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

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SECTION 1: OVERVIEW

Introduction

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

This MD&A contains forward-looking statements that are based on certain estimates and assumptions that were considered reasonable on August 11, 2021; actual results may differ materially. Certain prior period disclosures have been reclassified for consistency with the current period presentation. Northland's Audit Committee reviewed this MD&A and the associated unaudited interim condensed consolidated financial statements and notes, and its Board of Directors approved these documents prior to their release.

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

Forward-Looking Statements

This MD&A contains forward-looking statements that are based on certain estimates and assumptions that were considered reasonable on August 11, 2021; actual results may differ materially. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans. Readers are cautioned that such statements may not be appropriate for other purposes. Northland's actual results could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, the events anticipated by the forward-looking statements may or may not transpire or occur. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects," "anticipates," "plans," "predicts," "believes," "estimates," "intends," "targets," "projects," "forecasts" or negative versions thereof and other similar expressions or future or conditional verbs such as "may," "will," "should," "would" and "could." These statements may include, without limitation, statements regarding Northland's expectations or ability to complete the acquisition of the Spanish Portfolio in the third quarter of 2021, on the terms negotiated by Northland or at all, Northland's ability to integrate the Spanish Portfolio if the acquisition closes, the source of proceeds to pay for the acquisition of the Spanish Portfolio, the timing for energization, testing and commencement of commercial operations at La Lucha as well as related costs, future Adjusted EBITDA, Free Cash Flows (and as adjusted) and per share amounts, dividend payments and dividend payout ratios, guidance, and the closing date of the Offering, the completion of construction, completion, attainment of commercial operations, the potential for future production from project pipelines, cost and output of development projects, litigation claims, plans for raising capital, and the future operations, business, financial condition, financial results, priorities, ongoing objectives, strategies and outlook of Northland and its subsidiaries. These statements are based upon certain material factors or assumptions that were applied in developing the forward-looking statements, including the design specifications of development projects, the provisions of contracts to which Northland or a subsidiary is a party, management's current plans and its perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. Although these forward-looking statements are based upon management's current reasonable expectations and assumptions, they are subject to numerous risks and uncertainties. Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the ability to satisfy all closing conditions to the acquisition of the Spanish Portfolio and the Offering, respectively, risks associated with assets such as those in the Spanish Portfolio, Northland's ability to integrate the Spanish Portfolio, Northland's ability to resolve issues with the Mexican authorities, revenue contracts, impact of COVID-19 pandemic, Northland's reliance on the performance of its offshore wind facilities at Gemini, Nordsee One and Deutsche Bucht for approximately 60% of its adjusted EBITDA and Free Cash Flow, counterparty risks, contractual operating performance, variability of revenue from generating facilities powered by intermittent renewable resources, offshore wind concentration, natural gas and power market risks, operational risks, recovery of utility operating costs, permitting, construction risks, project development risks, acquisition risks, financing risks, interest rate and refinancing risks, liquidity risk, credit rating risk, currency fluctuation risk, variability of cash flow and potential impact on dividends, taxation, natural events, environmental risks, health and worker safety risks, market compliance risk, government regulations and policy risks, utility rate regulation risks, international activities, reliance on information technology, labour relations, reputational risk, insurance risk, risks relating to co-ownership, bribery and corruption risk, legal contingencies, and the other factors described in this MD&A and *the 2020 AIF. Northland's actual results could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur. The forward-looking statements contained in this MD&A are based on assumptions that were considered reasonable as of the date hereof. Other than as specifically required by law, Northland undertakes no obligation to update any forward-looking statements to reflect events or circumstances after such date or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.*

Non-IFRS Financial Measures

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

Adjusted EBITDA

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

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

Free Cash Flow

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

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

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

Adjusted Free Cash Flow

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

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

SECTION 2: NORTHLAND'S OPERATING FACILITIES

As of June 30, 2021, Northland owns or has a net economic interest in 2,266 megawatts (**MW**) of power-producing facilities with a total operating capacity of approximately 2,681 MW and a regulated utility. Northland's operating assets provide stable cash flow and are located in Canada, Germany, the Netherlands and Colombia. Northland's power-producing facilities produce electricity from clean energy sources for sale primarily under long-term PPAs or other revenue arrangements with creditworthy customers. Northland's utility is a distributor and retailer of electricity compensated under a regulated framework. Refer to the 2020 AIF for additional information on Northland's operating facilities as of December 31, 2020.

Northland's MD&A and unaudited interim condensed consolidated financial statements include the results of its operating facilities, the most significant of which are presented 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
Deutsche Bucht	2020	Germany	100%	252	252
Efficient Natural Gas					
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
Onshore Renewable					
Cochrane	2015	Ontario	63%	40	25
Grand Bend	2016	Ontario	50%	100	50
Jardin	2009	Québec	100%	133	133
McLean's	2014	Ontario	50%	60	30
Mont Louis	2011	Québec	100%	101	101
Solar	2014	Ontario	100%	90	90
Utility					
EBSA	2020	Colombia	99%	n/a	n/a
Total				**2,681**	**2,266**

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

(2) As at June 30, 2021, Northland's economic interest was unchanged from December 31, 2020.

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

SECTION 3: CONSOLIDATED HIGHLIGHTS

3.1: Significant Events

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

COVID-19 and Business Update

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

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

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

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

Management believes the Company continues to have sufficient liquidity available to address the impact of COVID-19, while executing on its growth objectives. As at June 30, 2021, Northland had access to $1,445 million of cash and liquidity, comprising $838 million of liquidity available under a syndicated revolving facility and $607 million of corporate cash on hand. On August 11, 2021, $522 million of cash was used to fund purchase price consideration for the Spanish Portfolio.

Growth Updates:

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

Spanish Renewables Acquisition

On August 11, 2021, Northland completed its previously announced acquisition of a Spanish operating portfolio of onshore renewable projects (the "**Spanish Portfolio**") with a total combined net capacity of 551 MW. The transaction included the acquisition of minority interests not included in the initial announced transaction. The Spanish Portfolio includes 33 operating assets comprised of onshore wind (435 MW), solar photovoltaic (66 MW), and a concentrated solar (50 MW) located throughout Spain. Total cash consideration was €348 million ($522 million) with the assumption of debt totaling €716 million ($1,075 million). The acquisition was funded using proceeds from Northland's common equity offering completed on April 14, 2021.

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

Green Financings Executed

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

New York 320 MW Onshore Wind Project Update

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

Helios 16 MW Solar Project Update

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

La Lucha 130 MW Solar Project Update

The 130 MW solar project in the State of Durango, Mexico, has completed its activities relating to the physical construction, however, certain activities relating to the energization of the project continue to be delayed. In order to achieve commercial operations, the facility requires energization followed by testing, which is conducted by CENACE (Independent System Operator) and CFE (Federal Electricity Commission). Due to ongoing administrative delays resulting from the COVID-19 pandemic and other issues that have resulted in a backlog of approvals for renewable projects in Mexico, the energization and testing have been delayed and Northland does not anticipate these activities will be complete prior to the end of 2021. Northland continues to work with Mexican authorities, and other private power producers experiencing similar issues, to achieve energization of the La Lucha project. While timelines remain uncertain, Northland expects commercial operations at La Lucha to commence in early 2022. Efforts to secure commercial offtake and project financing are expected to be finalized only after commercial operations. As a result of the aforementioned delays, total capital costs for the project are expected to be around $200 million, up from $190 million originally.

