

NORTHLAND POWER INC. | SECOND-QUARTER REPORT




**NORTHLAND
POWER**

Q2

Quarterly Report for the period
ended June 30, 2017



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 unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 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 August 9, 2017; actual results may differ materially. Please see *SECTION 12: Forward-Looking Statements* in this MD&A for additional information.

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

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.

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SECTION 1: CONSOLIDATED HIGHLIGHTS

1.1 Significant events

Significant events which occurred during the second 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 Gemini offshore wind farm achieved full completion. The project was completed ahead of schedule and under its total budget of €2.8 billion. Concurrent with full completion, Gemini successfully and favourably renegotiated the project's €2 billion senior debt. This renegotiation reduced the weighted average all-in interest rate by 80 basis points to 3.8% for the remaining 13-year amortization period, removed the cash sweep requirements in year five under the previous mini-perm financing, and significantly improves expected distributions to Gemini's owners. Gemini made its first cash distribution to its owners in May 2017; regular operating distributions are expected to commence in December 2017 and occur semi-annually thereafter.

Nordsee One Offshore Wind Project Achieves First Power

Construction of the Nordsee One offshore wind farm continues to progress according to the project plan. Installation of the project's 54 wind turbines began earlier in March 2017 and 44 turbines have been installed as of the date hereof. Turbine installation will continue in parallel with the progressive commissioning of the wind turbines. Installation of all 54 Nordsee One wind turbines is expected to be completed by the end of 2017.

DeBu Offshore Wind Advanced Development Project Update

Completion of Northland's acquisition of Deutsche Bucht ("DeBu") is subject to achieving certain conditions which are anticipated to be completed shortly. Financial close and the commencement of construction are expected to follow, with full commercial operations expected by the end of 2019. Development of the project is progressing well and all key construction contracts have been signed. The total estimated project cost is approximately €1.3 billion (approximately CAD \$1.9 billion). Northland expects to invest approximately \$400 million of corporate funds, sourced from cash on hand and corporate liquidity. The balance of the project cost will be funded with non-recourse project finance debt and pre-completion revenues. The project is investigating the development of two additional demonstration turbines utilizing suction bucket foundations. The final investment decision for these two turbines is subject to achieving certain development milestones. If built, they will contribute an additional 17 MW of capacity and bring the total project cost to approximately €1.4 billion (CAD \$2.0 billion). Northland's investment would increase to approximately \$425 million, funded by cash and corporate debt, with the balance of incremental costs funded by additional project debt.

Long-Term Enhanced Dispatch Contract for Iroquois Falls Facility

On July 4, 2017, Northland announced that a permanent Long-Term Enhanced Dispatch Contract (**LTEDC**) for its Iroquois Falls facility was executed with the Independent Electricity System Operator (**IESO**). The contract, which succeeded the interim enhanced dispatch arrangement ("**Interim EDC**") and took effect July 1, 2017, is expected to result in reduced greenhouse gas emissions, cost savings for Ontario electricity consumers, and improved economics for Northland. The LTEDC expires in 2021 and replaces the facility's previous contract with the Ontario Electricity Financial Corporation. Under the LTEDC, the facility will operate in dispatchable mode rather than baseload.

Strategic Review

Northland has concluded the strategic review process announced in July 2016. Given the positive financial operating performance, the substantial progress made on numerous growth opportunities, the completion of €2.8 billion Gemini project ahead of schedule and under budget, the completion of the \$365 million Grand Bend wind farm ahead of schedule and under budget and the nearing completion of the €1.2 billion Nordsee One project, the Company now has a stronger platform than when the strategic review was launched. The Board of Directors and management have concluded that Northland's current platform as an independent Canadian public company and leader in the international clean energy infrastructure sector is the preferred strategy going forward.

1.2 Operating highlights

Summary of Consolidated Second Quarter Results

In thousands of dollars except per share and energy unit amounts

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
FINANCIALS				
Sales	322,351	176,626	686,402	354,754
Gross Profit	283,603	138,026	606,685	267,368
Operating Income	144,527	59,405	332,159	126,429
Net Income (Loss)	61,733	23,376	161,845	(68,275)
Adjusted EBITDA ⁽¹⁾	168,158	103,930	366,275	207,867
Cash Provided by Operating Activities	142,155	107,762	418,860	216,582
Free Cash Flow ⁽¹⁾	99,717	46,316	141,265	91,182
Cash Dividends Paid to Common and Class A Shareholders	33,298	34,559	66,853	71,025
Total Dividends Declared to Common and Class A Shareholders ⁽²⁾	46,964	46,318	93,769	92,486
Per Share				
Free Cash Flow ⁽¹⁾	\$ 0.573	\$ 0.270	\$ 0.811	\$ 0.531
Total Dividends Declared to Common and Class A Shareholders ⁽²⁾	\$ 0.270	\$ 0.270	\$ 0.540	\$ 0.540
ENERGY VOLUMES				
Electricity (megawatt hours) ⁽³⁾	1,312,217	1,294,542	3,021,338	2,715,265

(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.

(3) Includes Gemini and Nordsee One pre-completion production volumes, which totalled 213,895 and 843,208 MWhs for the three and six months ended June 30, 2017, respectively and 89,555 and 100,555 MWhs for the same periods last year. The related pre-completion revenues are included in sales.

- **Sales** increased by 82.5% or \$145.7 million and **gross profit** increased by 105.5% or \$145.6 million, over the second quarter of 2016 primarily due to contributions from Gemini, which achieved full commercial operations on April 28, 2017 and pre-completion revenues from Nordsee One, which began producing power on March 31, 2017, combined with positive contributions from the Grand Bend, North Battleford and Iroquois Falls facilities. These variances were partially offset by lower contributions from the ground-mounted solar facilities and from Kingston as further discussed in SECTION 3.1: Facility Results.
- **Adjusted EBITDA** (a non-IFRS measure) for the second quarter increased by 61.8% over the same period in 2016 to \$168.2 million primarily due to the factors described above, partially offset by an increase in management and administration costs, as detailed below. See SECTION 3.2: Consolidated Results for additional details on the above variances.
- **Operating income** for the three months ended June 30, 2017 was \$85.1 million higher than the second quarter of 2016 for reasons similar to the increase in gross profit. The increase in operating income was lower than the increase in gross profit due to increased depreciation of property, plant and equipment, higher plant operating costs and corporate management and administration costs.
- **Net income** for the quarter was \$61.7 million compared to \$23.4 million in the second quarter of 2016. The increase in net income was a result of the increase in operating income, partially offset by the lower non-cash gain related to financial derivative contracts and an increase in finance costs.

1.3 Liquidity and capital resource highlights

- **Cash provided by operating activities** increased by \$34.4 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.
- **Quarterly free cash flow per share** (a non-IFRS measure) increased to \$0.57 compared to \$0.27 in the second quarter of 2016, primarily as a result of two factors: the one-time cash distribution representing Northland's share of Gemini net pre-completion revenue in excess of the amount required by project lenders to fund construction costs (see *SECTION 3.1 Facility Results* for additional information) as well as a full quarter of contribution from Grand Bend. The increase was partially offset by a lower contribution from Kingston (see *SECTION 3.1 Facility Results* for additional information). While adjusted EBITDA includes the results of projects under construction, free cash flow does not. Gemini achieved full completion on April 28, 2017 and results from that date are included in free cash flow.

SECTION 2: DESCRIPTION OF BUSINESS

As of June 30, 2017, Northland owns or has a net economic interest in completed power producing facilities with a total operating capacity of approximately 1,754 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 June 30, 2017, Northland had 332 MW (282 MW net interest to Northland) of generating capacity under construction, representing an 85% equity stake in Nordsee One. Furthermore, Northland has a portfolio of projects in late and early stages of development.

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

- 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**";
- 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**";
- 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**";
- 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**";
- 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**";
- Saint-Ulric Saint-Léandre Wind L.P., which owns a 133.3 MW wind farm located in the Gaspésie region of Québec, together herein referred to as "**Jardin**";
- 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**";
- 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**";
- 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 facility 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 unaudited interim 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.

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.

On April 28, 2017, Gemini achieved full completion, ahead of schedule and under its total budget of €2.8 billion. 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. As a result of these significant milestones, Gemini made its first cash distribution to its owners. Northland's share of net pre-completion revenue in excess of the amount required by project lenders to fund construction costs ("**the Gemini Completion Distribution**") totalled approximately €31 million. Regular distributions to shareholders from Gemini operations are expected to commence in December 2017 and occur semi-annually thereafter.

Nordsee One produced its first revenues during 2017. Although the project remains under construction at the end of the second quarter, certain revenues and costs are recorded in operating income as individual wind turbines become operational. For additional details on Nordsee One, please see *SECTION 6: Construction and Advanced Development*.

See the table below for offshore wind operational results for the three and six months ended June 30.

In thousands of dollars	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Sales/Gross profit ⁽¹⁾⁽²⁾	160,710	1,800	338,092	1,827
Plant operating costs ⁽²⁾	18,611	3,478	33,493	4,643
Management and administration costs	4,458	2,103	6,988	2,893
Adjusted EBITDA ⁽³⁾⁽⁴⁾	82,532	(2,306)	178,418	(3,549)

(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 Nordsee One, and at Gemini up until April 28, 2017, when the facility achieved full completion. Full revenues on all MWh generated are reflected in Gemini's operating results for 2017.

(3) A non-IFRS measure.

(4) Adjusted EBITDA represents Northland's share of adjusted EBITDA.

Electricity production, including pre-completion production, during the three and six months ended June 30, 2017 was 432,280 MWh and 1,050,593 MWh, respectively, higher than the comparable periods in 2016 largely due to all of Gemini's turbines producing revenue in 2017. Only 90 of the 150 turbines were producing power as of June 30, 2016. Nordsee One produced a minimal amount of electricity because the project remained under construction at the end of the quarter.

Sales of \$160.7 million and adjusted EBITDA of \$82.5 million were driven by revenue reported for Gemini. In August of 2016, 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. Gemini operating results for 2017 reflect full revenues on all MWh generated. Adjusted EBITDA includes Northland's share of both projects' 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 and six months ended June 30.

In thousands of dollars except as indicated	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Electricity Production (MWh)	480,724	911,123	1,171,127	2,037,895
Sales	96,041	108,507	211,706	238,607
Less finance lease adjustment ⁽¹⁾	(4,047)	(4,046)	(8,094)	(8,093)
Sales as reported	91,994	104,461	203,612	230,514
Cost of sales	31,121	32,836	62,344	74,022
Gross profit	64,920	75,671	149,362	164,585
Less finance lease adjustment ⁽¹⁾	(4,047)	(4,046)	(8,094)	(8,093)
Gross profit as reported	60,873	71,625	141,268	156,492
Plant operating costs	8,956	9,298	16,790	19,181
Operating income	43,011	50,661	106,505	113,999
Adjusted EBITDA ⁽²⁾	55,759	66,303	131,980	145,227
Capital expenditures ⁽³⁾	14	101	14	101

(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. Baseload facilities generally operate at full output, with the objective of generating 100% of contracted on-peak and off-peak production volumes and receive a fixed price for all electricity sold. Under certain baseload PPAs, the facility may operate at reduced output during off-peak periods at the request of the PPA counterparty and/or may be reimbursed for cost of sales from the power purchaser.

Dispatchable facilities operate either when market conditions are economical or as requested by the PPA counterparty. These facilities receive contract payments that are largely dependent on their ability to operate according to contract parameters as opposed to maximizing production.

Thorold and Spy Hill operate as dispatchable facilities. North Battleford operates as a baseload facility. Iroquois Falls operated as a baseload facility until January 1, 2017, and has operated as a dispatchable facility thereafter. 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.

Subsequent to the expiration of Kingston's PPA on January 31, 2017, Ontario market revenues have been insufficient to run the facility. Consequently, there was no production at Kingston during the quarter, and lower production year to date over the prior year. Sales during the quarter, although minimal, were earned as a result of Northland selling capacity in the New York Independent System Operator capacity market. These changes to Kingston's operations resulted in lower sales over the comparable period this quarter and year to date. Kingston continues to incur certain fixed operating expenses. Net income, free cash flow and adjusted EBITDA were commensurately lower than

comparable periods for these reasons. Collectively, Kingston's operations for the quarter and year to date are referred to as the "**Kingston Remarketing Initiative**".

