193
Total liabilities	$	**9,067,221**	$	9,396,699
Equity				
Common shares (Note 7.1)	$	**2,976,566**	$	2,955,840
Preferred shares		**260,880**		260,880
Contributed surplus		**4,027**		3,225
Accumulated other comprehensive loss		**(293,074)**		(283,197)
Deficit		**(1,332,831)**		(1,361,730)
Equity attributable to shareholders		**1,615,568**		1,575,018
Non-controlling interests (Note 8)		**445,972**		427,753
Total equity		**2,061,540**		2,002,771
Total liabilities and equity	$	**11,128,761**	$	11,399,470

See accompanying notes.

(signed, John W. Brace)
John W. Brace
Director and Chair of the Board

(signed, Russell Goodman)
Russell Goodman
Director and Chair of the Audit Committee

Interim Condensed Consolidated Statements of Income (Loss)

In thousands of Canadian dollars except per Share and Share information

(unaudited)		Three months ended March 31,		
		2021		**2020**
Sales				
Electricity and related products	**$**	**557,547**	$	619,714
Regulated electricity		**55,128**		47,752
Other		**91**		229
Total sales	**$**	**612,766**	$	667,695
Cost of sales				
Fuel purchases		**46,609**		32,191
Regulated electricity purchases		**17,410**		16,729
Total cost of sales		**64,019**		48,920
Gross profit	**$**	**548,747**	$	618,775
Expenses				
Operating costs		**71,467**		66,812
General and administrative costs		**15,897**		12,483
Development costs		**13,705**		19,176
Depreciation of property, plant and equipment		**145,300**		129,665
Total expenses	**$**	**246,369**	$	228,136
Investment income		**977**		874
Finance lease income		**2,951**		3,038
Operating income	**$**	**306,306**	$	394,551
Finance costs, net (Note 11)		**87,090**		93,376
Amortization of contracts and other intangible assets		**9,940**		9,342
Impairment (Note 12)		**29,981**		—
Foreign exchange (gain) loss		**29,666**		(74,047)
Fair value (gain) loss on derivative contracts (Note 9)		**(54,983)**		34,665
Other (income) expense		**958**		1,584
Income (loss) before income taxes	**$**	**203,654**	$	329,631
Provision for (recovery of) income taxes				
Current		**34,575**		45,126
Deferred		**17,690**		9,486
Total income taxes		**52,265**		54,612
Net income (loss)	**$**	**151,389**	$	275,019
Net income (loss) attributable to:				
Non-controlling interests (Note 8)		**59,051**		76,212
Common shareholders		**92,338**		198,807
Net income (loss)	**$**	**151,389**	$	275,019
Weighted average number of Shares outstanding - basic (000s) (Note 10)		**202,388**		192,581
Weighted average number of Shares outstanding - diluted (000s) (Note 10)		**202,388**		199,511
Net income (loss) per share - basic (Note 10)	**$**	**0.44**	$	1.02
Net income (loss) per share - diluted (Note 10)	**$**	**0.44**	$	0.99

See accompanying notes.

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

In thousands of Canadian dollars

(unaudited)		Three months ended March 31,		
		2021		**2020**
Net income (loss)	**$**	**151,389**	$	275,019
Items that may be re-classified into net income (loss):				
Exchange rate differences on translation of foreign operations		**(81,877)**		(91,640)
Change in fair value of hedged derivative contracts (Note 9)		**81,131**		(73,675)
Deferred tax recovery (expense)		**(9,970)**		31,306
Items that will not be re-classified into net income (loss):				
Re-measurement of pension obligation		**132**		—
Other comprehensive income (loss)	**$**	**(10,584)**	$	(134,009)
Total comprehensive income (loss)	**$**	**140,805**	$	141,010
Total comprehensive income (loss) attributable to:				
Non-controlling interests (Note 8)		**58,344**		78,173
Common shareholders		**82,461**		62,837
Total comprehensive income (loss)	**$**	**140,805**	$	141,010

See accompanying notes.