Nordsee One Bearings Issue

As disclosed in the first quarter, Northland has identified a component issue on a number of wind turbines at the Nordsee One facility affecting the main rotor shaft bearing. Upon further assessment, in the second quarter, management concluded the component issue could affect all wind turbines and commenced replacement of the main shaft bearings for eight of the most severely impacted turbines, expected to be completed by the end of the third quarter. Northland and its partner in Nordsee One have agreed to undertake a broader replacement campaign in 2022 and extending into 2023 for the remaining turbines.

Management will expedite the campaign in 2021 in order to minimize downtime of the wind turbines, however, it is estimated that Nordsee One will incur lost revenue, due to turbine curtailments and shutdowns, of approximately €8 million ($11 million at Northland's share) in 2021. The anticipated total cost for the 2021 campaign to replace eight bearings is approximately €13 million ($16 million at Northland's share) and the estimated total cost to replace all 54 bearings is €65 million ($83 million at Northland's share), which is expected to be substantially covered by the warranty bond settlement received in 2020 relating to outstanding warranty obligations of Nordsee One's turbine manufacturer upon its insolvency. Refer to the *Section 4.1: Operating Results* for additional information.

Baltic Power, Polish Offshore Wind Project Update

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

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

Hai Long 1,044 MW Offshore Wind Project Update

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

Nordsee 2 and Nordsee 3 Offshore Wind Projects

In 2014, when Northland acquired its interest in Nordsee One, it also acquired an 85% interest in two early-stage offshore wind development projects, Nordsee Two ("**N2**") and Nordsee Three ("**N3**"). As part of the agreement to relinquish these sites to the German government, the relevant project companies, both subsidiaries of Northland, were allocated step-in rights for upcoming offshore wind site auctions. Northland is preparing to exercise these step-in rights with the first auction for N2 expected later this year. These two potential offshore wind projects are expected to have a combined grid capacity of approximately 850 MW.

Enhanced Dispatch Contract (EDC) executed for Kirkland Lake Facility

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

Equity Offering

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

Deutsche Bucht Refinancing

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

NORTHLAND POWER

3.2: Operating Highlights

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
FINANCIALS				
Sales	**$ 408,321**	$ 429,231	**$ 1,021,087**	$ 1,096,926
Gross profit	**367,688**	385,509	**916,435**	1,004,284
Operating income	**117,846**	149,141	**424,152**	543,692
Net income (loss)	**(6,370)**	74,277	**145,019**	349,296
Adjusted EBITDA (a non-IFRS measure)	**202,883**	226,513	**562,687**	647,284
Cash provided by operating activities	**361,076**	365,127	**769,530**	732,721
Free Cash Flow (a non-IFRS measure)	**5,545**	17,448	**139,993**	228,911
Adjusted Free Cash Flow (a non-IFRS measure)	**22,401**	37,881	**169,690**	262,336
Cash dividends paid	**43,386**	59,150	**83,339**	121,867
Total dividends declared [(1)]	**67,642**	59,819	**128,382**	123,978
Per Share				
Weighted average number of shares - basic (000s)	**220,182**	198,842	**211,284**	195,711
Net income (loss) - basic	**$ (0.08)**	$ 0.26	**$ 0.34**	$ 1.27
Free Cash Flow - basic (a non-IFRS measure)	**$ 0.03**	$ 0.09	**$ 0.66**	$ 1.17
Adjusted Free Cash Flow - basic (a non-IFRS measure)	**$ 0.10**	$ 0.19	**$ 0.80**	$ 1.34
Total dividends declared	**$ 0.30**	$ 0.30	**$ 0.60**	$ 0.60
ENERGY VOLUMES				
Electricity production in gigawatt hours (**GWh**)	**1,515**	1,785	**4,118**	4,759

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

SECTION 4: RESULTS OF OPERATIONS

4.1: Operating Results

Offshore Wind Facilities

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

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
Sales/gross profit (1) (2)	**$ 204,892**	$ 214,764	**$ 576,111**	$ 659,748
Operating costs (2)	**46,818**	41,166	**85,333**	77,478
Operating income	**69,784**	86,528	**312,320**	407,489
Adjusted EBITDA	**$ 113,208**	$ 125,585	**355,311**	430,068
Free Cash Flow (2)	**$ (15,061)**	$ (10,488)	**71,405**	151,618

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

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

Northland's three offshore wind facilities, Gemini, Nordsee One and Deutsche Bucht, are located off the coasts of the Netherlands and Germany. Wind facilities are subject to seasonality, and accordingly, tend to produce more electricity during winter due to denser air and higher winds compared to summer, the effect of which is reflected in the respective fiscal quarter's results. In addition, variability in offshore wind resource results in similar fluctuations in quarter-to-quarter financial results. Factors such as exposure to market prices, turbine or grid availability can also have a significant effect on financial results, though typically to a lesser extent than variability in wind resource. For the six months ended June 30, 2021, Gemini, Nordsee One and Deutsche Bucht contributed approximately 25%, 17% and 17%, respectively, of Northland's reported Adjusted EBITDA from facilities.

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

Variability within Operating Results

Gemini has subsidy agreements with the Government of the Netherlands which expire in 2031. The subsidies are subject to an annual production ceiling (the "**Gemini Subsidy Cap**"), beyond which production earns revenue at the wholesale market price. 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 subsidy tops up the average Dutch wholesale market price for the year (the "**APX**") to a fixed contractual rate per megawatt hour (MWh), though subject to a floor price ("**SDE floor**") of approximately €44/MWh. The SDE floor exposes Gemini to some market price risk if the APX falls below the SDE floor. The APX averaged below the SDE Floor for four of the facility's five years of operation.

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

Gemini APX Hedges

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

Through the first quarter of 2021, the APX commenced increasing above the SDE floor, in part prompted by continued rising natural gas and carbon prices in Europe, resulting in lost revenue for Gemini. As a result, in May 2021, Northland entered into offsetting financial derivatives to limit the potential lost revenue for 2021 to 2023 under the original financial derivatives. While limiting revenue losses in the future, the offsetting derivatives crystallized financial losses ("**APX hedge losses**") for Northland amounting to $25 million, $19 million and $9 million for the second half of 2021, 2022 and 2023, respectively. These net unrealized losses will be settled in the future periods to which they relate. For the six months ended June 30, 2021, Gemini recognized $12 million of financial losses. There will be no further net losses in 2021 and 2022 beyond the above and the cost of any put contracts entered into.

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

Nordsee One Rotor Shaft Bearing Replacement

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

To date in 2021, Nordsee One has replaced four RSA and expects to replace another four this year. In 2022 and 2023, management expects to replace all remaining RSA as parts become available and weather conditions allow. In some cases, Nordsee One may need to curtail the performance of some turbines in order to extend their life, which would affect overall production ("turbine availability") and may lead to lost revenues in 2022 and 2023. This issue is not expected at Northland's other offshore wind facilities which utilize different turbines.