Electricity production during the second quarter of 2017 was 430,399 MWh lower than the same quarter of 2016 largely due to no dispatch under the Iroquois Falls Interim EDC and under the Kingston Remarketing Initiative. Electricity production for the six months ended June 30, 2017 was 866,768 MWh lower than the same period in 2016 primarily due to the Iroquois Falls Interim EDC, the Kingston Remarketing Initiative and fewer dispatch hours at Thorold. Changes in the volume of electricity produced at Iroquois, Thorold, Spy Hill, and North Battleford have a minimal impact on gross profit given the nature of those facilities' PPAs.

Sales during the second quarter of 2017 of \$92.0 million were \$12.5 million lower than the second quarter of 2016 primarily due to the Kingston Remarketing Initiative (\$25.4 million). This decrease in sales was partially offset by higher gas sales at Iroquois Falls (\$8.3 million) and higher flow-through gas costs at North Battleford (\$6.7 million). Similarly, sales during the six month period ending June 30, 2017 of \$203.6 million were \$26.9 million lower than the comparable period in 2016 primarily due to the Kingston Remarketing Initiative (\$43.6 million), partially offset by higher sales at Iroquois Falls (\$10.1 million) and higher flow-through natural gas costs at North Battleford (\$10.7 million).

Gross profit during the second quarter of 2017 at \$60.9 million was \$10.8 million lower than the comparable period in 2016 primarily due to the Kingston Remarketing Initiative (\$12.9 million). Gross profit during the six months ended June 30, 2017 at \$141.3 million was \$15.2 million lower than the comparable period primarily due to the Kingston Remarketing Initiative (\$21.7 million), partially offset by higher gross profit from Iroquois Falls (\$5.7 million) as a result of the Interim EDC.

Plant operating costs of \$9.0 million for the three months ended June 30, 2017 were consistent with the comparable period in 2016. For the six months ended June 30, 2017, plant operating costs of \$16.8 million were \$2.4 million lower than the comparable period in 2016 as a result of service agreement savings at Thorold, maintenance agreement savings at Iroquois Falls related to the Interim EDC, and lower costs due to the Kingston Remarketing Initiative.

Operating income for the thermal facilities for the three and six month periods ended June 30, 2017 were \$7.7 million and \$7.5 million, respectively, lower than the comparable periods in 2016 because lower gross profit was offset by lower plant operating and other costs.

Adjusted EBITDA and operating income for the thermal facilities for the three and six months ended June 30, 2017 were lower than the comparable periods in 2016 for the same reasons as the gross profit variances 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 and six months ended June 30.

In thousands of dollars except as indicated	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Electricity Production (MWh) - Actual	309,658	293,864	699,063	576,815
Electricity Production (MWh) - Long-term forecast	333,917	305,013	722,179	591,588
On-shore wind	28,393	23,270	68,789	45,286
Solar	26,936	33,670	42,044	46,577
Sales/Gross profit ⁽¹⁾	55,329	56,940	110,833	91,863
On-shore wind	5,864	5,108	12,175	9,287
Solar	1,113	1,091	2,100	2,227
Plant operating costs	6,977	6,199	14,275	11,514
Operating income	25,526	27,795	50,361	38,422
On-shore wind	15,516	13,326	38,522	28,449
Solar	22,576	28,815	35,141	39,483
Adjusted EBITDA ⁽²⁾⁽³⁾	38,092	42,141	73,663	67,932
Capital expenditures ⁽⁴⁾	33	1,416	157	1,416

(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 second quarter of 2017 was 15,794 MWh higher than the comparable period in 2016 primarily due to a 38,076 MWh contribution from Grand Bend, which declared commercial operations in April 2016. These results were partially offset by a 13,794 MWh decrease in solar production as a result of heavy cloud cover at all solar facilities, and a net decrease in production at the other wind facilities caused by lower wind resources. Electricity production during the six months ended June 30, 2017 was 122,248 MWh higher than the comparable period in 2016 primarily due to the contribution from Grand Bend (148,461 MWh). These results were partially offset by a net decrease in solar and wind production at the other facilities, as described above.

During the second quarter of 2017, sales of \$55.3 million were generally consistent with the comparable period in 2016 as a result of higher sales at Grand Bend offsetting the impact of lower production at other facilities. For the six months ended June 30, 2017, sales of \$110.8 million were \$19.0 million higher than the comparable period in 2016 primarily due to the incremental contribution from Grand Bend.

Plant operating costs of \$7.0 million and \$14.3 million for the three months ended and six months ended June 30, 2017, respectively, were higher than the comparable periods in 2016 primarily due to the incremental contribution from Grand Bend.

Operating income of \$25.5 million for the second quarter of 2017 was \$2.3 million lower than the comparable period in 2016 as a result of lower results at the solar facilities being partially offset by the contribution from Grand Bend. Operating income of \$50.4 million for the six months ended June 30, 2017 was \$11.9 million higher than the comparable period in 2016 as a result of the incremental contribution from Grand Bend, but partially offset by the inclusion of depreciation for the wind farm and the lower results at the solar facilities during the second quarter of 2017.

Adjusted EBITDA for the on-shore renewable facilities of \$38.1 million for the three months ended June 30, 2017 was \$4.0 million lower than the comparable period in 2016 primarily due to lower results at the solar facilities being partially offset by the contribution from Grand Bend. Adjusted EBITDA for the on-shore renewable facilities of \$73.7 million for the six months ended June 30, 2017 was \$5.7 million higher than the same period of 2016 primarily as a result of the contributions from Grand Bend.

Corporate and Managed Facilities Including Other Income

The following is a discussion of the results of operations of Northland's managed facilities (Kirkland Lake, Cochrane and management fees from Chapais), as well as Corporate activities, for the three and six months ended June 30.

In thousands of dollars	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Sales	14,318	13,425	33,865	30,550
Cost of sales	7,627	5,764	17,373	13,364
Gross profit	6,691	7,661	16,492	17,186
Plant operating costs	5,040	3,257	8,012	6,700
Operating income	999	3,300	7,230	7,753
Adjusted EBITDA ⁽¹⁾				
Managed facilities ⁽²⁾	1,762	3,703	7,490	8,883
Gemini interest income	5,212	4,538	9,977	9,119
Other	194	1,353	262	2,401
	7,168	9,594	17,729	20,403

(1) A non-IFRS measure.

(2) Adjusted EBITDA for managed facilities represents management and incentive fees earned by Northland from services provided to Kirkland Lake, Chapais, and Cochrane.

Sales for the three and six months ended June 30, 2017 were higher than the comparable period in 2016 primarily due to higher flow-through gas costs, as well as higher gas mitigation sales at Kirkland Lake, partially offset by lower electricity production driven by the timing of maintenance activities. Gross profit for the three and six months ended June 30, 2017 was lower than the comparable periods in 2016 as a result of higher cost of sales from gas consumed being only partially offset by increased revenues.

Operating income for the three and six months ended June 30, 2017 was lower than the comparable periods in 2016 largely due to higher plant operating costs driven by the timing of maintenance activities and repairs at Kirkland Lake.

Adjusted EBITDA for the managed facilities (i.e. management and incentive fees) for the three and six months ended June 30, 2017 was lower than the comparable periods in 2016 due to management fees generated from Kirkland

Lake being lower, largely as a result of the timing of maintenance activities, which impacted production and operating costs.

“Gemini interest income” represents interest earned on the subordinated debt that Northland has loaned to Gemini. Northland consolidates the financial results of Gemini; therefore, the subordinated debt balances and related investment income and interest expense eliminate on consolidation but the income is still included in Northland’s consolidated adjusted EBITDA.

In thousands of dollars	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Management and administration costs				
Corporate operations	7,938	5,500	16,057	10,705
Corporate development	7,645	6,302	20,661	11,441
Facilities	4,773	3,003	8,319	4,143
Total management and administration costs	20,356	14,805	45,037	26,289
Corporate management and administration costs	15,583	11,802	36,718	22,146
Corporate adjusted EBITDA ⁽¹⁾⁽²⁾	(15,393)	(11,802)	(35,515)	(22,146)

(1) A non-IFRS measure.

(2) Adjusted EBITDA excludes costs associated with the strategic review.

Corporate management and administration costs for the three and six months ended June 30, 2017 were \$3.8 million and \$14.6 million, respectively, higher than the comparable period in 2016. The year-over-year increase in Corporate management and administration costs for the three and six months ended June 30 was largely due to higher early-stage development activities across a range of geographic locations (\$0.5 million and \$7.2 million, respectively) and higher personnel costs (\$2.1 million and \$5.5 million, respectively).

Facility management and administration costs for the three and six months ended June 30, 2017 were \$1.8 million and \$4.2 million, respectively, higher than the comparable period in 2016, primarily due to an increase in management and administration costs at Gemini (\$1.9 million and \$3.7 million, respectively) 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 in 2016.

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 and six month periods ended June 30, 2017, Northland's 2016 Annual Report and AIF.

Second Quarter

Net income for the three months ended June 30, 2017 of \$61.7 million was higher than the same quarter of 2016 primarily due to a combination of the increase in operating income partially offset by non-cash fair value gains associated with Northland's derivative contracts (\$0.1 million gain in the second quarter of 2017 versus a \$17.3 million gain in the second quarter of 2016) and finance costs. New for 2017, Northland adopted 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.

The following describes the significant factors contributing to the change in net income for the quarter ended June 30, 2017:

Total Sales and Gross profit increased (sales 82.5% or \$145.7 million; gross profit 105.5% or \$145.6 million) compared to the second quarter of 2016 for reasons discussed in *Section 3.1: Facility Results* and primarily due to the contribution from Gemini which reached commercial operations on April 28, 2017, combined with additional contributions from Grand Bend, North Battleford and Iroquois Falls. These variances were partially offset by the Kingston Remarketing Initiative and lower production at the ground-mounted solar facilities.

Plant operating costs increased by \$17.1 million largely due to the inclusion of costs from Gemini upon achieving full operations, the addition of costs from Grand Bend and maintenance activities at Kirkland Lake, partially offset by lower costs at Kingston and Iroquois Falls, as previously discussed.

Management and administration costs at \$20.4 million were \$5.6 million higher than the second quarter of 2016. Corporate management and administration costs were \$3.8 million higher than the comparable period of 2016 largely due to higher early-stage development activities (\$0.5 million), and personnel costs (\$2.1 million), as previously discussed. Facility management and administration costs were \$1.8 million higher primarily due to the inclusion of Gemini costs that were previously capitalized, including personnel, office and other costs, and are now being expensed as a result of the wind turbines having been commissioned.

Finance costs, net (primarily interest expense), increased by \$32.1 million from the second quarter of 2016 due to the inclusion of interest incurred at Gemini and Grand Bend.

Non-cash fair value loss of \$2.1 million in the second quarter of 2017 (compared to a \$18.3 million gain in the second quarter of 2016) is primarily due to an unrealized foreign exchange loss. As mentioned previously, 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 condensed consolidated financial statements for the period ended June 30, 2017.

The factors described above, combined with \$0.2 million and \$0.2 million, respectively of current and deferred taxes, resulted in net income of \$61.7 million for the second quarter of 2017, compared to \$23.4 million for the second quarter of 2016.

Year-to-Date

Net income for the six months ended June 30, 2017, of \$161.8 million was higher than 2016 primarily due to the increase in operating income combined with the non-cash fair value gain associated with Northland's derivative contracts (\$29.5 million gain in the first six months of 2017 versus a \$122.7 million loss in the first six months of 2016). Of the non-cash fair value gain on the derivative contracts for the first six months of 2017, \$42 million was associated with Gemini's and Nordsee One's interest rate swap contracts, which are partially offset by counter movements in other derivative contracts.

The following describes the significant factors contributing to the change in net income for the six months ended June 30, 2017:

Sales were higher in the first six months of 2017 compared to the prior year as discussed in *SECTION 3.1: Facility Results* and primarily due to operating results from Gemini, and positive contributions from North Battleford, Grand Bend, and the Interim EDC at Iroquois Falls. These variances were partially offset by the impact of the Kingston Remarketing Initiative and lower production at the ground-mounted solar facilities.

