Management's Discussion and Analysis

The purpose of this Management's Discussion and Analysis **("MD&A")** is to help the reader understand the nature and importance of changes and trends as well as the risks and uncertainties that may affect Northland Power Inc.'s ("**Northland's**" or the "**Company's**") operating results and financial position. This MD&A should be read in conjunction with Northland's interim condensed unaudited consolidated financial statements for the three months ended March 31, 2017 and 2016, as well as its audited consolidated financial statements for the years ended December 31, 2016 and 2015. This material is available on SEDAR at www.sedar.com and on Northland's website at www.northlandpower.ca. Additional information about Northland, including the most recent Annual Report and Annual Information Form dated March 2, 2017 (**AIF**) can be found on SEDAR.

This MD&A contains forward-looking statements that are based on certain estimates and assumptions that were considered reasonable on May 9, 2017; actual results may differ materially. Please see SECTION 12: Forward-Looking Statements in this MD&A for additional information.

Non-IFRS Financial Measures

This MD&A includes references to Northland's adjusted earnings before interest, income taxes, depreciation and amortization ("**adjusted EBITDA**"), free cash flow, free cash flow payout ratio (or payout ratio) and free cash flow per share, measures not prescribed by International Financial Reporting Standards (**IFRS**). Adjusted EBITDA, free cash flow, free cash flow payout ratio, payout ratio and free cash flow per share, as presented, do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. These measures should not be considered alternatives to net income (loss), cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Rather, these measures are provided to complement IFRS measures in the analysis of Northland's results of operations from management's perspective. Management believes that adjusted EBITDA, free cash flow, free cash flow payout ratio, payout ratio and free cash flow per share are widely accepted financial indicators used by investors and securities analysts to assess the performance of a company, including its ability to generate cash through operations. For an explanation of these non-IFRS measures and reconciliations to the nearest IFRS measure, readers should refer to *SECTION 3.2: Consolidated Results* for an explanation of adjusted EBITDA and a reconciliation of Northland's reported adjusted EBITDA to its consolidated net income (loss) and *SECTION 5: Equity, Liquidity and Capital Resources* for an explanation of free cash flow and a reconciliation of Northland's free cash flow to its cash provided by operating activities.

This MD&A is organized as follows:

SECTION 1: CONSOLIDATED HIGHLIGHTS

1.1 Significant events

Significant events which occurred during the first quarter of 2017 and through the date of this MD&A, are described below.

Completion of Gemini Offshore Wind Project
On April 28, 2017, Northland announced that the 600 MW Gemini offshore wind farm achieved full completion. The project was completed ahead of schedule and under its total budget of €2.8 billion. All 150 turbines have been operating since October 2016 and, to date, have generated over €250 million of net pre-completion revenues. All of the terms required to satisfy the project lenders for term conversion have been achieved. Concurrent with completion, Gemini successfully and favourably restructured the project's €2 billion senior debt. This restructuring reduced the weighted average all-in interest rate to 3.8%, removed the original cash sweep requirements in year five under the previous mini-perm financing, and significantly improved distributions to Gemini's owners. Gemini made its first cash distribution to its owners; Northland received a one-time distribution totaling approximately €31 million comprised of its share of excess net pre-completion revenues and unused construction contingency. Regular distributions to shareholders from Gemini operations are expected to commence in December 2017 and occur semi-annually thereafter.

Nordsee One Offshore Wind Project Achieves First Power
On March 31, 2017, Northland announced that the first wind turbine installed on the 332 MW Nordsee One offshore wind farm successfully started to generate power and is feeding green electricity into the German grid. Installation of the project's 54 wind turbines began earlier in March 2017 and fourteen turbines have been installed to date. Wind turbine installation will continue in parallel with the progressive commissioning of the wind turbines. All 54 foundation monopiles and transition pieces, as well as the offshore substation and infield cables, were successfully installed in 2016. Northland expects the installation and commissioning of all 54 Nordsee One wind turbines to be completed by the end of 2017.

Acquisition of 252MW German Offshore Wind Project
On March 3, 2017, Northland announced that it had signed a definitive agrement to acquire 100% of Deutsche Bucht ("Debu"), a 252 MW offshore wind project currently in advanced development. DeBu, which is located 95 km northwest of the island of Borkum in the German Exclusive Economic Zone, is Northland's third offshore wind project. The total estimated project cost is approximately €1.2 billion (approximately CAD $1.8 billion). Northland expects to invest approximately $400 million of corporate funds, which Northland intends to source from cash on hand and corporate liquidity. Financial close is expected mid-2017. Completion of Northland's acquisition of DeBu is subject to achieving certain conditions which are anticipated to be completed over the next few months. See more details in *SECTION 6: Construction and Advanced Development Activities.*

Strategic Review
The previously announced Northland strategic review process is continuing. Any announcements regarding the process will be made as appropriate.

1.2 Operating highlights

Summary of Consolidated First Quarter Results

In thousands of dollars except per share and energy unit amounts

	Three months ended March 31, 2017	2016
FINANCIALS		
Sales	**364,051**	178,128
Gross Profit	**323,082**	129,342
Operating Income	**187,632**	67,024
Net Income (Loss)	**100,112**	(91,651)
Adjusted EBITDA(1)	**198,117**	103,937
Cash Provided by Operating Activities	**276,705**	108,820
Free Cash Flow(1)	**41,548**	44,866
Cash Dividends Paid to Common and Class A Shareholders	**33,555**	36,466
Total Dividends Declared to Common and Class A Shareholders(2)	**46,805**	46,168
Per Share		
Free Cash Flow(1)	**0.240**	0.262
Total Dividends Declared to Common and Class A Shareholders(2)	**0.270**	0.270
ENERGY VOLUMES		
Electricity (megawatt hours)(3)	**1,079,808**	1,409,723

(1) Please see Non-IFRS Financial Measures for an explanation of these terms, *SECTION 3.2: Consolidated Results* and *SECTION 5: Equity, Liquidity and Capital Resources* for reconciliations to the nearest IFRS measures.

(2) Total dividends to Common and Class A Shareholders represent dividends declared irrespective of whether the dividend is received in cash or in shares as part of the DRIP program.

(3) Energy volumes exclude 629,252 MWhs of Gemini production for the three months ended March 31, 2017, and 11,000 MWhs for the three months ended March 31, 2016.

- **Sales** increased by 104% or $185.9 million and **gross profit** increased by 150% or $193.7 million, respectively over the first quarter of 2016 primarily due to pre-completion revenues earned from Gemini, additional contributions from the Grand Bend wind farm which reached commercial operations in April 2016, positive contributions from the ground-mounted solar facilities, and an enhanced dispatch arrangement at Iroquois Falls. These variances were partially offset by lower production at the Kingston facility due to the expiration of the pricing mechnism in the PPA on January 31, 2017.
- **Adjusted EBITDA** (a non-IFRS measure) for the first quarter of 2017 increased by 91% over the same period in 2016 to $198.1 million primarily driven by pre-completion revenues earned at Gemini and overall positive contributions from Northland's operating facilities, including results from Grand Bend, the ground-mounted solar facilities and Iroquois Falls. These positive variances were partially offset by the expiration of the pricing mechanism in Kingston's PPA on January 31, 2017. See *SECTION 3.2: Consolidated Results* for additional details on the above variances.
- **Operating income** for the three months ended March 31, 2017 was $120.6 million higher than the first quarter of 2016. The increase in gross profit was partially offset by increased depreciation of property, plant and equipment, higher plant operating costs and corporate management and administration costs.
- **Net income** for the quarter was $100.1 million compared to a net loss of $91.7 million in the first quarter of 2016. The increase in net income was a combination of the operating income increase and the mark-to-market non-cash adjustments on Northland's financial derivative contracts being partially offset by finance costs. New for this quarter, Northland early adopted IFRS 9 and elected to apply hedge accounting effective January 1, 2017 to minimize mark-to-market adjustments in net income resulting from volatility of foreign currency and interest rate movements. If Northland had not applied hedge accounting under IFRS 9 then

an additional $26.9 million in mark-to-market adjustments would have been recorded in net income for the first quarter of 2017. The fair value adjustments are non-cash items which will reverse over time, and have no impact on the cash obligations of Northland or its projects.