Management will expedite the campaign in 2021 in order to minimize downtime of the wind turbines, however, it is estimated that Nordsee One will incur lost revenue, due to turbine curtailments and shutdowns, of approximately €8 million ($11 million at Northland's share) in 2021, including $4 million realized in the first half of the year. The anticipated total cost for the 2021 campaign to replace eight bearings is approximately €13 million ($16 million at Northland's share) and the estimated total cost to replace all 54 bearings is €65 million ($83 million at Northland's share), which is expected to be substantially covered by the warranty bond settlement received in 2020 relating to outstanding warranty obligations of Nordsee One's turbine manufacturer upon its insolvency. Northland continues to assess the potential impacts for 2022 and 2023.

Long-term Average Production

A key performance indicator for the offshore wind facilities is historical long-term average (**LTA**), where available, of the power production of each offshore wind facility. The following table summarizes actual electricity production and the LTA:

	Three months ended June 30,			Six Months Ended June 30,		
	2021 (1)	**2020** (1)	**LTA** (2)	**2021** (1)	**2020** (1)	**LTA** (2)
Electricity production (GWh)						
Gemini	**368**	406	436	**1,057**	1,232	1,160
Nordsee One	**150**	164	186	**461**	572	530
Deutsche Bucht	**165**	141	153	**444**	490	467
Total	**683**	711	775	**1,962**	2,294	2,157

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

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

Electricity production for the three months ended June 30, 2021, decreased 4% or 28 GWh compared to the same quarter of 2020 primarily due to an unusually low wind resource at all three offshore facilities, partially offset by relatively higher production at the German facilities due to the improved grid availability and fewer periods of negative prices compared to 2020. Electricity production for the six months ended June 30, 2021, decreased 14% or 331 GWh compared to the same period of 2020 largely due the same factors affecting the second quarter.

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

Sales of $205 million for the three months ended June 30, 2021, decreased 5% or $10 million compared to the same quarter of 2020 largely due to foreign exchange rate fluctuations, with lower production at Gemini and Nordsee One, partially offset by fewer periods of uncompensated outages and of negative prices in Germany, as shown below. Sales of $576 million for the six months ended June 30, 2021, decreased 13% or $84 million compared to the same period of 2020 primarily due to lower wind resource in the North Sea compared to the same period last year, partially offset by fewer periods of uncompensated outages and of negative prices in Germany, as shown below. Offshore wind resource was significantly above the long-term average in the first quarter of 2020. Foreign exchange rate fluctuations resulted in $4 million higher sales for the six months ended June 30, 2021, compared to the same period of 2020.

The following table summarizes Northland's share of lost revenues from factors other than the low wind resource:

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
Effect of Gemini price hedge (2021) or effect of APX below the SDE floor (2020) (1)	**$ 7,622**	$ 2,379	**12,043**	$ 12,163
Lower turbine availability at Nordsee One	**3,126**	—	**3,645**	—
Unpaid curtailment due to negative prices in Germany	**4,418**	5,567	**6,263**	20,720
Unpaid curtailment due to grid outages in Germany	**5,253**	12,584	**7,263**	12,695

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

Operating costs of $47 million and $85 million for the three and six months ended June 30, 2021, increased 14% or $6 million and 10% or $8 million compared to the same periods of 2020 primarily due to the timing of repairs and maintenance activities compared to the same periods last year.

Operating income of $70 million and $312 million for the three and six months ended June 30, 2021, decreased 19% or $17 million and 23% or $95 million compared to the same periods of 2020 primarily due to low wind resource in the North Sea compared to the same periods last year.

Adjusted EBITDA of $113 million and $355 million for the three and six months ended June 30, 2021, decreased 10% or $12 million and 17% or $75 million compared to the same periods of 2020 also due to low wind resource in the North Sea.

Efficient Natural Gas Facilities

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

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
Electricity production (GWh)	**535**	739	**1,503**	1,763
Sales (1)	**$ 83,433**	$ 92,465	**$ 203,876**	$ 207,330
Less: cost of sales	**22,295**	21,240	**56,107**	49,058
Gross profit	**61,138**	71,225	**$ 147,769**	$ 158,272
Operating costs	**12,120**	13,037	**23,928**	24,993
Operating income	**25,956**	48,670	**78,304**	114,153
Adjusted EBITDA (2)	**$ 50,885**	$ 59,905	**127,294**	136,550
Free Cash Flow	**$ 25,693**	$ 32,345	**75,147**	82,472

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

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

The contractual structures of Northland's efficient natural gas facilities ensure each facility's gross profit is generally stable, within a seasonal profile, regardless of production or sales levels, so long as the plant is available. Under some PPAs, the facility is reimbursed for certain costs of sales by the counterparty. Management also aims to maximize returns through the re-marketing of natural gas storage and transportation ("**gas optimization**") through its energy marketing initiatives. For the six months ended June 30, 2021, Northland's six efficient natural gas facilities contributed approximately 21% of reported Adjusted EBITDA from facilities, with the three largest, North Battleford, Iroquois Falls and Thorold accounting for approximately 19%.

Electricity production for the three and six months ended June 30, 2021, decreased 28% or 204 GWh and 15% or 260 GWh compared to the same periods of 2020 due to a planned major maintenance outage in the second quarter of 2021 at North Battleford and timing of the annual shutdown at another facility.

Sales of $83 million and $204 million for the three and six months ended June 30, 2021, decreased 9.8% or $9 million and 2% or $3 million compared to the same periods of 2020, primarily due to lower production, as described above, partially offset by rate escalations at various facilities.

Operating income of $26 million and $78 million for the three and six months ended June 30, 2021, decreased 47% or $23 million and 31% or $36 million compared to the same periods of 2020 primarily due to the major outage at North Battleford and an increase in amortization expense at Iroquois Falls as a result of the expiry of its PPA in December 2021.

Adjusted EBITDA of $51 million and $127 million for the three and six months ended June 30, 2021, decreased 15% or $9 million and 7% or $9 million compared to the same periods of 2020 largely due to the planned major maintenance outage in the second quarter at North Battleford, as described above.

Onshore Renewable Facilities

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

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
Electricity production (GWh) (1)	**297**	336	**653**	702
LTA production (GWh) (1) (2)	**308**	311	**660**	663
Sales/gross profit (3)	**58,097**	60,786	**$ 111,441**	$ 113,766
Operating costs	**6,800**	7,036	**13,531**	13,830
Operating income	**28,712**	31,504	**52,956**	55,439
Adjusted EBITDA	**39,367**	42,901	**74,787**	77,077
Free Cash Flow	**14,212**	17,275	**29,455**	32,541

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

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

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

Northland's onshore renewable assets comprise onshore wind and solar facilities located in Ontario and Québec. Onshore wind projects are similar in nature operationally to offshore wind; however, with lower operating costs and generally lower wind resources. Solar power facilities have lower fixed operating costs per unit of capacity than efficient natural gas or wind facilities. Electricity production from solar facilities tends to be less variable than wind but is limited to available sunlight, which is generally higher in the summer than in the winter. For the six months ended June 30, 2021, Northland's onshore renewable facilities contributed approximately 12% of reported Adjusted EBITDA from facilities.