Gross profit of \$606.7 million for the first six months of 2017 was \$339.3 million higher than the same period of 2016 primarily due to operating results from Gemini and positive contributions from Grand Bend and Iroquois Falls, as discussed in *SECTION 3.1: Facility Results*.

Plant operating costs increased by \$30.5 million largely due to the inclusion of costs from Gemini and Grand Bend, combined with maintenance activities at Kirkland Lake, partially offset by lower costs at Iroquois Falls and Kingston, as discussed in *SECTION 3.1: Facility Results*.

Management and administration costs increased by \$18.7 million from the prior period largely due to higher early-stage development activities and personnel costs, higher costs at Gemini because management and administration costs are now being expensed, as previously discussed.

Finance costs, net (primarily interest expense), increased by \$76.5 million from the first half of 2016 due to the inclusion of interest incurred at Gemini.

Non-cash fair value gain of \$28.3 million (compared to a \$124.0 million loss in 2016) is comprised of a \$29.5 million gain in the fair value of Northland's financial derivative contracts and a \$1.2 million unrealized foreign exchange loss. A significant portion (\$42 million) represents the consolidated marked-to-market adjustment on the interest rate swaps entered into by Gemini and Nordsee One, which are offset by counter movements in other derivative contracts.

The factors described above, combined with a \$1.6 million and a \$19.6 million provision for current and deferred income taxes, resulted in a net income of \$161.8 million for the six months ended June 30, 2017, compared to a net loss of \$68.3 million for the six months ended June 30, 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 increased through accrued interest until June 30, 2017 to €117 million, which will be subject to interest going forward. Semi-annual principal payments will start in 2027. Northland consolidates the financial results of Gemini and, as a result, Northland's loan balances, investment income, and interest expense are eliminated upon consolidation. However, the investment income is included in Northland's adjusted EBITDA as "Gemini subordinated debt interest" and 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 June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net Income (Loss)	61,733	23,376	161,845	(68,275)
Adjustments:				
Provision for (recovery of) income taxes	440	3,896	21,175	(21,024)
Depreciation of property, plant and equipment	82,381	45,736	163,424	81,333
Amortization of contracts and other intangible assets	2,292	4,826	3,960	9,652
Finance costs, net	77,917	45,799	158,761	82,255
Gemini subordinated debt interest	5,212	4,538	9,977	9,119
Fair value (gain) loss on derivative contracts	(94)	(17,310)	(29,474)	122,674
Foreign exchange (gain) loss	2,146	(976)	1,183	1,360
Elimination of non-controlling interests	(65,205)	(6,756)	(142,356)	(10,816)
Finance lease and equity accounting	675	801	1,453	1,589
Gemini contingent consideration	221	—	14,816	—
Strategic review costs	440	—	1,511	—
Adjusted EBITDA	168,158	103,930	366,275	207,867

Northland's adjusted EBITDA for the three months ended June 30, 2017 was \$64.2 million higher than the second quarter of 2016.

The significant factors increasing adjusted EBITDA were:

- \$85.0 million increase in operating results from Gemini which began full commercial operations on April 28, 2017;
- \$3.3 million increase in operating results from North Battleford and Iroquois Falls; and
- \$2.6 million increase in operating results from Grand Bend due to a full quarter of contributions.

The favourable results were partially offset by:

- \$12.3 million decrease in operating results from Kingston;
- \$6.2 million decrease in operating results from Northland's solar facilities due to lower production;
- \$4.6 million decrease in results from Northland's other operating facilities; and
- \$3.6 million increase in relevant corporate management and administration costs primarily related to early-stage development projects and personnel costs.

Northland's adjusted EBITDA for the six months ended June 30, 2017 was \$158.4 million higher than 2016.

The significant factors increasing adjusted EBITDA were:

- \$182.2 million increase in operating results from Gemini, as discussed above;
- \$11.3 million increase in operating results from Grand Bend; and
- \$9.1 million increase in operating results from Iroquois Falls and North Battleford.

These favourable results were partially offset by:

- \$20.7 million decrease in operating results from Kingston;
- \$13.4 million increase in relevant corporate management and administration costs primarily related to higher early-stage development projects and personnel costs;
- \$4.3 million decrease in operating results from Northland's solar facilities; and
- \$5.8 million decrease in results from Northland's other operating facilities.

3.3 Summary of historical consolidated quarterly results and trends

In millions of dollars, except per share information	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Total sales	322.4	364.1	478.6	265.7	176.6	178.1	171.5	187.7
Operating income	144.5	187.6	276.6	105.6	59.4	67.0	60.6	79.7
Net income (loss)	61.7	100.1	290.8	(31.9)	23.4	(91.7)	8.9	(91.1)
Adjusted EBITDA ⁽¹⁾	168.2	198.1	277.2	141.9	103.9	103.9	94.4	119.2
Cash provided by								
operating activities	142.2	276.7	344.4	158.8	107.8	108.8	72.9	118.0
Free cash flow ⁽¹⁾	99.7	41.5	119.0	32.1	46.3	44.9	34.3	63.1
Per share statistics								
Net income (loss) - basic	\$ 0.19	0.30	0.94	(0.18)	0.20	(0.32)	0.01	(0.51)
Net income (loss) - diluted	\$ 0.19	0.30	0.94	(0.18)	0.20	(0.32)	0.02	(0.51)
Free cash flow ⁽¹⁾	\$ 0.57	0.24	0.69	0.19	0.27	0.26	0.20	0.37
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 June 30, 2017 and December 31, 2016.

As at, in thousands of dollars	June 30, 2017	December 31, 2016
Assets		
Cash and cash equivalents	396,775	307,521
Restricted cash	362,047	171,304
Trade and other receivables	196,386	158,007
Other current assets	35,736	33,445
Property, plant and equipment	7,400,562	7,157,401
Contracts and other intangible assets	237,512	234,328
Other assets ⁽¹⁾	434,977	435,671
	9,063,995	8,497,677
Liabilities		
Trade and other payables	149,532	231,186
Interest-bearing loans and borrowings	6,325,547	5,736,112
Net derivative financial liabilities ⁽²⁾	429,677	442,262
Net deferred tax liability ⁽²⁾	65,466	52,610
Other liabilities ⁽³⁾	642,005	660,387
	7,612,227	7,122,557
Total equity	1,451,768	1,375,120
	9,063,995	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 \$190.7 million primarily due to the funds set aside for construction and debt service at Gemini and Nordsee One partially offset by the release of funds for construction at Kirkland Lake and for NPI Ground-Mounted Solar's and North Battleford's semi-annual principal payments.
- Trade and other receivables increased by \$38.4 million mainly due to increased electricity sales at Gemini partially offset by lower sales at Kingston and Iroquois Falls.
- Property, plant and equipment increased by \$243.2 million from December 31, 2016 primarily due to construction-related activities at Nordsee One and Kirkland Lake.
- Contracts and other intangible assets increased by \$3.2 million mainly due to foreign exchange translation differences partially offset by contract amortization.

- Trade and other payables decreased by \$81.7 million primarily due to the timing of construction-related payables, including amounts paid at Gemini and Nordsee One.
- Interest-bearing loans and borrowings increased by \$589.4 million mainly due to Gemini's and Nordsee One's senior debt drawings and additional debt at Kirkland Lake, partially offset by scheduled loan repayments.
- Net derivative financial liabilities (derivative financial liabilities less derivative financial assets) of \$429.7 million decreased by \$12.6 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 (\$274.7 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 \$65.5 million increased by \$12.9 million due to movements in accounting versus tax balances, particularly fair value gains on derivative contracts.

SECTION 5: EQUITY, LIQUIDITY AND CAPITAL RESOURCES

Equity and Convertible Unsecured Subordinated Debenture Information

As at June 30, 2017, Northland had 173,155,939 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, \$0.1 million of the 2019 convertible debentures were converted into 1,805 common shares.

During the first six months of 2017, Northland's total equity increased by \$76.6 million primarily as a result of the \$26.9 million increase in common shares from the issuance of additional shares under Northland's DRIP. In addition, there was an \$29.1 million increase in accumulated other comprehensive income due to the impact of foreign exchange rate fluctuations on the translation of Gemini and Nordsee One results into Canadian dollars. Northland's total equity includes non-controlling interests of \$475.0 million at June 30, 2017. Readers should refer to Note 7 to the unaudited interim condensed consolidated financial statements for the period ending June 30, 2017 for additional details related to Northland's non-controlling interests.

As of the date of this MD&A, Northland has outstanding 173,391,434 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, \$78.4 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 10.8 million shares would be issued and outstanding.

Liquidity and Capital Resources

In thousands of dollars	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Cash and cash equivalents, beginning of period	324,796	177,805	307,521	151,927
Cash provided by operating activities	142,155	107,762	418,860	216,582
Cash used in investing activities	(151,517)	(563,742)	(438,737)	(959,643)
Cash provided by financing activities	81,857	432,358	109,461	741,046
Effect of exchange rate differences	(516)	12,200	(330)	16,471
Cash and cash equivalents, end of period	396,775	166,383	396,775	166,383

Cash and cash equivalents for the six months ended June 30, 2017 were \$396.8 million, which increased by \$89.3 million from December 31, 2016, due to \$418.9 million in cash provided by operating activities and \$109.5 million in cash provided by financing activities, partially offset by \$438.7 million in cash used in investing activities.

Cash provided by operating activities for the six months ended June 30, 2017 was \$418.9 million, comprising: (i) net income of \$161.8 million; (ii) \$323.2 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 (iii) a \$66.2 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 six months ended June 30, 2017 was \$438.7 million, primarily due to: (i) \$201.5 million used for the purchase of property, plant and equipment, mostly for the construction of Nordsee One; (ii) \$179.7 million of restricted cash funding associated with construction expenditures (\$117.5 million is associated with construction activities at Gemini and Nordsee One) and reserves for debt payments; and (iii) a \$64.3 million change in working capital related to the timing of construction payables (\$59.4 million is associated with construction payables at Gemini and Nordsee One). These uses were partially offset by: (i) \$5.0 million primarily related to proceeds received from other investing activities during the quarter; and (ii) \$1.8 million of interest received.

Cash provided by financing activities for the six months ended June 30, 2017 was \$109.5 million, comprising: \$444.3 million of proceeds from Gemini's and Nordsee One's third-party senior debt, and Kirkland Lake; partially offset by: (i) \$135.5 million in interest payments; (ii) \$72.4 million of common, Class A and preferred share dividends; (iii) \$69.3 million in scheduled loan repayments; and (iv) \$57.6 million in dividends to the non-controlling shareholders largely associated with Gemini, Grand Bend, CEEC, and McLean's.

Due to the movement of the euro versus the Canadian dollar, Northland's June 30, 2017 consolidated cash and cash equivalents was negatively impacted by \$0.3 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.

During the quarter, cash and cash equivalents increased by \$72.0 million due to cash provided by operations of \$142.2 million and cash provided by financing activities of \$81.9 million, offset by \$151.5 million of cash used in investing activities.

The increase in cash and cash equivalents during the quarter was largely due to: (i) debt proceeds from Gemini's and Nordsee One's third-party senior debt and Kirkland Lake financing; (ii) overall favourable operating results from Northland's operating facilities; and (iii) \$19.2 million change in working capital related to the timing of construction payables. These variances were partially offset by: (i) construction and development related expenditures, mostly associated with Nordsee One and Kirkland Lake projects; (ii) interest payments associated with borrowings; (iii) a net reserve increase primarily associated with the transfer of funds related to construction expenditures; and (iv) scheduled debt repayments.