1.3 Liquidity and capital resource highlights

- **Cash provided by operating activities** increased by $167.9 million from the same quarter in 2016 primarily due to favourable gross profit and the timing of payables, receivables, and deposits, partially offset by higher operating costs; and
- **Quarterly free cash flow per share** (a non-IFRS measure) for the first quarter of 2017 was $0.24 versus $0.26 in the first quarter of 2016, because despite the significant increase in adjusted EBITDA, Gemini was still in construction phase as at March 31, 2017 and therefore its results are not included in free cash flow. Gemini achieved full completion on April 28, 2017, as described above, thus its results from that date will be included in free cash flow. The decline in free cash flow was primarily due to an increase in adjusted EBITDA being offset by higher interest payments related to Grand Bend and scheduled debt repayments largely related to McLean's.

SECTION 2: DESCRIPTION OF BUSINESS

As of March 31, 2017, Northland owns or has a net economic interest in completed power producing facilities with a total operating capacity of approximately 1,394 MW. Northland's operating assets comprise facilities that produce electricity from renewable resources and natural gas for sale primarily under long-term PPAs or other revenue arrangements with creditworthy customers in order to provide cash flow stability. Additionally, as of March 31, 2017, Northland had the following projects under construction: 600 MW (360 MW net interest to Northland) Gemini offshore wind project, and 332 MW (282 MW net interest to Northland) Nordsee One offshore wind project. Furthermore, Northland has a portfolio of projects in late and early stages of development.

Northland's interim condensed unaudited consolidated financial statements include the results of Northland and its subsidiaries, of which the most significant are:

i. Iroquois Falls Power Corp., which owns a 120 MW natural-gas-fired cogeneration facility located in northern Ontario, together herein referred to as "**Iroquois Falls**";

ii. Kingston CoGen Limited Partnership, which owns a 110 MW natural-gas-fired combined cycle facility located in eastern Ontario, together herein referred to as "**Kingston**";

iii. Thorold CoGen L.P., which owns a 265 MW natural-gas-fired cogeneration facility located in the Niagara region of Ontario, together herein referred to as "**Thorold**";

iv. North Battleford Power L.P., which owns a 260 MW natural-gas-fired combined-cycle facility located near Saskatoon in central Saskatchewan, together herein referred to as "**North Battleford**";

v. Spy Hill Power L.P., which owns an 86 MW natural-gas-fired peaking facility located in eastern Saskatchewan, together herein referred to as "**Spy Hill**";

vi. Saint-Ulric Saint-Léandre Wind L.P., which owns a 127.5 MW wind farm located in the Gaspésie region of Québec, together herein referred to as "**Jardin**";

vii. Mont-Louis Wind L.P., which owns a 100.5 MW wind farm located in the Gaspésie region of Québec, together herein referred to as "**Mont Louis**";

viii. DK Windpark Kavelstorf GmbH & Co. KG and DK Burgerwindpark Eckolstädt GmbH & Co. KG, which own two wind farms totalling 21.5 MW located in eastern Germany, together herein referred to as the "**German wind farms**";

ix. Ground-mounted solar partnerships, which consist of 13 operating 10 MW solar facilities. The 9 solar facilities totalling 90 MW in eastern and central Ontario are together herein referred to as "**NPI Ground-Mounted Solar**"; and the final four facilities totalling 40 MW (25 MW net interest to Northland) located in northern Ontario are, together herein referred to as "**Cochrane Solar**";

x. McLean's Mountain Wind Limited Partnership, which owns the 60 MW (30 MW net interest to Northland) wind farm on Manitoulin Island in Ontario, together herein referred to as "**McLean's**";

xi. Grand Bend Wind Limited Partnership, which owns the 100 MW (50 MW net interest to Northland) wind farm located in southern Ontario, together herein referred to as "**Grand Bend**";

xii. ZeeEnergie C.V. and Buitengaats C.V., which collectively own the 600 MW (360 MW net interest to Northland) offshore wind project off the coast of the Netherlands in the North Sea which achieved full completion April 28, 2017, together herein referred to as "**Gemini**"; and

xiii. Nordsee One GmbH, which owns the 332 MW (282 MW net interest to Northland) offshore wind project in construction off the German coast of the North Sea "**Nordsee One**".

Northland's interim unaudited condensed consolidated financial statements include the financial results for facilities owned by Kirkland Lake Power Corp. (**"Kirkland Lake"**) and Cochrane Power Corporation (**"Cochrane"**). Northland continues to manage Cochrane and Kirkland Lake on behalf of these corporations, which are owned by third-party, non-voting shareholders and Canadian Environmental Energy Corporation (**CEEC**) in which Northland has a 68% interest. Northland also has a 75% equity interest in four small rooftop solar facilities in Ontario and receives management fees from Chapais Énergie, Société en Commandite (**"Chapais"**) for managing its 28 MW biomass-fired power facility in Chapais, Québec. In addition, as a result of obtaining a controlling interest in Gemini in May 2014 and Nordsee One in September 2014, Northland's interim condensed consolidated financial statements also include Gemini's and Nordsee One's financial results. Significant Gemini and Nordsee One items included in Northland's interim condensed unaudited consolidated financial statements are as follows:

- Cash and cash equivalents of $3.5 million;
- Restricted cash of $216.6 million;
- Current assets (excluding cash and cash equivalents and restricted cash) of $72.9 million;
- Property, plant and equipment of $4.8 billion;
- Contracts and other intangibles of $157.8 million;
- Long-term deposits of $50.4 million;
- Current liabilities of $239.3 million;
- Interest-bearing loans and borrowings (excludes intercompany amounts) of $3.7 billion;
- Net derivative liability under interest rate swap contracts of $291.1 million; and
- Sales of $177.4 million.

SECTION 3: DISCUSSION OF OPERATIONS

3.1 Facility results

Northland's Offshore Wind Facilities

Northland's offshore wind facilities consist of the 600 MW Gemini wind farm, located off the coast of the Netherlands, and the 332 MW Nordsee One wind farm, located off the coast of Germany. Both Gemini and Nordsee One were under construction at the end of the quarter, however Gemini achieved full completion on April 28, 2017. For additional details on each of these facilities, please see *SECTION 6: Construction and Advanced Development Activities*.

See the chart below for offshore wind operational results for the three months ended March 31.

	Three months ended March 31,	
in thousands of dollars	**2017**	2016
Sales/Gross profit(1)(2)	**177,382**	27
Plant operating costs(2)	**14,882**	1,165
Management and administration costs	**2,530**	790
Adjusted EBITDA(3)	**159,970**	(1,928)
Adjusted EBITDA(3) - Northland's share	**95,886**	(1,243)

(1) Offshore wind facilities do not have cost of sales and as a result, the reported sales numbers are equivalent to gross profit.
(2) The sales/gross profit and plant operating costs include pre-completion revenue and the allocated plant operating costs for the operational wind turbines at Gemini.
(3) A non-IFRS measure.

