NORTHLAND POWER

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

Table of Contents

SECTION 1: OVERVIEW 2
SECTION 2: STRATEGY AND KEY FACTORS SUPPORTING SUSTAINABLE PERFORMANCE 4
SECTION 3: NORTHLAND'S OPERATING FACILITIES 5
SECTION 4: CONSOLIDATED HIGHLIGHTS. 6
4.1: Significant Events 6
4.2: Operating Highlights 7
SECTION 5: RESULTS OF OPERATIONS 8
5.1: Operating Facilities' Results 8
5.2: General and Administrative Costs and Other Income 13
5.3: Consolidated Results. 14
5.4: Adjusted EBITDA 16
5.5: Free Cash Flow 17
SECTION 6: CHANGES IN FINANCIAL POSITION 20
SECTION 7: EQUITY, LIQUIDITY AND CAPITAL RESOURCES 21
SECTION 8: SUMMARY OF QUARTERLY CONSOLIDATED RESULTS 27
SECTION 9: CONSTRUCTION AND DEVELOPMENT ACTIVITIES. 27
SECTION 10: OUTLOOK 28
SECTION 11: LITIGATION, CLAIMS AND CONTINGENCIES. 28
SECTION 12: SUSTAINABILITY AND CLIMATE CHANGE 29
SECTION 13: FINANCIAL RISKS AND UNCERTAINTIES 31
SECTION 14: CRITICAL ACCOUNTING ESTIMATES 32
SECTION 15: FUTURE ACCOUNTING POLICIES. 33
SECTION 16: CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING 33

NORTHLAND POWER

SECTION 1: OVERVIEW

Introduction

The purpose of this Management's Discussion and Analysis ("**MD&A**") is to explain the financial results and to assist the reader in understanding the nature and importance of changes and trends as well as the risks and uncertainties that may affect the operating results and financial position of Northland Power Inc. ("**Northland**" or the "**Company**"). This MD&A should be read in conjunction with Northland's audited consolidated financial statements for the years ended December 31, 2018 and 2017. Additional information relating to Northland can be found in the Company's most recent Annual Information Form ("**2018 AIF**"), which is filed electronically on SEDAR at www.sedar.com under Northland's profile and posted on Northland's website at northlandpower.com.

This MD&A, dated February 21, 2019, compares Northland's financial results and financial position for the year ended December 31, 2018, with those for the year ended December 31, 2017. Certain prior period disclosures have been reclassified for consistency with the current period presentation. Northland's Audit Committee reviewed this MD&A and the associated audited consolidated financial statements and notes, and its Board of Directors approved these documents prior to their release.

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

Forward-Looking Statements

This MD&A contains forward-looking statements that are based on certain estimates and assumptions that were considered reasonable on February 21, 2019; actual results may differ materially. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans. Readers are cautioned that such statements may not be appropriate for other purposes. Northland's actual results could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur. Forward-looking statements 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 flow, 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. Forward-looking statements are subject to numerous risks and uncertainties, which include, but are not limited to, revenue contracts, counterparty risks, contractual operating performance, variability of revenue from generating facilities powered by intermittent renewable resources, offshore wind concentration, natural gas and power market risks, operational risks, permitting, construction risks, project development risks, financing risks, interest rate and refinancing risks, liquidity risk, credit rating risk, currency fluctuation risk, variability of cash flow and potential impact on dividends, taxation, natural events, environmental, health and worker safety risks, market compliance risk, government regulations and policy risks, international activities, reliance on information technology, labour relations, reputational risk, insurance risk, risks relating to co-ownership, bribery and corruption risk, legal contingencies, and the other factors described in this MD&A and the 2018 AIF. Other than as specifically required by law, Northland undertakes no obligation to update any forward-looking statements to reflect events or circumstances after such date or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Non-IFRS Financial Measures

This MD&A and certain of Northland's press releases include references to the Company's adjusted earnings before interest, income taxes, depreciation and amortization ("**adjusted EBITDA**"), free cash flow and applicable payout ratio and per share amounts, measures not prescribed by International Financial Reporting Standards (**IFRS**), and therefore do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. 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 and applicable payout ratio and per share amounts 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 reconciliations of these non-IFRS measures to their nearest IFRS measure, refer to *SECTION 5.4 Adjusted EBITDA* for a reconciliation of consolidated net income (loss) under IFRS to reported adjusted EBITDA and *SECTION 5.5 Free Cash Flow* for a reconciliation of cash provided by operating activities under IFRS to reported free cash flow.

Adjusted EBITDA

Adjusted EBITDA 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, interest income from Gemini, fair value (gain) loss on derivative contracts, unrealized foreign exchange (gain) loss, (gain) loss on sale of development assets, elimination of non-controlling interests (excluding management and incentive fees to Northland), finance lease and equity accounting, and other adjustments as appropriate. For clarity, Northland's adjusted EBITDA reflects a reduction for its share of general and administrative costs during development and construction that do not qualify for capitalization. Management believes adjusted EBITDA is a meaningful measure of Northland's operating performance because it excludes certain items included in the calculation of net income (loss) that may not be appropriate determinants of long-term operating performance.

Free Cash Flow

Free cash flow represents the cash generated from the business that management believes is representative of cash available to pay dividends while preserving long-term value of the business. Free cash flow is calculated as cash provided by operating activities adjusted for short-term changes in operating working capital; non-expansionary capital expenditures; interest incurred on outstanding debt; scheduled principal repayments; major maintenance and debt reserves; exclusion of pre-completion revenue and operating costs for projects under construction; interest income from Northland's subordinated loan to Gemini; proceeds from government grants; non-controlling interests; preferred share dividends; net proceeds from sale of development assets and other adjustments as appropriate. For clarity, Northland's free cash flow reflects a reduction for expenditures on development activities until an advanced project qualifies for capitalizing development expenditures. Free cash flow from foreign operations is translated to Canadian dollars at the exchange rate Northland realizes on cash distributions. Management believes free cash flow is a meaningful measure of Northland's ability to generate cash flow after all on-going obligations (except common and class A share dividends) to be available to invest in growth initiatives and fund dividend payments.

The free cash flow payout ratio indicates the proportion of free cash flow paid as dividends, whether in cash or in shares under Northland's dividend re-investment plan (**DRIP**). The net payout ratio indicates the proportion of free cash flow paid as cash dividends (not reinvested). The payout ratio generally reflects Northland's ability to fund expansionary capital expenditures and sustain dividends.

Northland's debt and equity for a project are generally funded and/or committed at the beginning of construction, but it may be several years before the project starts to generate cash flow. As a result, from time to time, Northland may have a temporarily higher payout ratio than it would if the future free cash flow from projects under construction were reflected in the calculation. This factor may decrease the comparability of Northland's payout ratio to that of industry peers.

Enterprise Value and Total Debt

Management defines enterprise value as the sum of total debt and Northland's equity capitalization as at the reporting date. Total debt includes the carrying value of all project debt, corporate borrowings and convertible unsecured subordinated debentures. Equity capitalization is equivalent to the number of outstanding of common shares, Class A shares and preferred shares on the last trading date of the period times their respective closing price on that date. Management uses enterprise value to assess the total amount of capital employed to generate returns to shareholders.

NORTHLAND POWER

SECTION 2: STRATEGY AND KEY FACTORS SUPPORTING SUSTAINABLE PERFORMANCE

Business Objective

Northland's primary objective is to provide its shareholders with sustainable dividends and share value growth from the successful management of its assets, businesses and investments related to the production, delivery and sale of electricity-related products.

Vision

Northland's vision is to be a top clean and green developer, owner, constructor and operator of sustainable infrastructure assets, inspiring our people to achieve a sustainable and prosperous future for all of our stakeholders.

Business Strategy

Northland's business strategy is centered on establishing a significant global presence as a sustainable energy producer. Northland aims to increase shareholder value by leveraging its expertise and early mover advantage in relevant markets to create and operate high-quality, sustainable infrastructure assets supported by revenue contracts that deliver predictable cash flows. Northland leverages its operational knowledge and the application of appropriate technology to boost operational performance, with the goal of reducing the impact of energy usage on the environment. Northland aims to inspire its people to achieve excellence in everything they do, embracing and living Northland's values on a daily basis.

To successfully execute its strategy, Northland must excel in each of the following strategic pillars:

(i) Winning Business

Northland pursues sustainable growth and value by creating high-quality clean and green sustainable infrastructure projects underpinned by revenue contracts that deliver predictable cash flows, while carefully managing and mitigating development risks. The global shift to renewable energy sources is creating opportunities based on favourable government policies aimed at sustainability, energy security and reducing greenhouse gas emissions. Northland develops, constructs and operates sustainable infrastructure projects across a range of clean and green technologies, such as wind (offshore and on-shore), solar and thermal (natural-gas-fired and biomass). Clean-burning natural-gas-fired plants provide reliable baseload and dispatchable power, grid support and backup for renewable generation as needed by the customer. Northland remains focused on pursuing growth in North America, Latin America, Europe and Asia, in addition to other jurisdictions that meet Northland's risk management criteria. Northland manages its development processes prudently by regularly balancing the probability of success against associated costs and risks.

(ii) Building Facilities

Northland aims to increase shareholder value by creating high-quality projects designed for the intended purposes of earning income from revenue contracts. Northland exercises judgment, discipline and acumen in its construction activities to ensure maximum success. Northland's successful record of on-time, on-budget project execution results from these core strengths and contributes to consistent investor returns.

(iii) Operating Facilities

A core element of Northland's strategy is the optimization of project revenues and predetermined costs through revenue contracts with creditworthy counterparties. Where applicable, the key terms of operating facilities' long-term power purchase agreements (**PPA**) and fuel supply contracts are aligned for each facility, such that revenues and cost escalations are substantially linked. This approach provides predictability for each facility's operating income and cash flow, while ensuring ongoing environmental sustainability and the health and safety of employees and host communities.

Northland's management maximizes sustainable returns through a focus on efficient and effective facility operations; longer-term asset management; and structuring sales supply and maintenance agreements to maximize revenues while carefully managing risk. Opportunities to maximize returns beyond the contract terms are routinely sought and achieved.

With a commitment to continuous improvement, Northland's operations group shares its experiences with the development, engineering and construction groups on an ongoing basis, to ensure all knowledge gained is factored into the development and construction of any new projects Northland undertakes.

NORTHLAND POWER

(iv) Organizational Effectiveness

Underpinning Northland’s strategy is a focus on strong management of key corporate functions such as: governance; human resources and talent management; construction; environment; health and safety; finance and accounting; management information systems and communications. Management recognizes that a commitment to organizational effectiveness is an essential component of Northland’s long-term success and continued growth.

SECTION 3: NORTHLAND’S OPERATING FACILITIES

As of December 31, 2018, Northland owns or has a net economic interest in 2,014 megawatts (**MW**) of power-producing facilities with a total operating capacity of approximately 2,429 MW. Northland’s operating facilities produce electricity from renewable resources and natural gas for sale primarily under long-term PPA or other revenue arrangements with creditworthy customers in order to generate predictable cash flows.

Northland’s MD&A and audited consolidated financial statements include the results of its operating facilities, the most significant of which are presented below:

	Completion date	Geographic region [1]	Economic interest [2]	Gross Production Capacity (MW)	Net Production Capacity (MW)
Offshore Wind					
Gemini	April 2017	The Netherlands	60%	600	360
Nordsee One	December 2017	Germany	85%	332	282
Thermal					
Iroquois Falls	January 1997	Ontario	100%	120	120
Kingston	February 1997	Ontario	100%	110	110
Kirkland Lake [3]	August 1993	Ontario	77%	132	102
North Battleford	June 2013	Saskatchewan	100%	260	260
Spy Hill	October 2011	Saskatchewan	100%	86	86
Thorold	April 2010	Ontario	100%	265	265
On-shore Renewables					
Cochrane Solar	October 2015	Ontario	63%	40	25
Grand Bend	April 2016	Ontario	50%	100	50
Jardin	November 2009	Québec	100%	133	133
McLean's	May 2014	Ontario	50%	60	30
Mont Louis	September 2011	Québec	100%	101	101
Solar	September 2014	Ontario	100%	90	90
Total				**2,429**	**2,014**

(1) Thermal and on-shore renewables facilities are located in Canada.

