



NORTHLAND POWER INC.



Grid line and panel arrays
at Burk's Falls solar farm

Q2

SECOND-QUARTER REPORT

Quarterly Report for the period
ended June 30, 2015

Management's Discussion and Analysis

The purpose of this Management's Discussion and Analysis ("MD&A") is to help the reader understand the nature and importance of changes and trends as well as the risks and uncertainties that may affect Northland Power Inc.'s ("Northland's" or the "Company's") operating results and financial position. This MD&A should be read in conjunction with Northland's interim condensed unaudited consolidated financial statements for the three months and six months ended June 30, 2015 and 2014, as well as its audited consolidated financial statements for the years ended December 31, 2014 and 2013. This material is available on SEDAR at www.sedar.com and on Northland's website at www.northlandpower.ca. Additional information about Northland, including the most recent Annual Report and Annual Information Form (AIF) can be found on SEDAR.

This MD&A contains forward-looking statements that are based on certain estimates and assumptions that were considered reasonable on August 13, 2015; actual results may differ materially. Please see *SECTION 12: Forward-Looking Statements* in this MD&A for additional information.

Throughout this MD&A, management makes use of non-International Financial Reporting Standards (IFRS) measures such as adjusted EBITDA, free cash flow, free cash flow payout ratio (or payout ratio) and free cash flow per share to help explain and assess Northland's financial results. These measures, as presented, do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies and should not be considered alternatives to net income, 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. Please see *SECTION 4: Non-IFRS Financial Measures* for an explanation of these non-IFRS measures, *SECTION 5: Consolidated Results*, and *SECTION 6: Equity, Liquidity and Capital Resources* for reconciliations to the nearest IFRS measure.

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SECTION 1: SECOND QUARTER OVERVIEW

Second Quarter Financial Highlights

- Sales and gross profit were 2% lower and 10% higher, respectively, than the same period in 2014. The decrease in sales was primarily due to higher electricity revenues achieved by two thermal facilities in 2014, partially offset by favourable contributions from the wind and solar facilities. More importantly, the increase in gross profit was primarily due to increased electricity production from the wind and solar facilities and strong gross margins at the thermal facilities;
- Quarterly adjusted EBITDA increased 12% from 2014 primarily due to overall favourable results from Northland's operating facilities;

- Net income of \$140.3 million for the quarter, increased from a loss of \$91.8 million in the second quarter of 2014, primarily due to a \$168.9 million marked-to-market non-cash adjustment on Northland's financial derivative contracts largely from the interest rate swaps associated with the Gemini and Nordsee projects;
- Cash provided by operating activities decreased by \$77.8 million primarily due to the timing of payables, receivables, and deposits partially offset by favourable operating results;
- Free cash flow of \$34.6 million was 10% higher than the second quarter of 2014 primarily due to favourable results from Northland's operating facilities; and
- The quarterly cash dividend payout ratio was 102% of free cash flow in the second quarter of 2015 compared to 93% in the second quarter of 2014 (132% excluding the effect of the Dividend Reinvestment Plan (**DRIP**) versus 126% in 2014) primarily due to dividends declared on the additional shares issued to fund the Gemini, Nordsee, and Grand Bend projects.

A significant portion (\$144.1 million) of the second quarter net income represents the fair value accounting treatment of Gemini's and Nordsee One's interest rate swaps that are marked-to-market and consolidated within Northland's operating results. Changes in interest and currency rates give rise to non-cash marked-to-market adjustments each quarter as a result of Northland's accounting election to forego the application of hedge accounting. These fair value adjustments are non-cash items which will reverse over time, and have no impact on the cash obligations of Northland or its projects.

Significant Events

Significant events which occurred during the second quarter of 2015 and through the date of this MD&A, are described below.

Milestones Reached on Gemini Offshore Wind Project

On July 8, 2015, Northland announced that the first steel foundation, or monopile, for the 600 MW Gemini offshore wind project located in the North Sea, was successfully installed on July 1, 2015, as allowed under environmental permits. Installation activity continues to progress with 54 monopiles (over one third) installed as of this date, and associated transition pieces being installed on 52 of the monopiles. The two jacket foundations for the offshore high voltage platforms have been completed and have been placed in-water and secured to the seabed. The two high voltage offshore platforms are substantially complete, are on a barge, and are waiting to be taken to sea to be installed on top of the jacket foundations. In addition, 100% of the 209 kms of the underwater electrical cable connecting the wind farm to the Dutch grid has been manufactured and approximately 92% has been laid on or in the seabed. All risks related to unexploded World War II ordnance on the seabed have been cleared.