Electricity production at the onshore renewable facilities for the three months ended June 30, 2021, was 11% or 38 GWh lower than the same quarter of 2020 due to overall lower solar and wind resources. Electricity production for the six months ended June 30, 2021, was 7% or 50 GWh lower than the same period of 2020 due to a lower wind resource partially offset by a higher solar resource in the first quarter of 2020.

Financial results and *Adjusted EBITDA* for the three and six months ended June 30, 2021 were also lower than the same periods of 2020 for the factors described above.

Utility

The following table summarizes the operating results of EBSA:

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
Sales (1)	**$ 52,832**	$ 55,368	**$ 109,950**	$ 105,039
Less: cost of sales	**16,220**	17,037	**33,630**	33,766
Gross profit	**36,612**	38,331	**$ 76,320**	$ 71,273
Operating costs	**13,451**	12,147	**27,864**	23,897
Operating income	**13,340**	13,475	**28,140**	25,157
Adjusted EBITDA	**21,349**	23,149	**44,284**	44,396
Free Cash Flow	**10,701**	8,080	**18,781**	19,186

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

EBSA holds the sole franchise rights for electricity distribution in the Boyacá region of Colombia and is an electricity retailer for the regulated residential sector in the region. EBSA owns and operates an extensive distribution network, serving about half a million customers. EBSA's net revenue is almost entirely regulated, of which the vast majority is earned from its distribution business and the remainder primarily from its electricity retail business. EBSA's results are affected by exchange rate fluctuations between the Canadian dollar and the Colombian Peso. For 2021, Northland has hedged the foreign exchange rate at COP$2,795:CAD$1 for a portion of the anticipated Colombian peso-denominated Free Cash Flow, mitigating the effects of fluctuations with respect to this metric (2020: COP$2,704:CAD$1). For the six months ended June 30, 2021, utility operations contributed approximately 7% of reported Adjusted EBITDA from facilities.

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

Sales of $53 million for the three months ended June 30, 2021, decreased 5% or $3 million compared to the same quarter of 2020 due to unfavourable foreign exchange rate fluctuations compared to last year. Sales of $110 million for the six months ended June 30, 2021, increased 5% or $5 million compared to the same quarter of 2020 primarily due to partial contribution from EBSA last year as a result of its acquisition effective January 14, 2020 and due to optimization of operations under the regulated framework since the acquisition.

Gross profit for the three months ended June 30, 2021, decreased 4.5% or $2 million while gross profit for the six months ended June 30, 2021, increased 7% or $5 million compared to the same period of 2020 primarily due to the factors affecting sales.

Operating income of $13 million and $28 million for the three and six months ended June 30, 2021, was in line with the same quarter of 2020 and increased 12% or $3 million compared to the same period of 2020 primarily due to the factors described above, partially offset by higher tax contributions and higher amortization.

Adjusted EBITDA of $21 million for the three months ended June 30, 2021, decreased 8% or $2 million compared to the same quarter of 2020 mainly due to exchange rate fluctuations and the factors described above. Adjusted EBITDA of $44 million for the six months ended June 30, 2021, was in line with the same period of 2020 primarily due to the factors described above, partially offset by the effect of differences in timing of recognition of regulated sales and associated pass-through costs.

Interest costs for the six months ended June 30, 2021 increased 28% or $3 million compared to the same period of 2020 as a result of the higher debt balance from EBSA loan facility refinancing completed in July 2020.

For EBSA, non-expansionary capital expenditure is the expenditure required for EBSA to maintain its regulated asset base under the requirements of the local regulator. Under the terms of the EBSA loan facility, management expects to execute an upsizing of the debt annually in tandem with growing operating results. The upsizing proceeds will be available for distribution and corporate purposes and a portion will be included in Free Cash Flow.

4.2: General and Administrative Costs

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

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
Corporate G&A	**$ 8,769**	$ 8,139	**$ 17,944**	$ 14,556
Operations G&A (1)	**6,095**	6,635	**12,817**	12,701
Total G&A costs	**14,864**	14,774	**$ 30,761**	$ 27,257

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

Corporate G&A costs for the three months ended June 30, 2021, were largely in line with the same quarter of 2020 and 23.3% or $3 million higher, than the same period in 2020 primarily due to higher personnel costs that were anticipated to support Northland's global growth.

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

4.3: Growth Expenditures

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Business development	**$ 8,176**	$ 9,637	**$ 13,533**	$ 13,506
Project development	**295**	3,848	**295**	6,924
Development overhead	**5,283**	6,312	**12,012**	11,710
Acquisition costs (1)	**714**	337	**2,333**	7,170
Development costs	**14,468**	20,134	**$ 28,173**	$ 39,310
Joint venture project development costs (2)	**3,102**	636	**3,857**	1,285
Growth expenditures (3)	**16,856**	20,433	**$ 29,697**	$ 33,425
Growth expenditures on a per share basis			**$ 0.14**	$ 0.17

(1) Excluded from growth expenditures

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

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

To achieve its long-term growth objectives, Northland expects to deploy early-stage investment capital (growth expenditures) to advance its projects. With regional development offices in Europe, Asia, North America and Latin America fully functional and with the growth opportunities currently secured, such as Nordsee 2/3, Chiba, Dado Ocean and Eastern European opportunities, Northland expects to incur higher growth expenditures and capital investments in future years to fund its identified development pipeline and opportunities sourced through the regional development offices.

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

Business development costs are incurred to identify and explore prospective business and development opportunities, which are expected to result in identifiable development projects intended to be pursued to completion, and include costs incurred for projects not ultimately pursued to acquisition or to completion. Business development costs for the three months ended June 30, 2021, were lower compared to the same quarter of 2020 due to the timing of development activities while costs for the six months ended June 30, 2021, were in line with the same period of 2020.

Project development costs are attributable to select early- to mid-stage development projects under active development that are likely to generate cash flow over the long-run. For the three and six months ended June 30, 2021, project developments costs were lower since capitalization had previously commenced under IFRS for the Hai Long project. Refer to *SECTION 8: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES* for additional information on notable development projects.

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

Acquisition costs are generally third-party transaction-related costs directly attributable to a business acquisition and are excluded from Northland's non-IFRS financial measures. For the six months ended June 30, 2021, acquisition costs totaled $2 million based on costs incurred on successful acquisition pursuits.

4.4: Consolidated Results

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

Second Quarter

Sales and *gross profit* of $408 million and $368 million, respectively, decreased 5% or $21 million and 5% or $18 million compared to the same quarter of 2020 primarily due to lower offshore wind resource, lower production at Nordsee One due to lower grid and turbine availability, a planned major maintenance outage at North Battleford and the effect of unfavourable foreign exchange rate fluctuations.

Operating costs of $79 million increased 7.9% or $6 million compared to the same quarter of 2020 primarily due to timing of costs incurred across a number of facilities.