(2) As at December 31, 2018, Northland’s economic interest was unchanged from December 31, 2017, with the exception of the sale of its 77% economic interest in Cochrane Power Corporation (“Cochrane”), which ceased operations in 2015 and the sale of a wholly-owned subsidiary entitled to management fees from a 28 MW biomass-fired power facility located in Chapais, Québec. Refer to Operating Facilities’ Results section for additional information.

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

As of December 31, 2018, Northland had 269 MW of generating capacity under construction representing the Deutsche Bucht offshore wind project (“**Deutsche Bucht**”). Furthermore, Northland has a portfolio of projects in various stages of development in Europe, North America, Latin America and Asia.

Refer to the 2018 AIF for additional information on Northland’s operating facilities and projects under construction or development.

NORTHLAND POWER

SECTION 4: CONSOLIDATED HIGHLIGHTS

4.1: Significant Events

Significant events during 2018 and through the date of this MD&A are described below.

Deutsche Bucht Offshore Wind Project Update

The Deutsche Bucht offshore wind project is progressing according to schedule and is on budget. As of February 21, 2019, offshore installation of all 31 monopile foundations was completed. As part of the rights and assets acquired in 2017, Northland had an option to construct two demonstrator turbines utilizing 'mono bucket' foundations (the "**Demonstrator Project**"). In July 2018, the Demonstrator Project reached financial close. The Demonstrator Project will contribute an additional 17 MW of capacity to the base 252 MW project for a total of 269 MW and result in total project costs of approximately €1.4 billion (CAD $2.0 billion). The two mono bucket foundations are scheduled to be installed with the balance of plant during 2019 with project completion expected by the end of 2019.

Redemption of 5.0% Convertible Unsecured Subordinated Debentures Series B

In December 2018, Northland completed the early redemption of its 5.0% extendible convertible unsecured subordinated debentures, Series B, due June 30, 2019 ("**2019 Debentures**"). There was approximately $77.0 million aggregate principal amount of the 2019 Debentures outstanding when the redemption notice was issued on November 16, 2018. Holders converted $54.1 million of their 2019 Debentures into 2,504,670 new common shares prior to the December 21, 2018 redemption date. Northland redeemed the remaining $22.9 million of the 2019 Debentures in cash.

Normal Course Issuer Bid Approved

In December 2018, the Toronto Stock Exchange ("**TSX**") accepted Northland`s notice of intention to proceed with a normal course issuer bid ("**NCIB**") commencing December 17, 2018 and ending December 16, 2019. Pursuant to the NCIB, Northland may purchase for cancellation up to 8,000,000 common shares representing approximately 4.5% of Northland's issued and outstanding common shares. Refer to *SECTION 7: EQUITY, LIQUIDITY AND CAPITAL RESOURCES* for additional information.

Changes to Dividend Re-Investment Plan ("DRIP")

In November 2018, Northland reduced the discount at which shares are issued under its DRIP from 5% to 0%. Additionally, Northland began sourcing shares for purposes of the DRIP through market purchases, but reserves the right to issue shares from treasury. This change was effective for the dividend paid on December 14, 2018.

Hai Long Offshore Wind Project Update

During the second quarter of 2018, the Hai Long project, owned by Northland and its 40% partner, Yushan Energy, were allocated a total of 1,044 MW (626 MW net to Northland) by the Bureau of Energy of Taiwan under a Feed-in-Tariff ("**FIT**") program and an offshore wind auction program. The combined allocations advance the project's ability to execute 20-year PPAs, subject to permitting and financial close. Refer to *SECTION 9: CONSTRUCTION AND DEVELOPMENT ACTIVITIES* for additional information.

New Corporate Credit Facility

In June 2018, Northland entered a new $1.25 billion corporate credit facility with a syndicate of financial institutions. The new credit facility consists of a $1 billion revolving facility and $250 million term loan, and replaced Northland's previous $700 million syndicated credit facility (which comprised a $450 million revolving facility and $250 million term loan). Refer to *SECTION 7: EQUITY, LIQUIDITY AND CAPITAL RESOURCES* for additional information.

Retirement of John Brace and Appointment of Mike Crawley as Chief Executive Officer

In April 2018, Northland expanded its Board of Directors from six to seven members and appointed John W. Brace to the Board. Subsequently, Mr. Brace retired as Chief Executive Officer in August 2018 after 30 years with the Company. Mike Crawley, formerly Executive Vice President, Development of Northland, was appointed to the role of President and Chief Executive Officer.

4.2 Operating Highlights

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

Year ended December 31,		2018		2017		2016
FINANCIALS						
Sales	**$**	**1,555,587**	$	1,376,256		1,099,000
Gross profit		**1,441,366**		1,236,717		905,760
Operating income		**732,848**		632,126		508,637
Net income (loss)		**405,508**		275,836		190,559
Adjusted EBITDA		**891,484**		765,176		626,879
Cash provided by operating activities		**1,133,884**		849,007		719,812
Free cash flow		**337,623**		256,100		242,324
Cash dividends paid to common and Class A shareholders		**163,605**		134,307		139,890
Total dividends declared (1)		**212,353**		189,981		185,606
Total assets (2)		**10,335,950**		10,280,517		8,663,430
Total non-current liabilities (2)		**8,013,753**		7,934,212		6,806,663
Per Share						
Net income (loss) - basic	**$**	**1.50**	$	0.85	$	0.64
Free cash flow - basic	**$**	**1.90**	$	1.46	$	1.40
Total dividends declared (1)	**$**	**1.20**	$	1.09	$	1.08
ENERGY VOLUMES						
Electricity production in gigawatt hours (**GWh**) (3)		**8,254**		7,193		7,078

(1) Represents total dividends declared to common and class A shareholders including dividends in cash or in shares under the DRIP.

(2) As at December 31.

(3) Includes Gemini and Nordsee One pre-completion production volumes. Refer to Section 5.1 Operating Facilities' Results for additional information.

SECTION 5: RESULTS OF OPERATIONS

5.1 Operating Facilities' Results

Offshore Wind Facilities

Northland's operating offshore wind facilities consist of Gemini and Nordsee One. The following table summarizes their operating results:

	Three months ended December 31,		Year ended December 31,	
	2018	**2017**	**2018**	**2017**
Electricity production (GWh) [1]	**1,108**	1,153	**3,447**	2,828
Sales/gross profit [2][3]	**$ 220,932**	$ 233,487	**$ 931,056**	$ 714,589
Plant operating costs [3]	**35,967**	27,966	**143,443**	89,376
Operating income [4]	**116,670**	133,542	**505,353**	392,855
Adjusted EBITDA [4]	**132,807**	144,513	**533,967**	397,276

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

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

(3) For 2017, the sales/gross profit and plant operating costs included pre-completion revenue and the allocated plant operating costs for the operational wind turbines at Gemini and Nordsee One.

(4) Reduced by Northland's share of general and administrative costs that did not qualify for capitalization during construction.

Wind power generation harnesses renewable wind energy by converting the kinetic energy of wind into electrical energy. Wind facilities tend to produce more electricity during winter due to denser air and higher winds compared to summer. Northland's operating offshore wind facilities, Gemini and Nordsee One, are located in the North Sea, off the coasts of the Netherlands and Germany, respectively. Refer to the 2018 AIF for additional information on Northland's offshore wind facilities.

Gemini has subsidy agreements with the Government of the Netherlands which expire in 2031. The subsidies top up the wholesale market-based revenue generated by Gemini to a fixed, contractual rate per megawatt hour (**MWh**) and are subject to an annual production ceiling (the "**Gemini Subsidy Cap**"), beyond which, production earns revenue at wholesale market prices. In addition, the top up to a fixed contractual rate is subject to a floor price, thereby exposing Gemini to market price risk when the wholesale market prices fall below the contractual floor price of €44/MWh. Based on expected wind resources and resultant electricity production volumes, the Gemini Subsidy Cap and the associated earnings are expected to be achieved during the fourth quarter of the calendar year. For the year ended December 31, 2018, the average wholesale market price exceeded the contractual floor price, to the benefit of Gemini. For the year ended December 31, 2017, the impact of the average wholesale market price falling below the contractual floor price on sales was approximately €11 million or 2.8% of revenues from Gemini.

Nordsee One has a FIT contract with the German government which expires in 2027. The associated tariff is added to the wholesale market price, effectively generating a fixed unit price for energy sold. Under the German *Renewable Energy Sources Act*, while the tariff compensates for certain production curtailments required by the system operator, Nordsee One does not receive the tariff if market power pricing remains negative for longer than six consecutive hours.

Gemini and Nordsee One results are affected by foreign exchange rate fluctuations. Foreign exchange rate fluctuations primarily affect net income and adjusted EBITDA. Northland has entered into foreign exchange rate swaps for a substantial portion of anticipated cash flow, thereby mitigating some of the impact of foreign exchange rate fluctuations on free cash flow.

Nordsee One turbines were commissioned progressively over the course of 2017 compared to all turbines producing power in 2018. Consequently, electricity production, sales, free cash flow and adjusted EBITDA from Nordsee One were commensurately higher for the year ended December 31, 2018, compared to 2017 (collectively referred to as "**2017 Nordsee One Construction Effect**").

Electricity production for the three months ended December 31, 2018, was 45 GWh (or 4%) lower than the same quarter of 2017 (including pre-completion production) due to lower wind resources in the North Sea compared to 2017, partially offset by the 2017 Nordsee One Construction Effect. Electricity production for the year ended December 31, 2018, was 619 GWh (or

22%) higher than in 2017 primarily due to the 2017 Nordsee One Construction Effect, partially offset by lower wind resource in 2018.

Gemini earned pre-completion revenue until it achieved final completion in April 2017; Nordsee One earned pre-completion revenue from the second quarter of 2017 until it achieved final completion in December 2017. For both projects, the cash generated from pre-completion revenue was used to offset construction costs until responsibility transferred on a turbine by turbine basis from the contractor to Northland. Revenues and costs were recorded in operating income and adjusted EBITDA once individual wind turbines became operational during the construction stage until final completion. For clarity, free cash flow excludes pre-completion revenue and operating costs during the construction phase.

The table below summarizes total pre-completion production and revenue and the portion recognized in sales earned by Gemini and Nordsee One. The first quarter of 2017 included pre-completion revenue in sales/gross profit from Gemini only. The remainder of 2017 included pre-completion revenue in sales/gross profit from Nordsee One as well as a one-time cash distribution of €31 million from Gemini, representing Northland's share of net pre-completion revenue in excess of the amount required by project lenders to fund construction costs.

	Three months ended December 31,		Year ended December 31,	
	2018	**2017**	**2018**	**2017**
Pre-completion electricity production (GWh)	—	326	—	1,289
Pre-completion revenue in sales/gross profit [1]	**$** —	$ 105,301	**$** —	$ 381,457
Pre-completion revenue in construction-in-progress	—	2,098	—	18,034
Total pre-completion revenue	**$** —	$ 107,399	**$** —	$ 399,491

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

Sales of $220.9 million for the three months ended December 31, 2018, decreased $12.6 million compared to the same quarter of 2017 primarily due to a change in accounting estimate at Gemini in the quarter totaling €10.2 million (or $9.2 million at Northland's interest) to account for a lower subsidy as a result of a higher than expected average wholesale market price for the year. The change in estimate did not affect the full year results. Sales were also lower in the fourth quarter of 2018 due to periods of negative power pricing during which Nordsee One did not receive its tariff. Sales of $931.1 million for the year ended December 31, 2018, increased $216.5 million compared to 2017 primarily due to the 2017 Nordsee One Construction Effect and higher wholesale market prices at Gemini. These favourable variances were partially offset by the factors affecting the fourth quarter described above and the return of an overpayment to Gemini by the off-taker, related to production from 2016, totaling €7.3 million ($6.8 million net to Northland). Foreign exchange rate fluctuations resulted in $2.2 million and $74.3 million higher revenue for the three months and year ended December 31, 2018, respectively, compared to the same periods of 2017.