Advancements of Nordsee One Offshore Wind Project

Construction of the Nordsee One offshore wind project advanced as expected during the second quarter of 2015 and remains on schedule. Early-stage construction activities include the production of major plant components, such as the offshore substation platform, monopiles, transition pieces, and infield cables.

Advancement of Grand Bend Onshore Wind Project

Project financing was closed on March 31, 2015, and construction and manufacturing activities at the Grand Bend onshore wind farm have commenced. Engineering is well underway and procurement of major electrical equipment is substantially complete and construction has been initiated.

Updates on Ground-Mounted Solar Projects

Two of the remaining four 10 MW ground-mounted solar projects commenced operations after the second quarter of 2015 and have applied for Independent Electricity System Operator (**IESO**) approval of commercial operations, with the last two ground-mounted solar projects expected to be completed in the third quarter of 2015.

During the second quarter of 2015, Northland commenced arbitration proceedings against the contractor of the last four of the 13 ground-mounted solar projects for default under their contract. In addition, certain subcontractors

have filed lien claims on the projects which Northland has released by posting letters of credit. Completion of these projects has required additional investment by Northland beyond previous estimates. Readers should refer to “General Update – Ground-mounted Solar Projects” within *SECTION 3: Facility Results* for further details.

Executive Management Team

On July 6, 2015, Northland announced that Mr. Sean Durfy will be stepping down from his role as President and Chief Development Officer effective August 28, 2015 to pursue other business and personal interests. Mr. Mike Crawley, an experienced executive and project developer in the power sector, has joined Northland as Executive Vice President, Business Development, effective July 20, 2015.

Cochrane Power Corporation

Cochrane Power ceased generating electricity for Ontario’s power grid at midnight on May 11, 2015, due to the expiry of the facility’s power purchase agreement (**PPA**). Late last year, Cochrane was granted an extension to that date from the agreement’s original end date in January 2015, to allow sufficient time for Cochrane and the IESO to negotiate a new long-term agreement. However, concurrent with that extension, the Ontario Ministry of Energy directed the IESO to suspend all negotiations until the IESO had developed a strategy for power generators, such as Cochrane, across the province. The strategy is expected to be announced in the third quarter of 2015. Absent a further contract extension or replacement contract, the facility will be decommissioned.

Ontario Superior Court Decision Announced in Global Adjustment Case

In April 2015, the Ontario Electricity Financial Corporation (**OEFC**) filed a notice of appeal in response to the Ontario Superior Court of Justice decision in favour of Northland and a number of other power producers in Ontario in relation to the interpretation of past and future price escalator provisions in their respective PPAs with the OEFC. In early June, the OEFC filed appeal materials. The timeline for settling the appeal is at the discretion of the Court; however, the hearing of the appeal has been scheduled for December 2015. The appeal stays the recovery of retroactive payments by power producers pending its disposition. The decision did not specify a dollar amount to be awarded in respect of current and future payments but required the OEFC to recalculate the amounts payable under the PPAs. Northland has requested the OEFC to calculate and to make current and future payments which would be payable according to the court’s original decision and is awaiting a response from the OEFC. In its original application, Northland estimated that its potential lost revenue over the life of the relevant agreements was in the range of \$200 million. As a result of the OEFC’s appeal, the financial recovery for Northland resulting from this matter is unknown at this time.

Summary of Consolidated Second Quarter Results

In thousands of dollars except per share and energy unit amounts	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
FINANCIALS				
Sales	167,289	169,945	368,885	399,369
Gross Profit	114,234	103,701	244,391	237,139
Operating Income	59,503	50,397	133,819	134,406
Net Income (Loss)	140,281	(91,845)	109,665	(63,269)
Adjusted EBITDA ⁽¹⁾	91,370	81,452	188,503	183,549
Cash Provided by Operating Activities	88,237	166,064	207,849	217,452
Free Cash Flow ⁽¹⁾	34,584	31,369	84,829	88,121
Cash Dividends Paid to Common and Class A Shareholders	35,141	29,281	65,253	56,898
Total Dividends Declared to Common and Class A Shareholders ⁽²⁾	45,681	39,787	88,021	76,969
Per Share				
Free Cash Flow ⁽¹⁾	0.204	0.213	0.520	0.618
Total Dividends Declared to Common and Class A Shareholders ⁽²⁾	0.270	0.270	0.540	0.540
ENERGY VOLUMES				
Electricity (megawatt hours)	1,137,123	1,099,457	2,687,299	2,590,072

(1) Please see *SECTION 4: Non-IFRS Financial Measures* for an explanation of these terms, *SECTION 5: Consolidated Results* and *SECTION 6: Equity, Liquidity and Capital Resources* for reconciliation to the nearest IFRS measure.