G&A costs of $15 million were largely in line with the same quarter last year.

Development costs of $14 million decreased 28% or $6 million compared to the same quarter of 2020 primarily due to effects of the commencement of capitalization at Hai Long in 2020 combined with the timing of development activities at other projects.

Finance costs, *net* (primarily interest expense) of $76 million decreased 14% or $12 million compared to the same quarter of 2020 primarily as a result of scheduled repayments on facility-level loans and repayment of borrowings on the corporate revolving facility as a result of the equity offering in April 2021.

Fair value loss on derivative contracts was $25 million compared to a $30 million gain in the same quarter of 2020 primarily due to losses realized on settlement of APX hedges and net movement in the fair value of derivatives related to the APX, interest rates and foreign exchange contracts.

Foreign exchange loss of $16 million is primarily due to unrealized loss from fluctuations in the closing foreign exchange rates.

Other income was $35 million lower than the same quarter of 2020 due to proceeds received from the sale of turbines in the second quarter of 2020 originally intended for use with mono-bucket foundations at Deutsche Bucht as well as accrued insurance proceeds in the prior year period related to construction of Deutsche Bucht.

Net loss of $6 million in the second quarter of 2021 compared to net income of $74 million in the same quarter of 2020 primarily as a result of the factors described above as well as accelerated amortization expense on Iroquois Falls' property, plant and equipment due to the expiry of its PPA in December 2021 partially offset by $25 million lower tax expense.

Year to date

Sales of $1,021 million decreased 7% or $76 million compared to 2020 primarily due to lower offshore wind resource, a planned major maintenance outage at North Battleford, partially offset by higher production at the German facilities due to higher grid availability and fewer periods of negative prices.

Gross profit of $916 million decreased 9% or $88 million compared to 2020 primarily due to same factors affecting sales in the period.

Operating costs of $151 million increased 7% or $10 million compared to 2020 primarily due to timing of costs incurred across several facilities and the effect of foreign exchange rate fluctuations.

G&A costs of $31 million increased 13% or $4 million compared to 2020 primarily due to higher personnel costs that were anticipated to support Northland's global growth.

Development costs of $28 million decreased 28% or $11 million compared to 2020 primarily due to effects of the commencement of capitalization at Hai Long in 2020 combined with the timing of development activities at other projects.

Finance costs, *net* (primarily interest expense) of $163 million decreased 10% or $19 million compared to 2020 primarily as a result of scheduled repayments on facility-level loans and repayment of borrowings on the corporate revolving facility in April 2021. The first and second quarter of 2020 also included interest on the convertible debentures redeemed in May 2020.

Fair value gain on derivative contracts was $30 million compared to a $5 million loss in the same period of 2020 primarily due to net movement in the fair value of derivatives related to the APX, interest rates and foreign exchange contracts, partially offset by losses realized on settlement of APX hedges.

Foreign exchange loss of $46 million is primarily due to unrealized losses from fluctuations in the closing foreign exchange rate.

Impairment expense of $30 million as a result of a goodwill write-off on Iroquois Falls facility, as well as accelerated amortization expense of $24 million on Iroquois Falls' property, plant and equipment recognized due to the expiry of its PPA in December 2021.

Other income was $35 million lower than the same period of 2020 due to proceeds received from the sale of turbines in the second quarter of 2020 originally intended for use with mono-bucket foundations at Deutsche Bucht as well as accrued insurance proceeds in the prior year period related to construction of Deutsche Bucht..

Net income decreased $204 million for the six months ended June 30, 2021, compared to 2020 mainly due to the factors described above, partially offset by $28 million lower tax expense.

4.5: Adjusted EBITDA

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

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
Net income (loss)	**$ (6,370)**	$ 74,277	**$ 145,019**	$ 349,296
Adjustments:				
Finance costs, net	75,530	87,911	162,620	181,287
Gemini interest income	4,025	4,036	8,006	7,937
Share of joint venture project development costs	(3,102)	(636)	(3,857)	(1,285)
Acquisition costs	714	337	2,333	7,170
Provision for (recovery of) income taxes	(5,780)	19,416	46,485	74,028
Depreciation of property, plant and equipment	145,137	132,039	290,437	261,704
Amortization of contracts and intangible assets	9,703	9,571	19,643	18,913
Fair value (gain) loss on derivative contracts	13,077	(29,990)	(41,906)	4,675
Foreign exchange (gain) loss	16,365	19,732	46,031	(54,315)
Impairment loss	—	—	29,981	—
Elimination of non-controlling interests	(46,930)	(59,000)	(141,432)	(173,591)
Finance lease (lessor) and equity accounting	(2,408)	(190)	(4,263)	549
Other adjustments	2,922	(30,990)	3,590	(29,084)
Adjusted EBITDA	**$ 202,883**	$ 226,513	**$ 562,687**	$ 647,284

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

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

Second Quarter

Adjusted EBITDA of $203 million for the three months ended June 30, 2021, decreased 10% or $24 million compared to the same quarter of 2020. The significant factors decreasing Adjusted EBITDA include:

- $17 million decrease in operating results at Gemini primarily due to the lower wind resource and APX hedge losses realized; and
- $12 million decrease in operating results from the efficient natural gas and onshore facilities largely due to the planned major outage at North Battleford and a lower wind and solar resource.

The factor partially offsetting these decreases in Adjusted EBITDA was a $4 million increase in operating results from Deutsche Bucht largely due to increased production commensurate with better grid availability compared to last year.

Year to date

Adjusted EBITDA of $563 million for the six months ended June 30, 2021, decreased 13% or $85 million compared to the same period of 2020. The significant factors decreasing Adjusted EBITDA include:

- $42 million decrease in operating results at Gemini primarily due to historically low wind resource, the effects of the APX hedge losses realized, partially offset by the higher APX compared to the same period of 2020;
- $33 million decrease in operating results at the German offshore wind facilities primarily due to low wind resource, partially offset by better grid availability and fewer periods of negative prices compared to the same period of 2020; and
- $13 million decrease in operating results at the efficient natural gas, largely due to the planned major outage at North Battleford, and a low wind resource at onshore wind facilities compared to the same period in 2020;