Plant operating costs of $36.0 million and $143.4 million for the three months and year ended December 31, 2018, increased $8.0 million and $54.1 million, respectively, compared to the same periods of 2017 primarily as a result of the 2017 Nordsee One Construction Effect.

Operating income of $116.7 million for the three months ended December 31, 2018 decreased $16.9 million compared to the same quarter of 2017 primarily due to lower sales and higher plant operating costs at Nordsee One. For the year ended December 31, 2018 operating income of $505.4 million increased $112.5 million compared to 2017 primarily due to the 2017 Nordsee One Construction Effect partially offset by associated higher depreciation.

Adjusted EBITDA of $132.8 million for the three months ended December 31, 2018, decreased $11.7 million compared to the same quarter of 2017 primarily due to similar factors described above. Adjusted EBITDA of $534.0 million for the year ended December 31, 2018, increased $136.7 million compared to 2017 as a result of the 2017 Nordsee One Construction Effect and higher wholesale market prices at Gemini.

Thermal Facilities

The following table summarizes the operating results and capital expenditures for the thermal facilities:

	Three months ended December 31,				Year ended December 31,			
		2018		**2017**		**2018**		**2017**
Electricity production (GWh)		**875**		773		**3,443**		3,021
Sales [(1)]	**$**	**107,744**	$	112,139	**$**	**405,956**	$	450,102
Less: cost of sales		**26,155**		29,585		**110,643**		139,539
Gross profit		**81,589**		82,554		**295,313**		310,563
Plant operating costs		**15,456**		14,093		**51,499**		51,051
Operating income		**56,730**		58,730		**204,547**		220,930
Adjusted EBITDA [(2)]	**$**	**72,875**	$	71,514	**$**	**261,231**	$	271,134
Capital expenditures [(3)]	**$**	**169**	$	848	**$**	**1,623**	$	4,622

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

(2) Includes management and incentive fees earned by Northland for services provided to Kirkland Lake.

(3) Excludes construction-related items. The majority of gas turbine maintenance is provided under long-term, fixed-price contracts and is expensed on the terms of those contracts.

Northland's thermal assets comprise primarily dispatchable facilities, each with unique contractual parameters. Dispatchable facilities operate either when market conditions are economical or as specified by the PPA counterparty. These facilities receive contract payments that are largely dependent on the availability to operate according to contract parameters as opposed to maximizing production. Iroquois Falls, Thorold, Spy Hill, off-peak hours production at North Battleford and certain generators at Kirkland Lake operate as dispatchable facilities. In contrast to dispatchable facilities, baseload facilities generally operate at a contracted output and receive a fixed price for electricity sold. On-peak hours production at North Battleford and certain generators at Kirkland Lake operate as baseload.

The contractual structures of Northland's thermal facilities generally ensure the facility's gross profit is generally stable regardless of production or sales levels so long as the plant is available. Under certain PPAs, a facility may be reimbursed for certain costs of sales by the counterparty. North Battleford, Thorold and Spy Hill have contractual structures that effectively allow for a flow-through of certain variable production costs, primarily the supply and transportation of natural gas, and therefore gross margins are not significantly affected by changes in volume of electricity produced or in natural gas costs. When possible, management also aims to maximize returns through the re-marketing of natural gas storage and transportation ("**gas optimization**"). Refer to the 2018 AIF for additional information on Northland's thermal facilities.

Subsequent to the expiration of Kingston's PPA on January 31, 2017, Ontario market prices have been insufficient to run the facility. Sales, although minimal, are earned as a result of Kingston selling capacity in the New York Independent System Operator capacity market. Consequently, production, sales, free cash flow and adjusted EBITDA were commensurately lower for the year ended December 31, 2018, than 2017 since Kingston continues to incur certain fixed operating expenses. Collectively, the idling of the Kingston facility and the selling of capacity are referred to as the "**Kingston Remarketing Initiative"**.

Electricity production for three months ended December 31, 2018, increased 102 GWh (or 13%) compared to the same quarter of 2017 primarily due to higher production at Thorold, resulting from favourable market conditions, and at North Battleford, resulting from favourable operating conditions and the loss of production in 2017 from a major maintenance outage. These positive variances were partially offset by a maintenance outage at Kirkland Lake in the fourth quarter of 2018. Electricity production for the year ended December 31, 2018, increased 422 GWh (or 14%) compared to 2017 primarily due to the factors described above, partially offset by the effect of the Kingston Remarketing Initiative and longer maintenance outages at Kirkland Lake in 2018 compared to 2017.

Sales of $107.7 million for the three months ended December 31, 2018, decreased $4.4 million compared to the same quarter of 2017 primarily due to the maintenance outage and lower curtailment revenue at Kirkland Lake as well as a reduced PPA rate escalation factor for 2017 and 2018 as calculated by the Independent Electricity System Operator (**IESO**) recognized in the second quarter of 2018 under the Enhanced Dispatch Contract (**EDC**) at Iroquois Falls (the "**Iroquois Falls PPA Rate Adjustment**"). These variances were partially offset by higher production at North Battleford and Thorold as described above. Sales of $406.0 million for the year ended December 31, 2018, decreased $44.1 million compared to 2017 primarily due to the factors described above combined with the effect of the Kingston Remarketing Initiative, lower volume of natural gas resale at Iroquois Falls (due

to the expiration of a natural gas contract in October 2017) and a retrospective adjustment recorded in 2018 relating to the 2017 escalation rate factor at Iroquois Falls totaling $4.1 million.

Gross profit of $81.6 million for the three months ended December 31, 2018, decreased $1.0 million compared to the same quarter of 2017 primarily due to the Iroquois Falls PPA Rate Adjustment and maintenance outages at Kirkland Lake. These unfavourable variances were partially offset by gas optimization activities at North Battleford and Thorold, favourable operating conditions at North Battleford and improved margins as a result of favourable market conditions at Thorold. Gross profit of $295.3 million for the year ended December 31, 2018, decreased $15.3 million compared to 2017 primarily due to the unfavourable effects of the Kingston Remarketing Initiative, the Iroquois Falls PPA Rate Adjustment and maintenance outages at Kirkland Lake, partially offset by the positive results at North Battleford and Thorold.

Plant operating costs of $15.5 million for the three months ended December 31, 2018, increased $1.4 million compared to the same quarter of 2017 primarily due to higher production at Thorold and North Battleford and unplanned maintenance costs incurred during the annual maintenance outage at Spy Hill. Plant operating costs of $51.5 million for the year ended December 31, 2018, were relatively flat compared to the same period of 2017 primarily as a result of higher production at Thorold offset by maintenance agreement savings at Kirkland Lake and Iroquois Falls, and the effect of the Kingston Remarketing Initiative.

Operating income of $56.7 million and $204.5 million for the three months and year ended December 31, 2018, decreased $2.0 million and $16.4 million, respectively, compared to the periods of 2017 largely as a result of lower gross profit as described above.

Adjusted EBITDA of $72.9 million for the three months ended December 31, 2018 increased $1.4 million compared to the same quarter of 2017 primarily due to management fees received from Kirkland Lake which offset the decrease in operating income. Adjusted EBITDA of $261.2 million for the year ended December 31, 2018, decreased $9.9 million largely due to lower gross profit due to the factors described above.

Amendment to North Battleford's Power Purchase Agreement

Following enhancements to North Battleford's generation equipment, Northland amended its PPA with SaskPower effective January 2, 2019, thereby contracting North Battleford to provide incremental capacity as operating reserve. Management expects the amendment to result in an increase of approximately $2 million to net income, adjusted EBITDA and free cash flow annually for the remainder of the PPA.

Sale of Assets

In September 2018, Northland, through its subsidiaries, completed the sale of its indirect interest in a 28 MW biomass-fired power facility located in Chapais, Québec ("**Chapais**") for total cash proceeds of $1.9 million and a promissory note. A gain of $3.3 million is recognized in "other (income) expense" in the consolidated statements of income (loss) as a result of the sale.

In March 2018, Northland, through its subsidiaries, completed the sale of its interest in the idled Cochrane thermal facility for total consideration of $0.8 million. A gain of $2.4 million, primarily due to the disposal of the decommissioning liability, is recognized in "other (income) expense" in the consolidated statements of income (loss) as a result of the sale.

On-shore Renewables Facilities

The following table summarizes the operating results and capital expenditures of the on-shore renewables facilities:

	Three months ended December 31,				Year ended December 31,			
		2018		**2017**		**2018**		**2017**
Electricity production (GWh) [(1)]		**376**		381		**1,364**		1,344
On-shore wind	**$**	**38,663**		37,878	**$**	**126,322**	$	127,585
Solar		**9,215**		11,107		**87,944**		83,980
Sales/gross profit [(2)]		**47,878**		48,985		**214,266**		211,565
On-shore wind		**6,589**		6,276		**26,330**		24,913
Solar		**1,455**		1,461		**5,023**		5,275
Plant operating costs		**8,044**		7,737		**31,353**		30,188
Operating income		**16,888**		18,106		**91,003**		88,614
On-shore wind		**22,339**		22,313		**69,531**		71,264
Solar		**7,049**		8,742		**72,213**		69,473
Adjusted EBITDA [(3)]	**$**	**29,388**	$	31,055	**$**	**141,744**	$	140,737
Capital expenditures [(4)]	**$**	**308**	$	536	**$**	**1,413**	$	4,302

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

(2) On-shore renewables facilities do not have cost of sales and as a result, the reported sales figures equal gross profit.

(3) Represents Northland's share of adjusted EBITDA generated by the facilities.

(4) Excludes construction-related items. The majority of wind turbine maintenance is provided under long-term, fixed-price contracts and is expensed based on the terms of those contracts.

Northland's on-shore renewable assets comprise on-shore wind and solar facilities located in Ontario and Québec. On-shore wind projects are similar in nature operationally to offshore wind; however, with lower operating costs and generally lower wind resources. Northland's solar facilities use solar photovoltaic technologies to convert sunlight into electricity. Solar power facilities have much lower fixed operating expenses per unit of capacity than thermal or wind facilities. Electricity production from solar facilities tends to be less variable than wind but is limited to available sunlight, which is generally higher in the summer than in the winter. Refer to the 2018 AIF for additional information on Northland's on-shore renewable facilities.

Electricity production at the on-shore facilities for the three months ended December 31, 2018, was in line with the same quarter of 2017 because lower wind resource at Jardin and lower solar resource offset higher production at Grand Bend. Electricity production for the year ended December 31, 2018, was 20 GWh (or 1.5%) higher than 2017 because higher wind resource at Jardin and Mont Louis and higher solar resource was partially offset by lower wind resource at Grand Bend as well as the loss of contribution from the on-shore German wind farms as a result of their disposition in November 2017 ("**German Wind Farm Sale**").

Sales of $47.9 million for the three months ended December 31, 2018 decreased $1.1 million compared to the same quarter of 2017 primarily due to cloud cover at the solar facilities, partially offset by higher production at Grand Bend, as described above. Production variances at the solar facilities have a larger effect on sales than the wind facilities since solar facilities receive a higher contracted price per MW. Sales of $214.3 million for the year ended December 31, 2018, increased $2.7 million compared to 2017 primarily due to higher production at the solar facilities, Mont-Louis and Jardin, partially offset by lower production at Grand Bend and the effect of the German Wind Farm Sale.

Plant operating costs of $8.0 million for the three months ended December 31, 2018, were largely in line with the same quarter of 2017. Plant operating costs of $31.4 million for the year ended December 31, 2018, increased $1.2 million compared to 2017 primarily due to the timing of new profit-sharing fees to the turbine maintenance provider at Mont-Louis and Jardin associated with increased production.