Although Northland's two offshore wind projects were under construction at quarter end, certain revenues and costs are recorded in operating income as individual wind turbines become operational. Pre-completion revenue and an allocation of plant operating costs have been reported for Gemini.

Electricity production during the first quarter of 2017 was 618,252 MWh higher than the same quarter of 2017 due to Gemini's production. Gemini and Nordsee One were under construction at the end of the quarter, however Gemini achieved full completion on April 28, 2017. Sales of $177.4 million and adjusted EBITDA of $95.9 million were driven largely by pre-completion revenue reported for Gemini. Gemini retroactively commenced its two power contracts effective March 1, 2016, and July 1, 2016. Commencing the power contracts entitled the project to begin receiving its contracted subsidy in addition to market revenues for the subsequent 15 years. The operating results this quarter reflect full revenues on all MWh generated. The adjusted EBITDA includes Northland's share of the project overhead costs (management and administration) which do not qualify for capitalization or deferral under IFRS.

Northland's Thermal Facilities

The following is a discussion of the operating results for Northland's thermal facilities for the three months ended March 31.

in thousands of dollars except as indicated	Three months ended March 31, 2017	2016
Electricity Production (MWh)	**690,403**	1,126,772
Sales	**115,665**	130,100
Less finance lease adjustment(1)	**(4,047)**	(4,047)
Sales as reported	**111,618**	126,053
Cost of sales	**31,223**	41,186
Gross profit	**84,442**	88,914
Less finance lease adjustment(1)	**(4,047)**	(4,047)
Gross profit as reported	**80,395**	84,867
Plant operating costs	**7,834**	9,883
Operating income	**63,494**	63,338
Adjusted EBITDA(2)	**76,221**	78,924
Capital expenditures(3)	**-**	-

(1) Northland accounts for its Spy Hill operations as a finance lease.
(2) A non-IFRS measure.
(3) Capital expenditures exclude construction-related capital items. The majority of gas turbine maintenance is provided under long-term, fixed-price contracts that are charged to the interim consolidated statement of income based on the terms of those contracts.

Northland's thermal assets comprise both baseload and dispatchable facilities. Historically, the Iroquois Falls and Kingston baseload plants have been largely operated at full output with the objective of generating 100% of contracted on-peak and off-peak production volumes and received a fixed price for all electricity sold, and production levels and sales at these two facilities had an impact on gross profit. As of January 1, 2017, Iroquois Falls has entered into a four-month enhanced dispatch arrangement, therefore as of that date production levels have a minimal impact on gross profit. The arrangement results in reduced greenhouse gas emissions and cost savings for Ontario electricity consumers while maintaining equal or better economics for Northland as a result of savings from reduced costs related to cap and trade, maintenance, natural gas and gas transportation, as well as other variable cost savings. The pricing mechanism under Kingston's PPA expired on January 31, 2017, and the facility did not operate for the remainder of the first quarter.

The North Battleford baseload plant is operated to generate at full output during on-peak periods and at reduced output during off-peak periods at the request of the power purchaser. The PPA is designed to provide generally stable gross profit based on the ability to operate according to contract parameters, regardless of production or sales levels.

Thorold and Spy Hill are dispatchable facilities and operate either when market conditions are economic or as requested by the PPA counterparty. These facilities receive payments that are largely dependent on their ability to operate according to contract parameters as opposed to maximizing production or sales, and the payments ensure gross profit is generally stable regardless of production or sales levels. Additional information relating to the thermal facility contracts can be found in Northland's AIF, which is filed electronically at **www.sedar.com** under Northland's profile.

Electricity production during the first quarter of 2017 was 436,369 MWh lower than the same quarter of 2016 largely due to the Iroquois Falls facility operating under a four-month enhanced dispatch arrangement with the facility not being dispatched during the period. The expiration of the pricing mechanism in Kingston's PPA on January 31, 2017, and fewer dispatch hours at the Thorold facility also contributed to the decrease in production. Changes in the volume of electricity produced at North Battleford, Thorold and Spy Hill have a minimal impact on gross profit given the nature of those facilities' PPAs.

Sales during the first quarter of 2017 of $111.6 million were $14.4 million lower than the first quarter of 2016 primarily due to the lower results at Kingston ($18.3 million). This decrease in sales was partially offset by higher flow-through gas costs at the North Battleford facility ($4 million).

Gross profit during the first quarter of 2017 at $80.4 million was $4.5 million lower than the comparable period in 2016 primarily due to the expiration of the pricing mechanism in Kingston's PPA ($8.9 million), partially offset by higher gross profit at the Iroquois Falls facility ($4.8 million) as a result of the enhanced dispatch arrangement.

Plant operating costs of $7.8 million for the three months ended March 31, 2017 were $2 million lower than the comparable period in 2016 as a result of service agreement savings at Thorold, as well as maintenance agreement savings at Iroquois relating to the enhanced dispatch arrangement.

Operating income for the thermal facilities for the first quarter of 2017 was in line with the comparable period in 2016 because lower gross profit was offset by lower plant operating and other costs.

Adjusted EBITDA for the thermal facilities was lower for the three months ended March 31, 2017 than the comparable period in 2016 primarily as a result of lower results at Kingston being partially offset by higher results at Iroquois Falls for the same reasons as the gross profit variance described above.

Northland's On-Shore Renewable Facilities

The following is a discussion of the results of operations of Northland's on-shore renewable facilities for the three months ended March 31.

	Three months ended March 31,	
in thousands of dollars except as indicated	**2017**	2016
Electricity Production (MWh) - Actual	**389,405**	282,951
Electricity Production (MWh)		
- Long Term Forecast	**388,262**	298,183
On-shore Wind	**40,396**	22,016
Solar	**15,108**	12,907
Sales/Gross profit(1)	**55,504**	34,923
On-shore Wind	**6,311**	4,179
Solar	**987**	1,136
Plant operating costs	**7,298**	5,315
Operating income	**24,835**	10,627
On-shore Wind	**23,006**	15,123
Solar	**12,565**	10,668
Adjusted EBITDA(2,3)	**35,571**	25,791
Capital expenditures(4)	**124**	-

(1) On-shore renewable facilities do not have cost of sales and, as a result, the reported sales numbers are equivalent to gross profit.
(2) A non-IFRS measure.
(3) Adjusted EBITDA represents Northland's share of adjusted EBITDA generated by the facilities.
(4) Capital expenditures exclude construction-related items. The majority of wind turbine maintenance is provided under long-term, fixed-price contracts that are charged to the interim consolidated statement of income based on the terms of those contracts.

Electricity production during the first quarter of 2017 was 106,454 MWh higher than the comparable period in 2016 primarily due to a 110,385 MWh contribution from the Grand Bend facility, which declared commercial operations in April 2016. There was an additional 8,213 MWh of wind production at McLean's as a result of higher wind resources, and an additional 5,401 MWh of solar production as a result of higher solar resources and more favourable weather conditions. These results were partially offset by a 17,545 MWh decrease in production at the other wind facilities caused by lower wind resources.

During the first quarter of 2017, sales of $55.5 million were $20.6 million higher and plant operating costs of $7.3 million were $2 million higher than the first quarter of 2016, primarily due to the incremental contribution from the Grand Bend facility.