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

Northland's operating projects largely met or exceeded management's expectations for the three months ended June 30, 2015. Northland's consolidated sales for the three months ended June 30, 2015 compare unfavourably to the prior period primarily due to lower natural gas costs at the Thorold and North Battleford facilities, which are largely a pass-through to electricity revenues. In addition, Thorold's contribution was below the prior period due to fewer economic production periods. These unfavourable variances were partially offset by strong results from the wind and solar facilities. Operating income for the three months ended June 30, 2015 was \$9.1 million higher than the prior period primarily due to the increase in gross profit, partially offset by lower investment income. Adjusted EBITDA (a non-IFRS measure) increased by \$9.9 million in the second quarter of 2015 compared to the same period in 2014 primarily due to: (i) a \$9.4 million increase in overall contributions largely due to Northland's wind and solar facilities; (ii) a \$2.2 million increase in performance and management fees largely due to the settlement of Kirkland Lake's long-term debt; and (iii) \$1.3 million of investment income earned on the Gemini subordinated debt. Offsetting these favourable variances were: (i) a \$2.6 million decrease in investment income largely due to dividends from Panda Energy Corporation ("**Panda-Brandywine**") in 2014; and (ii) \$0.7 million earned in 2014 related to the sale of development assets in 2014. See *SECTION 5: Consolidated Results* for additional details on the above variances.

Free Cash Flow

Free cash flow (a non-IFRS measure) for the second quarter of 2015 was \$3.2 million higher than the second quarter of 2014 primarily due to increased adjusted EBITDA, as previously described. Favourable variances from the prior period of 2014 included: (i) the \$9.9 million increase in adjusted EBITDA reduced by the \$1.8 million of investment

income which will be included in free cash flow as received; and (ii) \$2.6 million related to the renewal of Northland's credit facility in 2014. These favourable variances were partially offset by: (i) a \$4.1 million increase in net interest expense largely related to the 2020 Debentures; (ii) a \$1.8 million increase in scheduled debt repayments, largely due to the inclusion of Ground-mounted Solar Phase II repayments; (iii) net proceeds of \$0.8 million from the 2014 sale of Northland's wood chipping facility; and (iv) a \$0.8 million increase in other miscellaneous items. Readers should refer to "Free Cash Flow and Dividends to Shareholders" within *SECTION 6: Equity, Liquidity and Capital Resources* of this MD&A for additional details on Northland's free cash flow.

Dividends and Payout Ratio

Common share and Class A Share dividends declared for the quarter totalled \$0.27 per share. Northland's cash dividend payout ratio (a non-IFRS measure) in the second quarter of 2015 was 102% of free cash flow (132% excluding the effect of dividends re-invested through the DRIP) compared to 93% and 126%, respectively in the second quarter of 2014. The increase in the payout ratio resulted from higher free cash flow compared to the prior period combined with additional shares issued to fund the Gemini, Nordsee One, and Grand Bend projects.

SECTION 2: DESCRIPTION OF BUSINESS

As of June 30, 2015, Northland owns or has a net economic interest in power producing facilities with a total operating capacity of approximately 1,313 MW. Northland's operating assets comprise facilities that produce electricity from natural gas and renewable resources for sale primarily under long-term PPAs to creditworthy customers in order to ensure cash flow stability. As of June 30, 2015, Northland had the following projects under construction; 600 MW (360 MW net interest to Northland) Gemini offshore wind project, 332 MW (282 MW net interest to Northland) Nordsee One offshore wind project, 100 MW (50 MW net interest to Northland) Grand Bend wind project, and 40 MW (25 MW net interest to Northland) of ground-mounted solar projects.