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

In thousands of dollars	Cost balance as of December 31, 2016	Additions	Other ⁽¹⁾	Exchange rate differences	Transfers	Cost balance as of June 30, 2017
Operations:						
Offshore wind	—	—	(5,214)	162,264	3,701,176	3,858,226
Thermal ⁽²⁾	1,579,620	14	—	—	—	1,579,634
On-shore renewable	1,754,550	737	(656)	1,581	—	1,756,212
Construction:						
Offshore wind	4,746,285	197,478	(5,867)	60,455	(3,701,176)	1,297,175
Managed ⁽³⁾	233,096	3,180	—	—	—	236,276
Corporate ⁽⁴⁾	20,456	135	—	—	—	20,591
Total	8,334,007	201,544	(11,737)	224,300	—	8,748,114

(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) Relates to 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 December 31, 2016	Financings	Repayments	Amortization of costs/fair value	Exchange rate differences	Transfers	Balance as of June 30, 2017
Operations:							
Offshore wind ⁽³⁾	—	—	—	—	122,489	2,937,321	3,059,810
Thermal ⁽¹⁾	1,059,476	—	(18,918)	1,266	—	—	1,041,824
On-shore renewable ⁽²⁾	1,173,317	—	(21,343)	423	—	—	1,152,397
Construction:							
Offshore wind ⁽³⁾	3,494,567	441,187	—	15,740	45,467	(2,937,321)	1,059,640
Managed ⁽⁴⁾	8,752	3,126	—	—	—	—	11,878
Corporate ⁽⁵⁾	247,741	(32)	(29,003)	344	2,375	—	221,425
Total	5,983,853	444,281	(69,264)	17,773	170,331	—	6,546,974

(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) Relates to Kirkland Lake facility.

(5) Excludes convertible unsecured subordinated debentures.

Long-term Debt

In April 2017, concurrent with achieving full completion, Gemini successfully renegotiated the project's €2 billion senior debt on more favourable terms. This renegotiation reduced the weighted average all-in interest rate by 80 basis points to 3.8% for the remaining term and removed the cash sweep requirements in year five under the original financing. The project debt will be fully amortized by its maturity in 2030.

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 June 30, 2017. Readers should refer to Northland's AIF, for additional details concerning its debt covenants.

Corporate Facility and Letters of Credit

As of June 30, 2017, Northland's corporate credit facilities total \$900 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 \$nil 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);
- 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 \$95.8 million has been utilized; and
- A newly arranged \$100 million corporate letter of credit facility backed by an export credit agency in place until March 2019 with successive annual renewals at Northland's option, subject to lender and export credit agency approval, of which \$48.1 million has been utilized. This new facility is specifically to support Northland's international activities and opportunities.

As of June 30, 2017, Northland and its subsidiaries had \$191.8 million of letters of credit outstanding, of which \$144.0 million were issued as security under Northland's corporate credit facilities for certain projects in operation, advanced development and construction, and \$47.8 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, because 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), because 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.

The following table reconciles Northland's cash flow from operations to its free cash flow:

In thousands of dollars	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Cash provided by operating activities	142,155	107,762	418,860	216,582
Northland adjustments:				
Net change in non-cash working capital balances related to operations	90,450	5,065	66,151	(12,242)
Capital expenditures, net non-expansionary	(46)	(468)	(1,955)	(631)
Interest paid, net	(75,241)	(52,057)	(133,660)	(76,622)
Scheduled principal repayments on term loans	(27,074)	(27,171)	(40,261)	(39,107)
Funds set aside (utilized) for quarterly scheduled principal repayments	7,689	7,168	(1)	(760)
Restricted funding for major maintenance	(614)	(704)	(1,023)	(1,128)
Consolidation of non-controlling interests	(34,904)	8,323	(160,822)	8,464
Equity accounting	97	240	(435)	311
Other	—	951	—	1,899
Preferred share dividends	(2,795)	(2,793)	(5,589)	(5,584)
Free cash flow ⁽¹⁾	99,717	46,316	141,265	91,182
Cash Dividends paid to common and Class A shareholders	33,298	34,559	66,853	71,025
Free cash flow payout ratio - net dividends ⁽¹⁾⁽²⁾	33%	75%	47%	78%
Total Dividends ⁽³⁾ paid to common and Class A shareholders	46,929	45,762	93,683	91,886
Free cash flow payout ratio - total dividends ⁽¹⁾⁽²⁾	47%	99%	66%	101%
Free cash flow payout ratio - total dividends since initial public offering ⁽¹⁾⁽²⁾			95%	102%
Weighted average number of shares - basic (thousands of shares) ⁽⁴⁾	174,155	171,739	174,154	171,739
Weighted average number of shares - fully diluted (thousands of shares) ⁽⁵⁾	174,155	185,016	174,154	171,739
Per share (\$/share)				
Free cash flow - basic ⁽¹⁾	\$0.57	\$0.27	\$0.81	\$0.53
Free cash flow - fully diluted ⁽¹⁾	\$0.57	\$0.27	\$0.81	\$0.53

(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.

(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 issuable 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 \$99.7 million for the second quarter of 2017 was \$53.4 million higher than the corresponding period in 2016 largely due to the Gemini Completion Distribution. Significant factors increasing or decreasing free cash flow are described below.

Factors increasing free cash flow were:

- \$98.9 million increase in contributions from Gemini, including regular operating results beginning April 28, 2017 and the Gemini Completion Distribution;
- \$3.3 million increase in operating results from North Battleford and Iroquois Falls; and
- \$2.6 million increase in operating results from Grand Bend due to a full quarter of contributions.

Factors decreasing free cash flow were:

- \$18.6 million decrease in operating results due to lower sales at Kingston and at the ground-mounted solar facilities;
- \$14.6 million payment of contingent consideration to the vendor of Gemini;
- \$7.9 million increase in debt service costs primarily due to the inclusion of Gemini and Grand Bend debt;
- \$4.0 million increase in relevant corporate management and administration costs primarily related to early-stage development projects and personnel costs; and
- \$6.3 million decrease in results from Northland's other operating facilities.

For the three months ended June 30, 2017, common share and Class A Share dividends declared for the quarter totalled \$0.27 per share. The increase in quarterly free cash flow from 2016, described above, was the primary reason for the decrease in the quarterly cash payout ratio to 33.4%, or 47.1% if all dividends were paid out in cash (i.e. excluding the effect of dividends re-invested through Northland's DRIP).

Free cash flow of \$141.3 million for the six months ended June 30, 2017 was \$50.1 million higher than the same period in 2016.

Factor increasing free cash flow were:

- \$99.2 million increase in contributions from Gemini, including operating results from April 28, 2017 and the Gemini Completion Distribution;
- \$11.3 million increase in operating results from Grand Bend; and
- \$9.1 million increase in operating results from Iroquois Falls and North Battleford.

Factors decreasing free cash flow were:

- \$20.7 million decrease in operating results from Kingston;
- \$14.9 million increase in relevant corporate management and administration costs primarily related to early-stage development projects and personnel costs;
- \$14.6 million payment of contingent consideration related to certain net project cost saving achieved at completion of Gemini's construction;
- \$7.9 million increase in net interest expense primarily due to the inclusion of Gemini and Grand Bend debt;
- \$4.3 million decrease in operating results from Northland's solar facilities;
- \$2.7 million increase in scheduled debt repayments related to the McLean's wind facility; and
- \$4.4 million decrease in results from Northland's other operating facilities.

SECTION 6: CONSTRUCTION AND ADVANCED DEVELOPMENT ACTIVITIES

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. As of June 30, 2017, \$3.7 million of revenue has been earned. 44 of the 54 turbines have been installed to date. Wind turbine installation will continue in parallel with the progressive commissioning of the wind turbines. Northland expects the installation and commissioning of all turbines to be completed by the end of 2017.

Nordsee One's total capital cost is approximately €1.2 billion (CAD\$1.8 billion as at June 30, 2017). The project remains on time and within budget.

DeBu 252 MW Offshore Wind Project – Germany

On March 3, 2017, Northland announced that it had signed a definitive agreement to acquire 100% of DeBu, a 252 MW offshore wind project currently in advanced development. DeBu will be built in the German North Sea and is Northland's third offshore wind project.

Development of the project is well advanced, all major key construction contracts have been signed. The completion of Northland's acquisition of DeBu is subject to achieving certain conditions which are anticipated to be completed shortly. Financial close and commencing construction are expected to follow, with full commercial operations scheduled by the end of 2019.

The total estimated project cost is approximately €1.3 billion (approximately CAD \$1.9 billion as at June 30, 2017). Northland expects to invest approximately \$400 million of corporate funds, sourced from cash on hand and corporate liquidity. The balance of the project cost will be funded with non-recourse project finance debt and pre-completion revenues.

The project is investigating the development of two additional demonstration turbines utilizing suction bucket foundations. The final investment decision for these two turbines is subject to achieving certain development milestones. If built, they will contribute an additional 17 MW of capacity and bring the total project cost to approximately €1.4 billion (approximately CAD \$2.0 billion as at June 30, 2017). Northland's investment would increase to approximately \$425 million, funded by cash and corporate debt, with the balance of incremental costs funded by additional project debt.

SECTION 7: LITIGATION, CLAIMS AND CONTINGENCIES

There are no material litigation, claims or contingencies as of the date of this report.

SECTION 8: FUTURE ACCOUNTING POLICIES

As at June 30, 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 condensed consolidated financial statements for the period ended June 30, 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 developed a preliminary adoption plan. Management identified major revenue streams and associated revenue contracts in scope of IFRS 15 and has initiated preliminary analysis. 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.

Due to solid performance, a favourable average foreign exchange rate and an improved outlook for Northland's facilities, management has increased its expected adjusted EBITDA guidance in 2017 to be \$710 million to \$750 million, up from the range of \$660 million to \$710 million previously disclosed.

Additionally, commensurate with the increase in adjusted EBITDA guidance, Gemini debt restructuring and planned use of cash and credit to fund DeBu, management has increased the expected 2017 free cash flow per share guidance to be in the range of \$1.18 to \$1.30 per share, up from the \$1.03 to \$1.18 per share previously disclosed. This free cash flow per share guidance includes the Gemini Completion Distribution and operating income received 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.

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 unaudited 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 June 30, 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 June 30, 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 August 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.

Interim Condensed Consolidated Balance Sheets

As at, in thousands of Canadian dollars

	June 30, 2017	December 31, 2016
	Unaudited	Audited
Assets		
Current assets		
Cash and cash equivalents	396,775	307,521
Restricted cash [Note 7]	362,047	171,304
Trade and other receivables	196,386	158,007
Other current assets	35,736	33,445
Derivative asset [Note 4]	4,587	1,811
Total current assets	995,531	672,088
Finance lease receivable	150,524	152,250
Property, plant and equipment [Note 3]	7,400,562	7,157,401
Contracts and other intangible assets	237,512	234,328
Derivative asset [Note 4]	24,597	51,525
Deferred tax asset	80,298	112,417
Other assets	25,263	26,520
Long-term deposit	52,660	50,371
Goodwill	206,530	206,530
Total assets	9,173,477	8,663,430
Liabilities and equity		
Current liabilities		
Trade and other payables	149,532	231,186
Interest-bearing loans and borrowings	119,656	114,571
Corporate term loan facility [Note 5.2]	221,427	—
Dividends payable	15,906	15,568
Derivative liability [Note 4]	119,527	120,322
Total current liabilities	626,048	481,647
Interest-bearing loans and borrowings	6,205,891	5,621,541
Corporate term loan facility [Note 5.2]	—	247,741
Convertible debentures [Note 5.1]	229,092	228,093
Provisions and other liabilities	175,580	168,985
Derivative liability [Note 4]	339,334	375,276
Deferred tax liability	145,764	165,027
Total liabilities	7,721,709	7,288,310
Equity		
Preferred shares [Note 6.1]	260,880	260,880
Common and convertible shares [Notes 6.2]	2,308,410	2,281,516
Long-Term Incentive Plan reserve [Note 6.2]	6,785	12,246
Contributed surplus	814	278
Accumulated other comprehensive loss	8,671	(20,475)
Deficit	(1,608,825)	(1,599,967)
Equity attributable to shareholders'	976,735	934,478
Non-controlling interests [Note 7]	475,033	440,642
Total equity	1,451,768	1,375,120
Total liabilities and equity	9,173,477	8,663,430

See accompanying notes.