4.6: Free Cash Flow and Adjusted Free Cash Flow

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

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
Cash provided by operating activities	**$ 361,076**	$ 365,127	**$ 769,530**	$ 732,721
Adjustments:				
Net change in non-cash working capital balances related to operations	**(87,077)**	(42,930)	**(102,126)**	27,767
Non-expansionary capital expenditures	**(8,656)**	(3,624)	**(17,614)**	(7,368)
Restricted funding for major maintenance, debt and decommissioning reserves	**(7,638)**	(6,425)	**(9,171)**	(9,384)
Interest paid, net	**(101,490)**	(106,146)	**(151,382)**	(152,683)
Scheduled principal repayments on facility debt	**(300,713)**	(323,248)	**(334,523)**	(337,309)
Funds set aside (utilized) for scheduled principal repayments	**135,579**	138,377	**3,910**	(2,088)
Preferred share dividends	**(2,698)**	(2,927)	**(5,397)**	(5,855)
Consolidation of non-controlling interests	**2,527**	(6,120)	**(39,213)**	(69,724)
Deutsche Bucht Completion Distribution	**—**	—	**—**	93,144
Cash from operating activities from projects under construction	**—**	—	**—**	(66,853)
Lease payments	**(2,060)**	(1,980)	**(4,621)**	(4,442)
Investment income [(1)]	**5,098**	5,181	**10,263**	11,356
Nordsee One proceeds from government grant and warranty settlement	**9,343**	5,821	**17,109**	13,986
Share of joint venture project development costs	**(3,102)**	(636)	**(3,857)**	(1,285)
Foreign exchange	**10,440**	(1,177)	**12,181**	2,165
Other [(2)]	**(5,084)**	(1,845)	**(5,096)**	4,763
Free Cash Flow	**$ 5,545**	$ 17,448	**$ 139,993**	$ 228,911
Add back: Growth expenditures	**16,856**	20,433	**29,697**	33,425
Adjusted Free Cash Flow	**$ 22,401**	37,881	**$ 169,690**	$ 262,336

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

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

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

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

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

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

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

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
Cash dividends paid to common and Class A shareholders	**$ 43,386**	$ 59,150	**$ 83,339**	$ 121,867
Free Cash Flow payout ratio - cash dividends (1)			**70 %**	62 %
Adjusted payout ratio - cash dividends (1)			**56 %**	54 %
Total dividends paid to common and Class A shareholders (2)	**$ 65,336**	$ 59,150	**$ 126,030**	$ 121,867
Free Cash Flow payout ratio - total dividends (1) (2)			**97 %**	62 %
Adjusted payout ratio - total dividends (1)			**77 %**	54 %
Weighted avg. number of shares - basic (000s) (3)	**220,182**	198,842	**211,284**	195,711
Weighted avg. number of shares - diluted (000s) (4)	**220,182**	201,626	**211,284**	200,527
Per share ($/share)				
Dividends paid (5)	**$0.30**	$0.30	**$0.60**	$0.60
Free Cash Flow — basic	**$0.03**	$0.09	**$0.66**	$1.17
Free Cash Flow — diluted	**$0.03**	$0.09	**$0.66**	$1.15
Adjusted Free Cash Flow — basic	**$0.10**	$0.19	**$0.80**	$1.34
Adjusted Free Cash Flow — diluted	**$0.10**	$0.19	**$0.80**	$1.31

(1) On a rolling four-quarter basis.

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

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

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

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

Second Quarter

Free Cash Flow of $6 million for the three months ended June 30, 2021, was 68% or $12 million lower than the same quarter of 2020. The significant factors decreasing Free Cash Flow include:

- $14 million decrease in overall earnings primarily due to lower wind resource at the offshore wind facilities and a planned maintenance outage at North Battleford; and
- $4 million increase in non-expansionary capital expenditures primarily at North Battleford and Nordsee One.

The factor partially offsetting the decrease in Free Cash Flow was a $6 million decrease in net financing costs primarily as a result of scheduled repayments on facility-level loans and repayment of borrowings on the corporate revolving facility in April 2021.

Adjusted Free Cash Flow of $22 million for the three months ended June 30, 2021, was 41% or $15 million lower than the same quarter of 2020. The significant factors decreasing Adjusted Free Cash Flow were as described above for Free Cash Flow but exclude the $4 million decrease in growth expenditures (refer to Section 4.3: Growth Expenditures for more information).

Year to date

Free Cash Flow of $140 million for the six months ended June 30, 2021, was 39% or $89 million lower than the same quarter of 2020. The significant factors decreasing Free Cash Flow include:

- $76 million decrease in overall earnings primarily due to lower wind resource across all offshore facilities;
- $9 million decrease in the contribution from Deutsche Bucht due to the effect of the one-time net pre-completion revenues recognized in Free Cash Flow at term conversion in the first quarter of last year; and
- $9 million increase in non-expansionary capital expenditures primarily at North Battleford and Nordsee One.

The factor partially offsetting the decrease in Free Cash Flow was a $12 million decrease in current tax expense primarily due to lower contribution from offshore wind facilities.

Adjusted Free Cash Flow of $170 million for the six months ended June 30, 2021, was 35% or $93 million lower than the same period of 2020 due to the same factors affecting Free Cash Flow but exclude the $4 million decrease in growth expenditures.

As at June 30, 2021, the rolling four quarter Free Cash Flow and the adjusted net payout ratio were 70% and 56%, respectively, calculated on the basis of cash dividends paid, compared to 62% and 54% for the same period ending June 30, 2020. The increase in both net payout ratios was primarily due to lower Free Cash Flow and Adjusted Free Cash Flow and the effect new common shares issued in the quarter, partially offset by the reinstatement of the DRIP in 2020.

Sources of liquidity in addition to Free Cash Flow

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

	Six months ended June 30,	
	2021	**2020**
Dividend Reinvestment Program (DRIP)	**42,691**	—
Release of funds from debt service reserve (1)	**73,723**	60,079
Equity offering	**950,421**	—
Proceeds from up-financing(s)	**—**	51,900
Proceeds from sale of monobucket foundations and related and insurance proceeds	**—**	32,367
Total	**$ 1,066,835**	$ 144,346

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

Subsequent to the June 30, 2021, Northland restructured and upsized the senior debt at some of the Canadian solar facilities that resulted in a one-time distribution of $29 million and a reduction of the weighted average all-in interest rate from 5.4% to 4.4%.

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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 June 30, 2021 and December 31, 2020.

As at		June 30, 2021		December 31, 2020
Assets				
Cash and cash equivalents	**$**	**863,673**	$	434,989
Restricted cash		**144,128**		192,530
Trade and other receivables		**304,545**		372,137
Other current assets		**89,511**		66,379
Property, plant and equipment		**8,149,568**		8,679,959
Contracts and other intangible assets		**499,334**		533,171
Equity Investment		**133,468**		1,759
Other assets (1)		**939,139**		1,017,433
	$	**11,123,366**	$	11,298,357
Liabilities				
Trade and other payables		**284,993**		252,691
Interest-bearing loans and borrowings		**6,618,411**		7,237,200
Net derivative liabilities (2)		**407,867**		582,631
Net deferred tax liability (2)		**308,893**		300,567
Other liabilities (3)		**557,341**		922,497
	$	**8,177,505**	$	9,295,586
Total equity		**2,945,861**		2,002,771
	$	**11,123,366**	$	11,298,357

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

(2) Presented on a net basis.

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

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

- *Restricted cash* decreased by $48 million primarily due to the release of funds set aside for debt service at Deutsche Bucht, which were reclassified to cash during the quarter, as a result of an amendment to Deutsche Bucht's debt facility agreement.
- *Property, plant and equipment* decreased by $530 million primarily due to depreciation and foreign exchange fluctuation, partially offset by construction-related activities at Northland's identified projects.
- *Equity investment* increased by $132 million mainly as a result of the purchase price of Baltic Power and the additional equity contribution accrued in pursuance of the purchase agreement.
- *Other assets* decreased by $78 million mainly due to the write-off of Iroquois Falls goodwill, as a result of the expiry of its purchase price agreement in December 2021 and foreign exchange fluctuation.
- *Trade and other payables* increased by $32 million primarily due to the aforementioned purchase price commitments payable to Baltic Power.
- *Facility-level loans and borrowings* decreased by $619 million mainly due to the repayment of revolving corporate credit facility from the proceeds of the equity offering and also scheduled principal repayments on facility-level debt and foreign exchange fluctuation.
- *Other liabilities* decreased by $365 million primarily due to a repayment of corporate borrowings.