Interim Condensed Consolidated Statements of Changes in Equity

In thousands of Canadian dollars

(Unaudited)	Common shares	Preferred shares	Deficit	Contributed surplus	Accumulated other comprehensive income (loss)	Equity attributable to shareholders'	Non-controlling interests	Total equity
December 31, 2020	$ 2,955,840	$ 260,880	$ (1,361,730)	$ 3,225	$ (283,197)	**$ 1,575,018**	$ 427,753	**$ 2,002,771**
Net income (loss)	—	—	92,338	—	—	**92,338**	59,051	**151,389**
Deferred tax recovery (expense)	—	—	—	—	(9,868)	**(9,868)**	(102)	**(9,970)**
Exchange rate differences on translation of foreign operations	—	—	—	—	(69,773)	**(69,773)**	(12,104)	**(81,877)**
Change in fair value of hedged derivative contracts (Note 9)	—	—	—	—	69,633	**69,633**	11,498	**81,131**
Re-measurement of pension obligation	—	—	—	—	131	**131**	1	**132**
Total comprehensive income (loss)	—	—	92,338	—	(9,877)	**82,461**	58,344	**140,805**
Deferred rights (Note 7.1)	—	—	—	771	—	**771**	—	**771**
Recognition of put option	—	—	—	31	—	**31**	—	**31**
Dividends to non-controlling interest (Note 8)	—	—	—	—	—	**—**	(40,125)	**(40,125)**
Common share and non-controlling interest dividends declared (Note 7.1, 7.3)	20,726	—	(60,740)	—	—	**(40,014)**	—	**(40,014)**
Preferred share dividends (Note 7.2)	—	—	(2,699)	—	—	**(2,699)**	—	**(2,699)**
March 31, 2021	**$ 2,976,566**	**$ 260,880**	**$ (1,332,831)**	**$ 4,027**	**$ (293,074)**	**$ 1,615,568**	**$ 445,972**	**$ 2,061,540**

See accompanying notes.

Interim Condensed Consolidated Statements of Changes in Equity - continued

In thousands of Canadian dollars

(Unaudited)	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, 2019	$ 2,443,209	$ 260,880	$ (1,466,235)	$ 351	$ (174,597)	**$ 1,063,608**	$ 447,144	**$ 1,510,752**
Net income (loss)	—	—	198,807	—	—	**198,807**	76,212	**275,019**
Deferred income taxes	—	—	—	—	31,097	**31,097**	209	**31,306**
Change in translation of net investment in foreign operations	—	—	—	—	(108,652)	**(108,652)**	17,012	**(91,640)**
Change in fair value of hedged derivative contracts (Note 9)	—	—	—	—	(58,415)	**(58,415)**	(15,260)	**(73,675)**
Re-measurement of pension obligation	—	—	—	—	—	**—**	—	**—**
Total comprehensive income (loss)	—	—	198,807	—	(135,970)	**62,837**	78,173	**141,010**
Deferred rights	—	—	—	253	—	**253**	—	**253**
Recognition of put option	—	—	—	(4,723)	—	**(4,723)**	—	**(4,723)**
Conversion of subscription receipts	341,744	—	—	—	—	**341,744**	—	**341,744**
Non-controlling interest acquired	—	—	—	—	—	**—**	2,645	**2,645**
Common and Class A share and non-controlling interest dividends declared (Note 7.3)	—	—	(64,159)	—	—	**(64,159)**	(38,505)	**(102,664)**
Preferred share dividends (Note 7.2)	—	—	(2,928)	—	—	**(2,928)**	—	**(2,928)**
Conversion of debentures	2,379	—	—	—	—	**2,379**	—	**2,379**
March 31, 2020	**$ 2,787,332**	**$ 260,880**	**$ (1,334,515)**	**$ (4,119)**	**$ (310,567)**	**$ 1,399,011**	**$ 489,457**	**$ 1,888,468**

See accompanying notes.

Interim Condensed Consolidated Statements of Cash Flows

In thousands of Canadian dollars

(unaudited)	Three months ended March 31, 2021	2020
Operating activities		
Net income (loss)	**$ 151,389**	$ 275,019
Items not involving cash or operations:		
Depreciation of property, plant and equipment	**145,300**	129,665
Amortization of contracts and other intangibles	**9,940**	9,342
Impairment of goodwill	**29,981**	—
Finance costs, net	**61,381**	55,091
Fair value (gain) loss on derivative contracts (Note 9)	**(54,983)**	34,665
Unrealized foreign exchange (gain) loss	**29,666**	(74,047)
Deferred tax expense (recovery)	**17,690**	9,486
Other	**3,041**	(930)
	$ 393,405	$ 438,291
Net change in working capital related to operations	**15,049**	(70,697)
Cash provided by operating activities	**$ 408,454**	$ 367,594
Investing activities		
Purchase of property, plant and equipment	**(51,093)**	(65,659)
Acquisitions, net (Note 3)	**(81,621)**	(734,170)
Restricted cash utilization (funding)	**(1,068)**	101,114
Interest received	**543**	3,528
Warranty settlement and proceeds (Note 13.2)	**—**	48,002
Other	**580**	1,306
Net change in working capital related to investing activities	**(1,422)**	(33,219)
Cash used in investing activities	**$ (134,081)**	$ (679,098)
Financing activities		
Proceeds from borrowings, net of transaction costs	**171,001**	1,069,706
Repayment of borrowings	**(172,969)**	(556,977)
Interest paid	**(50,435)**	(50,065)
Restricted cash utilization (funding)	**66,541**	(91,105)
Common and Class A share dividends (Note 7.3)	**(39,953)**	(62,717)
Dividends to non-controlling interests (Note 8)	**(41,632)**	(38,505)
Preferred share dividends (Note 7.2)	**(2,699)**	(2,928)
Conversion of subscription receipts	**—**	341,388
Other	**(4,972)**	(4,186)
Cash (used in) provided by financing activities	**$ (75,118)**	$ 604,611
Effect of exchange rate differences on cash and cash equivalents	**(84,296)**	67,854
Net change in cash and cash equivalents during the period	**114,959**	360,961
Cash and cash equivalents, beginning of period	**434,989**	268,193
Cash and cash equivalents, end of period	**$ 549,948**	$ 629,154