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

- i. Iroquois Falls Power Corp., which owns a 120 MW natural-gas-fired cogeneration facility located in northern Ontario, together herein referred to as "**Iroquois Falls**";
- ii. Kingston CoGen Limited Partnership, which owns a 110 MW natural-gas-fired combined cycle facility located in eastern Ontario, together herein referred to as "**Kingston**";
- iii. Thorold CoGen L.P., which owns a 265 MW natural-gas-fired cogeneration facility located in the Niagara region of Ontario, together herein referred to as "**Thorold**";
- iv. North Battleford Power L.P., which owns a 260 MW natural-gas-fired combined-cycle facility located near Saskatoon in central Saskatchewan, together herein referred to as "**North Battleford**";
- v. Spy Hill Power L.P., which owns an 86 MW natural-gas-fired peaking facility located in eastern Saskatchewan, together herein referred to as "**Spy Hill**";
- vi. Saint-Ulric Saint-Léandre Wind L.P., which owns a 127.5 MW wind farm located in the Gaspésie region of Quebec, together herein referred to as "**Jardin**";
- vii. Mont-Louis Wind L.P., which owns a 100.5 MW wind farm located in the Gaspésie region of Quebec, together herein referred to as "**Mont Louis**";
- viii. DK Windpark Kavelstorf GmbH & Co. KG and DK Burgerwindpark Eckolstädt GmbH & Co. KG, which own two wind farms totalling 21.5 MW located in eastern Germany, together herein referred to as the "**German wind farms**";
- ix. Ground-mounted solar partnerships, which consists of nine operating 10 MW solar projects in eastern and central Ontario, the first six of which are together herein referred to as "**Ground-mounted Solar Phase I**"; the remaining three projects in operation are together herein referred to as "**Ground-mounted Solar Phase**

II”; four other projects 40 MW (25 MW net interest to Northland), which are under construction are located in northern Ontario, are together herein referred to as “**Ground-mounted Solar Phase III**”;

- x. McLean’s Mountain Wind Limited Partnership, which owns the 60 MW (30 MW net interest to Northland) wind farm on Manitoulin Island in Ontario, together herein referred to as “**McLean’s**”;
- xi. ZeeEnergie C.V. and Buitengaats C.V., which collectively own the 600 MW (360 MW net interest to Northland) offshore wind project under construction off the coast of the Netherlands in the North Sea, together herein referred to as “**Gemini**” or “**Project Gemini**”;
- xii. Nordsee One GmbH, which owns the 332 MW (282 MW net interest to Northland) offshore wind project in construction off the German coast of the North Sea (**Nordsee One**), as well as two offshore wind projects in the early stages of development (“**Nordsee Two**” and “**Nordsee Three**”), these three project companies together herein referred to as “**Nordsee**”; and
- xiii. Grand Bend Wind Limited Partnership, which owns the 100 MW (50 MW net interest to Northland) wind farm project under construction in southern Ontario, together herein referred to as “**Grand Bend**”.

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

- Cash and cash equivalents of \$2 million;
- Restricted cash of \$300.8 million;
- Current assets (excluding cash and cash equivalents and restricted cash) of \$10.3 million;
- Property, plant and equipment of \$2.4 billion;
- Contracts and other intangibles of \$154.8 million;
- Current liabilities of \$330.6 million;
- Interest-bearing loans and borrowings (excludes intercompany amounts) of \$1.3 billion; and
- Derivative financial instruments liability on contracts of \$170.8 million.

SECTION 3: FACILITY RESULTS

Northland's Thermal Facilities

The following is a discussion of the operating results for Northland's thermal facilities for the three and six months ended June 30.

<i>(in thousands of dollars except as indicated)</i>	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Electricity Production (MWh)				
Iroquois Falls	153,301	148,857	361,717	334,915
Kingston	176,924	181,220	372,997	336,941
Other ⁽¹⁾	564,411	596,864	1,425,483	1,501,494
	894,636	926,941	2,160,197	2,173,350
Sales				
Iroquois Falls	18,218	18,499	45,114	45,428
Kingston	26,001	25,925	56,615	60,216
Thorold	19,301	25,068	46,527	71,432
Spy Hill ⁽²⁾	5,762	4,990	11,296	12,647
North Battleford	36,905	42,952	81,200	94,263
	106,187	117,434	240,752	283,986
Less finance lease adjustment	(4,047)	(4,047)	(8,094)	(8,092)
Sales as reported	102,140	113,387	232,658	275,894
Cost of sales	38,205	49,824	89,947	125,895
Gross profit				
Iroquois Falls	9,071	8,411	25,742	23,962
Kingston	13,499	12,918	29,849	34,001
Thorold	15,491	16,387	30,419	35,305
Spy Hill ⁽²⁾	4,652	4,429	9,323	9,163
North Battleford	25,269	25,466	55,472	55,660
	67,982	67,610	150,805	158,091
Less finance lease adjustment	(4,047)	(4,047)	(8,094)	(8,092)
Gross profit as reported	63,935	63,563	142,711	149,999
Plant operating costs				
Iroquois Falls	2,225	2,146	4,313	4,085
Kingston	1,217	1,763	2,630	3,214
Thorold	2,035	2,434	4,389	4,886
Spy Hill	361	401	687	742
North Battleford	3,505	3,360	6,485	6,214
	9,343	10,104	18,504	19,141
Operating income	42,620	41,520	100,402	107,027
Adjusted EBITDA⁽³⁾				
Iroquois Falls	6,825	6,229	21,364	19,812
Kingston	12,215	11,084	27,106	30,680
Thorold	13,441	13,935	25,997	30,393
Spy Hill	4,285	4,021	8,624	8,408
North Battleford	21,757	22,095	48,974	49,417
	58,523	57,364	132,065	138,710
Capital expenditures⁽⁴⁾	58	202	68	269

(1) "Other" includes electricity production at North Battleford, Thorold and Spy Hill, which have contractual structures that effectively provide for a pass-through of variable production costs and are generally not affected financially by changes in production levels.