Operating income and *Adjusted EBITDA* of $16.9 million and $29.4 million, respectively, for the three months ended December 31, 2018, decreased $1.2 million and $1.7 million compared to the same quarter of 2017 largely due to lower production at the solar facilities. Operating income and adjusted EBITDA of $91.0 million and $141.7 million for the year ended December 31, 2018, respectively, increased $2.4 million and $1.0 million compared to 2017 primarily due to positive operating results at the on-shore facilities, partially offset by the effect of the German Wind Farm Sale.

NORTHLAND POWER

5.2 General and Administrative Costs and Other Income

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

	Three months ended December 31,		Year ended December 31,	
	2018	**2017**	**2018**	**2017**
Corporate overhead	**$ 10,111**	$ 6,921	**$ 34,911**	$ 31,845
Development overhead	**3,777**	2,929	**15,365**	13,456
Development projects	**5,886**	4,143	**17,967**	23,329
Corporate G&A costs	**19,774**	13,993	**68,243**	68,630
Facilities	**1,802**	6,322	**11,963**	17,340
Total G&A costs	**21,576**	20,315	**80,206**	85,970

Corporate G&A costs for the three months ended December 31, 2018, increased $5.8 million compared to 2017 primarily due to the timing of expenditures related to project development activities and higher personnel costs. Corporate G&A costs for the year ended December 31, 2018, decreased $0.4 million compared to 2017 primarily due to the timing of expenditures related to project development activities and certain non-recurring costs incurred in 2017, partially offset by higher personnel costs.

Development overhead costs relate primarily to personnel, rent and other office costs not directly attributable to identifiable development projects. *Development project costs* are generally third-party costs directly attributable to identifiable development projects, whose capitalization begins once management determines that the project has a high likelihood of being pursued through to completion (refer to Note 2.6 of the audited consolidated financial statements for the year ended December 31, 2018, for additional information on the policy for capitalization of development costs).

Facilities G&A costs for the quarter and year ended December 31, 2018, decreased $4.5 million and $5.4 million respectively, compared to the same periods of 2017 primarily as a result of certain non-recurring costs incurred in 2017 at Gemini associated with project completion.

The following table presents the effect of corporate G&A costs and other income on adjusted EBITDA:

	Three months ended December 31,		Year ended December 31,	
	2018	**2017**	**2018**	**2017**
Corporate G&A costs [1]	**(19,774)**	(13,887)	**(68,243)**	(65,019)
Gemini interest income	**5,349**	5,415	**21,538**	20,514
Other [2]	**630**	65	**1,247**	534
Impact on adjusted EBITDA	**$ (13,795)**	$ (8,407)	**$ (45,458)**	$ (43,971)

(1) Excludes costs associated with the strategic review that concluded in the third quarter of 2017.

(2) Includes corporate energy marketing income starting in the fourth quarter of 2018.

Gemini interest income represents interest earned on the subordinated debt receivable from Gemini to Northland. Since Northland consolidates the financial results of Gemini, the subordinated debt balances and related investment income and interest expense eliminate upon consolidation; nevertheless, Gemini interest income is included in Northland's consolidated adjusted EBITDA because if reflects returns generated from an investment in core assets.

NORTHLAND POWER

5.3 Consolidated Results

The following discussion of the consolidated financial results of operations should be read in conjunction with Northland's audited consolidated financial statements for the year ended December 31, 2018.

	Three months ended December 31,		Year ended December 31,	
	2018	**2017**	**2018**	**2017**
Electricity production (GWh)	**2,359**	2,307	**8,254**	7,193
Sales	**$ 380,863**	$ 394,611	**$ 1,555,587**	$ 1,376,256
Less: Cost of sales	**29,733**	29,585	**114,221**	139,539
Gross profit	**351,130**	**365,026**	**1,441,366**	**1,236,717**
Expenses				
Plant operating costs	**59,467**	49,796	**226,295**	170,615
G&A - operations	**11,912**	13,243	**46,874**	49,185
G&A - development	**9,663**	7,072	**33,332**	36,785
Depreciation of property, plant and equipment	**102,585**	102,087	**415,161**	361,365
	183,627	172,198	**721,662**	617,950
Investment income	**45**	418	**484**	418
Finance lease income	**3,138**	3,210	**12,660**	12,941
Operating income	**170,686**	196,456	**732,848**	632,126
Finance costs, net	**83,030**	94,468	**337,434**	333,469
Amortization of contracts and intangible assets	**8,542**	2,506	**19,116**	8,766
Foreign exchange (gain) loss	**(4,460)**	(2,275)	**(11,373)**	(2,275)
Fair value (gain) loss on derivative contracts	**1,629**	(9,672)	**(87,624)**	(50,796)
Other (income) expense	**(7,586)**	6,633	**(13,834)**	21,281
Income (loss) before income taxes	**89,531**	104,796	**489,129**	321,681
Provision for (recovery of) income taxes				
Current	**20,408**	12,011	**40,919**	16,129
Deferred	**3,872**	10,504	**42,702**	29,716
Provision for (recovery of) income taxes	**24,280**	22,515	**83,621**	45,845
Net income (loss)	**$ 65,251**	$ 82,281	**$ 405,508**	$ 275,836
Net income (loss) per share - basic	**$ 0.23**	$ 0.25	**$ 1.50**	$ 0.85
Net income (loss) per share - diluted	**$ 0.22**	$ 0.25	**$ 1.46**	$ 0.85

Fourth Quarter

The following describes the significant factors contributing to the net income for the quarter ended December 31, 2018:

Total Sales and *gross profit* of $380.9 million and $351.1 million, respectively, decreased $13.7 million and $13.9 million compared to the same quarter of 2017. The decrease was primarily due to a change in accounting estimate at Gemini in the quarter of €10.2 million (or $9.2 million at Northland's interest), a maintenance outage at Kirkland Lake and the Iroquois Falls PPA Rate Adjustment. These variances were partially offset by higher production as a result of favourable operating conditions at North Battleford and favourable market conditions at Thorold.

Plant operating costs increased $9.7 million compared to the same quarter of 2017 primarily due to the commencement of operating costs at Nordsee One following completion of construction activities in December 2017.

G&A costs increased $1.3 million compared to the same quarter of 2017 primarily due to the timing of expenditures related to project development activities and higher personnel costs, partially offset by lower G&A costs at the facilities primarily due to certain non-recurring costs incurred in 2017 at Gemini**.**

Finance costs, *net* (primarily interest expense) decreased $11.4 million compared to the same quarter of 2017 primarily due to declining interest costs as a result of scheduled principal repayments.

Fair value loss on derivative contracts was $1.6 million compared to a $9.7 million gain in the same quarter of 2017 primarily due to the movement in the fair value of interest rate swaps and foreign exchange contracts.

Foreign exchange gain of $4.5 million is primarily due to unrealized gains from fluctuations in the closing foreign exchange rate.

Other (income) expense improved $14.2 million primarily due to insurance proceeds received related to construction partially offset by a $3.6 million non-cash fair value adjustment on a loan receivable. The expense of $6.6 million in the fourth quarter of 2017 included a $10.3 million non-cash fair value adjustment on a loan receivable, partially offset by the gain on sale of the German on-shore wind farms in 2017.

Primarily as a result of the factors described above, net income decreased $17.0 million in the fourth quarter of 2018 compared to the same quarter of 2017.

2018

The following describes the significant factors contributing to the change in net income for the year ended December 31, 2018:

Total Sales of $1.6 billion increased $179.3 million compared to 2017 primarily due to the 2017 Nordsee One Construction Effect, higher wholesale market prices at Gemini and foreign exchange fluctuations combined with favourable market conditions at Thorold. These positive variances were partially offset by the Kingston Remarketing Initiative, a lower volume of natural gas resale at Iroquois Falls, the Iroquois Falls PPA Rate Adjustment and lost production resulting from maintenance outages at Kirkland Lake.

Gross profit of $1.4 billion increased $204.6 million compared to 2017 primarily due to the same factors affecting sales described above and lower cost of sales as a result of a lower volume of natural gas resale at Iroquois Falls and lost production resulting from maintenance outages at Kirkland Lake.

Plant operating costs increased $55.7 million compared to 2017 primarily due to the first full year of production at Nordsee One following completion of construction activities in December 2017.

G&A costs decreased $5.8 million compared to 2017 primarily due to the timing of expenditures related to project development activities and certain non-recurring facility costs incurred in 2017, partially offset by higher personnel costs.

Finance costs, *net* (primarily interest expense) increased $4.0 million compared to 2017 primarily due to interest costs no longer being capitalized at Nordsee One following completion of construction activities in December 2017 and an increase in amortization of deferred financing costs. Partially offsetting these were lower interest costs at Gemini as a result of a debt renegotiation upon project completion and declining interest costs as a result of scheduled principal repayments.

Fair value gain on derivative contracts was $87.6 million compared to a $50.8 million gain in 2017 primarily due to the movement in the fair value of interest rate swaps and foreign exchange contracts.

Foreign exchange gain of $11.4 million is primarily due to the realized gain on a foreign exchange contract settled during the first quarter of 2018 ($5.9 million) combined with unrealized gains from fluctuations in the closing foreign exchange rate.

Other (income) expense improved $35.1 million compared to 2017 primarily due to insurance proceeds received related to construction and a $5.7 million gain on sale of assets, partially offset by a $3.6 million non-cash fair value adjustment on a loan receivable. The improvement was also partially offset by the one-time $14.6 million (€10.4 million) contingent consideration expensed in 2017 in connection with the acquisition of Gemini and a $10.3 million non-cash fair value adjustment on a loan receivable in 2017.

Mainly due to the factors described above, combined with a $53.8 million higher depreciation expense and a $37.8 million higher tax expense, compared to 2017, net income increased $129.7 million for the year ended December 31, 2018 compared to 2017.

NORTHLAND POWER

5.4 Adjusted EBITDA

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

	Three months ended December 31,		Year ended December 31,	
	2018	**2017**	**2018**	**2017**
Net income (loss)	**$ 65,251**	$ 82,281	**$ 405,508**	$ 275,836
Adjustments:				
Finance costs, net	**83,030**	94,468	**337,434**	333,469
Gemini interest income	**5,349**	5,415	**21,538**	20,514
Provision for (recovery of) income taxes	**24,280**	22,515	**83,621**	45,845
Depreciation of property, plant and equipment	**102,585**	102,087	**415,161**	361,365
Amortization of contracts and intangible assets	**8,542**	2,506	**19,116**	8,766
Fair value (gain) loss on derivative contracts	**1,629**	(9,672)	**(87,624)**	(50,796)
Foreign exchange (gain) loss	**(4,460)**	(2,275)	**(11,373)**	(2,275)
Elimination of non-controlling interests	**(58,258)**	(66,123)	**(281,635)**	(255,862)
Finance lease and equity accounting	**914**	837	**3,722**	2,966
Other adjustments	**(7,587)**	6,636	**(13,984)**	25,348
Adjusted EBITDA	**$ 221,275**	$ 238,675	**$ 891,484**	$ 765,176

Adjusted EBITDA includes interest income earned on Northland's €117.0 million subordinated debt to Gemini, which includes interest accrued until cash interest payments commenced in the third quarter of 2017. Principal payments will commence in 2027 until maturity in 2032. Northland consolidates the financial results of Gemini and, as a result, Northland's loan balances, investment income, and interest expense are eliminated upon consolidation. Interest income from Gemini ("**Gemini interest income**") has been included in adjusted EBITDA since inception of the subordinated debt and has been included in free cash flow upon commencement of cash interest payments during the third quarter of 2017.

For the year ended December 31, 2018, other adjustments include non-recurring insurance proceeds received, a non-cash fair value adjustment on a loan receivable, gains on the sale of Northland's interests in two assets. For the year ended December 31, 2017, other adjustments primarily included a non-cash fair value adjustment on a loan receivable of $10.3 million and the $14.6 million (€10.4 million) contingent consideration expensed in connection with the acquisition of Gemini.