Operating income of $24.8 million during the three months ended March 31, 2017 was $14.2 million higher than the comparable period in 2016 as a result of the contribution from the Grand Bend facility, but partially offset by the inclusion of depreciation for that facility, plus the contribution from the solar facilities since higher solar resources led to higher income. Adjusted EBITDA for the on-shore renewable facilities of $35.6 million for the three months ended March 31, 2017 was $9.8 million higher than the same quarter of 2016, primarily as a result of the contributions from the Grand Bend and solar facilities.

Northland's Managed Facilities

The following is a discussion of the results of operations of Northland's managed facilities (Kirkland Lake, Cochrane and management fees from Chapais) for the three months ended March 31.

	Three months ended March 31,	
in thousands of dollars	**2017**	2016
Sales	**19,547**	17,125
Cost of sales	**9,746**	7,600
Gross profit	**9,801**	9,525
Plant operating costs	**2,972**	3,443
Operating income	**6,231**	4,453
Adjusted EBITDA[(1)]	**5,728**	5,180

(1) Adjusted EBITDA, a non-IFRS measure, represents management and incentive fees earned by Northland from services provided to Kirkland Lake, Chapais, and Cochrane.

Sales for the three months ended March 31, 2017 were higher than the comparable period in 2016 primarily due to higher flow-through gas costs, as well as higher wood-fired electricity and peaker production at the Kirkland Lake facility. Gross profit for the three months ended March 31, 2017 was higher than the comparable period in 2016 as a result of increased revenues from higher production being partially offset by higher cost of sales.

Operating income for the first quarter of 2017 was higher than the comparable period in 2016 largely due to the increase in gross profit, as well as a reduction in operating costs at the Kirkland Lake facility.

Adjusted EBITDA (i.e. management and incentive fees) for the three months ended March 31, 2017 was in line with the comparable period in 2016 due to management fees generated from the Kirkland Lake facility being consistent with the prior year.

Corporate, including Other Income

The following is a discussion of financial results related to Northland's other services, including investment income for the three months ended March 31.

Other Sales and Income

	Three months ended March 31,	
in thousands of dollars	**2017**	2016
Gemini interest income	**4,765**	4,581
Other	**68**	1,048
Adjusted EBITDA[(1)]	**4,833**	5,629

(1) A non-IFRS measure.

"Gemini interest income" represents interest earned on the subordinated debt that Northland has loaned to Gemini. Due to Northland acquiring the controlling interest in Gemini in May 2014, Northland consolidates the financial results of Gemini. Therefore, the subordinated debt receivable and related investment income eliminate on consolidation but are still included in Northland's consolidated adjusted EBITDA.

in thousands of dollars	Three months ended March 31, 2017	2016
Management and administration costs		
Corporate Operations	**8,119**	5,205
Corporate Development	**13,016**	5,139
Facilities	**3,546**	1,140
Total management and administration costs	**24,681**	11,484
Corporate management and administration costs	**21,135**	10,344
Corporate adjusted EBITDA (1)(2)	**(20,122)**	(10,344)

(1) A non-IFRS measure.
(2) Adjusted EBITDA excludes costs associated with the strategic review.

Corporate management and administration costs for the three months ended March 31, 2017 were $10.8 million higher than the comparable period in 2016. The overall increase in Corporate management and administration costs was largely due to higher early-stage development activities across a range of geographic locations ($6.8 million) and personnel costs ($3.4 million).

Facility management and administration costs for the three months ended March 31, 2017 were $2.4 million higher than the comparable period in 2016, primarily due to an increase in management and administration costs at Gemini ($1.7 million) because costs that were previously capitalized, including personnel, office and other costs, are now being expensed. As wind turbines were commissioned, costs that were not directly attributable to the construction of the project were expensed as management and administration costs; therefore, these costs increased over time until all turbines were commissioned.

3.2 Consolidated results

The following discussion of the consolidated financial condition and results of operations of Northland should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three month period ended March 31, 2017, Northland's 2016 Annual Report and AIF.

First Quarter

Net income for the three months ended March 31, 2017 of $100.1 million was higher than the same quarter of 2016 primarily due to higher operating income and a non-cash fair value gain associated with Northland's derivative contracts ($29.4 million gain in the first quarter of 2017 versus a $140 million loss in the first quarter of 2016). New for this quarter, Northland early adopted IFRS 9 and elected to apply hedge accounting under the requirements of IFRS 9 effective January 1, 2017 to minimize mark-to-market adjustments in net income resulting from volatility of foreign currency and interest rate movements. If Northland had not applied hedge accounting then an additional $26.9 million in mark-to-market gains would have been recorded in net income for the first quarter of 2017. The fair value adjustments are non-cash items which will reverse over time, and have no impact on the cash obligations of Northland or its projects.

The following describes the significant factors contributing to the change in net income for the quarter ended March 31, 2017:

Total Sales and Gross Profit increased (sales 104% or $185.9 million; gross profit 150% or $193.7 million) compared to the first quarter of 2016 for reasons discussed in *Section 3.1: Facility Results* and primarily due to pre-completion revenues earned from Gemini, additional contributions from the the Grand Bend wind farm which reached commercial operations in April 2016, positive results from the ground-mounted solar facilities, and an enhanced dispatch arrangement at Iroquois Falls. These variances were partially offset by lower sales at the Kingston facility due to the expiration of the pricing mechanism in its PPA on January 31, 2017.

Plant operating costs increased by $13.4 million largely due to the inclusion of costs from the Gemini wind farm now that wind turbines are in operation and the addition of costs from the Grand Bend facility.

Management and administration costs at $24.7 million were $13.2 million higher than the first quarter of 2016. Corporate management and administration costs were $10.8 million higher than the comparable period of 2016 largely due to early-stage development activities ($6.8 million), and personnel costs ($3.4 million), as previously discussed. Facility management and administration costs were $2.4 million higher primarily due to the inclusion of Gemini costs that were capitalized in 2016, including personnel, office and other costs that are now being expensed as a result of the wind turbines having been commissioned.

Investment Income was $1 million lower than the first quarter of 2016 due to the repayment of loan receivables from Northland's equity partners in McLean's and Grand Bend in the first and third quarters of 2016.

Finance costs, net (primarily interest expense), increased by $44.4 million from the first quarter of 2016 due to the inclusion of interest from Gemini and Grand Bend.

Amortization of contracts and other intangible assets at $1.7 million was $3.2 million lower than the first quarter of 2016 largely due to the expiration of the pricing mechanism in Kingston's PPA on January 31, 2017.

Non-cash fair value gains of $30.3 million in the first quarter of 2017 (compared to a $142.3 million loss in the first quarter of 2016) is comprised of a $29.4 million gain in the fair value of Northland's financial derivative contracts and a $1 million unrealized foreign exchange gain. A portion ($18 million) represents the consolidated mark-to-market adjustment on the interest rate swaps entered into by the Gemini and Nordsee One projects. Effective January 1, 2017, Northland early adopted IFRS 9 and elected to apply hedge accounting which allows Northland to record the effective portion of mark-to-market adjustments on its derivative contracts in other comprehensive income. Further details are provided in Note 4 of the unaudited interim consolidated financial statements for the period ended March 31, 2017.

Other expense (income) at $14.6 million represents the €10.4 million accrual of contingent consideration in connection with the 2014 acquisition of Gemini, which is expected to be paid in the second quarter of 2017.

The factors described above, combined with $1.4 million and $19.4 million, respectively of current and deferred taxes, resulted in net income of $100.1 million for the first quarter of 2017, compared to a net loss of $91.7 million for the first quarter of 2016.