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

(3) A non-IFRS measure.

(4) Capital expenditures exclude construction-related capital items. The majority of gas turbine maintenance is provided under long-term, fixed-price contracts that are charged to the income statement based on the terms of those contracts.

Northland's thermal assets comprise both baseload and dispatchable facilities. The Iroquois Falls and Kingston baseload plants are operated with the objective of generating 100% of contracted on-peak and off-peak production volumes, and receive a fixed price for all electricity sold. The North Battleford baseload plant is operated to generate throughout the month and produce at full output during on-peak periods and at reduced output during off-peak periods. Thorold and Spy Hill are dispatchable facilities and operate either when market conditions are economic or as requested by their respective PPA counterparty. These facilities receive contract payments that are largely dependent on their ability to operate according to contract parameters as opposed to maximizing production, and the payments ensure gross profit is generally stable regardless of changes in production levels. Additional information relating to the thermal facility contracts can be found in Northland's AIF, which is filed electronically at www.sedar.com under Northland's profile.

Electricity production during the three months ended June 30, 2015 was 32,305 MWh lower than the prior period primarily due to fewer economic production periods and dispatch requests at Thorold, partly offset by increased dispatch requests at both North Battleford and Spy Hill, although given the nature of the PPAs, the quantity of electricity production has little impact on gross profit. Electricity production during the six months ended June 30, 2015 was 13,153 MWh lower than the prior period primarily due to fewer economic production periods and dispatch requests at Thorold, partly offset by increased production at the other thermal facilities.

Sales during the second quarter of 2015 of \$102.1 million were \$11.2 million lower than the prior period primarily due to lower natural gas costs than during the second quarter of 2015 for North Battleford (\$6.0 million) and Thorold (\$5.8 million). Natural gas costs at those facilities are largely a pass-through to electricity prices. Lower steam revenue, largely due to the shutdown of the mill in Iroquois Falls, also contributed to the decrease in sales during the second quarter. The lost steam revenue is expected to be recovered through a provision in the PPA which requires the OEFC to mitigate the revenue shortfall caused by a permanent reduction in steam demand. It is expected that an agreement will be in place by the end of September 2015 for the steam revenue recovery. Sales for the six months ending June 30, 2015 were \$43.2 million lower than the prior year largely for the reasons described above, with lower electricity prices at Thorold (\$24.9 million), at North Battleford (\$13.1 million) and Kingston (\$3.6 million).

Gross profit during the second quarter of 2015 at \$63.9 million was \$0.4 million higher than the prior period primarily due to the lower cost of natural gas in the second quarter of 2015, as described above. Gross profit for the six months ended June 30, 2015 was \$7.3 million lower than the prior period primarily due to a one-time charge related to a settlement for plant start-up costs submitted under an IESO generator cost recovery program that were later deemed to be ineligible by the IESO, fewer economic production periods and dispatch requests and lower steam sales at Thorold (\$4.9 million) and to non-recurring gas resale margins at Kingston (\$4.2 million), partially offset by a \$1.8 million increase in the contribution from Iroquois Falls largely due to lower gas costs.

Plant operating costs during the second quarter of 2015 at \$9.3 million were \$0.8 million lower than the prior year primarily due to a non-recurring outage at Kingston in 2014 and lower gas turbine maintenance costs at Thorold as a result of fewer dispatch periods. Plant operating costs for the six months ended June 30, 2015 were lower than the prior year for the same reasons described above.

Operating income during the second quarter of 2015 of \$42.6 million was \$1.1 million higher than the prior period largely due to the higher gross profit and lower plant operating costs, as described above. Operating income for the six months ended June 30, 2015 of \$100.4 million was \$6.6 million lower than the prior period primarily due to the one-time charge at Thorold and the non-recurring natural gas resale margins at Kingston in 2014, described above.

Northland's Renewable Facilities

The following is a discussion of the results of operations of Northland's renewable facilities for the three and six months ended June 30.