Fourth Quarter

Adjusted EBITDA of $221.3 million for the three months ended December 31, 2018, decreased $17.4 million compared to the same quarter of 2017. The significant factors decreasing adjusted EBITDA include:

- $9.2 million decrease due to a change in an accounting estimate at Gemini in the quarter to account for a lower subsidy as a result of a higher than expected average wholesale market price for the year;
- $6.6 million decrease at Nordsee One primarily due to higher plant operating costs in 2018 since the project was under construction in 2017, as well as lower sales due to extended periods of negative power pricing during which Nordsee One did not receive its tariff;
- $5.9 million increase in relevant corporate G&A costs primarily due to the timing of expenditures related to project development activities and higher personnel costs;

The primary factors partially offsetting the decrease in adjusted EBITDA was:

- $3.9 million increase due to higher wholesale market prices at Gemini compared to the same period in 2017; and
- $3.8 million increase in operating results from North Battleford primarily due to favourable operating conditions, gas optimization activities and the effect of the 2017 major maintenance outage at the facility.

2018

In 2018, adjusted EBITDA of $891.5 million was at the upper end of the guidance range of $870 to $900 million. Adjusted EBITDA for the year ended December 31, 2018, increased $126.3 million compared to 2017. The significant factors contributing to the increased adjusted EBITDA include:

- $125.7 million increase primarily due to all of Nordsee One's turbines producing power in 2018, whereas the project was under construction in 2017;
- $11.5 million increase as a result of higher wholesale market prices at Gemini and foreign exchange fluctuations, partially offset by the factors affecting the fourth quarter described above and the return of an overpayment to Gemini by the off-taker, related to production from 2016, totaling €7.3 million ($6.8 million net to Northland);
- $7.5 million increase in operating results from North Battleford primarily due to favourable operating conditions, gas optimization activities and the effect of the 2017 major maintenance outage at the facility; and
- $2.7 million increase due to higher production at the solar facilities.

Factors partially offsetting the increase in adjusted EBITDA include:

- $9.1 million decrease primarily due to the reduced rate escalation factor for 2017 and 2018 by the IESO under Iroquois Falls' Enhanced Dispatch Contract, and a retrospective adjustment in 2018 of $4.1 million related to 2017;
- $8.5 million decrease due to the idling of the Kingston facility as a result of the expiration of its PPA in January 2017; and
- $3.2 million increase in relevant corporate G&A costs primarily due to higher personnel costs.

5.5 Free Cash Flow

The following table reconciles cash flow from operations to free cash flow:

	Three months ended December 31,		Year ended December 31,	
	2018	**2017**	**2018**	**2017**
Cash provided by operating activities	**$ 291,160**	$ 257,642	**$ 1,133,884**	$ 849,007
Adjustments:				
Net change in non-cash working capital balances related to operations	**(2,454)**	57,514	**(17,973)**	94,820
Capital expenditures, net non-expansionary	**(2,745)**	(1,418)	**(5,658)**	(3,612)
Restricted funding for major maintenance, debt and decommissioning reserves	**(4,701)**	(1,238)	**(13,713)**	(2,087)
Interest paid, net	**(111,596)**	(112,047)	**(314,125)**	(272,256)
Scheduled principal repayments on facility debt	**(154,748)**	(58,441)	**(373,677)**	(110,523)
Funds set aside (utilized) for scheduled principal repayments	**72,107**	23,641	**(1,035)**	(2,954)
Preferred share dividends	**(2,920)**	(2,823)	**(11,554)**	(11,215)
Consolidation of non-controlling interests	**(17,112)**	(95,597)	**(112,499)**	(292,807)
Investment income (1)	**13,074**	6,081	**30,136**	11,720
Nordsee One proceeds from government grant	**5,969**	—	**20,399**	—
Foreign exchange	**(2)**	(3,767)	**1,180**	(3,767)
Other (2)	**2,627**	—	**2,258**	(226)
Free cash flow	**$ 88,659**	$ 69,547	**$ 337,623**	$ 256,100

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

(2) Other includes adjustments for Nordsee One interest on shareholder loans, equity accounting, Deutsche Bucht expenses excluded from free cash flow and non-cash expenses adjusted in working capital excluded from free cash flow, partially offset by long-term incentive plan (LTIP) awards settled in cash in the period.

NORTHLAND POWER

Scheduled principal repayments on facility term loans reflect repayments as paid. Funds set aside (utilized) for scheduled principal repayments allocates semi-annual repayments evenly across two quarters as well as adjustments for timing of quarterly repayments. Gemini's principal repayment schedule is weighted towards the first payment of the year to align with Gemini's expected cash flow profile. For 2019, Northland's share of Gemini and Nordsee One's principal repayments are expected to total €79.0 million and €71.9 million, respectively.

Free cash flow incorporates interest expense each quarter as it is accrued in net income and working capital or paid.

Nordsee One was previously awarded a grant under the European Commission's NER 300 program. The total grant value of €70.0 million was recorded as a reduction in property, plant and equipment upon completion of the project. Cash proceeds from the grant are based on production volumes, with the first cash payment expected in 2019 for production in 2018. Proceeds under the grant attributable to Nordsee One's production during the respective periods are included in free cash flow.

The following table summarizes cash and total dividends paid and respective free cash flow payout ratios as well as per share amounts:

	Three months ended December 31,		Year ended December 31,	
	2018	**2017**	**2018**	**2017**
Cash dividends paid to common and Class A shareholders	**$ 44,147**	$ 34,254	**$ 163,605**	$ 134,307
Free cash flow payout ratio - cash dividends [1]			**48.5%**	52.4%
Total dividends paid to common and Class A shareholders [2]	**$ 53,246**	$ 47,239	**$ 211,877**	$ 188,005
Free cash flow payout ratio - total dividends [1] [2]			**62.8%**	73.4%
Weighted average number of shares - basic (000s) [3]	**178,031**	175,422	**177,757**	175,383
Weighted average number of shares - diluted (000s)[4]	**189,604**	186,244	**189,593**	186,232
Per share ($/share)				
Dividends paid	**$0.30**	$0.27	**$1.20**	$1.08
Free cash flow — basic	**$0.50**	$0.40	**$1.90**	$1.46
Free cash flow — diluted	**$0.48**	$0.38	**$1.81**	$1.42

(1) On a rolling four-quarter basis.

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

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

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

Fourth Quarter

Free cash flow of $88.7 million for the three months ended December 31, 2018, was $19.1 million higher than the same quarter of 2017 primarily due to:

- $83.8 million increase at Nordsee One, which was under construction in 2017; and
- $5.0 million increase due to higher wholesale market prices at Gemini compared to the same period in 2017.

Factors partially offsetting the increase in free cash flow included:

- $36.7 million increase in scheduled principal repayments primarily for Gemini and Nordsee One debt;
- $11.2 million increase in current taxes related to Nordsee One;
- $9.2 million decrease due to a change in an accounting estimate at Gemini in the quarter to account for a lower subsidy as a result of a higher than expected average wholesale market price for the year;
- $5.8 million increase in relevant corporate G&A costs primarily due to the timing of expenditures related to project development activities and higher personnel costs; and
- $3.5 million increase in funds set aside for maintenance, debt and decommissioning reserves primarily due to decommissioning reserve funding at Nordsee One.

2018

In 2018, free cash flow per share of $1.90 per share was at the upper end of the guidance range of $1.75 to $1.95 per share. Free cash flow of $337.6 million for the year ended December 31, 2018, was $81.5 million higher than 2017. The significant factors resulting in an increase to free cash flow include:

- $247.7 million increase at Nordsee One, which was under construction in 2017;
- $151.9 million increase at Gemini primarily due to being under construction until April 2017 as well as higher wholesale market prices in 2018;
- $14.6 million of contingent consideration paid in 2017 in connection with the acquisition of Gemini;
- $10.0 million increase in Gemini interest income on the subordinated debt (excluded from free cash flow until commencement of cash interest payments in the third quarter of 2017); and
- $8.9 million increase in operating income from Northland's other operating facilities.

Factors partially offsetting the increase in free cash flow include:

- $183.3 million increase in scheduled principal repayments primarily for Gemini and Nordsee One debt;
- $58.9 million of one-time events, such as the completion distribution received from Gemini in 2017 (€31 million) and the return of an overpayment to Gemini by the off-taker related to production from 2016 totaling €7.3 million ($6.8 million net to Northland);
- $58.3 million increase in net interest expense due to interest costs no longer being capitalized at Nordsee One following completion of construction activities in December 2017, partially offset by declining interest costs as a result of scheduled principal repayments;
- $27.6 million increase in current taxes related to Nordsee One; and
- $17.6 million decrease primarily due to the reduced rate escalation at Iroquois Falls and the idling of the Kingston facility as a result of the expiration of its PPA in January 2017.

As at December 31, 2018, the rolling four quarter free cash flow net payout ratio was 48.5%, calculated on the basis of cash dividends paid and 62.8% calculated on the basis of total dividends, compared to 52.4% and 73.4%, respectively, in 2017. The improvement in the free cash flow payout ratios from 2017 was primarily due to contributions from Nordsee One.

NORTHLAND POWER

SECTION 6: CHANGES IN FINANCIAL POSITION

The following table provides a summary of account balances derived from the audited consolidated balance sheets as at December 31, 2018 and December 31, 2017.

As at	December 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents	**$ 278,400**	$ 400,573
Restricted cash	**450,437**	287,609
Trade and other receivables	**275,088**	271,952
Other current assets	**39,675**	39,095
Property, plant and equipment	**8,105,845**	7,932,110
Contracts and other intangible assets	**581,097**	583,989
Other assets [(1)]	**534,563**	654,506
	$ 10,265,105	$ 10,169,834
Liabilities		
Trade and other payables	**197,828**	344,760
Interest-bearing loans and borrowings	**7,011,572**	6,667,056
Net derivative financial liabilities [(2)]	**537,157**	485,488
Net deferred tax liability [(2)]	**179,549**	163,370
Other liabilities [(3)]	**798,377**	1,051,275
	$ 8,724,483	$ 8,711,949
Total equity	**1,540,622**	1,457,885
	$ 10,265,105	$ 10,169,834

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

(2) Presented on a net basis.

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

Significant changes in Northland's audited consolidated balance sheets were as follows:

- *Restricted cash* increased by $163 million, primarily due to the reclassification of funds set aside for construction at Deutsche Bucht from other assets to restricted cash since the funds are expected to be released prior to project completion in 2019, partially offset by a decrease in funds restricted under contracts with construction vendors at Nordsee One.
- *Property, plant and equipment* increased by $174 million, primarily due to construction-related activities at Deutsche Bucht and changes in foreign exchange translation, partially offset by depreciation.
- *Other assets* decreased by $120 million, primarily due to the reclassification of vendor deposits associated with construction at Deutsche Bucht to restricted cash since the funds are expected to be released prior to project completion in 2019 and the reclassification of the current portion of Nordsee One's government grant receivable to trade and other receivables.
- *Trade and other payables* decreased by $147 million, mainly due to the timing of construction-related payables at Deutsche Bucht and Nordsee One.
- *Interest-bearing loans and borrowings* increased by $345 million, mainly due to Deutsche Bucht construction activities, partially offset by scheduled principal repayments on project debt, including Nordsee One's principal repayments.
- *Net deferred tax liability* (deferred tax asset less deferred tax liabilities) increased by $16 million due to movements in accounting versus tax balances, particularly fair value gains on derivative contracts.
- *Other liabilities* decreased by $253 million, primarily due to voluntary repayments of corporate credit facilities with cash on hand, redemption of the 2019 Debentures and partial repayment of amounts due to Nordsee One affiliates, partially offset by accretion on decommissioning liabilities.

SECTION 7: EQUITY, LIQUIDITY AND CAPITAL RESOURCES

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

Dividends

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

Under the DRIP, common shareholders and the Class A shareholder may elect to reinvest their dividends in common shares. On November 6, 2018, Northland reduced the discount under its DRIP from 5% to 0% and announced that shares would be sourced through market purchases.