See accompanying notes.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

1. Description of Northland's Business

Northland Power Inc. ("**Northland**") owns or holds net economic interests, through its subsidiaries, in power-producing facilities and a power distribution utility as well as in projects under construction or in development phases. Northland's power-producing facilities produce electricity from clean energy sources for sale primarily under long-term power purchase agreements (**PPAs**) or other revenue arrangements with creditworthy customers. Northland's utility is a distributor and retailer of electricity compensated under a regulated framework. These operating assets provide stable cash flow and are primarily located in Canada, Germany, the Netherlands and Colombia. Northland's significant assets under construction and under development are located in Mexico and Taiwan and New York, respectively.

Northland is incorporated under the laws of Ontario, Canada with common shares ("**Shares**"), Series 1 cumulative rate reset preferred shares ("**Series 1 Preferred Shares**"), Series 2 cumulative floating rate preferred shares ("**Series 2 Preferred Shares**") and Series 3 cumulative rate reset preferred shares ("**Series 3 Preferred Shares**") that are publicly traded on the Toronto Stock Exchange ("**TSX**"). Northland is the parent company for the subsidiaries that operate Northland's business. Northland's registered office is located in Toronto, Ontario.

These unaudited interim condensed consolidated financial statements ("**Interim Consolidated 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 Mar. 31 2021** (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 %
Efficient Natural Gas		
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 %
Onshore Renewable		
Four solar facilities ("**Cochrane**")	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 %
Utility		
Empresa de Energía de Boyacá S.A E.S.P ("**EBSA**")	Colombia	99.4 %

(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 March 31, 2021, Northland's economic interest was unchanged from December 31, 2020.

(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

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, 2020 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 therefore should be read in conjunction with Northland's 2020 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 months ended March 31, 2021 were approved by the Board of Directors on May 12, 2021.

2.2 Basis of Consolidation

The Interim Financial Statements comprise the financial statements of Northland and its subsidiaries at and for the three months ended March 31, 2021. 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

There has been no change in IFRS with an impact on the interim consolidated financial statements as of March 31, 2021.

2.4 Future Accounting Policies

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

3. Acquisitions

3.1 Joint Venture in Polish Offshore Wind Development Project in Baltic Sea

On March 24, 2021, Northland successfully completed its previously announced acquisition of a 49% interest in the Baltic Power offshore wind project in the Baltic Sea for a total cash consideration of PLN 255 million ($82 million).

Baltic Power is structured as a standalone legal entity and Northland has interest in the net assets of Baltic Power. Accordingly, Northland has classified its interest in Baltic power as a joint venture, which will be accounted for under the equity method.

Additional purchase price commitment

Pursuant to the joint venture agreement, Northland has made an additional purchase price commitment of €33 million ($49 million) to be funded over the next two years. These commitments have been recognized within trade and other payables and provisions and other liabilities in Northland’s interim consolidated financial statements.

The reconciliation between the summarized financial information to the carrying value of Northland’s investment in Baltic Power as follows:

As at		March 31, 2021
Current assets (including cash and cash equivalents) (1)	$	116,962
Non-current assets (1)		157,019
Current liabilities		(1,709)
Net assets (100%)		272,272
Northland's share of net assets (49%)		132,216
Northland's share of net loss for the period ending March 31, 2021 (49%) (2)		(281)
Carrying value	**$**	**131,935**
Net loss for the period ending March 31, 2021 (100%)	$	573
Northland's share of net loss for the period ending March 31, 2021 (49%) (2)	**$**	**281**

(1) Includes $82M cash consideration and $49M accounts receivable related to equity contributions to be received from Northland.

(2) Included within other (income) expense on the interim consolidated statement of income (loss).

3.2 Spanish Renewables Acquisition

Subsequent to March 31, 2021, Northland announced it entered into an agreement to acquire a portfolio of operating onshore renewable assets in Spain.