<i>(in thousands of dollars except as indicated)</i>	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Electricity Production (MWh)	242,487	172,516	527,102	416,722
Electricity Production (MWh) - Long Term Forecast	238,704	211,890	523,779	442,080
Sales⁽¹⁾				
Jardin	5,873	4,174	13,565	11,874
Mont Louis	5,712	3,605	12,475	10,580
German Wind Farms	729	671	2,043	1,908
McLean's ⁽²⁾	5,035	2,187	12,346	2,187
Ground-mounted solar	21,578	17,783	30,339	27,154
	38,927	28,419	70,768	53,702
Plant operating costs				
Jardin	1,512	1,217	2,970	2,755
Mont Louis	1,451	1,241	2,633	2,397
German Wind Farms	446	254	825	518
McLean's	956	577	1,959	577
Solar	855	694	1,457	1,264
	5,220	3,983	9,844	7,511
Operating income	19,472	11,566	32,404	22,494
Adjusted EBITDA⁽³⁾				
Jardin	4,354	2,988	10,580	9,091
Mont Louis	4,253	2,358	9,827	8,168
German Wind Farms	318	239	1,112	1,082
McLean's ⁽⁴⁾	2,081	811	5,281	811
Solar	20,684	17,060	28,840	25,849
	31,689	23,456	55,640	45,001
Capital expenditures⁽⁵⁾	-	243	48	243

(1) Renewable facilities do not have cost of sales and as a result, the reported sales numbers are equivalent to gross profit.

(2) The McLean's wind farm began commercial operations on May 1, 2014.

(3) A non-IFRS measure.

(4) McLean's adjusted EBITDA represents Northland's share of adjusted EBITDA generated by the facility.

(5) Capital expenditures exclude construction-related items. The majority of wind turbine maintenance is provided under long-term, fixed-price contracts that are charged to the income statement based on the terms of those contracts.

Renewable Facility Performance

Electricity production during the three months ended June 30, 2015 exceeded the prior period primarily due to higher winds at Mont Louis (30,480 MWh), Jardin (23,583 MWh) and McLean's (6,874 MWh) which began commercial operations in May 2014. Also contributing to the increase in electricity production was an improved solar resource combined with the inclusion of nine ground-mounted solar sites in 2015 compared to eight in 2014 (8,588 MWh). Electricity production for the six months ended June 30, 2015 exceeded the prior period primarily due to the inclusion of results from McLean's for six months in 2015 compared to only two months in 2014 (52,952 MWh), along with the other factors noted above, higher production at Mont Louis (26,378 MWh) and Jardin (22,461 MWh) caused by strong wind speeds and an additional operating ground-mounted solar site.

Sales during the second quarter of 2015 of \$38.9 million were 37% higher than the second quarter of 2014 primarily due to higher production across all facilities combined with three months of operation at McLean's compared to two months in 2014, and nine solar facilities in operation compared to eight solar facilities in 2014. Sales during the six months ended June 30, 2015 were \$17.1 million higher than 2014 primarily due to higher production across all facilities combined with six months of operation at McLean's compared to two months in 2014, and nine solar

facilities in operation compared to eight solar facilities in 2014.

Plant operating expenses during the second quarter of 2015 were \$1.2 million higher than the same period in 2014 primarily due to higher maintenance fees at Jardin and Mont Louis and an additional month of operation at McLean's. Plant operating expenses for the six months ended June 30, 2015 were \$2.3 million higher than in 2014 primarily due to the inclusion of results from McLean's and the additional ground-mounted solar facility.

Operating income of \$19.5 million during the second quarter of 2015 and \$32.4 million for the six months ended June 30, 2015 was \$7.9 million and \$9.9 million higher than in 2014 largely due to the inclusion of results from McLean's and the solar facilities.

General Update – Ground-mounted Solar Projects

Two of the remaining four 10 MW ground-mounted solar projects under construction as at June 30, 2015 commenced operations after the second quarter of 2015, with the last two ground-mounted solar projects expected to be completed by the third quarter of 2015.

In 2010, Northland secured 20-year PPAs for 13 individual 10 MW ground-mounted solar projects qualifying under the Green Energy Act, 2009 (collectively, "**the GMS Projects**"). The 130 MW GMS Projects were built or are being built in phases and have all been financed. As of the date of this report, 11 projects totalling 110 MW are operating, and two projects totalling 20 MW remain under construction and are expected to be completed in 2015. The 11 completed GMS Projects are all performing according to and in some cases better than Northland's expectations.