Equity and Convertible Unsecured Subordinated Debentures

The change in shares and class A shares during 2018 and 2017 was as follows:

	December 31, 2018	December 31, 2017
Shares outstanding, beginning of year	**174,440,081**	171,973,308
Conversion of debentures	**2,527,626**	56,848
Shares issued under the LTIP	**23,467**	22,284
Shares issued under the DRIP	**2,210,569**	2,387,641
Shares outstanding, end of year	**179,201,743**	174,440,081
Class A shares	**1,000,000**	1,000,000
Total common and convertible shares outstanding, end of year	**180,201,743**	175,440,081

Preferred shares outstanding as at December 31, 2018 and December 31, 2017 are as follows:

As at	December 31, 2018	December 31, 2017
Series 1	**4,501,565**	4,501,565
Series 2	**1,498,435**	1,498,435
Series 3	**4,800,000**	4,800,000
Total	**10,800,000**	10,800,000

In their most recent report issued in October 2018, Standard & Poor's reaffirmed Northland's corporate credit rating of BBB (Stable). In addition, Northland's preferred share rating was reaffirmed on Standard & Poor's Canada scale of BB+.

In November 2018, Northland announced the early redemption of its 2019 Debentures. On December 21, 2018, Northland redeemed $22.9 million of debentures in cash and $54.1 million of debentures were converted into common shares by their holders. The conversions resulted in the issuance of 2,504,670 common shares.

As at December 31, 2018, Northland had 179,201,743 common shares outstanding with no change in Class A and preferred shares outstanding from December 31, 2017. During 2018, $54.6 million of convertible debentures were converted into 2,527,626 common shares largely due to the early redemption of the 2019 Debentures.

As of the date of this MD&A, Northland has 179,201,881 common shares outstanding with no change in Class A and preferred shares outstanding from December 31, 2018. If the convertible debentures outstanding as at December 31, 2018, totaling $155.9 million, were converted in their entirety, an additional 7.2 million common shares would be issued.

Normal Course Issuer Bid

In December 2018, the TSX accepted Northland`s notice of intention to proceed with a NCIB commencing December 17, 2018 and ending December 16, 2019. Pursuant to the NCIB, Northland may purchase for cancellation up to 8,000,000 common shares representing approximately 4.5% of Northland's issued and outstanding common shares. In accordance with TSX rules, any daily purchases (other than pursuant to a block purchase exemption) on the TSX under the NCIB are limited to a maximum of 87,031 common shares, which represents 25% of the average daily trading volume on the TSX for the six months ended November 30, 2018.

Northland Power believes that the market price of its common shares may trade in a price range that does not fully reflect their inherent value, and that the acquisition of the common shares may represent an appropriate use of available funds. Although Northland intends to purchase common shares under the NCIB, there can be no assurances that any such purchases will be completed.

Liquidity and Capital Resources

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

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	**2018**	2017
Cash and cash equivalents, beginning of period	**$ 315,010**	$ 360,537	**$ 400,573**	$ 307,521
Cash provided by operating activities	**291,160**	257,642	**1,133,884**	849,007
Cash used in investing activities	**(101,133)**	(111,405)	**(585,957)**	(1,189,166)
Cash (used in) provided by financing activities	**(233,082)**	(127,670)	**(681,450)**	408,147
Effect of exchange rate differences	**6,445**	21,469	**11,350**	25,064
Cash and cash equivalents, end of period	**$ 278,400**	$ 400,573	**$ 278,400**	$ 400,573

Fourth Quarter

Cash and cash equivalents for the fourth quarter of 2018 decreased $37 million from September 30, 2018 due to cash used by financing activities of $233 million and $101 million of cash used in investing activities, partially offset by cash provided by operations of $291 million and the effect of foreign exchange translation of $6 million.

The decrease in cash and cash equivalents during the quarter was largely due to:

- construction expenditures associated with Deutsche Bucht;
- scheduled debt repayments;
- redemption of the 2019 Debentures; and
- interest payments associated with borrowings.

The decrease was partially offset by:

- cash flow from operating facilities;
- a net decease in restricted cash; and
- debt proceeds from the Deutsche Bucht's construction loan.

2018

Cash and cash equivalents for the year ended December 31, 2018, decreased $122 million due to $586 million in cash used in investing activities and $681 million in cash used in financing activities, partially offset by $1.1 billion in cash provided by operating activities and the effect of foreign exchange translation of $11 million.

Cash provided by operating activities for the year ended December 31, 2018, was $1.1 billion comprising:

- $406 million of net income;
- $710 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; and
- $18 million in changes in working capital due to the timing of payables, receivables and deposits.

Cash used in investing activities for the year ended December 31, 2018, was $586 million, primarily comprising:

- $397 million used for the purchase of property, plant and equipment, mostly for the construction of Deutsche Bucht;
- $161 million change in working capital related to the timing of construction payables at Nordsee One and Deutsche Bucht; and
- $43 million of restricted cash funding associated with construction at Deutsche Bucht and due to timing of reserve funding at other operating facilities.

Cash used in financing activities for the year ended December 31, 2018, was $681 million, primarily comprising:

- $1.2 billion in repayments under the corporate credit facilities ($793 million), scheduled principal repayments on project debt ($388 million) and the redemption of the 2019 Debentures ($23 million);
- $318 million in interest payments;
- $175 million of common, Class A and preferred share dividends; and
- $131 million in dividends to the non-controlling shareholders.

Factors partially offsetting cash used in financing activities include:

- $1.1 billion of proceeds primarily from draws under the new corporate credit facility ($593 million) and borrowings under Deutsche Bucht's construction loan ($550 million).

Movement of the euro against the Canadian dollar increased cash and cash equivalents by $11 million for the year ended December 31, 2018. Northland aims to mitigate the effects of exchange rate fluctuations through a variety of mechanisms, including foreign exchange rate hedges and using euro-denominated corporate debt for operating expenditures and the purchase of property, plant and equipment in euros by Deutsche Bucht.

The following table provides a continuity of the cost of property, plant and equipment for the year ended December 31, 2018:

	Cost balance as at Dec. 31, 2017	Additions [1]	Other [2]	Exchange rate differences	Cost balance as at Dec. 31, 2018
Operations:					
Offshore wind	$ 5,475,420	$ 5,486	$ (7,924)	$ 193,517	**$ 5,666,499**
Thermal [3]	1,816,852	1,623	(58,466)	—	**1,760,009**
On-shore renewable	1,720,846	1,413	(561)	—	**1,721,698**
Construction:					
Offshore wind	411,545	383,221	1,281	23,415	**819,462**
Corporate	22,507	5,146	(841)	39	**26,851**
Total	$ 9,447,170	$ 396,889	$ (66,511)	$ 216,971	**$ 9,994,519**

(1) Includes amounts paid under the LTIP in the first quarter of 2018 related to Nordsee One.

(2) Includes the disposal of Cochrane, an adjustment to the accrual for asset retirement obligations at Nordsee One and amounts accrued net of amounts paid under the LTIP.

(3) Excludes Spy Hill lease receivable accounting treatment.

Long-term Debt

Operating facilities and projects under construction are financed primarily with non-recourse project debt with fixed or hedged interest rates and repayments tied to the terms of the project's initial PPA post-completion. Each project is undertaken as a special-purpose entity so that an adverse event at one facility would not affect Northland's other facilities. By owning and operating high-quality assets and applying its deep, long-term experience, Northland expects to continue to enjoy a competitive cost of capital, which maximizes returns from growth initiatives.

The following table provides a continuity of Northland's debt for the year ended December 31, 2018:

	Balance as at Dec. 31, 2017	Financings, net of costs	Repayments	Amort. of costs/fair value	Exchange rate differences	Balance as at Dec. 31, 2018
Operations:						
Offshore wind	$ 4,282,187	$ —	$ (284,436)	$ 18,714	$ 144,109	**$ 4,160,574**
Thermal	1,035,982	571	(43,919)	2,497	—	**995,131**
On-shore renewable	1,143,182	15,303	(59,374)	1,087	—	**1,100,198**
Construction:						
Offshore wind	205,705	533,698	—	—	16,266	**755,669**
Corporate (1)	495,523	593,036	(793,135)	638	13,212	**309,274**
Total	$ 7,162,579	$ 1,142,608	$ (1,180,864)	$ 22,936	$ 173,587	**$ 7,320,846**

(1) Excludes convertible unsecured subordinated debentures.

In addition to the loans outstanding in the above table, as at December 31, 2018, $43.5 million of letters of credit were outstanding under non-recourse project-level credit facilities for operational use.

In March 2018, Northland upsized the debt on its first six solar projects by $15.0 million subject to same interest rate and maturity. Northland used the proceeds to fully repay the outstanding principal balance on Mont Louis' loan from Investissement Québec originally maturing in 2032. A repayment of $14.8 million, net of transaction costs, is included under on-shore renewable repayments in the table above.

In July 2018, the Deutsche Bucht Demonstrator Project achieved financial close, increasing its borrowing capacity under the Deutsche Bucht non-recourse construction and term loan by €62.8 million subject to the same interest rate and maturity.

Debt Covenants

Northland generally conducts its business indirectly through separate subsidiary legal entities and is dependent on the distribution of cash from those subsidiary entities to defray its corporate expenses, repay corporate debt and to pay cash dividends to common, Class A and preferred shareholders. Most operating subsidiaries hold non-recourse debt, which typically prohibits distributions if the loan is in default (notably for non-payment of principal or interest) or if the entity fails to achieve a benchmark debt service coverage ratio, which is the ratio of adjusted EBITDA to scheduled principal and interest payments over a specified time period. Northland and its subsidiaries were in compliance with all debt covenants for the year ended December 31, 2018.

Corporate Credit Facilities and Letters of Credit

Northland's corporate credit facilities are available for general corporate purposes, to support operational, construction and development opportunities and to provide letters of credit issued on behalf of Northland.

In June 2018, Northland entered into a new $1.25 billion corporate credit facility with a syndicate of financial institutions. The new credit facility consists of a $1.0 billion revolving facility and $250 million term loan and replaced Northland's previous $700 million syndicated credit facility (which comprised a $450 million revolving facility and $250 million term loan). Concurrent with the closing of the new syndicated corporate credit facility, Northland replaced its corporate bilateral letter of credit facility with a similar facility and amended and restated its export credit agency-backed corporate letter of credit facility, to align key covenants and terms with the new syndicated credit facility.

In August 2018, Northland borrowed €70.0 million under its syndicated revolving facility, bringing the balance to €200.0 million. Northland applied these proceeds plus cash on hand to repay the $250.0 million remaining balance under the term loan. The term loan cannot be redrawn and has been canceled.

The corporate credit facilities are summarized in the table below:

As at December 31, 2018		Facility size		Amount drawn		Outstanding letters of credit		Available capacity	Maturity date
Syndicated revolving facility	$	1,000,000	$	312,720	$	87,026	$	600,254	Jun. 2023
Syndicated term facility (1)		—		—		—		—	—
Bilateral letter of credit facility		100,000		—		99,877		123	Mar. 2020
Export credit agency backed letter of credit facility		100,000		—		49,132		50,868	Mar. 2020
Total	$	1,200,000	$	312,720	$	236,035	$	651,245	
Less: deferred financing costs				3,446					
Total, net			$	309,274					

(1) The $250 million syndicated term loan facility was repaid in full in August 2018 and cannot be redrawn.

- Amounts drawn against the revolving facility reflect €200.0 million converted at the period-end exchange rate.
- Of the $236.0 million of corporate letters of credit issued as at December 31, 2018, $49.1 million relates to projects under advanced development or construction.

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

As at December 31, 2018, Northland's ratio of total debt to enterprise value was 64.6% compared to 63.1% as at December 31, 2017. The increase was primarily as a result of higher project debt from draws on the Deutsche Bucht construction loan and a lower closing share price, partially offset by lower corporate debt and a higher number of common shares outstanding.

Exposure to LIBOR and EURIBOR (Euro Interbank Offered Rate)

LIBOR and EURIBOR are the two key global benchmark rates used to determine interest rates and value government and corporate bonds, loans, currency and interest rate swaps and many other financial products. Regulators are expected to discontinue the use of EURIBOR after January 2020 and LIBOR after 2021. In the meantime, respective financial agencies, regulators and participants are working to develop replacement benchmarks, construct forward-looking term structures, ensure market liquidity and address documentation concerns to ensure an orderly transition.