Interim Condensed Consolidated Statements of Income (Loss) (Unaudited)

In thousands of Canadian dollars except per Share and Share information

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Sales				
Electricity and related products	322,149	176,160	685,935	353,939
Other	202	466	467	815
Total sales	322,351	176,626	686,402	354,754
Cost of sales	38,748	38,600	79,717	87,386
Gross profit	283,603	138,026	606,685	267,368
Expenses				
Plant operating costs	39,584	22,501	72,570	42,038
Management and administration costs - operations	12,711	8,503	24,376	14,848
Management and administration costs - development	7,645	6,302	20,661	11,441
Depreciation of property, plant and equipment	82,381	45,736	163,424	81,333
	142,321	83,042	281,031	149,660
Investment income	—	1,113	—	2,090
Finance lease income	3,245	3,308	6,505	6,631
Operating income	144,527	59,405	332,159	126,429
Finance costs, net [Note 8]	77,917	45,799	158,761	82,255
Amortization of contracts and other intangible assets	2,292	4,826	3,960	9,652
Foreign exchange (gain) loss	2,146	(1,004)	1,183	1,332
Fair value (gain) loss on derivative contracts [Note 4]	(94)	(17,310)	(29,474)	122,674
Other expense (income) [Note 11.1]	93	(178)	14,709	(185)
Income (loss) before income taxes	62,173	27,272	183,020	(89,299)
Provision for (recovery of) income taxes				
Current	197	1,020	1,579	2,455
Deferred	243	2,876	19,596	(23,479)
	440	3,896	21,175	(21,024)
Net income (loss) for the period	61,733	23,376	161,845	(68,275)
Net income (loss) attributable to:				
Non-controlling interest [Note 7]	26,247	(13,690)	71,345	(53,299)
Common shareholders	35,486	37,066	90,500	(14,976)
	61,733	23,376	161,845	(68,275)
Weighted average number of Shares outstanding - basic (000s) [Note 9]	174,155	171,739	174,154	171,739
Weighted average number of Shares outstanding - diluted (000s) [Note 9]	174,155	183,702	185,016	171,739
Net income (loss) per share - basic	\$ 0.19	\$ 0.20	\$ 0.49	\$ (0.12)
Net income (loss) per share - diluted	\$ 0.19	\$ 0.20	\$ 0.49	\$ (0.12)

See accompanying notes.

Interim Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

In thousands of Canadian dollars

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net income (loss) for the period	61,733	23,376	161,845	(68,275)
Items that may be re-classified into net income (loss):				
Exchange differences on translation of foreign operations	46,072	(24,493)	47,933	(39,534)
Changes in fair value of hedged derivative contracts [Note 4]	(30,645)	—	(3,713)	—
Deferred taxes	11,391	(6,006)	5,510	(4,006)
Other comprehensive income (loss)	26,818	(30,499)	49,730	(43,540)
Total comprehensive income (loss)	88,551	(7,123)	211,575	(111,815)
Total comprehensive income (loss) attributable to:				
Non-controlling interest [Note 7]	41,544	(25,424)	91,929	(70,051)
Common shareholders	47,007	18,301	119,646	(41,764)
	88,551	(7,123)	211,575	(111,815)

See accompanying notes.

Interim Condensed Consolidated Statements of Changes in Equity (Unaudited)

Six Months Ended June 30, 2017

In thousands of Canadian dollars

	Common and Convertible shares	Preferred shares	Long-term incentive plan reserve	Deficit	Contributed surplus	Accumulated other comprehensive income	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 for the period	—	—	—	90,500	—	—	90,500	71,345	161,845
Deferred income taxes	—	—	—	—	—	5,802	5,802	(292)	5,510
Change in translation of net investment in foreign operation	—	—	—	—	—	34,394	34,394	13,539	47,933
Change in fair value of hedged derivative contracts [Note 4]	—	—	—	—	—	(11,050)	(11,050)	7,337	(3,713)
LTIP shares and deferred rights	—	—	(5,461)	—	536	—	(4,925)	—	(4,925)
Non-controlling interest contributions [Note 7]	—	—	—	—	—	—	—	308	308
Dividends to non-controlling interest	—	—	—	—	—	—	—	(57,846)	(57,846)
Common and Class A share dividends	26,831	—	—	(93,769)	—	—	(66,938)	—	(66,938)
Preferred share dividends	—	—	—	(5,589)	—	—	(5,589)	—	(5,589)
Conversion of debentures	63	—	—	—	—	—	63	—	63
June 30, 2017	2,308,410	260,880	6,785	(1,608,825)	814	8,671	976,735	475,033	1,451,768

See accompanying notes.

Interim Condensed Consolidated Statements of Changes in Equity (Unaudited) – continued

Six Months Ended June 30, 2016

In thousands of Canadian dollars

	Common and Convertible shares	Preferred shares	Long-term incentive plan reserve	Deficit	Contributed surplus	Accumulated other comprehensive income	Equity attributable to shareholders'	Non- controlling interests	Total equity
December 31, 2015	2,233,874	261,080	6,539	(1,524,636)	241	16,070	993,168	413,900	1,407,068
Net loss for the period	—	—	—	(14,976)	—	—	(14,976)	(53,299)	(68,275)
Deferred income taxes	(884)	—	—	—	—	(4,006)	(4,890)	—	(4,890)
Change in translation of net investment in foreign operation	—	—	—	—	—	(22,782)	(22,782)	(16,752)	(39,534)
LTIP shares and deferred rights	—	—	4,732	—	268	—	5,000	—	5,000
Dividends to non-controlling interest	—	—	—	—	—	—	—	(6,293)	(6,293)
Common and Class A share dividends	22,251	—	—	(92,486)	—	—	(70,235)	—	(70,235)
Preferred share dividends	—	—	—	(5,584)	—	—	(5,584)	—	(5,584)
Conversion of debentures	118	—	—	—	—	—	118	—	118
June 30, 2016	2,255,359	261,080	11,271	(1,637,682)	509	(10,718)	879,819	337,556	1,217,375

See accompanying notes.

Interim Condensed Consolidated Statements of Cash Flows (Unaudited)

In thousands of Canadian dollars except per Share amounts

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Operating activities				
Net income (loss) for the period	61,733	23,376	161,845	(68,275)
Items not involving cash or operations:				
Depreciation of property, plant and equipment	82,381	45,736	163,424	81,333
Amortization of contracts and other intangibles	2,292	4,826	3,960	9,652
Finance costs, net	83,358	53,022	158,310	78,423
Fair value loss (gain) on derivative contracts [Note 4]	(94)	(17,310)	(29,474)	122,674
Finance lease	803	739	1,588	1,463
Unrealized foreign exchange loss (gain)	2,146	(976)	1,183	1,360
Other	(257)	538	4,579	1,189
Deferred income tax expense (recovery)	243	2,876	19,596	(23,479)
	232,605	112,827	485,011	204,340
Net change in non-cash working capital balances related to operations	(90,450)	(5,065)	(66,151)	12,242
Cash provided by operating activities	142,155	107,762	418,860	216,582
Investing activities				
Purchase of property, plant and equipment	(50,358)	(720,001)	(201,544)	(1,174,855)
Restricted cash funding	(82,846)	(61,932)	(179,740)	(76,843)
Interest received	931	532	1,840	947
Net change in working capital related to investing activities	(19,244)	217,659	(64,287)	291,108
Other	—	—	4,994	—
Cash used in investing activities	(151,517)	(563,742)	(438,737)	(959,643)
Financing activities				
Proceeds from borrowings, net of transaction costs	299,166	551,869	444,281	938,822
Repayment of borrowings	(56,077)	(27,120)	(69,264)	(39,710)
Interest paid	(76,172)	(52,589)	(135,500)	(77,569)
Dividends to non-controlling interests [Note 7]	(48,967)	(2,450)	(57,614)	(6,252)
Preferred share dividends [Note 6.1]	(2,795)	(2,793)	(5,589)	(5,584)
Common and Class A share dividends [Note 6.3]	(33,298)	(34,559)	(66,853)	(71,025)
Other	—	—	—	2,364
Cash provided by financing activities	81,857	432,358	109,461	741,046
Effect of exchange rate differences on cash and cash equivalents	(516)	12,200	(330)	16,471
Net change in cash and cash equivalents during the period	71,979	(11,422)	89,254	14,456
Cash and cash equivalents, beginning of period	324,796	177,805	307,521	151,927
Cash and cash equivalents, end of period	396,775	166,383	396,775	166,383
Per share				
Dividends declared to shareholders	\$ 0.27	\$ 0.27	\$ 0.54	\$ 0.54

See accompanying notes.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

1. Description of Business

Northland Power Inc. (“**Northland**”) is incorporated under the laws of Ontario, Canada and has ownership or net economic interests, through its subsidiaries, in operating power producing facilities and in projects under construction and in development phases. Northland’s operating assets comprise facilities that produce electricity from renewable sources and natural gas for sale primarily under long-term power purchase agreements (**PPAs**) or other revenue arrangements to provide revenue stability. Northland’s operating assets and investments are primarily located in Canada, Germany and the Netherlands. Northland’s significant assets under construction are located in Germany.

Northland is a corporation domiciled in Canada with common shares (“**Shares**”), cumulative rate reset preferred shares, series 1 (“**Series 1 Preferred Shares**”), cumulative floating rate preferred shares, series 2 (“**Series 2 Preferred Shares**”), cumulative rate reset preferred shares, series 3 (“**Series 3 Preferred Shares**”), Series B convertible unsecured subordinated debentures (“**2019 debentures**”) and Series C convertible unsecured subordinated debentures (“**2020 debentures**”) that are publicly traded on the Toronto Stock Exchange (**TSX**). Northland is the parent company for the operating subsidiaries which carry on Northland’s business. Northland’s registered office is located in Toronto, Ontario.

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

Entity name	Country of incorporation	% ownership Jun 30, 2017	% ownership Dec 31, 2016
Iroquois Falls Power Corp. (" Iroquois Falls ")	Canada	100	100
Kingston CoGen Limited Partnership (" Kingston ")	Canada	100	100
Thorold CoGen L.P. (" Thorold ")	Canada	100	100
Spy Hill Power L.P. (" Spy Hill ")	Canada	100	100
North Battleford Power L.P. (" Battleford ")	Canada	100	100
Saint-Ulric Saint-Léandre Wind L.P. (" Jardin ")	Canada	100	100
Mont-Louis Wind L.P. (" Mont Louis ")	Canada	100	100
McLean's Mountain Wind L.P. (" McLean's ")	Canada	50	50
Nine ground-mounted solar facilities in Central Ontario (" NPI Ground-Mounted Solar ")	Canada	100	100
Four ground mounted solar facilities in Northern Ontario (" Cochrane Solar ")	Canada	62.5	62.5
Canadian Environmental Energy Corporation (" CEEC ")	Canada	68 ⁽¹⁾	68 ⁽¹⁾
Grand Bend Wind L.P. (" Grand Bend ")	Canada	50	50
Buitengaats C.V. and ZeeEnergie C.V. (" Gemini ")	Netherlands	60	60
DK Windpark Kavelstorf GmbH & Co. KG and DK Bur Bürgerwindpark Eckolstädt GmbH & Co. KG (" German wind farms ")	Germany	100	100
Nordsee One GmbH (" Nordsee One ")	Germany	85	85

⁽¹⁾ Northland has a 68% ownership interest in CEEC which has voting control of Kirkland Power Corp. ("**Kirkland Lake**") and Cochrane Power Corporation ("**Cochrane**"); see Note 7.

Northland’s financial results also include results from its 75% ownership interest in a rooftop solar partnership, and management fees from its indirect equity interest in Chapais Énergie, Société en Commandite (“**Chapais**”).

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation

These Interim Financial Statements of Northland and its subsidiaries were prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, utilizing the accounting policies Northland outlined in its December 31, 2016 annual audited consolidated financial statements, except for the change in accounting policies discussed in Note 2.2 below. The accounting policies are in line with International Financial Reporting Standards (IFRS) guidelines. The Interim Financial Statements do not include all of the information and disclosures required in the annual audited consolidated financial statements and should be read in conjunction with Northland's 2016 annual audited consolidated financial statements and March 31, 2017 unaudited interim condensed consolidated financial statements.