Adjusted EBITDA

Adjusted EBITDA (a non-IFRS measure) is calculated as net income (loss) adjusted for the provision for (recovery of) income taxes, depreciation of property, plant and equipment, amortization of contracts and other intangible assets, net finance costs, Gemini subordinated debt interest, fair value (gain) loss on derivative contracts, unrealized foreign exchange (gain) loss, gain on sale of development assets, elimination of non-controlling interests (excluding management and incentive fees to Northland), finance lease and equity accounting, and Gemini contingent consideration.

The loan balance on Northland's €80 million of subordinated debt to Gemini increases through accrued interest until the start of commercial operations, or in the second half of 2017, after which it will be repaid with semi-annual blended principal and interest payments. Northland consolidates the financial results of Gemini, and as a result Northland's loan receivable and investment income earned are eliminated upon consolidation. However, the investment income is included in Northland's adjusted EBITDA as "Gemini subordinated debt interest" but will be included in free cash flow only when cash payments are received, which is anticipated to commence in the second half of 2017.

The following table reconciles Northland's net income (loss) to its adjusted EBITDA:

in thousands of dollars	Three months ended March 31, **2017**	2016
Net Income (Loss)	**100,112**	(91,651)
Adjustments:		
Provision for (recovery of) income taxes	**20,735**	(24,920)
Depreciation of property, plant and equipment	**81,043**	35,597
Amortization of contracts and other intangible assets	**1,668**	4,826
Finance costs, net	**80,844**	36,456
Gemini subordinated debt interest	**4,765**	4,581
Fair value (gain) loss on derivative contracts	**(29,380)**	139,984
Foreign exchange (gain) loss	**(963)**	2,336
Elimination of non-controlling interests	**(77,151)**	(4,060)
Finance lease and equity accounting	**778**	788
Gemini contingent consideration	**14,595**	-
Strategic review costs	**1,071**	-
Adjusted EBITDA	**198,117**	103,937

Northland's adjusted EBITDA for the three months ended March 31, 2017 was $94.2 million higher than the first quarter of 2016. Significant factors increasing adjusted EBITDA for the comparative quarter are described below:

- $97.2 million increase in operating results from the recognition of Gemini's pre-completion revenues;
- $9.7 million increase in operating results from Northland's on-shore renewable facilities largely due to the contributions from Grand Bend; and

These favourable results were partially offset by:

- $9.8 million increase in corporate management and administration costs, excluding costs associated with the strategic review, primarily related to early-stage development projects and personnel costs; and
- $2.9 million decrease in operating results from Northland's thermal facilities largely due to the expiration of the pricing mechanism in Kingston's PPA on January 31, 2017, partially offset by contributions from Iroquois Falls and North Battleford.

3.3 Summary of historical consolidated quarterly results and trends

$ millions, except Per share information	**Q1 2017**	**Q4 2016**	**Q3 2016**	**Q2 2016**	**Q1 2016**	**Q4 2015**	**Q3 2015**	**Q2 2015**
Total sales	364.1	478.6	265.7	176.6	178.1	171.5	187.7	167.3
Operating income	187.6	276.6	105.6	59.4	67.0	60.6	79.7	59.5
Net income (loss)	100.1	290.8	(31.9)	23.4	(91.7)	8.9	(91.1)	140.3
Adjusted EBITDA(1)	198.1	277.2	141.9	103.9	103.9	94.4	119.2	91.4
Cash provided by operating activities	276.7	344.4	158.8	107.8	108.8	72.9	118.0	88.2
Free cash flow(1)	41.5	119.0	32.1	46.3	44.9	34.3	63.1	34.6
Per share statistics								
Net income (loss) - basic	0.30	0.94	(0.18)	0.20	(0.32)	0.01	(0.51)	0.53
Net income (loss) - diluted	0.30	0.94	(0.18)	0.20	(0.32)	0.02	(0.51)	0.48
Free cash flow(1)	0.24	0.69	0.19	0.27	0.26	0.20	0.37	0.20
Total dividends declared	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27

(1) Non-IFRS measures.

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

SECTION 4: CHANGES IN FINANCIAL POSITION

The following table provides a summary of account balances derived from the unaudited interim condensed consolidated balance sheets as at March 31, 2017 and December 31, 2016.

As at, in thousands of dollars	**March 31, 2017**	December 31, 2016
Assets		
Cash and cash equivalents	**324,796**	307,521
Restricted cash	**268,837**	171,304
Trade and other receivables	**173,323**	158,007
Other current assets	**32,652**	33,445
Property, plant and equipment	**7,237,786**	7,157,401
Contracts and other intangible assets	**232,883**	234,328
Other assets (1)	**433,896**	435,671
	8,704,173	8,497,677
Liabilities		
Trade and other payables	**232,685**	231,186
Interest-bearing loans and borrowings	**5,888,765**	5,736,112
Net derivative financial liabilities (2)	**386,204**	442,262
Net deferred tax liability (2)	**77,844**	52,610
Other liabilities (3)	**671,266**	660,387
	7,256,764	7,122,557
Total equity	**1,447,409**	1,375,120
	8,704,173	8,497,677

(1) This amount is derived from the unaudited interim consolidated balance sheets and contains finance lease receivable, long-term deposit, other assets and goodwill.

(2) Derivative financial instruments and deferred taxes are presented on a net basis resulting in a difference in total assets and total liabilities when compared to the unaudited interim consolidated balance sheets.

(3) This amount is derived from the unaudited interim consolidated balance sheets and contains dividends payable, corporate term loan facility, convertible debentures and provisions and other liabilities.

The following items describe the significant changes in Northland's unaudited interim condensed consolidated balance sheet:

- Restricted cash increased by $97.5 million primarily due to the funds set aside for construction at Kirkland Lake and the Gemini and Nordsee One offshore wind farms and an increase in NPI Ground-Mounted Solar's and North Battleford's debt reserve to fund its semi-annual principal payments.
- Trade and other receivables increased by $15.3 million mainly due to increased electricity sales at the Gemini offshore wind farm partially offset by the expiration of the pricing mechanism in Kingston's PPA and the enhanced dispatch arrangement at Iroquois Falls.
- Property, plant and equipment increased by $80.4 million from December 31, 2016 primarily due to construction-related activities at Nordsee One and Kirkland Lake.
- Contracts and other intangible assets decreased by $1.4 million mainly due to contract amortization and foreign exchange translation differences.
- Trade and other payables increased by $1.5 million primarily due to the timing of construction-related payables, including amounts owing at Gemini and Nordsee One offshore wind farms.
- Interest-bearing loans and borrowings increased by $152.7 million mainly due to additional debt at Kirkland Lake combined with Gemini's and Nordsee One's senior debt drawings, and partially offset by scheduled loan repayments.
- Net derivative financial liabilities (derivative financial liabilities less derivative financial assets) of $386.2 million decreased by $56.1 million primarily due to the non-cash fair value mark-to-market adjustments on foreign exchange contracts, Iroquois Falls' natural gas financial derivative contract and interest rate swaps ($291.1 million relates to Gemini's and Nordsee One's interest rate swaps). The application of hedge accounting under IFRS 9 allows Northland to record the effective portion of mark-to-market adjustments on its derivative contracts in other comprehensive income, as previously disclosed.
- Net deferred tax liability (deferred tax asset less deferred tax liabilities) of $77.8 million increased by $25.2 million due to movements in accounting versus tax balances; in particular fair value gains on derivative contracts.