Northland does not have debt or instruments indexed to LIBOR but does have exposure to EURIBOR at its European offshore wind projects with €3.1 billion of loans and interest rate swaps outstanding as at December 31, 2018 (Gemini: €1.9 billion; Nordsee One: €0.7 billion; and Deutsche Bucht: €0.5 billion). There is also EURIBOR exposure on €200 million of borrowings under the corporate revolving credit facility.

Management is studying potential impacts across the business. Initial observations indicate European offshore wind exposure to EURIBOR (where interest is paid on loans and offsetting interest rate swap amounts are both based on EURIBOR) would be mitigated if the same replacement rate is applied to the loans and interest rate swaps. Management will continue to monitor and manage the situation closely.

Financial Commitments and Contractual Obligations

In the ordinary course of business, Northland enters into financial and derivative contracts. The contractual maturities of Northland's material financial liabilities as at December 31, 2018, are summarized below:

	2019	2020-2021	2022-2023	>2023
Derivative contracts				
Euro foreign exchange contracts	$ 163,404	$ 411,099	$ 363,138	$ 1,177,754
Financial natural gas contract	62,224	122,942	6,704	—
U.S. dollar foreign exchange contracts	7,214	2,114	—	—
Power financial contracts	7,154	754	—	—
Loans and borrowings				
Interest-bearing loans and borrowings - principal	434,416	1,224,520	1,301,568	5,139,922
Interest-bearing loans and borrowings - interest, including interest rate swaps	264,833	558,629	476,661	937,307
Corporate credit facilities, including interest	3,753	9,174	325,708	—
Convertible debentures, including interest	7,407	159,631	—	—
Total	**$ 950,405**	**$ 2,488,863**	**$ 2,473,779**	**$ 7,254,983**

Non-Financial Commitments and Contractual Obligations

The following table summarizes all material fixed contractual commitments and obligations as at December 31, 2018, for non-financial contracts. The amounts are based on the assumptions of a 2% annual consumer price index increase, a Canadian dollar/euro exchange rate of $1.56 and Canadian dollar/U.S. dollar exchange rate of $1.25. The table includes maintenance and services agreements and natural gas transportation demand charges for which Northland is liable whether or not natural gas is shipped. The construction commitment relates to the construction of the Deutsche Bucht project. The cash obligations related to the leases for land and buildings, dismantlement and management fees to non-controlling interest partners are also included.

	2019	2020-2021	2022-2023	>2023
Maintenance agreements	$ 156,763	$ 335,831	$ 367,912	$ 2,614,182
Construction, excluding debt, interest and fees	804,244	—	—	—
Natural gas supply and transportation, fixed portion	33,342	68,593	71,365	60,326
Leases	9,053	17,165	12,881	51,323
Dismantlement funding	6,608	14,150	14,736	142,414
Management fees	1,027	2,087	2,131	13,463
Total	**$ 1,011,037**	**$ 437,826**	**$ 469,025**	**$ 2,881,708**

Except in circumstances where cancellation of the agreements would result in material penalties, the above table does not include variable contractual obligations of Northland (which typically relate directly to production or meeting performance criteria). Such obligations include natural gas purchase costs, variable natural gas transportation costs and variable payments to maintenance providers. Except for the Jardin, Mont Louis, Spy Hill and North Battleford PPAs, the electricity supply contracts contain no penalties for failure to supply. With respect to the supply of natural gas, certain contracts include penalties for failure to purchase a minimum annual volume of natural gas based on the marketer's premium and the deficiency in volume purchased during the year.

NORTHLAND POWER

SECTION 8: SUMMARY OF QUARTERLY CONSOLIDATED RESULTS

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

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

In millions of dollars, except per share information	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Total sales	$380.9	350.2	$ 338.1	$ 486.4	$ 394.6	$295.2	$ 322.4	$364.1
Operating income	170.7	150.4	130.5	281.2	196.5	103.5	144.5	187.6
Net income (loss)	65.3	93.2	69.0	178.0	82.3	31.7	61.7	100.1
Adjusted EBITDA	221.3	196.8	183.0	290.4	238.7	160.2	168.2	198.1
Cash provided by operating activities	291.2	193.3	343.3	306.1	257.6	172.5	142.2	276.7
Free cash flow	88.7	63.9	37.0	148.0	69.5	45.3	99.7	41.6
Per share statistics								
Net income (loss) - basic	$ 0.23	$ 0.38	$ 0.29	$ 0.61	$ 0.25	$ 0.12	$ 0.19	$ 0.30
Net income (loss) - diluted	0.22	0.37	0.28	0.59	0.25	0.12	0.19	0.30
Free cash flow - basic	0.50	0.36	0.21	0.84	0.40	0.26	0.57	0.24
Total dividends declared	0.30	0.30	0.30	0.30	0.28	0.27	0.27	0.27

SECTION 9: CONSTRUCTION AND DEVELOPMENT ACTIVITIES

Deutsche Bucht 269 MW Offshore Wind Project – Germany

The Deutsche Bucht offshore wind project is progressing according to schedule and is on budget. As of the date of this MD&A, offshore installation of all 31 monopile foundations was completed. As part of the rights and assets acquired in 2017, Northland had an option to construct two demonstrator turbines utilizing 'mono bucket' foundations. In July 2018, the Demonstrator Project reached financial close. The Demonstrator Project will contribute an additional 17 MW of capacity to the base 252 MW project for a total of 269 MW and result in total project costs of approximately €1.4 billion (CAD $2.0 billion). The two mono bucket foundations are scheduled to be installed with the balance of plant during 2019 with project completion expected by the end of 2019.

Hai Long 1,044 MW Offshore Wind Project – Taiwan

During the second quarter of 2018, the Company's Hai Long project owned by Northland and its 40% partner, Yushan Energy, was allocated a total of 1,044 MW (626 MW net to Northland) by the Bureau of Energy of Taiwan under a FIT program and an auction process. The combined allocations are significant milestones since they advance the project's ability to execute 20-year PPAs, subject to permitting and financial close. Key aspects of the Hai Long project are presented below:

Sub-project	Awarded	MW Procured (Gross)	MW Procured (Net) [1]	Year of Grid Connection	Type of Procurement
Hai Long 2A	April 2018	300	180	2024	FIT
Hai Long 2B	June 2018	232	139	2025	Auction
Hai Long 3	June 2018	512	307	2025	Auction
Total		1,044	626		

(1) Represents Northland's 60% economic interest.

SECTION 10: OUTLOOK

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

Adjusted EBITDA

In 2019, management expects adjusted EBITDA to be in the range of $920 to $1,010 million. 2019 adjusted EBITDA is expected to be higher relative to 2018 guidance primarily due to the following factors:

- Addition of Deutsche Bucht's pre-completion revenue, net of operating costs, for a portion of the year (approximately $55 to $75 million increase);
- Reversion to normalized wind resource at Gemini and Nordsee One (approximately $15 to $50 million increase) assuming an average foreign exchange rate of CAD$1.53/Euro; and
- Higher corporate G&A costs due to the timing and the expanded scope of Northland's international development activities (approximately $15 to $20 million decrease).

In 2020, once the Deutsche Bucht offshore wind project is fully operational, management continues to expect Deutsche Bucht to generate adjusted EBITDA of approximately €165 to €185 million annually.

Free Cash Flow

In 2019, management expects free cash flow per share to be in the range of $1.65 to $1.95 per share. The free cash flow per share guidance excludes pre-completion revenue, net of operating costs, from Deutsche Bucht to be used to fund construction costs.

2019 free cash flow per share is adjusted from the 2018 guidance primarily due to the following factors:

- Higher project debt service primarily due to a full year of scheduled debt principal repayments at Nordsee One (approximately $25 million decrease);
- Reversion to normalized wind resource at Gemini and Nordsee One (approximately $25 to $35 million increase);
- Higher corporate G&A costs due to the timing and the expanded scope of Northland's international development activities (approximately $15 to $20 million decrease);
- Lower interest on corporate borrowing primarily due to the early redemption of the series B convertible debentures in late 2018 and lower corporate debt balance (approximately $14 to $15 million increase);
- Lower investment income and principal repayments on Northland's share of subordinated debt to Gemini and loans to business partners (approximately $5 to $7 million decrease); and
- An increase in the weighted average number of common shares outstanding as a result of the conversions in December 2018 from the Series B convertible debentures.

SECTION 11: LITIGATION, CLAIMS AND CONTINGENCIES

Litigation, claims and other contingencies arise from time to time in the ordinary course of business for Northland. None of these contingencies, individually or in aggregate, are expected to result in a liability that would have a material adverse effect on Northland.

SECTION 12: SUSTAINABILITY AND CLIMATE CHANGE

Sustainability and Northland's Business Model

Sustainability and the need for clean energy were key factors leading to the Company being established in 1987 and continue to be a fundamental part of the business environment in which Northland operates. Sustainability underlies and influences many of the key business risks identified and managed by management and overseen by its Board of Directors. As such, understanding, measuring, and managing the opportunities and risks arising as a result of climate change from non-sustainable power production is a core component of Northland's business activities and critical to delivering on its vision to be a top global clean and green developer, constructor, owner and operator of sustainable infrastructure assets. Northland holds the view that demand for electricity from renewable sources will continue to rise as a result of growing recognition of the adverse effects of climate change and legislation in an increasing number of jurisdictions requiring diversification away from fossil fuel-based power generation.

Climate change, which increases the likelihood of unexpected, severe and more frequent weather-related natural disasters such as severe storms, droughts, heat waves, rising temperatures and sea levels and changing precipitation patterns, presents both risks and opportunities. Climate change has raised the importance of access to clean energy, energy security and energy efficiency, which Northland is well-positioned to contribute to, as described below. Climate change requirements did not have a significant financial or operational impact on Northland's earnings or capital expenditures in 2018.

Governance

Northland manages the business risks presented by climate change as part of its Enterprise Risk Management (**ERM**) program. Northland's ERM program builds risk identification, assessment, response planning, reporting and monitoring into routine business activities, with ownership of key risks delegated throughout the organization. Assessment, using quantification of business impacts wherever possible, occurs on an ongoing basis.

Climate Change Related Opportunities

Growth of Renewable Assets Portfolio

Northland sees significant growth opportunities in its renewable asset portfolio as a result of the general trend towards global de-carbonization which encourages sustainable power generation from clean and green technologies.

Northland expects these opportunities to span short, medium and long-term time horizons as such policies spread to new parts of the globe and strengthen in advanced economies. Northland is currently pursuing such opportunities through active development of sustainable projects in North America, Latin America, Europe and Asia, while exploring sustainable development opportunities in other select jurisdictions. Refer to the 2018 AIF for a summary of regulatory developments such as the trend towards de-carbonization in markets where Northland operates including Canada, the Netherlands, Germany and Taiwan.

New Business Opportunities

Northland expects to identify new business opportunities due to continued interest and growth in clean and renewable power technologies that has resulted in increased investment by public and private entities. For example, many commercial and industrial entities are partnering with sustainable power producers for their energy needs. Such partnerships and capital investments are expected to lead to enhanced performance and reliability and/or reduced operating costs, thus improving Northland's operations and financial results. Continued investment in clean technology could uncover new applications for existing technologies and entirely new business models which Northland is well positioned to benefit from.

Greater Access to Capital

Northland expects to benefit from direct business partnerships as well as the trend of increasing capital allocations by large institutional investors to companies pursing environmentally sustainable business models. Northland's current shareholder base includes large institutional investors and "green funds" that have found Northland to meet their criteria. Newer financial products, such as green bonds, present additional opportunities to raise capital in the future.

Reputational Advantage

Northland's business model has, and is expected to continue to, attract and retain top talent due to employees' growing preference to work for companies whose actions and strategy align with their own beliefs. Northland's sustainability focus provides an advantage in the competition for top talent at all levels of the organization. Similarly, Northland benefits from its positive brand image and reputation when seeking new business partners, exploring new jurisdictions and obtaining regulatory approvals.