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

2.2 Change in Accounting Policies

Northland elected to early adopt IFRS 9, "Financial Instruments" ("IFRS 9") as issued by the International Accounting Standards Board (IASB) in July 2014, because the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows. The new accounting policies were applied from January 1, 2017 and, in accordance with the transitional provisions in IFRS 9, comparative figures were not restated. Northland adopted IFRS 9 retrospectively with transition adjustments recognized through equity as at January 1, 2017, except for the hedge accounting provisions of IFRS 9, which were applied prospectively effective January 1, 2017. The adoption of IFRS 9 did not result in any transition adjustments being recognized as at January 1, 2017.

IFRS 9 replaces the provisions of IAS 39, "Financial Instruments Recognition and Measurement" that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7, "Financial Instruments: Disclosures".

(a) Accounting policy for financial instruments under IFRS 9

The following accounting policy is applicable to the accounting for financial instruments in the three and six months ended June 30, 2017 and onwards. Please refer to the accounting policies Northland outlined in its December 31, 2016 annual audited consolidated financial statements for details on the financial instruments accounting policies applicable to comparative amounts.

Financial assets

(i) Recognition and derecognition

Regular purchases and sales of financial assets are recognized on the trade-date, being the date on which Northland commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and Northland has transferred substantially all the risks and rewards of ownership.

(ii) Classification

From January 1, 2017, Northland classified its financial assets (other than equity instruments) in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- those to be measured at amortized cost.

The measurement category classification of financial assets (other than equity instruments) depends on Northland's business objectives for managing the financial assets and whether contractual terms of the cash flows are considered solely payments of principal and interest. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income depending upon the business objective. For investments in debt instruments, classification of gains or losses will depend on the business objective in which the investment is held. Northland does not currently hold any equity instruments.

Northland reclassifies debt instruments when and only when its business objective for managing those assets changes.

(iii) Measurement

At initial recognition, Northland measures a financial asset at its fair value. In the case of a financial asset not categorized as fair value through profit or loss (**FVPL**), transaction costs that are directly attributable to the acquisition of the financial asset are included in measurement at initial recognition. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Embedded derivatives are not separated from financial assets, but variability in cash flows is considered in determining whether such cash flows are solely for payments of principal and interest.

Subsequent measurement of debt instruments depends on Northland's business objective for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which Northland classifies its debt instruments:

Amortized cost: Assets held for collection of contractual cash flows that represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt instrument is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in "finance costs, net" using the effective interest rate method. Cash and cash equivalents, restricted cash, trade and other receivables are included in this category.

Fair value through other comprehensive income (FVOCI): Assets held to achieve a particular business objective, by collecting contractual cash flows and selling financial assets, where the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (**OCI**), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognized in profit and loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in "finance costs, net" using the effective interest rate method. Northland has not classified any debt instrument under this category.

Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated statements of income (loss) within "fair value (gain) loss on derivative contracts" in the period in which it arises. Interest income from these financial assets is included in "finance costs, net". Northland classifies the loans provided to First Nations partners (see Note 7) at FVPL due to the fact that they do not meet the criteria for classification at amortized cost as the contractual cash flows are not solely payments of principal and interest.

(iv) Impairment

Northland assesses on a forward looking basis the expected credit losses (**ECL**) associated with its assets carried at amortized cost and FVOCI, including finance lease receivables. For trade and other receivables only, Northland applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Northland recognizes ECL for assets carried at amortized cost and FVOCI. For trade and other receivables and finance lease receivables, Northland applies the simplified approach permitted by IFRS 9. The simplified approach

to the recognition of ECL does not require Northland to track the changes in credit risk; rather, Northland recognizes a loss allowance at each reporting date based on the lifetime ECL since the date of the trade receivable.

Evidence of impairment may include:

- Indications that a debtor or a group of debtors is experiencing significant financial difficulty;
- A default or delinquency in interest or principal payments;
- Probability that a debtor or a group of debtors will enter into bankruptcy or other financial reorganization; and
- Changes in arrears or economic conditions that correlate with defaults, where observable data indicates that there is a measurable decrease in the estimated future cash flows.

Trade receivables are reviewed qualitatively on a case-by-case basis to determine if they need to be written off.

ECL are measured as the difference in the present value of the contractual cash flows that are due to Northland under the contract, and the cash flows that Northland expects to receive. Northland assesses all information available, including past due status, credit ratings, the existence of third-party insurance and forward looking macro-economic factors in the measurement of the ECL associated with its assets carried at amortized cost. Northland measures ECL by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Impairment of cash and cash equivalents and restricted cash are evaluated by reference to the credit quality of the underlying financial institution or investee. The provision is not material for the current reporting period.

Derivatives and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

Northland designates its derivatives as hedges of:

- foreign exchange risk associated with the cash flows of highly probable forecast transactions (cash flow hedges);
- foreign exchange risk associated with net investment in foreign operations (net investment hedges); and
- floating interest rate risk associated with payments of debts (cash flow hedges).

At the inception of a hedging transaction, Northland documents the economic relationship between hedging instruments and hedged items, including whether the hedging instrument is expected to offset changes in cash flows of hedged items. As part of the evaluation of the economic relationship, Northland determines the optimal hedge ratio such that the changes in cash flows of hedge items are offset by the hedging instrument, which reduces the probability of future ineffectiveness in the relationship. Northland documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

The fair values of various derivative financial instruments used for hedging purposes and movements in the hedging reserve in equity are shown in Note 4. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or current liability.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remain in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

(i) Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, within “fair value (gain) loss on derivative contracts”.

When forward contracts are used to hedge forecast foreign currency transactions, Northland generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognized in the cash flow hedge reserve within equity. Northland elects to recognize changes in the forward element of the contract that relates to the hedged item (‘aligned forward element’) within OCI in the costs of hedging reserve within equity or through profit or loss for each individual hedging relationship. In some cases, Northland may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument.

In such cases, the gains and losses relating to the effective portion of the change in fair value of the entire forward contract are recognized in the cash flow hedge reserve within equity. Amounts accumulated in equity are reclassified in the period when the hedged item affects profit or loss. The accounting treatment for forward points is an election for each hedge designation.

(ii) Net investment hedges that qualify for hedge accounting

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in OCI and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss within “fair value (gain) loss on derivative contracts”.

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

(iii) Hedge ineffectiveness

Northland’s hedging policy only allows for effective hedge relationships to be established. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. Except for the hedge relationships designated at January 1, 2017 (see Note 2.2), Northland enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, Northland uses the hypothetical derivative method to assess effectiveness.

Ineffectiveness is recognized on a cash flow hedge and a net investment hedge where the cumulative change in the designated component value of the hedging instrument exceeds’ on an absolute basis’ the change in value of the hedged item attributable to the hedged risk.

In the designated hedging relationships, ineffectiveness may arise if:

- the timing of the transaction changes from what was originally estimated;
- differences arise between the credit risk inherent within the hedged item and the hedging instrument; or

- volatility in the notional amounts arises, as a reduction of the net assets of the hedged foreign operation below the notional of the hedging instrument.

(b) New classification categories of financial instruments on adoption of IFRS 9

As at January 1, 2017, the date of initial application, Northland's financial instruments and new classification categories under IFRS 9 were as follows:

In thousands of dollars	Classification category		Carrying amount	
	Original (IAS 39)	New (IFRS 9)	Original (IAS 39)	New (IFRS 9)
Current financial assets				
Cash and cash equivalents	Loans and receivables	Amortized cost	307,521	
Restricted cash	Loans and receivables	Amortized cost	171,304	
Trade and other receivables ⁽¹⁾	Loans and receivables	Amortized cost	112,337	
Derivative asset	FVPL	FVPL	1,811	
Financial assets at FVPL ⁽¹⁾	Loans and receivables	FVPL	45,670	
Non-current financial assets				
Derivative asset	FVPL	FVPL	51,525	
Long-term deposit	Loans and receivables	Amortized cost	50,371	
Current financial liabilities				
Trade and other payables	Loans and borrowings	Amortized cost	231,186	
Interest-bearing loans and borrowings	Loans and borrowings	Amortized cost	114,571	
Dividends payable	Loans and borrowings	Amortized cost	15,568	
Derivative liability	FVPL	FVPL	120,322	
Non-current financial liabilities				
Interest-bearing loans and borrowings	Loans and borrowings	Amortized cost	5,621,541	
Corporate term loan facility	Loans and borrowings	Amortized cost	247,741	
Convertible debentures	Loans and borrowings	Amortized cost	228,093	
Derivative liability	FVPL	FVPL	375,276	

(1) In the consolidated balance sheets, trade and other receivables' original amount is \$158 million, consisting of \$112.3 million plus \$45.7 million shown above under the new IFRS 9 account, 'Financial assets at FVPL'.

Change in classification from loans and receivables to FVPL

In June 2015, Northland provided vendor financing of \$28.2 million repayable on demand and \$17.5 million repayable under a distribution policy to a corporation controlled by its First Nations partners. Under IAS 39, these loans were classified as 'Loans and receivables' and measured at amortized cost. Under IFRS 9, this lending arrangement does not qualify as solely payments of principal and interest because some features are not consistent with a basic lending arrangement, such as the timing of some cash flows could be impacted by the performance of the underlying assets of the project. As a result, the arrangement is required to be classified and measured as FVPL.

(c) Impairment of financial assets

Northland has two types of financial assets subject to IFRS 9's new ECL model: (i) Trade and other receivables; and (ii) Finance lease receivables. Northland was required to revise its impairment methodology under IFRS 9 for each of these classes of assets.

For trade and other receivables and finance lease receivables, Northland applies the simplified approach to providing for ECL prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade and lease

receivables. Other receivables include loans provided to equity partners which were classified as FVPL, and therefore do not require any impairment assessment. Measurement of ECL resulted in immaterial amounts; therefore, an allowance for doubtful accounts was not recorded.

(d) Derivatives and hedging activities

Northland did not apply hedge accounting under IAS 39. From January 1, 2017, Northland elected to apply hedge accounting under the IFRS 9 requirements.

In order to hedge its exposure to foreign currency and interest rate risks, Northland designated some existing derivatives in hedge relationships for hedge accounting at the transition date. For all such derivatives, an economic relationship between the hedged item and the hedging instrument exists, credit risk does not dominate the fair value changes resulting from that economic relationship, and the hedge ratio is compliant with Northland’s risk management strategy.

2.3 Future Accounting Policies

As at June 30, 2017, there have been no additional accounting pronouncements by the IASB beyond those described in Northland’s 2016 annual report and in Note 2.2 that would impact Northland’s Interim Financial Statements.

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 developed a preliminary adoption plan. Management identified major revenue streams and associated revenue contracts in scope of IFRS 15 and has initiated preliminary analysis. 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.

3. Property, Plant and Equipment

In thousands of dollars	June 30, 2017	December 31, 2016
Property, plant and equipment, net	6,103,387	2,403,682
Construction in progress	1,297,175	4,753,719
	7,400,562	7,157,401

Upon reaching full completion on April 28, 2017, Gemini’s construction in progress balance was transferred to the appropriate class of property, plant and equipment.

In the three and six months ended June 30, 2017, pre-completion revenues of \$3.7 million earned by Nordsee One were recorded as a deduction from construction in progress.

