

# Consolidated Financial Statements

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# Consolidated Balance Sheets

In thousands of Canadian dollars

As at	December 31, 2018	December 31, 2017
<b>Assets</b>		
Cash and cash equivalents	\$ 278,400	\$ 400,573
Restricted cash [Note 8.2, 14]	450,437	287,609
Trade and other receivables [Note 8.3, 15]	275,088	271,952
Other current assets [Note 7, 8.1]	39,675	39,095
Derivative assets [Note 16.2]	8,187	12,679
<b>Total current assets</b>	<b>\$ 1,051,787</b>	<b>\$ 1,011,908</b>
Property, plant and equipment [Note 4]	8,105,845	7,932,110
Contracts and other intangible assets [Note 3, 5]	581,097	583,989
Goodwill [Note 6]	204,942	204,942
Finance lease receivable [Note 7]	144,889	148,723
Derivative assets [Note 16.2]	6,502	12,244
Long-term deposits [Note 8.2]	56,845	171,646
Deferred tax asset [Note 20]	56,156	85,760
Other assets [Note 8.3, 14]	127,887	129,195
<b>Total assets</b>	<b>\$ 10,335,950</b>	<b>\$ 10,280,517</b>
<b>Liabilities and equity</b>		
Trade and other payables	\$ 197,828	\$ 344,760
Interest-bearing loans and borrowings [Note 10]	428,570	395,783
Dividends payable	18,713	18,155
Derivative liabilities [Note 16.2]	136,464	129,722
<b>Total current liabilities</b>	<b>\$ 781,575</b>	<b>\$ 888,420</b>
Interest-bearing loans and borrowings [Note 10]	6,583,002	6,271,273
Corporate credit facilities [Note 11.1]	309,274	495,523
Convertible debentures [Note 11.2]	153,969	228,963
Provisions and other liabilities [Note 12]	316,421	308,634
Derivative liabilities [Note 16.2]	415,382	380,689
Deferred tax liability [Note 20]	235,705	249,130
<b>Total liabilities</b>	<b>\$ 8,795,328</b>	<b>\$ 8,822,632</b>
<b>Equity</b>		
Common and Class A shares [Note 13.1]	\$ 2,438,036	\$ 2,335,892
Preferred shares [Note 13.2]	260,880	260,880
Long-Term Incentive Plan reserve [Note 13.1]	—	8,872
Contributed surplus	326	582
Accumulated other comprehensive loss	(68,659)	(20,358)
Deficit	(1,558,875)	(1,640,041)
<b>Equity attributable to shareholders</b>	<b>1,071,708</b>	<b>945,827</b>
Non-controlling interests [Note 14]	468,914	512,058
<b>Total equity</b>	<b>1,540,622</b>	<b>1,457,885</b>
<b>Total liabilities and equity</b>	<b>\$ 10,335,950</b>	<b>\$ 10,280,517</b>

See accompanying notes.

*(signed, James C. Temerty)*

**James C. Temerty, C.M.**

Director and Chairman of the Board

*(signed, Russell Goodman)*

**Russell Goodman**

Director and Chair of the Audit Committee

# Consolidated Statements of Income (Loss)

In thousands of Canadian dollars except per Share and Share information

	Year ended December 31,	
	2018	2017
<b>Sales</b>		
Electricity and related products	\$ 1,554,170	\$ 1,371,604
Other	1,417	4,652
<b>Total sales</b>	<b>1,555,587</b>	<b>1,376,256</b>
Cost of sales	114,221	139,539
<b>Gross profit</b>	<b>\$ 1,441,366</b>	<b>\$ 1,236,717</b>
<b>Expenses</b>		
Plant operating costs	226,295	170,615
General and administrative costs - operations	46,874	49,185
General and administrative costs - development	33,332	36,785
Depreciation of property, plant and equipment [Note 4]	415,161	361,365
	<b>\$ 721,662</b>	<b>\$ 617,950</b>
Investment income	484	418
Finance lease income [Note 7]	12,660	12,941
<b>Operating income</b>	<b>\$ 732,848</b>	<b>\$ 632,126</b>
Finance costs, net [Note 18]	337,434	333,469
Amortization of contracts and other intangible assets [Note 5]	19,116	8,766
Foreign exchange (gain) loss	(11,373)	(2,275)
Fair value (gain) loss on derivative contracts [Note 16.2]	(87,624)	(50,796)
Other (income) expense [Note 4.1, 16.1, 23]	(13,834)	21,281
<b>Income (loss) before income taxes</b>	<b>\$ 489,129</b>	<b>\$ 321,681</b>
<b>Provision for (recovery of) income taxes [Note 20]</b>		
Current	40,919	16,129
Deferred	42,702	29,716
	<b>83,621</b>	<b>45,845</b>
<b>Net income (loss)</b>	<b>\$ 405,508</b>	<b>\$ 275,836</b>
<b>Net income (loss) attributable to:</b>		
Non-controlling interests [Note 14]	127,378	114,714
Common shareholders	278,130	161,122
	<b>\$ 405,508</b>	<b>\$ 275,836</b>
<b>Weighted average number of Shares outstanding - basic (000s) [Note 17]</b>	<b>177,757</b>	<b>175,383</b>
<b>Weighted average number of Shares outstanding - diluted (000s) [Note 17]</b>	<b>189,593</b>	<b>175,383</b>
<b>Net income (loss) per share - basic [Note 17]</b>	<b>\$ 1.50</b>	<b>\$ 0.85</b>
<b>Net income (loss) per share - diluted [Note 17]</b>	<b>\$ 1.46</b>	<b>\$ 0.85</b>