4. Property, Plant and Equipment

As at		March 31, 2021		December 31, 2020
Property, plant and equipment, net	**$**	**7,918,417**	$	8,400,313
Construction-in-progress		**252,954**		212,481
Lease right-of-use (**ROU**) asset		**58,672**		67,165
Total property, plant and equipment, net	**$**	**8,230,043**	$	8,679,959

As at March 31, 2021, construction-in-progress primarily relates to the capitalization of construction projects including the La Lucha project in Mexico, the Hai Long project in Taiwan, the New York Wind project in the United States and a solar project in Colombia.

5. Facility-level Loans and Borrowings

Northland generally finances projects and its operating facilities through non-recourse, secured credit arrangements at the subsidiary level. These loans and borrowing are summarized in the table below:

	Rate (1)	Maturity	Amount drawn as at Mar. 31, 2021 (2)	Amount drawn as at Dec. 31, 2020 (2)
EBSA (3)	5.1 %	2022	434,610	449,052
Kirkland Lake	2.0 %	2023	11,800	11,800
Jardin (3)	6.0 %	2029	78,453	80,141
Thorold (3)	6.7 %	2030	241,282	245,820
Nordsee One (3)	2.2 %	2026	836,542	897,478
Gemini (3)(5)	4.1 %	2030	2,462,205	2,596,382
Mont Louis	6.6 %	2031	67,474	68,690
Solar Phase I (3)(4)	4.4 %	2032	175,153	175,114
Solar Phase II (4)	5.4 %	2032	92,388	92,948
North Battleford (3)	5.0 %	2032	566,536	566,720
Cochrane Solar (3)	5.3 %	2033	153,633	154,531
Deutsche Bucht (3)	2.3 %	2033	1,267,774	1,343,573
McLean's	6.0 %	2034	111,225	112,771
Grand Bend	4.3 %	2035	309,228	313,065
Spy Hill (3)	4.1 %	2036	126,820	129,115
Weighted average and total	**3.9 %**		**$ 6,935,123**	$ 7,237,200
Current			**586,792**	608,446
Long-term			**6,348,331**	6,628,754

(1) The weighted average all-in interest rates of the subsidiary borrowings.

(2) Excludes letters of credit secured by facility or project-level credit agreements.

(3) Net of transaction costs and/or fair value adjustments.

(4) Solar Phase I and Solar Phase II include the nine entities that comprise Solar.

(5) Includes the amount drawn on the senior debt and the third-party portion of subordinated debt.

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

As at March 31, 2021, $29 million of letters of credit secured by facility or project-level credit agreements was outstanding (2020 - $29 million).

NORTHLAND POWER

6. Corporate Credit Facilities

6.1 Corporate Credit Facilities

The corporate credit facilities are summarized in the table below:

	Facility size	Amount drawn as at March 31, 2021	Outstanding letters of credit	Available capacity	Maturity	Amount drawn as at December 31, 2020
Syndicated revolving facility (1)	$ 1,000,000	**$ 388,933**	$ 129,478	$ 481,589	Jun. 2024	$ 354,263
Bilateral letter of credit facility	150,000	**—**	144,132	5,868	Mar. 2023	—
Export credit agency backed letter of credit facility	100,000	**—**	94,921	5,079	Mar. 2022	—
Total	$ 1,250,000	**$ 388,933**	$ 368,531	$ 492,536		$ 354,263
Less: deferred financing costs		**2,464**				2,861
Total, net		**$ 386,469**				$ 351,402

(1) The amount drawn on the syndicated revolving facility comprises $216 million USD converted to CAD at the period-end exchange rate, $20 million CAD and €66 million converted to CAD at the period-end exchange rate (December 31, 2020 - $234 million, $35 million and €14 million).

During the three months ended March 31, 2021, Northland made net drawdowns of $40 million on the syndicated revolving facility, with remaining movement in the period due to foreign exchange fluctuations.

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.

7. Equity

7.1 Common Shares

Northland is authorized to issue an unlimited number of Shares.

The change in Shares during 2021 and 2020 was as follows:

	March 31, 2021		December 31, 2020	
	Shares	**Amount**	**Shares**	**Amount**
Shares outstanding, beginning of year	**202,171,075**	**$ 2,955,840**	179,441,219	$ 2,428,594
Conversion of subscription receipts	**—**	**—**	14,289,000	340,147
Conversion of debentures	**—**	**—**	6,896,136	148,908
Conversion of Class A shares	**—**	**—**	1,000,000	14,615
Shares issued under the DRIP	**455,933**	**20,726**	544,720	21,979
Change in deferred taxes	**—**	**—**	—	1,597
Total common and convertible shares outstanding, end of period	**202,627,008**	**$ 2,976,566**	202,171,075	$ 2,955,840

Dividend Reinvestment Plan

The DRIP provides shareholders the right to reinvest their dividends in Shares with a discount to the market price as defined in the DRIP. Shares issued under the DRIP can be sourced from treasury or purchased on the secondary market at the election of Northland's Board of Directors. Northland's Board of Directors has the discretion to alter the discount or source of Shares issued under the DRIP.