In late December 2014, Northland terminated its engineering, procurement and construction (**EPC**) contract with H.B. White Canada Corp. ("**White**") for default of White's obligations to construct the Ground-mounted Solar Phase III projects, which included the last 4 of the 13 solar projects in Northern Ontario ("**Cochrane Solar**"). Northland subsequently retained Ganotec Inc., a subsidiary of Peter Kiewit Sons Co. Ltd., to assist with the completion of these projects.

On March 25, 2015, White registered a lien and filed a claim for approximately \$32 million against the Cochrane Solar entities relating to the termination of the EPC contract. As a result of duplication in the White lien claim, Northland removed the lien from title by posting a letter of credit for approximately \$16 million.

In June 2015, under the terms of the EPC contract, the Cochrane Solar subsidiaries commenced a claim in arbitration for at least \$98 million against White Construction, Inc. ("**White US**"), guarantor under the White contract, for costs losses and damages for breaches of the EPC contract. White US has counterclaimed in this arbitration proceeding for approximately \$50 million. The Northland's claim and White's lien and counterclaim are proceeding through the arbitration process, and the outcome at this time is unknown.

In addition to the claim by White, a number of White's subcontractors involved in the construction of the Cochrane Solar projects registered liens and filed claims against White and Northland's Cochrane Solar subsidiaries. Because White did not remove the liens from title to the project lands as required by the EPC contract, Northland arranged for the subcontractors' liens to be removed by posting letters of credit for approximately \$28 million. Northland expects these letters of credit to be returned in their entirety once the claims of the subcontractors have been resolved. In accordance with the *Ontario Construction Lien Act*, Northland has retained a construction holdback of \$7.4 million, which Northland expects to pay out as the lien claims are resolved. Northland contends that its liability to the subcontractors is limited to this holdback amount. This \$7.4 million is included in Northland's estimate to complete the projects. The proceedings arising from the subcontractors' claims are ongoing, and the outcome at this time is unknown.

Foundation installation for all of the Cochrane Solar projects has been completed. Northland and Ganotec have updated the cost estimate to complete the projects. Northland does not expect the final cost of the GMS Projects,

including the liabilities related to lien claims, to exceed approximately \$805 million, including new contingency allowances. The \$805 million estimate has increased from the amount disclosed in the first quarter of 2015 of \$775 million. This estimate does not include potential recoveries from legal claims against White and/or White US. The capital costs to complete the solar projects are expected to be funded through cash, credit resources on hand, and a partial sale of the projects as described below. Although the final returns for the Ground-mounted Solar Phase III projects cannot be estimated at this time, the projects are expected to continue to meet Northland's project return requirements.

In June 2015, Northland completed the sale of 37.5% equity interest in Cochrane Solar. The total consideration for the equity interest is approximately \$45.7 million, of which \$17.5 million will be a vendor take-back loan repayable from the partners' net proceeds of the project. The remaining \$28.2 million is subject to the First Nations closing on financing expected in the second half of 2015. These are the final four projects in Northland's 13 ground-mounted solar project portfolio that remain under construction as of June 30, 2015. The sale resulted in a loss of \$13.8 million (including \$0.7 million of transaction costs), recorded to shareholders' equity, given Northland continues to retain control over these solar projects. Readers should refer to Note 5.1 to the interim condensed consolidated financial statements for the period ending June 30, 2015 for additional details relating to the sale of Cochrane Solar.

Northland's Managed Facilities

The following is a discussion of the results of operations of Northland's managed facilities (Kirkland Lake and Cochrane) for the three and six months ended June 30.

<i>(in thousands of dollars except as indicated)</i>	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Sales	25,998	28,010	64,827	69,500
Cost of sales	14,850	16,501	34,547	36,383
Gross profit	11,148	11,509	30,280	33,117
Plant operating costs	4,019	5,848	8,492	9,830
Operating Income	5,393	3,296	18,254	18,585
Adjusted EBITDA⁽¹⁾	5,949	3,775	11,284	15,901

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

The Kirkland Lake and Cochrane (prior to its PPA expiry) baseload facilities are operated with the objective of generating 100% of contracted on-peak and off-peak production volumes and receive fixed prices for all electricity sold depending on the time of day and season.

For the three and six months ended June 30, 2015, sales, gross profit and operating income were lower than the prior periods largely due to the expiration of the Cochrane PPA on May 11, 2015 and non-recurring gas sale margins in the first quarter of 2014.

Adjusted EBITDA (i.e. management and incentive fees) was higher in the second quarter of 2015, compared to the second quarter of 2014, primarily due to incentive fees generated from Kirkland Lake as a result of the settlement of its long-term debt in February 2015. Adjusted EBITDA was lower for the first six months of 2015, compared to the prior year, primarily due to the non-recurring natural gas resale margins earned in the first quarter of 2014 and

the shutdown of the Cochrane facility in the second quarter of 2015.