See accompanying notes.

## Consolidated Statements of Comprehensive Income (Loss)

In thousands of Canadian dollars

	Year ended December 31,	
	2018	2017
<b>Net income (loss)</b>	\$ 405,508	\$ 275,836
<b>Items that may be re-classified into net income (loss):</b>		
Exchange rate differences on translation of foreign operations	40,284	72,203
Change in fair value of hedged derivative contracts [Note 16]	(128,340)	(74,576)
Deferred tax recovery (expense) [Note 20]	27,086	22,115
Other comprehensive income (loss)	\$ (60,970)	\$ 19,742
<b>Total comprehensive income (loss)</b>	\$ 344,538	\$ 295,578
<b>Total comprehensive income (loss) attributable to:</b>		
Non-controlling interests [Note 14]	114,709	134,339
Common shareholders	229,829	161,239
	\$ 344,538	\$ 295,578

*See accompanying notes.*

## Consolidated Statements of Changes in Equity

In thousands of Canadian dollars

	Common and Class A shares	Preferred shares	Long-Term Incentive Plan reserve	Deficit	Contributed surplus	Accumulated other comprehensive income (loss)	Equity attributable to shareholders'	Non- controlling interests	Total equity
December 31, 2017	\$ 2,335,892	\$ 260,880	\$ 8,872	\$ (1,640,041)	\$ 582	\$ (20,358)	\$ 945,827	\$ 512,058	\$ 1,457,885
Net income (loss)	—	—	—	278,130	—	—	278,130	127,378	405,508
Deferred income taxes [Note 20]	(647)	—	—	—	—	26,394	25,747	692	26,439
Change in translation of net investment in foreign operations	—	—	—	—	—	32,214	32,214	8,070	40,284
Change in fair value of hedged derivative contracts [Note 16.2]	—	—	—	—	—	(106,909)	(106,909)	(21,431)	(128,340)
LTIP shares and deferred rights [Note 13.1]	583	—	(6,722)	—	(256)	—	(6,395)	—	(6,395)
Disposal of non-controlling interest [Note 4.1, 14]	—	—	—	26,943	—	—	26,943	(26,943)	—
Common and Class A share and non- controlling interest dividends declared [Note 13.1, 13.3]	47,611	—	—	(212,353)	—	—	(164,742)	(130,910)	(295,652)
Preferred share dividends [Note 13.2]	—	—	—	(11,554)	—	—	(11,554)	—	(11,554)
Conversion of debentures [Note 13.1]	54,597	—	—	—	—	—	54,597	—	54,597
Transfer of LTIP reserve to liabilities [Note 13.1]	—	—	(2,150)	—	—	—	(2,150)	—	(2,150)
<b>December 31, 2018</b>	<b>\$ 2,438,036</b>	<b>\$ 260,880</b>	<b>\$ —</b>	<b>\$ (1,558,875)</b>	<b>\$ 326</b>	<b>\$ (68,659)</b>	<b>\$ 1,071,708</b>	<b>\$ 468,914</b>	<b>\$ 1,540,622</b>

See accompanying notes.