Effective with the dividend paid on September 15, 2020, to shareholders of record on August 31, 2020, Northland changed the discount rate applicable to its DRIP, whereby common shareholders may elect to reinvest their dividends in common shares to 3% discount, from the previous 0% discount.

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 March 31, 2021, 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 costs recognized for LTIP in the period depend on management's best estimate of a project's expected development profit and expected timing of project milestones. 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 months ended March 31, 2021, Northland expensed $0.4 million (2020 - $0.3 million) of costs under the LTIP. No forfeitures are assumed to occur. The balance of accrued awards related to the Development LTIP is included in liabilities since 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.

7.2 Preferred Shares

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

Three months ended March 31,		**2021**		**2020**
Series 1	**$**	**953**	$	989
Series 2		**222**		416
Series 3		**1,524**		1,523
Total	**$**	**2,699**	$	2,928

7.3 Dividends

Dividends declared per Share and in aggregate were as follows:

Three months ended March 31,		**2021**		**2020**
Dividends declared per Share	**$**	**0.30**	$	0.30
Aggregate dividends declared				
Dividends in cash	**$**	**40,405**	$	62,928
Dividends in shares		**20,335**		1,231
Total	**$**	**60,740**	$	64,159

7.4 Equity offering

On April 21, 2021, Northland completed a bought deal equity offering for 22.5 million common shares for aggregate gross proceeds of $990 million.

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8. Non-controlling Interests

Non-controlling interests relate to the interests not owned by Northland. Subsidiaries with non-controlling interests that are material to Northland's consolidated financial statements include Gemini (40%), Nordsee One (15%) 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 for subsidiaries with material non-controlling interests in the consolidated balance sheets (shown at 100% totals) are as follows:

As at March 31, 2021	Current assets (1)	Long-term assets	Current liabilities	Long-term liabilities
Gemini	$ **336,748**	$ **3,065,867**	$ **288,947**	$ **2,597,116**
Nordsee One	**147,707**	**1,285,797**	**181,445**	**788,610**
CEEC	**29,339**	**25,029**	**7,866**	**10,937**
Other (2)	**121,003**	**881,587**	**76,170**	**689,751**
Total	$ **634,797**	$ **5,258,280**	$ **554,428**	$ **4,086,414**

As at December 31, 2020	Current assets (1)	Long-term assets	Current liabilities	Long-term liabilities
Gemini	$ 273,947	$ 3,284,280	$ 303,065	$ 2,757,878
Nordsee One	141,572	1,377,802	191,984	836,831
CEEC	24,332	25,219	7,996	10,924
Other (2)	123,374	906,200	85,310	707,758
Total	$ 563,225	$ 5,593,501	$ 588,355	$ 4,313,391

(1) As at March 31, 2021, restricted cash of $47 million (2020 - $154 million) is included for Gemini, $29 million (2020 - nil) for Nordsee One where the availability of funds is intended for debt repayments.

(2) Other includes subsidiaries with non-controlling interests that are not material to Northland's consolidated financial statements, including: McLean's (50%), Grand Bend (50%), Cochrane Solar (37.5%), Energia (12%) and EBSA (0.6%).

As at March 31, 2021, Northland had an outstanding receivable balance of $36 million from Cochrane Solar's First Nations partner (2020 - $39 million). This balance appears at a fair value of $36 million (2020 - $35 million) on the consolidated balance sheets, including $3 million classified as "trade and other receivables" and the remaining portion as "other assets".

The change in material non-controlling interests during 2021 and 2020 is as follows:

	Gemini	Nordsee One	CEEC	Other (2)	Total
As at January 1, 2019	$ 201,627	$ 47,085	$ 153,207	$ 45,225	$ 447,144
Net income (loss) attributable (1)	—	—	—	2,645	2,645
Dividends and distributions declared (1)	89,321	17,365	8,433	9,002	124,121
Allocation of other comprehensive income (loss) (1)	(103,065)	(16,165)	—	(18,753)	(137,983)
As at December 31, 2020	$ 180,638	$ 51,466	$ 161,640	$ 34,009	$ 427,753
Net income (loss) attributable (1)	**45,652**	**5,743**	**4,636**	**3,020**	**59,051**
Dividends and distributions declared (1)	**(32,232)**	**(4,296)**	**—**	**(3,597)**	**(40,125)**
Allocation of other comprehensive income (loss) (1)	**(1,090)**	**(2,336)**	**—**	**2,719**	**(707)**
As at March 31, 2021	$ **192,968**	$ **50,577**	$ **166,276**	$ **36,151**	$ **445,972**

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

(2) Other includes subsidiaries with non-controlling interests that are not material to Northland's consolidated financial statements, including: McLean's (50%), Grand Bend (50%), Cochrane Solar (37.5%), Energia (12%) and EBSA (0.6%).