SECTION 6: EQUITY, LIQUIDITY AND CAPITAL RESOURCES

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

Dividends

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

Equity and Convertible Unsecured Subordinated Debentures

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

	June 30, 2021	**December 31, 2020**
	Shares	Shares
Shares outstanding, beginning of year	**202,171,075**	179,441,219
Conversion of subscription receipts	—	14,289,000
Equity Offering	**22,500,500**	—
Conversion of debentures	**—**	6,896,136
Conversion of Class A shares	**—**	1,000,000
Shares issued under the LTIP	**14,509**	—
Shares issued under the DRIP	**999,662**	544,720
Shares outstanding, end of period	**225,685,746**	202,171,075
Class A shares	**—**	—
Total common and convertible shares outstanding, end of period	**225,685,746**	202,171,075

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

As at	**June 30, 2021**	**December 31, 2020**
Preferred shares outstanding		
Series 1	**4,762,246**	4,762,246
Series 2	**1,237,754**	1,237,754
Series 3	**4,800,000**	4,800,000
Total	**10,800,000**	10,800,000

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

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

As of August 11, 2021, Northland has 225,863,573 common shares outstanding with no change in preferred shares outstanding from June 30, 2021.

Liquidity and Capital Resources

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Cash and cash equivalents, beginning of period	**$ 549,948**	$ 629,154	**$ 434,989**	$ 268,193
Cash provided by operating activities	**361,076**	365,127	**769,530**	732,721
Cash used in investing activities	**(141,396)**	(84,938)	**(275,477)**	(764,036)
Cash (used in) provided by financing activities	**100,907**	(474,676)	**25,789**	129,935
Effect of exchange rate differences	**(6,862)**	(25,593)	**(91,158)**	42,261
Cash and cash equivalents, end of period	**$ 863,673**	$ 409,074	**$ 863,673**	$ 409,074

Year to date

Cash and cash equivalents for the six months ended June 30, 2021, increased $429 million due to cash provided by operations of $770 million and $91 million effect of foreign exchange translation, partially offset by $275 million of cash used in investing activities and $26 million in financing activities.

Cash provided by operating activities for the six months ended June 30, 2021, was $770 million, primarily comprising:

- $145 million of net income;
- $522 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
- $102 million in changes in working capital due to the timing of payables, receivables and deposits.

Cash used in investing activities for the six months ended June 30, 2021, was $275 million, primarily comprising:

- $82 million paid for the acquisition of Baltic Power, net of cash acquired; and
- $146 million used for the purchase of property, plant and equipment, mainly for the ongoing construction at New York Wind, La Lucha and Hai Long.

Cash provided by financing activities for the six months ended June 30, 2021, was $26 million, primarily comprising:

- $348 million in net repayment under the corporate syndicated revolving facility;
- $10 million of Deutsche Bucht's refinancing fee;
- $335 million in principal repayments on facility-level debt;
- $153 million in interest payments; and
- $147 million of common and preferred share dividends as well as dividends to non-controlling shareholders.

Factors partially offsetting cash provided by financing activities include $75 million change in restricted cash, primarily from funds released from debt service reserve at Deutsche Bucht, partially offset by funds set aside for debt service at North Battleford.

Movement of foreign currencies, including primarily the euro and Colombian peso, against the Canadian dollar decreased cash and cash equivalents by $91 million for the six months ended June 30, 2021. Northland aims to mitigate the effects of exchange rate fluctuations through a variety of mechanisms, including foreign exchange hedges and natural hedges by corporate debt denominated in USD or Euro for operating expenditures.

Property, Plant and Equipment

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

	Cost balance as at Dec 31, 2020	Additions	Other [1]	Exchange rate differences	Cost balance as at Jun 30, 2021
Operations:					
Offshore wind	$ 7,174,847	$ 8,037	$ (1,454)	$ (390,115)	**$ 6,791,315**
Efficient natural gas[2]	1,769,426	6,496	(141)	—	**1,775,703**
Onshore renewable	1,753,440	949	(18)	—	**1,754,371**
Utility	597,731	15,023	(839)	(66,607)	**545,308**
Construction:					
Onshore renewable	163,928	12,479	—	(4,689)	**171,718**
Corporate [3]	91,998	106,645	(792)	(1,519)	**195,395**
Total	$ 11,551,370	**$ 149,629**	**$ (3,244)**	**$ (462,930)**	**$ 11,233,810**

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

(2) Excludes Spy Hill lease receivable accounting treatment.

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

Long-term Debt

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

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

	Balance as at Dec 31, 2020	Financings, net of costs [1]	Repayments	Amort. of costs/fair value	Exchange rate differences	Transfers	Balance as at Jun 30, 2021
Operations:							
Offshore wind	$ 4,837,429	$ (9,926)	$ (278,477)	$ 8,171	$ (261,978)	$ —	**$ 4,295,219**
Efficient natural gas	953,458	—	(23,197)	686	—	—	**930,947**
Onshore renewable	997,261	—	(32,849)	513	—	102	**965,027**
Utility	449,052	974	—	1,297	(24,105)		**427,218**
Corporate	351,402	211,539	(559,644)	621	(6,128)	2,210	**—**
Total	$ 7,588,602	**$ 202,587**	**$ (894,167)**	**$ 11,288**	**$ (292,211)**	**$ 2,312**	**$ 6,618,411**

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

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

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

Debt Covenants

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

Corporate Credit Facilities and Letters of Credit

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

As at June 30, 2021	**Facility size**	**Amount drawn**	**Outstanding letters of credit**	**Available capacity**	**Maturity**
Syndicated revolving facility	$ 1,000,000	$ —	$ 162,006	$ 837,994	Jun. 2024
Bilateral letter of credit facility	150,000	—	144,010	5,990	Mar. 2023
Export credit agency backed letter of credit facility	100,000	—	94,116	5,884	Mar. 2022
Total	**$ 1,250,000**	**$ —**	**$ 400,132**	**$ 849,868**	
Less: deferred financing costs		—			
Total, net		**$ —**			

- Of the $400 million of corporate letters of credit issued as at June 30, 2021, $62 million relates to projects under advanced development or construction.
- During the six months ended June 30, 2021, Northland made net repayments of $348 million on the syndicated revolving facility, with remaining movement in the period due to foreign exchange fluctuations. The repayment occurred following the equity offering in April 2021.