SECTION 5: EQUITY, LIQUIDITY AND CAPITAL RESOURCES

Equity and Convertible Unsecured Subordinated Debenture Information

As at March 31, 2017, Northland had 172,548,702 common shares outstanding (as at December 31, 2016 – 171,973,308), 4,501,565 Series 1 Preferred Shares, 1,498,435 Series 2 Preferred Shares, 4,800,000 Series 3 Preferred Shares and 1,000,000 Class A Shares. During the quarter, $24,000 of the 2020 convertible debentures were converted into 1,111 common shares.

During the first three months of 2017, Northland's total equity increased by $72.3 million primarily due to the $13.2 million increase in common shares, driven by the issuance of additional shares under Northland's DRIP programs, as well as the debentures converted during the quarter. In addition, there was a $17.6 million change in accumulated other comprehensive losses, which arise as the Canadian dollar/euro exchange rate fluctuates and Gemini and Nordsee One results are translated into Canadian dollars. This change was primarily related to the election to apply hedge accounting under IFRS 9. As a result of the acquisition of the controlling interests in CEEC, Gemini, and Nordsee One, Nordsee Two and Nordsee Three ("**Nordsee entities**") and the equity funding of McLean's, Grand Bend, Gemini and the Nordsee entities by their non-controlling partners, Northland's total equity includes non-controlling interests, which total $473.5 million at March 31, 2017. Readers should refer to Note 8 to the interim condensed consolidated financial statements for the period ending March 31, 2017 for additional details related to Northland's non-controlling interests.

As of the date of this MD&A, Northland has outstanding 172,741,445 common shares, 4,501,565 Series 1 Preferred Shares, 1,498,435 Series 2 Preferred Shares, 4,800,000 Series 3 Preferred Shares, 1,000,000 Class A Shares, $78.5 million of the 2019 Debentures, and $156.1 million of the 2020 Debentures. If the 2019 Debentures and 2020

Debentures were converted in their entirety, an additional 10.9 million shares would be issued and outstanding.

Liquidity and Capital Resources

	Three months ended March 31,	
in thousands of dollars	**2017**	2016
Cash and cash equivalents, beginning of period	**307,521**	151,927
Cash provided by operating activities	**276,705**	108,820
Cash used in investing activities	**(287,220)**	(395,901)
Cash provided by financing activities	**27,604**	308,688
Effect of exchange rate differences	**186**	4,271
Cash and cash equivalents, end of period	**324,796**	177,805

Cash and cash equivalents for the three months ended March 31, 2017 were $324.8 million, which increased by $17.3 million from December 31, 2016, due to $276.7 million in cash provided by operating activities and $27.6 million in cash provided by financing activities, partially offset by $287.2 million in cash used in investing activities.

Cash provided by operating activities for the three months ended March 31, 2017 was $276.7 million, comprising net income of $100.1 million, $152.3 million in non-cash and non-operating items such as depreciation and amortization, unrealized foreign exchange gains, and changes in fair value of financial instruments, combined with a $24.3 million change in working capital from December 31, 2016 due to the timing of payables, receivables, and deposits.

Cash used for investing activities for the three months ended March 31, 2017 was $287.2 million, primarily due to: (i) $151.2 million used for the purchase of property, plant and equipment, mostly for the construction of Nordsee One; (ii) $96.9 million of restricted cash funding associated with construction expenditures ($69 million is associated with construction activities at Gemini and Nordsee One) and reserves for debt payments; and (iii) a $45 million change in working capital related to the timing of construction payables ($43.4 million is associated with construction payables at Gemini and Nordsee One). These uses were partially offset by: (i) $5 million primarily related to proceeds received from other investing activities during the quarter; and (ii) $0.9 million of interest received.

Cash provided by financing activities for the three months ended March 31, 2017 was $27.6 million, comprising: $145.1 million of proceeds from Nordsee One's third-party senior debt, and Kirkland Lake; partially offset by; (i) $59.3 million in interest payments; (ii) $36.3 million of common, Class A and preferred share dividends; (iii) $13.2 million in scheduled loan repayments; and (iv) $8.6 million in dividends to the non-controlling shareholders largely associated with McLean's.

Due to the strengthening of the euro versus the Canadian dollar, Northland's March 31, 2017 consolidated cash and cash equivalents was positively impacted by $0.2 million as a result of translating euro-denominated cash and cash equivalents held by Gemini and Nordsee One into Canadian dollars. The effect of exchange rate differences on cash and cash equivalents for Northland's Europe projects will fluctuate from quarter to quarter as the Canadian dollar/euro exchange rate fluctuates. However, euro-denominated cash will be utilized by Gemini and Nordsee One for expenditures and the purchase of euro-denominated property, plant and equipment.

The following table provides a continuity of the cost of property, plant and equipment:

in thousands of dollars	Cost balance as of Dec. 31, 2016	Additions	Other(1)	Exchange Rate Differences	Transfers	Cost balance as of March 31, 2017
Operations:						
Thermal(2)	1,579,620	-	-	-	-	**1,579,620**
On-Shore Renewable	1,754,550	**124**	**39**	**49**	-	**1,754,762**
Construction:						
Offshore wind	4,746,285	**149,278**	**2,864**	**7,738**	**126**	**4,906,291**
Managed(3)	233,096	**1,653**	-	-	-	**234,749**
Corporate(4)	20,456	**132**	-	-	**(126)**	**20,462**
Total	8,334,007	**151,187**	**2,903**	**7,787**	-	**8,495,884**

(1) Includes the accrual for asset retirement obligations for accounting purposes, tax credits, LTIP shares granted and write-offs of deferred development costs.
(2) Excludes Spy Hill lease receivable accounting treatment.
(3) Kirkland Lake facility.
(4) Includes certain costs related to projects in construction.

The following table provides a continuity of Northland's debt:

in thousands of dollars	Balance as of Dec. 31, 2016	Financings	Repayments	Amortization of costs/ Fair Value	Exchange Rate Differences	Balance as of March 31, 2017
Operations:						
Thermal(1)	1,059,476	-	**(5,621)**	**634**	-	**1,054,489**
On-Shore Renewable(2)	1,173,317	-	**(7,566)**	**212**	-	**1,165,963**
Construction:						
Offshore wind(3)	3,494,567	**143,462**	-	**13,964**	**5,915**	**3,657,908**
Managed(4)	8,752	**1,653**	-	-	-	**10,405**
Corporate(5)	247,741	-	-	**168**	**70**	**247,979**
Total	5,983,853	**145,115**	**(13,187)**	**14,978**	**5,985**	**6,136,744**

(1) Includes a favourable fair value adjustment to Thorold's debt.
(2) Includes a favourable fair value adjustment to Jardin's debt.
(3) Excludes Northland's subordinated debt, which eliminates on consolidation.
(4) Kirkland Lake facility.
(5) Excludes convertible unsecured subordinated debentures.

Long-term Debt

In March 2016, Kirkland Lake closed a $25 million bank financing consisting of a $15 million term loan and a $10 million letter of credit facility. The financing will fund the costs of plant upgrades associated with the baseload PPA contract extension negotiated in the summer of 2015, the security for long-term gas transportation costs and the financing requirements for the new peaking facility's PPA. The term loan is due in March 2023 and bears an all-in interest rate of 2.82%.

Debt Covenants

Northland generally conducts its business indirectly through separate subsidiary legal entities and is dependent on the distribution of cash from those entities to defray its corporate expenses, repay corporate debt, and to pay cash dividends to common, Class A and preferred shareholders. Certain of those entities have outstanding non-recourse project finance debt at the subsidiary entity. Under the credit agreements or trust indentures for such debt, distributions of cash to Northland are typically prohibited if the coverage ratios or other covenants are not met and/or if the loan is in default. Northland and its subsidiaries were in compliance with all debt covenants for the period ended March 31, 2017. Readers should refer to Northland's 2016 AIF dated March 2, 2017, for additional details concerning its debt covenants.