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9. Financial Instruments

The derivative financial instruments consist of the following:

As at March 31, 2021	Current assets	Current liabilities	Long-term assets	Long-term liabilities	Total
Derivatives designated for hedge accounting					
Canadian dollar interest rate swaps	**$ —**	**$ (12,703)**	**$ 30**	**$ (32,151)**	**$ (44,824)**
Euro interest rate swaps	**—**	**(62,768)**	**159**	**(277,603)**	**(340,212)**
Euro foreign exchange contracts	**2,942**	**(393)**	**18,850**	**(33,833)**	**(12,434)**
Colombian peso foreign exchange contracts	**950**	**—**	**709**	**—**	**1,659**
Power forward contracts	**489**	**(4,595)**	**—**	**(2,864)**	**(6,970)**
Derivatives not designated for hedge accounting					
Canadian dollar interest rate swaps	**—**	**(23,147)**	**—**	**—**	**(23,147)**
U.S. dollar interest rate swaps	**—**	**(513)**	**8,335**	**(288)**	**7,534**
U.S. dollar foreign exchange contracts	**86**	**(738)**	**—**	**—**	**(652)**
Euro foreign exchange contracts	**11,141**	**—**	**20,214**	**(1,103)**	**30,252**
Cross-currency interest rate swaps	**—**	**1,212**	**—**	**—**	**1,212**
Colombian peso foreign exchange contracts	**299**	**—**	**104**	**—**	**403**
Gas forward contracts	**2,157**	**(12,013)**	**—**	**—**	**(9,856)**
Power forward contracts	**403**	**(16,739)**	**(289)**	**(12,733)**	**(29,358)**
Total	**$ 18,467**	**$ (132,397)**	**$ 48,112**	**$ (360,575)**	**$ (426,393)**

As at December 31, 2020	Current assets	Current liabilities	Long-term assets	Long-term liabilities	Total
Derivatives designated for hedge accounting					
Canadian dollar interest rate swaps	$ —	$ (12,672)	$ —	$ (50,166)	$ (62,838)
Euro interest rate swaps	—	(88,709)	—	(326,841)	(415,550)
Euro foreign exchange contracts	1,461	(3,607)	7,589	(50,481)	(45,038)
Colombian peso foreign exchange contracts	—	(424)	—	(297)	(721)
Power forward contracts	—	(7,448)	—	(392)	(7,840)
Derivatives not designated for hedge accounting					
Canadian dollar interest rate swaps	—	(31,112)	—	—	(31,112)
U.S. dollar interest rate swaps	—	(544)	2,845	(900)	1,401
U.S. dollar foreign exchange contracts	57	(702)	—	—	(645)
Euro foreign exchange contracts	6,955	—	12,280	(443)	18,792
Cross-currency interest rate swaps	—	(7,698)	—	—	(7,698)
Colombian peso foreign exchange contracts	—	(86)	—	(41)	(127)
Gas forward contracts	2,011	(14,515)	124	(1,418)	(13,798)
Power forward contracts	165	(10,993)	—	(6,629)	(17,457)
Total	$ 10,649	$ (178,510)	$ 22,838	$ (437,608)	$ (582,631)

The change in derivative financial instruments for the three months ended March 31, 2021 and 2020 is as follows:

	Balance as at Dec. 31, 2020 asset (liability)	Designated in hedge relationships: Changes in fair value recognized in OCI (1)	Designated in hedge relationships: Cash and accrued payments/ (receipts) (2)	Designated in hedge relationships: Unrealized fair value changes (2)	Fair value changes on derivatives not designated in hedge relationships (2)	Foreign exchange gain (loss)	Balance as at Mar. 31, 2021 asset (liability)
Canadian dollar interest rate swaps	$ (93,950)	$ 16,256	$ 3,335	$ (1,577)	$ 7,965	$ —	$ (67,971)
U.S. dollar Interest rate	1,401	—	—	—	6,133	—	7,534
Euro Interest rate swaps	(415,550)	39,832	17,721	(2,148)	—	19,933	(340,212)
Gas forward contracts	(13,798)	—	—	—	3,942	—	(9,856)
Power forward contracts	(25,297)	316	—	520	(12,133)	266	(36,328)
U.S. dollar foreign exchange contracts	(645)	—	—	—	(7)	—	(652)
Euro foreign exchange contracts	(26,246)	22,294	1,555	6,725	13,490		17,818
Cross-currency interest rate swaps	(7,698)	—	—	—	8,910	—	1,212
Colombian peso foreign exchange contracts	(848)	2,433	—	20	532	(75)	2,062
Total	**$ (582,631)**	**$ 81,131**	**$ 22,611**	**$ 3,540**	**$ 28,832**	**$ 20,124**	**$ (426,393)**

(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).