Climate Change Related Risks

Increased Variability of Results

Climate change may increase the potential for increased variability of renewable resources, resulting in higher variability of electricity production and financial results. Research on the impact of climate change on wind and solar patterns in areas of concentrated renewable power production, though growing, remains in early stages. Reliable information on localized impact for specific regions over the long-term is not yet available in today's climate change computer simulation models. Northland's concentration of offshore wind farms in the North Sea presents a performance and operating risk.

Acute and Chronic Effect on Physical Assets

Northland's facilities and projects are exposed to the elements such as wind, water and, in the case of the offshore wind projects, movement of the sea floor. They are also susceptible to extreme weather conditions and natural disasters such as hurricanes, tornadoes, lightning storms and icing events that can cause downtime, construction delays, production losses and/or damage to construction and production equipment. Natural events may also make it impossible for operations and maintenance crews to access the disabled equipment to deliver parts and provide services.

Northland is exposed to weather risk and subsurface risk during the construction of its offshore wind farms. Northland attempts to mitigate these risks through the purchase of insurance and/or the inclusion of provisions under applicable construction agreements with contractors. However, insurance policies and/or construction agreements may not provide coverage for certain events, or coverage may be insufficient to compensate for all of the losses suffered by a project. Such insurance may not continue to be available or available at economically feasible cost.

Northland's operations rely on assets such as transmission grids, towers and substations owned and operated by third-parties, which may also be adversely affected by extreme weather events and climate change and which Northland has little ability to control. Similarly, Northland's operating facilities and projects under construction could be affected by the effect of an extreme weather event on its supply chain.

Regulatory Compliance

With the growing scrutiny of environmental impacts of business activities, Northland faces the risk of increasing costs for regulatory compliance such as carbon pricing programs for natural gas fired thermal facilities, maintenance of air and water quality standards, limiting greenhouse gas emissions and costs of compliance during the construction phase.

Northland monitors global regulatory developments and acts to manage the related financial and business risks. For example, the Pan-Canadian Framework on Clean Growth and Climate Change, established by the Canadian government in 2016, provides a back-stop to provincial carbon pricing programs. Under the program, a fuel charge is applied to a range of fuels, including natural gas, and industrial facilities subject to an Output-Based Pricing System (**OBPS**) for carbon emissions above applicable limits. Industrial facilities may pay the OBPS or procure equivalent credits from other companies. Northland's thermal facilities are subject to OBPS programs, federally or through an equivalent provincial program. Substantially all of Northland's operating thermal facilities pass the costs of compliance through to the counterparty under the terms of their PPA.

Northland disclosed its direct greenhouse gas emissions in its most recent Sustainability Report and plans to continue to measure and report on these metrics annually. Northland recognizes the long-term importance of sustainability and the role of renewable energy in counteracting climate change and is focused on increasing the capacity of its renewable asset portfolio in response to the threat of climate change.

SECTION 13: FINANCIAL RISKS AND UNCERTAINTIES

Northland's activities expose it to a variety of risks. Refer to the 2018 AIF for a summary of factors in addition to those discussed below that could significantly affect the operations and financial results of Northland.

Northland's risk management objective is to mitigate fluctuations in cash flows 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 market risk, counterparty risk and liquidity risk. Northland manages financial risks by identifying, evaluating and, where appropriate, mitigating financial risks in compliance with internal policies and external requirements under non-recourse project financing arrangements. Northland uses derivative financial instruments to manage certain financial risks but does not engage in speculative activity. Material financial risks are monitored and reported regularly to the Audit Committee of the Board of Directors. The risks associated with Northland's financial instruments and Northland's policies for mitigating these risks are described below.

Market Risk

Market risk is the risk that the fair value of or future cash flows from financial instruments will fluctuate because of changes in market prices. Financial instruments affected by market risk include loans and borrowings and derivative financial instruments. Types of market risk to which Northland is exposed are discussed below.

(i) Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Northland manages this risk by securing fixed-rate debt or entering into interest rate swap agreements that effectively convert floating rate interest exposures to a fixed rate.

Changes in the fair value of interest rate swap contracts designated for hedge accounting are recorded in Northland's consolidated statements of comprehensive income (loss) to the extent that the hedge arrangements are effective. The fair values for these interest rate swap contracts are based on calculations and valuation models using observable market rates.

(ii) Credit Spread Risk

Credit spread risk as it affects Northland refers to the risk that the loan margin charged by current or future lenders (a borrower-specific margin added to the underlying interest rate) will increase, making the cost of debt capital more expensive. Credit spread risk cannot be hedged. Northland manages this risk by (i) entering into long-term financings with defined credit spreads over the amortization period whenever possible; (ii) ensuring loans are fully amortized (repaid) by maturity; and (iii) monitoring credit markets and making prudent decisions about the timing and method of original financings, refinancing and repricing opportunities.

(iii) Currency Risk

Currency risk arises because the Canadian dollar equivalent of transactions, assets or liabilities denominated in foreign currencies may vary due to changes in foreign exchange rates. Northland is exposed to changes in the euro and U.S. dollar, notably the euro-denominated consolidated financial statements of Gemini, Nordsee One and Deutsche Bucht project. Northland manages this risk by hedging material net foreign currency cash flows to the extent practical and economical in order to minimize material cash flow fluctuations.

Northland has entered into foreign exchange contracts to effectively fix foreign exchange conversion rates on substantially all forecasted euro-denominated cash inflows from Gemini, Nordsee One and Deutsche Bucht.

(iv) Commodity Price Risk

Commodity price risk arises where: (i) PPA revenues for thermal facilities are fixed, not linked to natural gas prices or the cost of natural gas is not substantively passed through to the off-taker; (ii) PPA revenues or components of PPA revenues depend upon certain electricity market indices; (iii) a portion of revenue is not contracted and subject to changes in electricity prices; or (iv) the value of a financial instrument or cash flows associated with the instrument fluctuates due to changes in commodity prices.

Northland manages this risk by: (i) entering into PPAs that provide a fixed price for all, or substantially all, electricity production, provide a price linked to commodity prices or include pass-through of commodity costs to the off-taker; (ii) entering into financial power and natural gas hedges to stabilize contractual economics, including natural gas costs and electricity prices; and (iii) entering into fixed price gas supply contracts.

NORTHLAND POWER

Counterparty Risk

Counterparty risk is the risk that a counterparty fails to perform its contractual obligations which could result in losses in financial assets. Northland is exposed to counterparty risk in several areas including: (i) cash and cash equivalents held with banks and financial institutions; (ii) counterparty exposures arising from: (a) contractual obligations, which include but are not limited to sales contracts, equipment supply and maintenance contracts, fuel supply and transportation agreements and construction contracts, (b) derivative financial instruments, (c) trade receivables due from customers, (d) loan receivables due from partners and other entities, and (e) claims payable by an insurer; and (iii) unfunded loan commitments from financial institutions for the construction of projects. The maximum exposure to counterparty risk, other than for the loan commitments, is equal to the carrying value of the financial assets.

Northland manages counterparty risk by contracting with highly creditworthy counterparties wherever possible, such as government-related entities and large financial institutions. Northland's cash, derivative financial instruments, unfunded loan commitments and insurance policies are contracted with creditworthy financial institutions. Northland's gas, transportation, equipment, maintenance and construction contracts are with highly rated and/or large, well-capitalized counterparties wherever possible.

The nature of Northland's business and contractual arrangements and quality of its counterparties generally serves to minimize counterparty risk.

Liquidity Risk

Liquidity risk is the risk that Northland: (i) may not have sufficient funds to settle a transaction on the due date; (ii) may be forced to sell financial assets or terminate financial liabilities at a value that is not the fair market value; or (iii) may be unable to settle or recover a financial asset at all. Liquidity risk arises through an excess of financial obligations over available financial assets at any point in time.

Northland manages liquidity risk to maintain sufficient cash or readily-available funding in order to meet expected liquidity requirements. Northland achieves this by: (i) maintaining prudent cash balances, availability under committed credit facilities and access to capital markets; (ii) selecting derivatives and hedging strategies that minimize the risk of material cash flow impacts; and (iii) actively monitoring open positions to assess and proactively adapt to possible market liquidity concerns.

Northland is also subject to internal liquidity risk because it conducts its business activities through separate legal entities (subsidiaries and affiliates) and is dependent on cash distributions from those entities to defray corporate expenses and pay dividends. Most operating subsidiaries hold non-recourse debt. Such non-recourse financing agreements typically prohibit distributions if the loan is in default (notably for non-payment of principal or interest) or if the entity fails to achieve a benchmark debt service coverage ratio, which is the ratio of Adjusted EBITDA to scheduled loan principal and interest payments over a specified time period. For the year ended December 31, 2018, Northland and its subsidiaries were in compliance with all debt covenants.

Northland will be required to refinance, renew or extend debt instruments as they become due. The ability to refinance, renew or extend debt instruments is dependent on the capital markets up to the time of maturity, which may affect the availability, pricing or terms and conditions of replacement financing.

Refer to Note 23 in the audited consolidated financial statements for the year ended December 31, 2018, for additional information related to Northland's commitments and obligations.

SECTION 14: CRITICAL ACCOUNTING ESTIMATES

Preparing the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Northland's operating facilities and investments operate under long-term contracts with creditworthy counterparties. As a result, management believes it is not exposed to critical accounting estimates to the same degree as merchant businesses of comparable size. For Northland, the amounts recorded for depreciation of property, plant and equipment and contracts, fair value of financial assets and financial liabilities, decommissioning liabilities, deferred development costs, leases, LTIP, impairment of non-financial assets, income taxes and accounting for non-wholly owned subsidiaries are based on estimates and management's judgment. By their nature, these estimates are subject to measurement uncertainty, and changes in these estimates may affect the audited consolidated financial statements of future periods. Estimates and accounting judgments are based on historical experience, current trends and other assumptions that are believed to be reasonable under the circumstances.

In making these estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as appropriate. These estimates and judgments have been applied in a manner consistent with that in the prior year and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in this annual report.

Additional information on the significant estimates, judgments and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in Note 2.20 in the audited consolidated financial statements for the year ended December 31, 2018.

SECTION 15: FUTURE ACCOUNTING POLICIES

A number of new standards, amendments and interpretations issued are not yet effective for the year ended December 31, 2018, and therefore have not yet been applied in preparing the audited consolidated financial statements. These standards include IFRS 16, "Leases" effective for annual periods beginning on or after January 1, 2019.

Northland assesses each standard to determine whether it may have a material impact on its consolidated financial statements. As at December 31, 2018, there have been no additional accounting pronouncements by the International Accounting Standards Board (**IASB**) that would impact Northland beyond those described in Note 2.19 of the audited consolidated financial statements for the period ended December 31, 2018.

SECTION 16: CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer (**CEO**) and Chief Financial Officer (**CFO**)**,** on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of the effectiveness of the design and operation of Northland's disclosure controls and procedures was conducted as of December 31, 2018, by and under the supervision of management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that Northland's disclosure controls and procedures, as defined in National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", are effective to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules and forms.

Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of audited financial statements for external purposes in accordance with IFRS.

Northland's internal controls over financial reporting are designed and operating effectively to provide reasonable assurance regarding: (i) prevention or timely detection of the unauthorized transactions that could have a material effect on Northland's audited consolidated financial statements, and (ii) the reliability of financial reporting and preparation of audited consolidated financial statements for external use purposes in accordance with policies, procedures and IFRS.

As a result of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance, not absolute, and may not prevent or detect all misstatements. Further, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions.

An evaluation of the effectiveness of the design and operation of Northland's internal controls over financial reporting was conducted as of December 31, 2018, by and under the supervision of management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that Northland's internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting and the preparation of the audited consolidated financial statements in accordance with IFRS.

No changes were made in Northland's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, Northland's internal controls over financial reporting in the year ended December 31, 2018.