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

SECTION 7: SUMMARY OF QUARTERLY CONSOLIDATED RESULTS

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

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

In millions of dollars, except per share information	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Total sales	$ 408	$ 613	493	$ 471	$ 429	$ 668	$ 438	$ 378
Operating income	118	306	177	179	149	395	203	177
Net income (loss)	(6)	151	27	109	74	275	61	111
Adjusted EBITDA	203	360	269	254	227	421	273	224
Cash provided by operating activities	361	408	310	278	365	368	334	242
Free Cash Flow	6	134	56	58	17	211	67	74
Adjusted Free Cash Flow	22	147	79	74	38	224	84	83
Per share statistics								
Net income (loss) - basic	$ (0.08)	$ 0.44	$ 0.11	$ 0.40	$ 0.26	$ 1.02	$ 0.23	$ 0.42
Net income (loss) - diluted	(0.08)	0.44	0.11	0.40	0.26	0.99	0.23	0.41
Free Cash Flow - basic	0.03	0.66	0.28	0.30	0.09	1.10	0.37	0.41
Adjusted Free Cash Flow - basic	0.10	0.73	0.38	0.41	0.21	1.17	0.46	0.46
Total dividends declared (1)	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30

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

SECTION 8: CONSTRUCTION, DEVELOPMENT AND ACQUISITION ACTIVITIES

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

Spanish Renewables Acquisition

On August 11, 2021, Northland completed its previously announced acquisition of a Spanish operating portfolio of onshore renewable projects (the "**Spanish Portfolio**") with a total combined net capacity of 551 MW. The transaction included the acquisition of minority interests not included in the initial announced transaction. The Spanish Portfolio includes 33 operating assets comprised of onshore wind (435 MW), solar photovoltaic (66 MW), and a concentrated solar (50 MW) located throughout Spain. Total cash consideration was €348 million ($522 million) with the assumption of debt totaling €716 million ($1,075 million). The acquisition was funded using proceeds from Northland's common equity offering completed on April 14, 2021.

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

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

The assumed net debt of €716 million ($1,075 million) is non-recourse, fixed rate debt, with maturities matching the regulatory lives of the assets. Based on the transaction metrics upon closing, Northland expects the acquisition to be immediately accretive to Free Cash Flow per share and Adjusted Free Cash Flow per share. In addition, Northland has entered into long-term Euro denominated foreign exchange hedges, at an average rate of $1.73/€, for the cash flow generated from the Spanish assets to mitigate foreign exchange rate volatility, consistent with its corporate risk mitigation strategy.

New York 320 MW Onshore Wind Project Update

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

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

Helios 16 MW Solar Project Update

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

Nordsee 2 and Nordsee 3 Offshore Wind Projects

In 2014, when Northland acquired its interest in Nordsee One, it also acquired an 85% interest in two early-stage offshore wind development projects, Nordsee Two ("**N2**") and Nordsee Three ("**N3**"). As part of the agreement to relinquish these sites to the German government, the relevant project companies, both subsidiaries of Northland, were allocated step-in rights for upcoming offshore wind site auctions. Northland is preparing to exercise these step-in rights with the first auction for N2 expected later this year. These two potential offshore wind projects are expected to have a combined grid capacity of approximately 850 MW.

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

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

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

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

La Lucha 130 MW Solar Project Update

The 130 MW solar project in the State of Durango, Mexico, has completed its activities relating to the physical construction,however, certain activities relating to the energization of the project continue to be delayed. In order to achieve commercial operations, the facility requires energization followed by testing, which is conducted by CENACE (Independent System Operator) and CFE (Federal Electricity Commission). Due to ongoing administrative delays resulting from the COVID-19 pandemic and other issues that have resulted in a backlog of approvals for renewable projects in Mexico, the energization and testing have been delayed and Northland does not anticipate these activities will be complete prior to the end of 2021. Northland continues to work with Mexican authorities, and other private power producers experiencing similar issues, to achieve energization of the La Lucha project. While timelines remain uncertain, Northland expects commercial operations at La Lucha to commence in early 2022. Efforts to secure commercial offtake and project financing are expected to be finalized only after commercial operations. As a result of the aforementioned delays, total capital costs for the project are expected to be around $200 million, up from $190 million originally.

Joint Venture with Shizen Energy for Offshore Wind Projects in Japan

Northland and Shizen Energy are jointly developing an early-stage offshore wind development opportunities ("Chiba Offshore Wind Inc." or "**Chiba**") in Japan. The prospective projects have an expected combined capacity of approximately 600 MW. In late 2020, Shizen divested a portion of its investment in Chiba to Tokyo Gas, thereby reducing Northland's share of the growth expenditures.

Hai Long 1,044 MW Offshore Wind Project Update

The Hai Long project owned 60% 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 in 2019. 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 July 2021, Hai Long received an amendment to the project's Environmental Impact Assessment ("**EIA**") from Taiwan's Environmental Protection Agency to accommodate a larger, 14 MW turbine with longer blade lengths. Receipt of the EIA amendment allows Hai Long to complete further fieldwork to improve wind generation yields. In April 2021, Hai Long received confirmation from the Taiwan Bureau of Energy that Hai Long 2A has secured approval for the Industrial Relevance Proposal, which sets out Northland's commitments to local supply chain and procurement, marking the achievement of a significant milestone.

Hai Long expects to execute additional preferred supplier agreements with major contractors in the near-term. Having executed a 20-year PPA with Taipower for the Hai Long 2A offshore wind project in 2019, Northland expects to execute offtake agreements for the two other sub-projects in 2021, though opportunities also exist to enter into economically favourable commercial PPAs to augment the economics of the sub-projects. The project continues to progress well with financial close expected in 2022.

SECTION 9: OUTLOOK

The offshore wind performance experienced in the first half of the year is trending well below the long-term average across the three offshore wind facilities. Combined with the expectation for reduced turbine availability at Nordsee One due to component replacement of the wind turbines, leading to an expected loss in revenue of $11 million, Northland is providing an update on its expectations for full year 2021 financial guidance originally issued in February 2021.

For Adjusted EBITDA and Free Cash Flow per share, management expects full year results to be at the low end of the guidance range released in February 2021, of $1.1 to $1.2 billion and $1.30 to $1.50, respectively. The refined guidance ranges assume offshore wind generation in the second half of 2021 to be close to historical long-term averages and also reflects a higher level of development costs being capitalized on projects that have met our capitalization criteria, including Baltic Power, New York Wind and Helios. Consequently, the capitalization of these development costs has resulted in lower expensed growth expenditures this year compared to original expectations. For Adjusted Free Cash Flow per share, management is revising the range to $1.60 to $1.70 (formerly $1.80 to $2.00).

Management believes the Company continues to have sufficient liquidity available to address the impact of COVID-19, while executing on its growth objectives. At June 30, 2021, Northland had access to $1,445 million of cash and liquidity, comprising $838 million of liquidity available under a syndicated revolving facility and $607 million of corporate cash on hand. On August 11, 2021, $522 million of cash was used to fund purchase price consideration for the Spanish Portfolio.

SECTION 10: LITIGATION, CLAIMS AND CONTINGENCIES

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

SECTION 11: FUTURE ACCOUNTING POLICIES

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

SECTION 12: FINANCIAL RISKS AND UNCERTAINTIES

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

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

Risks related to COVID-19 pandemic

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

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

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

SECTION 13: CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

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

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