	Balance as at Dec. 31, 2019 asset (liability)	Designated in hedge relationships: Changes in fair value recognized in OCI (1)	Designated in hedge relationships: Cash and accrued payments/ (receipts) (2)	Designated in hedge relationships: Unrealized fair value changes (2)	Fair value changes on derivatives not designated in hedge relationships (2)	Foreign exchange gain (loss)	Balance as at Mar. 31, 2020 asset (liability)
Canadian dollar interest rate swaps	$ (65,730)	$ (27,765)	$ 1,969	$ (837)	$ (9,857)	$ —	$ (102,220)
Euro interest rate swaps	(370,208)	(41,267)	17,493	1,323	—	(25,004)	(417,663)
Gas forward contracts	(27,155)	—	—	—	3,297	—	(23,858)
Power forward contracts	(707)	(1,753)	—	(440)	85	—	(2,815)
U.S. dollar foreign exchange contracts	(361)	167	—	1	3,300	—	3,107
Euro foreign exchange contracts	(3,204)	(3,057)	(360)	(143)	(17,462)	—	(24,226)
Cross-currency interest rate swaps	—	—	—	—	(4,441)	—	(4,441)
Colombian peso foreign exchange contracts	28,593	—	—	—	(28,593)	—	—
Total	$ (438,772)	$ (73,675)	$ 19,102	$ (96)	$ (53,671)	$ (25,004)	$ (572,116)

(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 months ended March 31, 2021, with the exception of increased exposure to the Colombian peso as a result of financing portion of the purchase price made for the EBSA Acquisition.

10. Net Income (Loss) per Share

The basic and diluted net income (loss) is calculated as follows:

	Three months ended March 31,	
	2021	**2020**
Net income (loss) for the period attributable to common shareholders	**$ 92,338**	$ 198,807
Less: preferred share dividends, net (Note 7.2)	**(2,699)**	(2,928)
Net income (loss) attributable to common shareholders for basic earnings	**$ 89,639**	$ 195,879
Add back: convertible unsecured subordinated debentures interest and amortization	**—**	1,573
Net income (loss) attributable to common shareholders for diluted earnings	**$ 89,639**	$ 197,452

The basic and diluted share amounts are calculated as follows:

	Three months ended March 31,	
	2021	**2020**
Weighted average number of Shares outstanding	**202,388,213**	191,581,281
Weighted average number of Class A shares	**—**	1,000,000
Weighted average number of Shares outstanding, basic	**202,388,213**	192,581,281
Effect of dilutive securities:		
Convertible unsecured subordinated debentures	**—**	6,930,028
Weighted average number of Shares outstanding, diluted	**202,388,213**	199,511,309

11. Finance Costs

Net finance costs consist of the following:

	Three months ended March 31,	
	2021	**2020**
Interest on debt, borrowings and bank fees	**$ 76,145**	$ 88,351
Amortization of deferred financing costs	**10,079**	7,048
Discount on provisions for decommissioning liabilities	**972**	1,127
Lease interest	**437**	378
Finance income	**(543)**	(3,528)
Finance costs, net	**$ 87,090**	$ 93,376

For the three months ended March 31, 2021, $0.9 million interests (2020 - nil) incurred from project financing related to facilities under construction were capitalized in construction-in-progress.

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12. Operating Segment Information

Northland identified the operating segments as outlined in the table below based on the nature of operations and asset class. 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 March 31, 2021	**Offshore wind**	**Efficient Natural Gas**	**Onshore renewable**	**Utility**	**Other [(1)]**	**Eliminations**	**Total**
External sales	**$ 371,219**	**$ 120,443**	**$ 53,344**	**$ 57,118**	**$ 10,642**	**$ —**	**$ 612,766**
Inter-company sales [(1)]	**—**	**—**	**—**	**—**	**61,309**	**(61,309)**	**—**
Total sales	**$ 371,219**	**$ 120,443**	**$ 53,344**	**$ 57,118**	**$ 71,951**	**$ (61,309)**	**$ 612,766**
Cost of sales	**—**	**33,812**	**—**	**17,410**	**12,797**	**—**	**64,019**
Operating costs	**38,515**	**11,808**	**6,731**	**14,413**	**—**	**—**	**71,467**
General and administrative costs [(2)]	**2,607**	**111**	**294**	**2,000**	**24,590**	**—**	**29,602**
Depreciation of PP&E	**87,561**	**25,315**	**22,075**	**8,495**	**1,854**	**—**	**145,300**
Other income [(3)]	**—**	**(2,951)**	**—**	**—**	**(977)**	**—**	**(3,928)**
Operating income	**$ 242,536**	**$ 52,348**	**$ 24,244**	**$ 14,800**	**$ 33,687**	**$ (61,309)**	**$ 306,306**
Finance costs, net	**$ 51,550**	**$ 13,130**	**$ 13,774**	**$ 139**	**$ 8,497**	**$ —**	**$ 87,090**

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

(2) General and administrative costs includes development costs.