## Consolidated Statements of Changes in Equity - continued

In thousands of Canadian dollars

	Common and Class A shares	Preferred shares	Long-Term Incentive Plan reserve	Deficit	Contributed surplus	Accumulated other comprehensive income (loss)	Equity attributable to shareholders'	Non- controlling interests	Total equity
December 31, 2016	\$ 2,281,516	\$ 260,880	\$ 12,246	\$ (1,599,967)	\$ 278	\$ (20,475)	\$ 934,478	\$ 440,642	\$ 1,375,120
Net income (loss)	—	—	—	161,122	—	—	161,122	114,714	275,836
Deferred income taxes [Note 20]	(1,087)	—	—	—	—	22,182	21,095	(67)	21,028
Change in translation of net investment in foreign operations	—	—	—	—	—	54,132	54,132	18,071	72,203
Change in fair value of hedged derivative contracts [Note 16.2]	—	—	—	—	—	(76,197)	(76,197)	1,621	(74,576)
LTIP shares and deferred rights [Note 13.1]	519	—	(3,374)	—	304	—	(2,551)	—	(2,551)
Non-controlling interest contributions [Note 14]	—	—	—	—	—	—	—	206	206
Common and Class A share and non- controlling interest dividends declared [Note 13.1, 13.3]	53,716	—	—	(189,981)	—	—	(136,265)	(63,129)	(199,394)
Preferred share dividends [Note 13.2]	—	—	—	(11,215)	—	—	(11,215)	—	(11,215)
Conversion of debentures [Note 13.1]	1,228	—	—	—	—	—	1,228	—	1,228
<b>December 31, 2017</b>	<b>\$ 2,335,892</b>	<b>\$ 260,880</b>	<b>\$ 8,872</b>	<b>\$ (1,640,041)</b>	<b>\$ 582</b>	<b>\$ (20,358)</b>	<b>\$ 945,827</b>	<b>\$ 512,058</b>	<b>\$ 1,457,885</b>

See accompanying notes.

# Consolidated Statements of Cash Flows

In thousands of Canadian dollars

	Year ended December 31,	
	2018	2017
<b>Operating activities</b>		
Net income (loss)	\$ 405,508	\$ 275,836
Items not involving cash or operations:		
Depreciation of property, plant and equipment [Note 4]	415,161	361,365
Amortization of contracts and other intangibles [Note 5]	19,116	8,766
Finance costs, net	343,517	313,591
Fair value (gain) loss on derivative contracts [Note 16.2]	(87,624)	(50,796)
Finance lease [Note 7]	3,528	3,245
Unrealized foreign exchange (gain) loss	(11,373)	(2,275)
Gain on sale of assets [Note 4.1]	(5,739)	(2,796)
Other	(8,885)	7,175
Deferred tax expense (recovery) [Note 20]	42,702	29,716
	\$ 1,115,911	\$ 943,827
Net change in non-cash working capital balances related to operations	17,973	(94,820)
<b>Cash provided by operating activities</b>	<b>\$ 1,133,884</b>	<b>\$ 849,007</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment [Note 4]	(396,889)	(815,785)
Deutsche Bucht acquisition, net [Note 3]	(4,086)	(301,316)
Restricted cash utilization (funding)	(43,482)	(217,667)
Interest received	3,461	3,411
Proceeds from sale of assets, net [Note 4.1]	2,754	5,508
Other	13,563	7,037
Net change in working capital related to investing activities	(161,278)	129,646
<b>Cash used in investing activities</b>	<b>\$ (585,957)</b>	<b>\$ (1,189,166)</b>
<b>Financing activities</b>		
Proceeds from borrowings, net of transaction costs [Note 10]	1,142,608	1,032,592
Repayment of borrowings [Note 10, 11]	(1,203,720)	(140,740)
Interest paid	(317,586)	(275,667)
Common and Class A share dividends [Note 13.3]	(163,605)	(134,307)
Dividends to non-controlling interests [Note 14]	(130,913)	(62,516)
Preferred share dividends [Note 13.2]	(11,554)	(11,215)
Other	3,320	—
<b>Cash (used in) provided by financing activities</b>	<b>\$ (681,450)</b>	<b>\$ 408,147</b>
Effect of exchange rate differences on cash and cash equivalents	11,350	25,064
<b>Net change in cash and cash equivalents during the year</b>	<b>(122,173)</b>	<b>93,052</b>
Cash and cash equivalents, beginning of year	400,573	307,521
<b>Cash and cash equivalents, end of year</b>	<b>\$ 278,400</b>	<b>\$ 400,573</b>

See accompanying notes.