Corporate Facility and Letters of Credit

As of March 31, 2017, Northland's corporate credit facilities total $800 million. The 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 as described below.

The corporate credit facility includes the following:

- A $450 million revolving facility in place until March 2020 with successive annual renewals at Northland's option, subject to lender approval, of which $310.3 million has been utilized for letters of credit;
- A $250 million term facility that matures in March 2018 with a one-year renewal at Northland's option, subject to lender approval, of which $250 million has been drawn (although the amount shown on the balance sheet reflects the Canadian equivalent at the quarter-end foreign exchange rates); and
- A $100 million corporate letter of credit facility in place until March 2019 with successive annual renewals at Northland's option, subject to lender approval, of which $95 million has been utilized.

As of March 31, 2017, Northland and its subsidiaries had $454.4 million of letters of credit outstanding, of which $405.3 million were issued as security under Northland's corporate credit facilities for certain projects in operation, advanced development and construction, and $49.1 million was issued under specific subsidiaries' non-recourse credit facilities.

Free Cash Flow and Dividends to Shareholders

The following calculation of free cash flow, free cash flow payout ratio and free cash flow per share (all non-IFRS measures) is based on the unaudited interim condensed consolidated financial statements of Northland.

Free cash flow represents the cash generated from the business that Northland's management believes is representative of the amount that is available to be paid as dividends to common shareholders while preserving the long-term value of the business.

Free cash flow is calculated as cash provided by operating activities, which is generally decreased for:

- Short-term changes in operating working capital that are expected to be largely reversed in succeeding periods (or represent reversals from previous periods);
- Capital expenditures related to the maintenance requirements of the existing business;
- Interest paid on outstanding debt, as it is excluded from cash provided by operating activities under IFRS;
- Scheduled repayments of principal on debt (because these payments must be made before funds are available for dividends to the shareholders of Northland);
- Funds set aside for quarterly scheduled principal repayments (or reversals from previous periods), as these amounts would have been included in scheduled repayments of principal on debt if not for the timing of holidays and weekends;
- Funds identified as being set aside or reserved (or utilized) for future maintenance;
- Consolidation of non-controlling interests;
- Timing of distributions received from equity accounted investments; and

- Preferred share dividends.

Free cash flow is generally increased for:

- Net proceeds on the sale of development assets.

	Three months ended March 31,	
in thousands of dollars	**2017**	2016
Cash provided by operating activities	**276,705**	108,820
Northland adjustments:		
Net change in non-cash working capital balances related to operations	**(24,299)**	(17,307)
Capital expenditures, net non-expansionary	**(1,909)**	(163)
Interest paid, net	**(58,419)**	(24,565)
Scheduled principal repayments on term loans	**(13,187)**	(11,936)
Funds set aside for quarterly scheduled principal repayments	**(7,690)**	(7,928)
Restricted funding for major maintenance	**(409)**	(424)
Consolidation of non-controlling interests	**(125,918)**	141
Equity accounting	**(532)**	71
Other	**-**	948
Preferred share dividends	**(2,794)**	(2,791)
Free cash flow(1)	**41,548**	44,866
Cash Dividends paid to common and Class A shareholders	**33,555**	36,466
Free cash flow payout ratio - net dividends(1)/(2)	**81%**	81%
Total Dividends(3) paid to common and Class A shareholders	**46,754**	46,123
Free cash flow payout ratio - total dividends(1)/(2)	**113%**	103%
Free cash flow payout ratio - total dividends since initial public offering(1)/(2)	**98%**	102%
Weighted average number of shares - basic (thousands of share)(4)	173,548	171,181
Weighted average number of shares - fully diluted (thousands of share)(5)	184,409	184,899
Per share ($/share)		
Free cash flow - basic(1)	0.24	0.26
Free cash flow - fully diluted(1)	0.23	0.24

(1) Non-IFRS measures.
(2) A payout ratio in excess of free cash flow generally results from the payment of interest on subordinated convertible debt and dividends on preferred shares and common shares raised to fund construction projects prior to those projects generating cash flows, as well as the funding of development activities.
(3) Total dividends to common and Class A Shareholders represent dividends declared irrespective of whether the dividend is received in cash or in shares as part of the DRIP program.
(4) The number of shares and the related per share numbers is the sum of the weighted average number of common shares and Class A Shares of Northland, both of which are eligible to receive dividends and do not include any common shares which may be issueable in respect of the conversion of Northland's outstanding convertible debentures.
(5) Average number of shares diluted is the sum of the weighted average number of common shares and Class A shares in the basic calculation plus the number of common shares that would be issued assuming conversion of the 2019 and 2020 Debentures.

Free cash flow of $41.5 million for the first quarter of 2017 was $3.3 million lower than the corresponding period in 2016 largely due to the expiration of the pricing mechanism in Kingston's PPA. Significant factors increasing or decreasing free cash flow are described below.

Factors decreasing free cash flow were:

- $7.4 million increase in relevant corporate management and administration costs;
- $1.7 million increase in net interest expense primarily due to the inclusion of Grand Bend debt; and
- $1.3 million increase in scheduled debt repayments related to the additional ground-mounted solar facilities.

Factors increasing free cash flow were:

- $7 million increase in adjusted EBITDA from Northland's operating facilities primarily due to the additional contributions from Grand Bend and Iroquois Falls, partially offset by the expiration of the pricing mechanism in Kingston's PPA on January 31, 2017.

For the three months ended March 31, 2017, common share and Class A Share dividends declared for the quarter totalled $0.27 per share. The decrease in quarterly free cash flow from 2016, described above, was the primary reason for the decrease in the quarterly cash payout ratio to 81% or 113% if all dividends were paid out in cash (i.e. excluding the effect of dividends re-invested through Northland's DRIP).

SECTION 6: CONSTRUCTION AND ADVANCED DEVELOPMENT ACTIVITIES

Gemini 600 MW Offshore Wind Project – Netherlands

On April 28, 2017, the 600 MW Gemini offshore wind farm achieved full completion, ahead of schedule and under its total budget of €2.8 billion. All 150 turbines have been operating since October 2016 and, to date, have generated over €250 million of net pre-completion revenues. Full completion marks the official end of construction and signifies that all of the terms required to satisfy the project lenders for term conversion have been achieved.

Concurrent with achieving full completion and term conversion of the loan, Gemini has also successfully restructured the project's €2 billion senior debt on more favourable terms. This restructuring reduced the weighted average all-in interest rate to 3.8%, removed the original cash sweep requirements in year five under the previous mini-perm financing, and significantly improved distributions to Gemini's owners.

As a result of these significant milestones, Gemini made its first cash distribution to its owners; Northland received a one-time distribution totaling approximately €31 million comprised of its share of excess net pre-completion revenues and unused construction contingency. Regular distributions to shareholders from Gemini operations are expected to commence in December 2017 and occur semi-annually thereafter.

In connection with the 2014 acquisition of Gemini, contingent consideration to the vendor of the Gemini project of up to €10.4 million (CAD $14.6 million) may be due if certain net cost savings and pre-completion revenue thresholds are achieved as of the project's completion. As at March 31, 2017, Northland accrued €10.4 million (CAD $14.6 million), which is the fair value estimate of the consideration expected to be paid in the second quarter of 2017. The accrual appears in "Other expense (income)" in the interim consolidated statements of income (loss). The amount of consideration paid could be lower but not higher than the amount accrued.