(3) Other income includes investment income and finance lease income.

Three months ended March 31, 2020	**Offshore wind**	**Efficient Natural Gas**	**Onshore renewable**	**Utility**	**Other [(1)]**	**Eliminations**	**Total**
External sales	$ 444,984	$ 114,865	$ 52,980	$ 49,671	$ 5,195	$ —	$ 667,695
Inter-company sales	—	—	—	—	54,934	(54,934)	—
Total sales	$ 444,984	$ 114,865	$ 52,980	$ 49,671	$ 60,129	$ (54,934)	$ 667,695
Cost of sales	—	27,818	—	16,729	4,373	—	48,920
Operating costs	36,312	11,956	6,794	11,750	—	—	66,812
General and administrative costs	2,280	79	197	1,594	27,509	—	31,659
Depreciation of PP&E	85,431	12,567	22,054	7,916	1,697	—	129,665
Other income [(2)]	—	(3,038)	—	—	(874)	—	(3,912)
Operating income	$ 320,961	$ 65,483	$ 23,935	$ 11,682	$ 27,424	$ (54,934)	$ 394,551
Finance costs, net	$ 49,607	$ 13,572	$ 14,244	$ 5,187	$ 10,766	$ —	$ 93,376

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

(2) Other income includes investment income and finance lease income.

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

As at March 31, 2021	PP&E, net	Contracts and other intangibles, net	Goodwill (2)	Investment in joint venture (1)	Total Assets
Offshore wind	**$ 5,521,205**	**$ 430,153**	**$ —**	**$ —**	**$ 6,724,683**
Efficient Natural Gas	**827,435**	**49,959**	**120,229**	**—**	**1,326,879**
Onshore renewable	**1,252,591**	**—**	**54,731**	**—**	**1,407,842**
Utility	**522,829**	**6,678**	**465,744**	**—**	**1,090,147**
Other	**105,983**	**11,957**	**—**	**132,859**	**579,210**
Total	**8,230,043**	**498,747**	**640,704**	**132,859**	**11,128,761**

(1) Includes investments in joint ventures.

(2) $30M of goodwill relating to Iroquois Falls facility was written off in Q1 2021 due to the expiry of its power contract in December 2021.

As at December 31, 2020	PP&E, net	Contracts and other intangibles, net	Goodwill	Equity-accounted investments (1)	Total Assets
Offshore wind	$ 5,913,397	$ 462,052	$ —	$ —	$ 7,139,292
Efficient Natural Gas	851,973	51,531	150,210	—	1,371,760
Onshore renewable	1,272,994	—	54,731	—	1,411,351
Utility	567,369	7,630	503,765	—	1,178,569
Other	74,226	11,958	—	1,759	298,498
Total	8,679,959	533,171	708,706	1,759	11,399,470

(1) Includes investments in associates and joint ventures.

Information on operations by geographic area is as follows:

Sales

Three months ended March 31,	2021	2020
Germany	**$ 168,845**	$ 209,441
Netherlands	**202,374**	235,543
Canada	**184,429**	173,040
Latin America	**57,118**	49,671
Total	**$ 612,766**	$ 667,695

Property, plant and equipment, net

As at	March 31, 2021	December 31, 2020
Germany (1)	**$ 2,559,572**	$ 2,759,069
Netherlands	**2,982,109**	3,194,656
Canada	**2,000,896**	1,995,012
Latin America	**687,466**	731,222
Total	**$ 8,230,043**	$ 8,679,959

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

13. 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.

13.1 COVID-19

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

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

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

13.2 Warranty Settlement and Other Proceeds

In the three months ended March 31, 2020, Nordsee One received partial proceeds from its turbine manufacturer, which filed for insolvency in 2019, to settle all warranty obligations for the remaining term of the original service agreement. Following the receipt of the full settlement in the second quarter of 2020, Nordsee One relinquishes its rights to make further warranty claims against the manufacturer. Northland recognized the proceeds as a reduction in "property, plant and equipment" in the consolidated balance sheets.

13.3 Milestone Payments for Development Project Acquisitions

In the course of business, Northland enters into acquisition agreements that may result in Northland making additional payments to the seller and/or directly to the development project previously acquired, upon the successful completion of certain milestones. As at March 31, 2021, Northland's best estimate of the future contingent payments are approximately \$212 million of contingent payments under its development projects arrangements, with a maximum of \$363 million. These contingent payments were not recognized in the interim condensed consolidated balance sheets.