4. Derivative Financial Instruments

The derivative financial instruments consist of the following:

In thousands of dollars	June 30, 2017				
	Current assets	Current liabilities	Long-term assets	Long-term liabilities	Total
Derivatives designated for hedge accounting					
Canadian dollar interest rate swaps	2	(11,901)	211	(49,539)	(61,227)
U.S. dollar foreign exchange contracts	1,066	—	2,442	—	3,508
Euro interest rate swaps	—	(75,316)	—	(199,390)	(274,706)
Euro foreign exchange contracts	—	—	75	(44,623)	(44,548)
Derivatives not designated for hedge accounting					
Canadian dollar interest rate swaps	1	(26,495)	64	—	(26,430)
U.S. dollar foreign exchange contracts	267	—	611	—	878
Euro foreign exchange contracts	3,251	—	21,194	(18,666)	5,779
Gas purchase swaps	—	(5,815)	—	(27,116)	(32,931)
Total	4,587	(119,527)	24,597	(339,334)	(429,677)

In thousands of dollars	December 31, 2016				
	Current assets	Current liabilities	Long-term assets	Long-term liabilities	Total
Canadian dollar interest rate swaps	—	(44,584)	202	(55,781)	(100,163)
Euro interest rate swaps	—	(71,774)	—	(251,465)	(323,239)
Gas purchase swaps	61	(3,964)	288	(25,126)	(28,741)
U.S. dollar foreign exchange contracts	1,545	—	4,251	—	5,796
Euro foreign exchange contracts	205	—	46,784	(42,904)	4,085
	1,811	(120,322)	51,525	(375,276)	(442,262)

The change in derivative financial instruments during 2017 is as follows:

In thousands of dollars	Designated in hedge relationships						
	Balance as at Dec 31, 2016 asset (liability)	Changes in fair value recognized in OCI ⁽¹⁾	Cash settlements in the six months ended Jun 30, 2017 ⁽²⁾	Unrealized fair value changes ⁽²⁾	Fair value changes on derivatives not designated in hedge relationships ⁽²⁾	Foreign exchange gain (loss)	Balance as at Jun, 30 2017 asset (liability)
Canadian dollar interest rate swaps	(100,163)	2,291	8,080	(413)	2,548	—	(87,657)
Euro interest rate swaps	(323,239)	21,456	36,557	3,696	—	(13,176)	(274,706)
Gas purchase swaps	(28,741)	—	—	—	(4,190)	—	(32,931)
US dollar foreign exchange contracts	5,796	(586)	(775)	78	(127)	—	4,386
Euro foreign exchange contracts	4,085	(26,874)	—	10,435	(26,415)	—	(38,769)
	(442,262)	(3,713)	43,862	13,796	(28,184)	(13,176)	(429,677)

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

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

The effects of applying hedge accounting on Northland's financial position and performance are described below.

4.1 Foreign exchange risk

Northland is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US\$ and Euro. Foreign exchange risk arises from future long term gas turbine maintenance fees denominated in US\$. This risk is measured through a forecast of highly probable US\$ expenditures. The objective of the hedges is to minimize the volatility of the Canadian dollar cost of highly probable payments of service agreement fees. Foreign exchange risk also arises from net investment in foreign operations denominated in Euro. This risk is measured by review of Northland's net investment in Euros at each reporting period end. The objective of the hedges is to reduce the volatility of the Canadian dollar translation in other comprehensive income relating to the consolidation of the European subsidiaries (Gemini and Nordsee One).

In thousands of dollars

Derivative financial instruments - foreign exchange forward contracts	June 30, 2017
Carrying amount (asset/(liability))	(41,040)
Notional amount - EUR	647,469
Notional amount - USD	13,440
Maturity date	July 2017-August 2032
Hedge ratio ⁽¹⁾	1:1
Change in discounted spot value of outstanding hedging instruments since 1 January	(17,935)
Change in value of hedged item used to determine hedge effectiveness	17,935
Weighted average hedged rate for the year (including forward points):	
USD foreign exchange forward contracts	US\$0.983:CAD\$1
EUR foreign exchange forward contracts	€0.619:CAD\$1

(1) The foreign exchange forward contracts are denominated in the same currency as the highly probable future payments (US\$) and the net investment in foreign operations, therefore the hedge ratio is 1:1.

In thousands of dollars

Foreign currency hedge reserve	Euro foreign exchange contracts		US dollar contracts	Total foreign currency hedge reserve in AOCI
	Cost of hedging	Forward component	Forward component	
Opening balance as at January 1, 2017	—	—	—	—
Add: Costs of hedging deferred during the year in OCI	16,145	—	—	16,145
Add: Change in fair value of hedging instrument recognized in OCI for the period (effective portion)	—	(34,281)	(586)	(34,867)
Less: Re-classified to profit or loss	(8,738)	—	—	(8,738)
Closing balance as at June 30, 2017 ⁽¹⁾	7,407	(34,281)	(586)	(27,460)

(1) The deferred tax applicable to the foreign currency hedge reserve balance is a \$6.9 million recovery, which has been recognized in other comprehensive income.

The hedge ineffectiveness recognized in "fair value (gain) loss on derivative contracts" in profit or loss related to foreign currency contracts (cash flow and net investment hedges) for the six months ended June 30, 2017 was immaterial.

4.2 Interest rate risk

In thousands of dollars

Derivative financial instruments - interest rate swaps	June 30, 2017
Carrying amount (asset/(liability))	(335,933)
Notional amount - CAD	660,979
Notional amount - EUR	2,478,897
Maturity date	July 2017-June 2033
Hedge ratio ⁽¹⁾	1:1
Change in fair value of outstanding hedging instruments since 1 January	28,849
Change in value of hedged item used to determine hedge effectiveness	23,900

(1) The interest rate swaps mirror the interest rate of the debts, therefore the hedge ratio is 1:1.

In thousands of dollars

Interest rate swaps reserve	Canadian interest rate swaps	Euro interest rate swaps	Total interest rate swaps reserve
Opening balance as at January 1, 2017	—	—	—
Add: Change in fair value of hedging instrument recognized in OCI for the period (effective portion)	2,704	21,277	23,981
Less: Re-classified to profit or loss	(413)	179	(234)
Closing balance as at June 30, 2017 ⁽¹⁾	2,291	21,456	23,747

(1) The deferred tax applicable to the interest rate swaps reserve balance is \$4.7 million expense, which has been recognized in other comprehensive income.

The hedge ineffectiveness recognized in “fair value (gain) loss on derivative contracts” in profit or loss related to interest rate contracts (cash flow hedges) for the six months ended June 30, 2017 was \$3.9 million.

4.3 Hedge ineffectiveness

The fair value of the hedged item used as the basis for recognizing hedge ineffectiveness for the period, by risk category, are:

In thousands of dollars

Fair value of hedged items (hypothetical derivatives)	June 30, 2017
Cash flow hedge – interest rate risk	(23,900)
Cash flow hedge – foreign currency risk	(586)
Net investment hedge – foreign currency risk	(17,349)

5. Convertible Debentures, Corporate Credit Facility and Long-Term Debt

5.1 Convertible Debentures

As at June 30, 2017, approximately \$78.4 million of the 2019 Debentures were outstanding, which if converted in their entirety would result in an additional 3.6 million Shares being issued, and approximately \$156.1 million of the 2020 Debentures were outstanding, which if converted in their entirety, would result in an additional 7.2 million Shares being issued.

5.2 Corporate Credit Facilities

As at June 30, 2017, Northland had: (i) \$95.8 million of letters of credit outstanding under the corporate letter of credit facility; (ii) \$48.1 million of letters of credit outstanding under the new, unsecured corporate letter of credit facility; (iii) \$nil of letters of credit outstanding under the revolving facility; (iv) \$nil of borrowings under the revolving facility; and (v) \$250 million drawn under the term facility, which appears on the consolidated balance sheets as \$221.4 million (2016 - \$247.7 million) due to the impact of foreign exchange and a partial repayment in the amount of \$29 million associated with the completion of Gemini that occurred during the quarter.

On June 15, 2017, Northland entered into a \$100 million unsecured letter of credit facility with a member of its corporate banking syndicate.

Northland's term loan facility matures March 31, 2018 and is classified as current on the interim condensed consolidated balance sheets.

5.3 Long-Term Debt

In April 2017, Gemini renegotiated its €2 billion senior debt. The renegotiation reduced the weighted average all-in interest rate to 3.8% for the remaining 13-year amortization period and removed the cash sweep requirements in year five.

6. Equity

6.1 Preferred Shares

During the three and six months ended June 30, 2017, \$1 million and \$2 million, respectively, of Series 1 Preferred Share dividends were paid, excluding taxes (2016 - \$1 million and \$2 million), \$0.3 million and \$0.6 million, respectively, of Series 2 Preferred Share dividends were paid, excluding taxes (2016 - \$0.3 million and \$0.6 million) and \$1.5 million and \$3 million, respectively, of Series 3 Preferred Share dividends were paid, excluding taxes (2016 - \$1.5 million and \$3 million).

6.2 Shares

Northland is authorized to issue an unlimited number of Shares. The change in Shares during 2017 and 2016 was as follows:

In thousands of dollars except for shares	June 30, 2017		December 31, 2016	
	Shares	Amount	Shares	Amount
Common shares outstanding, beginning of year	171,973,308	2,266,901	169,645,251	2,219,259
Conversion of debentures	2,916	63	76,198	1,646
Shares issued under LTIP ⁽¹⁾	—	—	21,142	516
Shares issued under DRIP ⁽²⁾	1,179,715	26,831	2,230,717	46,569
Change in deferred taxes	—	—	—	(1,089)
Common shares outstanding, end of period	173,155,939	2,293,795	171,973,308	2,266,901
Class A shares	1,000,000	14,615	1,000,000	14,615
Total common and convertible shares outstanding, end of period	174,155,939	2,308,410	172,973,308	2,281,516

(1) Long-Term Incentive Plan

(2) Dividend Reinvestment Plan

Dividend Reinvestment Plan (“DRIP”)

The DRIP provides shareholders and the Class A shareholder the right to reinvest their dividends in Shares at a 5% discount to the market price as defined in the DRIP. Shares issued through the DRIP are currently from Northland’s treasury at the election of Northland’s Board of Directors. The issue price for the reinvested Shares on each dividend payment date is the volume weighted average trading price of the Shares on the TSX for the five trading days immediately preceding the dividend payment date less the 5% discount. Northland’s Board of Directors has the discretion to alter or eliminate the 5% discount or to revert to market purchases of Shares at any time.

Equity-Linked Compensation

Northland’s Long-Term Incentive Plan (“**LTIP**”) provides for a maximum of 3.1 million Shares to be reserved and available for grant to employees of Northland and its subsidiaries. Shares may be awarded based on development profits, which arise from new projects or acquisitions (“**Development LTIP**”). The number of Shares awarded at each milestone is determined using the amount of expected development profits at that milestone date. As a result, the amount of Development LTIP costs recognized depends on the estimated number of Shares to be issued at each milestone date, which in turn is based on management’s best estimate of a project’s expected development profit. Changes in estimates related to the number of Shares to be issued, forfeiture rates and vesting dates and changes in fair value up to the grant date are recognized in the period of the change. Shares may also be awarded under the LTIP to recognize achievements or attract and retain executives (“**Deferred Rights**”). Grants of Deferred Rights vest over a maximum of a three-year period and the expected cost is expensed over the same period. For the three and six months ended June 30, 2017, Northland capitalized \$1.3 million and \$4.2 million (2016 – \$2.4 million and \$4.9 million) and expensed \$0.2 million and \$0.7 million, respectively (2016 – \$nil and \$nil) of costs under the LTIP. No forfeitures are assumed to occur.

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

6.3 Dividends

For the three and six months ended June 30, 2017, dividends declared totaled \$0.27 per Share and \$0.54 per Share (2016 – \$0.27 and \$0.54), being aggregate dividends of \$47.0 million and \$93.8 million, respectively (2016 – \$46.3 million and \$92.5 million). Total dividends declared for the three and six months ended June 30, 2017 consist of \$33.2 million and \$66.5 million of cash dividends and \$13.8 million and \$27.3 million of Share dividends, respectively, pursuant to the DRIP.

7. Non-Controlling Interest

Non-controlling interests relate to the interests not owned by Northland for McLean's (50%), Grand Bend (50%), Cochrane Solar (37.5%), Gemini (40%), Nordsee One (15%) and CEEC (32%). CEEC has voting control of the Kirkland Lake and Cochrane facilities and has an 8.78% economic interest in Kirkland Lake and an 11.54% economic interest in Cochrane.