Nordsee One 332 MW Offshore Wind Farm – Germany

On March 31, 2017, the first wind turbine installed on the offshore wind farm successfully started to generate power and is feeding green electricity into the grid. Installation of the project's 54 wind turbines began earlier in March, 2017 and fourteen turbines have been installed to date. Wind turbine installation will continue in parallel with the progressive commissioning of the wind turbines. The project reached financial close in March 2015. All 54 foundation monopiles and transition pieces, as well as the offshore substation and infield cables, were successfully installed in 2016. Northland expects the installation and commissioning of all 54 Nordsee One turbines to be completed by the end of 2017.

Nordsee One's total capital cost is approximately €1.2 billion (CAD$1.7 billion as at March 31, 2017). The project remains on time and within budget.

Projects in Advanced Development

Deutsche Bucht 252 MW Offshore Wind Project – Germany

On March 3, 2017, Northland announced that it had signed a definitive agreement to acquire 100% of Deutche Bucht ("Debu"), a 252 MW offshore wind project currently in advanced development. DeBu will be Northland's third offshore wind project and is located 95 km northwest of the island of Borkum in the German exclusive Economic Zone, 77 km from Northland's other German offshore wind project, Nordsee One.

DeBu's total cost is estmated to be approximately €1.2 billion (approximately CAD $1.8 billion), of which Northland intends to invest approximately $400 million of corporate funds sourced from cash on hand, corporate liquidity, with the balance to be provided by project financing and pre-completion revenues. Financing of the project is actively underway and is expected to close mid-2017. The project is expected to be accretive on a free cash flow per share basis upon its completion, and provide project returns commensurate with Northland's investment criteria. Completion of Northland's acquition of DeBu is subject to achieving certain conditions which are anticipated to be completed over the next few months.

DeBu is entitled to receive a fixed feed-in tariff subsidy for approximately 13 years under the German Renewable Energy Act, representing approximately €184/MWh for the first 8 years and €149/MWh for the remainder.

Development of the project is well advanced. Debu will use a two-contract construction strategy, similar to Northland's Gemini project. A preferred supplier has been selected to supply and install the turbines, and to maintain the turbines under a long-term service contract. The balance of plant contractor for Gemini is the other preferred supplier that will provide the turbine installation vessel and supply and install the wind turbine foundations and the offshore electrical infrastructure. Construction of DeBu is scheduled to begin mid-2017 and reach commercial operations by the end of 2019.

SECTION 7: LITIGATION, CLAIMS AND CONTINGENCIES

Except for the Gemini contingent consideration previously described, there are no material litigation, claims or contingencies as of the date of this report.

SECTION 8: FUTURE ACCOUNTING POLICIES

As at March 31, 2017, there have been no additional accounting pronouncements by the International Accounting Standards Board (IASB) that would impact Northland beyond those described in Northland's 2016 annual report and in Note 2.2 of the unaudited interim consolidated financial statements for the period ended March 31, 2017.
As discussed in Northland's 2016 annual report, the IASB and the Financial Accounting Standards Board jointly issued one converged accounting standard on the recognition of revenue from contracts with customers IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 15 outlines a single comprehensive model to account for revenue arising from contracts with customers and will replace the majority of existing IFRS requirements on revenue recognition including IAS 18, Revenue. The core principle of IFRS 15 is to recognize revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. Northland will not be early adopting IFRS 15.

Management has undertaken IFRS 15 planning sessions and has developed a preliminary adoption plan. Management is currently in the process of identifying major revenue streams to be assessed. Next steps will involve accumulating, identifying, and inventorying detailed information on major contracts that may be impacted by the changes at the transition date, completing the overall analysis, assessing any potential impact to IT systems and internal controls, and reviewing the additional disclosures required by the standard. Management continues to evaluate the impact of IFRS 15 on the consolidated financial statements.

SECTION 9: OUTLOOK

Northland actively pursues new power development opportunities that encompass a range of clean technologies, including natural gas, wind, solar and hydro.

Management continues to expect adjusted EBITDA in 2017 to be $660 million to $710 million.

Additionally, management continues to expect the 2017 free cash flow per share to be in the range of $1.03 to $1.18 per share. This free cash flow per share guidance includes Northland's share of Gemini net pre-completion revenue in excess of the amount required by the project lenders to fund construction costs and operating income subsequent to the project reaching full operations in April 2017. Nordsee One's net pre-completion revenue is excluded from the free cash flow calculation because the expected cash generated is primarily used to fund construction costs pursuant to the credit agreement.

Northland's Board and management are committed to maintaining the current monthly dividend of $0.09 per share ($1.08 per share on an annual basis). Northland's management and Board have anticipated the impact of growth and are confident that Northland has adequate access to funds to meet its dividend commitment, including operating cash flows, cash and cash equivalents on hand and, if necessary, use of its line of credit or external financing. Management expects to continue its DRIP to provide an additional source of liquidity.

SECTION 10: RISKS AND UNCERTAINTIES

For information concerning Northland's risks, uncertainties, financial instruments and contractual commitments please refer to Northland's 2016 Annual Report and its AIF which are filed electronically at www.sedar.com under Northland's profile.

Management believes that there have been no material changes in the business environment or risks faced by Northland during the quarter that have not been disclosed in the AIF or the 2016 Annual Report.

Northland's overall risk management approach seeks to mitigate the financial risks to which it is exposed in order to maintain stable and sustainable levels of cash available to pay dividends to shareholders. Northland does not seek to mitigate fair value risk. Northland classifies financial risks into the categories of market risk, counterparty risk and liquidity risk. Readers should refer to Note 3 to the 2016 annual consolidated financial statements for additional information on Northland's risk management.

Except as disclosed in this MD&A or notes to the interim condensed consolidated financial statements, Northland has not entered into any additional significant financial instruments or contractual commitments during the quarter.

SECTION 11: MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

A rigorous and comprehensive financial governance framework is in place at Northland and its subsidiaries. Northland's 2016 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 March 2017 in association with the filing of the 2016 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 March 31, 2017, 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 internal controls over financial reporting during the quarter ended March 31, 2017 that have materially affected or are reasonably likely to materially affect Northland's internal controls over financial reporting.

Northland's Audit Committee reviewed this MD&A, and the attached unaudited interim condensed consolidated financial statements, and its Board of Directors approved these documents prior to their release.

SECTION 12: FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements that 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. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects," "anticipates," "plans," "predicts," "believes," "estimates," "intends," "targets," "projects," "forecasts" or negative versions thereof and other similar expressions or future or conditional verbs such as "may," "will," "should," "would" and "could." These statements may include, without limitation, statements regarding future adjusted EBITDA, free cash flows, dividend payments and dividend payout ratios; the construction, completion, attainment of commercial operations, cost and output of development projects; litigation claims; plans for raising capital; and the future operations, business, financial condition, financial results, priorities, ongoing objectives, strategies and outlook of Northland and its subsidiaries. These statements are based upon certain material factors or assumptions that were applied in developing the forward-looking statements, including the design specifications of development projects, the provisions of contracts to which Northland or a subsidiary is a party, management's current plans and its perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. 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, natural events, construction risks, counterparty risks, operational risks, risks relating to co-ownership, the variability of revenues from generating facilities powered by intermittent renewable resources, power market risks and possible inflation risks and the other factors described in this MD&A and Northland's 2016 Annual Report and the 2016 Annual Information Form dated March 2, 2017, both of which can be found at www.sedar.com under Northland's profile and on Northland's website at www.northlandpower.ca. 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 on May 9, 2017. 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.