Summarized financial information on the non-controlling interests in the interim condensed consolidated balance sheets is as follows:

In thousands of dollars				
June 30, 2017	Current assets ⁽¹⁾	Long-term assets	Current liabilities	Long-term liabilities
CEEC	41,328	26,646	(8,280)	(11,409)
McLean's	4,741	151,512	(6,674)	(140,097)
Grand Bend	20,216	354,687	(7,414)	(354,694)
Cochrane Solar	13,728	333,267	(13,817)	(187,380)
Gemini	352,416	3,847,466	(112,467)	(3,331,542)
Nordsee One	191,625	1,293,323	(94,256)	(1,058,705)
Total	624,054	6,006,901	(242,908)	(5,083,827)

In thousands of dollars				
December 31, 2016	Current assets ⁽¹⁾	Long-term assets	Current liabilities	Long-term liabilities
CEEC	101,033	24,328	(13,308)	(8,752)
McLean's	9,085	155,934	(6,726)	(142,667)
Grand Bend	29,204	369,474	(12,122)	(354,398)
Cochrane Solar	14,417	342,811	(17,792)	(193,993)
Gemini	74,848	3,653,548	(159,327)	(3,063,109)
Nordsee One	98,560	1,072,907	(89,540)	(750,206)
Total	327,147	5,619,002	(298,815)	(4,513,125)

(1) As at June 30, 2017, restricted cash of \$334.1 million (2016 - \$146.9 million) is included for Gemini and Nordsee One where the availability of funds is intended for debt repayments and construction, respectively.

As at June 30, 2017, Northland had an outstanding receivable balance of \$45.9 million with the Cochrane Solar First Nations partner.

The change in non-controlling interests during 2017 and 2016 is as follows:

In thousands of dollars	CEEC	McLean's	Grand	Cochrane	Gemini	Nordsee	Total
			Bend	Solar		One	
As at January 1, 2016	91,654	14,500	28,733	55,604	197,031	26,378	413,900
Contribution of non-controlling interests	—	1,331	—	—	—	55	1,386
Net income (loss) attributable	71,020	446	1,109	(1,021)	1,049	(3,508)	69,095
Dividends and distributions declared	(1,600)	(5,647)	(12,900)	—	—	—	(20,147)
Allocation of other comprehensive income (loss)	—	—	—	—	(23,899)	307	(23,592)
As at December 31, 2016	161,074	10,630	16,942	54,583	174,181	23,232	440,642
Contribution of non-controlling interests	—	308	—	—	—	—	308
Net income attributable	6,933	704	5,315	327	57,934	132	71,345
Dividends and distributions declared	(10,052)	(3,890)	(11,200)	—	(32,704)	—	(57,846)
Allocation of other comprehensive income	—	—	—	358	18,154	2,072	20,584
As at June 30, 2017	157,955	7,752	11,057	55,268	217,565	25,436	475,033

Dividends payable on the consolidated balance sheets includes \$0.2 million owed to CEEC at June 30, 2017.

8. Finance Costs

Net finance costs consist of the following:

In thousands of dollars	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Interest on debts, borrowings and bank fees	77,905	45,945	158,742	82,563
Discount on provisions for decommissioning liability	943	386	1,859	639
Finance income	(931)	(532)	(1,840)	(947)
	77,917	45,799	158,761	82,255

For the six months ended June 30, 2017, \$18.8 million (2016 – \$77.4 million) in interest was incurred related to facilities under construction, which was capitalized and included in construction in progress.

9. Net Income (Loss) per Share

The calculation of basic net income (loss) per Share is based on the consolidated net income (loss) for the period, less preferred share dividends divided by the sum of the weighted average number of Shares outstanding and the weighted average number of Class A Shares. Diluted net income per Share is calculated by dividing consolidated net income (loss), net of preferred share dividends, plus expenses related to the debt that is assumed to be converted by the weighted average number of Shares used in the basic net income (loss) per Share calculation plus the number of Shares that would be issued assuming conversion of the 2019 and 2020 Debentures into Shares for accounting purposes during the period.

The reconciliation of the numerator in calculating basic and diluted net income (loss) for the three and six months ended June 30, is as follows:

In thousands of dollars	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net income (loss) for the period	35,486	37,066	90,500	(14,976)
Less: preferred share dividends, net	(2,795)	(2,793)	(5,589)	(5,584)
Net income (loss) attributable to ordinary equity holders of Northland for basic earnings	32,691	34,273	84,911	(20,560)
Add back: convertible unsecured subordinated debentures interest and amortization ⁽¹⁾	—	2,141	5,049	—
Net income attributable to ordinary equity holders of Northland for diluted earnings ⁽¹⁾	32,691	36,414	89,960	(20,560)

(1) The effect of convertible unsecured subordinated debentures was anti-dilutive for the three months ended June 30, 2017 and the six months ended June 30, 2016. The increase in net income from adding back interest and amortization more than offsets the earnings per share impact of conversion of the outstanding debentures.

The reconciliation of the denominator in calculating basic and diluted per share amounts for the periods ended June 30, is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Weighted average number of Shares outstanding	173,155,228	170,739,478	173,154,211	170,739,058
Weighted average number of Class A shares	1,000,000	1,000,000	1,000,000	1,000,000
Weighted average number of Shares outstanding, basic	174,155,228	171,739,478	174,154,211	171,739,058
Effect of dilutive securities:				
Convertible unsecured subordinated debentures ⁽¹⁾	—	11,962,101	10,862,253	—
Weighted average number of Shares outstanding, diluted	174,155,228	183,701,579	185,016,464	171,739,058

(1) The effect of convertible unsecured subordinated debentures was anti-dilutive for the three months ended June 30, 2017 and the six months ended June 30, 2016. The increase in net income from adding back interest and amortization more than offsets the earnings per share impact of conversion of the outstanding debentures.

10. Operating Segment Information

In accordance with IFRS 8, Operating Segments, Northland has identified the following operating segments: (i) thermal; (ii) on-shore renewables; (iii) offshore wind, which includes Gemini and Nordsee One and (iv) Managed (management and operations services for Kirkland Lake, Cochrane and CEEC) and other (includes investment income and the administration of Northland). The operating segments have been identified based upon the nature of operations and technology used in the generation of electricity. Northland analyzes the performance of its operating segments based on their operating income, which is defined as revenue less operating expenses.

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

In thousands of dollars				Depreciation of		
Three months ended	External	Inter-segment	Total	property, plant	Finance	Operating
June 30, 2017	revenue	revenue	revenue	and equipment	costs, net	income (loss)
Offshore wind	160,710	—	160,710	46,308	39,482	91,592
Thermal	91,994	(5,381)	86,613	11,943	15,351	43,011
On-shore renewables	55,329	—	55,329	23,213	15,995	25,526
Managed and other ⁽¹⁾	14,318	4,134	18,452	917	7,089	(15,602)
Eliminations ⁽²⁾	—	1,247	1,247	—	—	—
	322,351	—	322,351	82,381	77,917	144,527

In thousands of dollars				Depreciation of		
Three months ended	External	Inter-segment	Total	property, plant	Finance	Operating
June 30, 2016	revenue	revenue	revenue	and equipment	costs, net	income (loss)
Offshore wind	1,800	—	1,800	7,741	7,269	(12,018)
Thermal	104,461	42	104,503	14,950	15,947	50,661
On-shore renewables	56,940	—	56,940	22,485	15,784	27,795
Managed and other ⁽¹⁾	13,425	6,352	19,777	560	6,799	(7,033)
Eliminations ⁽²⁾	—	(6,394)	(6,394)	—	—	—
	176,626	—	176,626	45,736	45,799	59,405

(1) Managed and other includes Kirkland Lake, Cochrane, CEEC's consolidated operations, management and operations fees, investment income, and management, administration and development expenditures.

(2) Inter-segment revenues are eliminated on consolidation.

In thousands of dollars				Depreciation of		
Six months ended	External	Inter-segment	Total	property, plant	Finance	Operating
June 30, 2017	revenue	revenue	revenue	and equipment	costs, net	income (loss)
Offshore wind	338,092	—	338,092	91,430	81,589	206,274
Thermal	203,612	35	203,647	23,885	30,810	106,505
On-shore renewables	110,833	—	110,833	46,222	32,056	50,361
Managed and other ⁽¹⁾	33,865	12,369	46,234	1,887	14,306	(30,981)
Eliminations ⁽²⁾	—	(12,404)	(12,404)	—	—	—
	686,402	—	686,402	163,424	158,761	332,159

In thousands of dollars				Depreciation of		
Six months ended	External	Inter-segment	Total	property, plant	Finance	Operating
June 30, 2016	revenue	revenue	revenue	and equipment	costs, net	income (loss)
Offshore wind	1,827	—	1,827	7,956	7,439	(13,946)
Thermal	230,514	42	230,556	29,765	31,906	113,999
On-shore renewables	91,863	—	91,863	41,344	28,679	38,422
Managed and other ⁽¹⁾	30,550	12,954	43,504	2,268	14,231	(12,046)
Eliminations ⁽²⁾	—	(12,996)	(12,996)	—	—	—
	354,754	—	354,754	81,333	82,255	126,429

(1) Managed and other includes Kirkland Lake, Cochrane, CEEC's consolidated operations, management and operations fees, investment income, and management, administration and development expenditures.

(2) Inter-segment revenues are eliminated on consolidation.

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

In thousands of dollars	Property, plant and equipment, net	Equity- accounted investment	Contracts and other intangibles, net	Goodwill	Total assets
As at June 30, 2017					
Offshore wind	4,976,948	—	163,966	—	5,804,901
Thermal	995,598	—	44,442	150,201	1,541,174
On-shore renewables	1,391,877	—	530	56,329	1,533,231
Managed and other ⁽¹⁾	36,139	3,791	28,574	—	294,171
	7,400,562	3,791	237,512	206,530	9,173,477

In thousands of dollars	Property, plant and equipment, net	Equity- accounted investment	Contracts and other intangibles, net	Goodwill	Total assets
As at December 31, 2016					
Offshore wind	4,665,460	—	157,528	—	5,129,740
Thermal	1,019,469	—	45,732	150,201	1,548,331
On-shore renewables	1,438,013	—	626	56,329	1,585,622
Managed and other ⁽¹⁾	34,459	4,257	30,442	—	399,737
	7,157,401	4,257	234,328	206,530	8,663,430

(1) Managed and other includes Kirkland Lake, Cochrane, CEEC, and projects under construction that will be transferred to the appropriate segment once commercial operations have begun.

Information on operations by geographic area is as follows:

Sales

In thousands of dollars	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Canada	160,821	174,132	346,386	350,893
Europe	161,530	2,494	340,016	3,861
Total sales	322,351	176,626	686,402	354,754

Property, plant and equipment, net

In thousands of dollars	June 30, 2017	December 31, 2016
Canada	2,423,614	2,491,650
Europe	4,976,948	4,665,751
	7,400,562	7,157,401

11. Commitments and Contingencies

11.1 Gemini Contingent Consideration

In connection with the 2014 acquisition of Gemini, contingent consideration of up to €10.4 million would be due if certain net project cost savings were to be achieved at completion of the project's construction. As at June 30, 2017, Northland had finalized and paid the contingent consideration amount of €10.4 million (\$14.6 million), which appears in the "Other expense (income)" in the interim condensed consolidated statements of income (loss).

11.2 Acquisition of Deutsche Bucht

On March 3, 2017, Northland announced it had entered into a definitive agreement to acquire 100% of Deutsche Bucht, an offshore wind project in Germany currently in advanced development. Certain conditions are required to be met for closing to occur.

12. Authorization of Interim Financial Statements

The Interim Financial Statements for the period ended June 30, 2017 (including comparatives) were approved by the Board of Directors on August 9, 2017.

Corporate Information

Directors and Officers of Northland Power Inc.

DIRECTORS

Mr. James C. Temerty (Chair)

The Right Honourable John N. Turner

Ms. Linda L. Bertoldi

Dr. Marie Bountrogianni

Mr. Barry Gilmour

Mr. Russell Goodman

EXECUTIVE OFFICERS

Mr. John W. Brace

Chief Executive Officer

Mr. Paul J. Bradley

Chief Financial Officer

Mr. Mike Crawley

Executive Vice President Development

Mr. Michael D. Shadbolt

Vice President and General Counsel

Mr. Morten Melin

Executive Vice President Construction

Ms. Linda L. Bertoldi

Secretary

General Information

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
100 University Avenue
Toronto, Ontario, Canada
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Attention: Equity Services

COMMON SHARES, DEBENTURES AND PREFERRED SHARES

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

DIVIDEND REINVESTMENT PLAN (DRIP)

The DRIP provides common shareholders and the Class A shareholder the opportunity to elect to reinvest their dividends in common shares of Northland at a 5% discount to the market price.

TAX CONSIDERATIONS

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

Shareholder Information

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