Cochrane ceased generating electricity for Ontario's power grid at midnight on May 11, 2015, due to the expiry of the facility's PPA. Late last year, Cochrane was granted an extension to that date from the agreement's original end date in January 2015, to allow sufficient time for Cochrane and the IESO to negotiate a new long-term agreement. However, concurrent with that extension, the Ontario Ministry of Energy directed the IESO to suspend all negotiations until the IESO has developed a strategy for power generators, such as Cochrane, across the province. The strategy is expected to be announced in the third quarter of 2015. Given the uncertainty of the future economic benefit of the facility, management has recorded an impairment of \$12.6 million relating to contracts and other intangible assets and a provision of \$7.4 million relating to decommissioning and employee severance costs in the second quarter of 2015. Property, plant and equipment has been fully amortized with a net book value of nil as at June 30, 2015. Readers should refer to Note 13 to the interim condensed consolidated financial statements for the period ending June 30, 2015 for additional details relating to the impairment of the Cochrane facility.

Northland's Offshore Wind Facilities

Northland's offshore wind facilities consist of the 600 MW Gemini wind farm, located off the coast of the Netherlands, and the 332 MW Nordsee One wind farm, located off the coast of Germany. Both the Gemini wind farm and the Nordsee One project are currently under construction. For additional details on each of these facilities, please see *SECTION 7: Construction Activities*.

<i>(in thousands of dollars except as indicated)</i>	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Management and administration costs	472	-	1,267	-
Less: Non-controlling interests portion	(141)	-	(362)	-
Northland's share of management and administration costs	331	-	905	-
Adjusted EBITDA ⁽¹⁾	(331)	-	(905)	-

(1) A non-IFRS measure.

The above adjusted EBITDA represents Northland's share of the Gemini and Nordsee overhead costs (management and administration) which do not qualify for capitalization or deferral under IFRS.

Corporate, including Other Income

The following is a discussion of financial results related to Northland's other services, including investment income for the three and six months ended June 30.

<i>(in thousands of dollars)</i>	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Sales	224	129	632	273

Sales include the management fees from Chapais and wood-chipping revenue from Northland's chipping facility prior to its sale in April 2014.

Other sales and income

<i>(in thousands of dollars)</i>	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Gemini interest	3,699	1,944	7,281	1,944
Other facilities	1,164	3,718	1,394	4,557
Other income	-	675	-	675
Adjusted EBITDA ⁽¹⁾	4,863	6,337	8,675	7,176

(1) A non-IFRS measure.

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

“Other facilities” in the above table represents adjusted EBITDA primarily from Northland’s wood chipping facility (which was sold in April 2014), an equity investment in four small rooftop solar projects in partnership with Loblaw Companies Limited, dividends received from Northland’s equity interest in Panda-Brandywine whose PPA was settled and its related facility assets transferred to the contract counterparty in May 2014 and interest earned on the loan receivable from McLean’s other equity partner, Mnidoo Mnising Power Limited Partnership, an entity controlled by the members of the United Chiefs and Councils of Mnidoo Mnising First Nations (UCCMM) and Grand Bend. Adjusted EBITDA from the “Other facilities” for the three months and the six months ended June 30, 2015, is lower than the comparable periods of 2014 primarily due to higher dividends received in 2014 from Panda-Brandywine.

<i>(in thousands of dollars)</i>	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Management and administration costs				
- Operations ⁽¹⁾	6,071	4,304	12,553	8,607
- Development ⁽²⁾	3,484	5,690	7,142	10,350
Total management and administration costs	9,555	9,994	19,695	18,957
Less: facility management and administration costs	(911)	(514)	(2,120)	(899)
Corporate management and administration costs	8,644	9,480	17,575	18,058
Write-off of deferred development costs	-	-	-	5,181
Corporate management and administration costs	8,644	9,480	17,575	23,239
Corporate adjusted EBITDA ^{(3)/(4)}	(9,323)	(9,480)	(18,256)	(23,239)

(1) Includes facility management and administration costs.

(2) Excludes write-offs of deferred development costs.

(3) A non-IFRS measure.

(4) 2015 adjusted EBITDA includes legal costs associated with sale of Cochrane Solar projects.

Total management and administration costs for the three months ended June 30, 2015 of \$9.6 million were in line with the prior period as increased operations costs associated with increased headcount and other personnel costs were offset by reduced project development costs. Total management and administration costs for the six months ended June 30, 2015 of \$19.7 million were \$0.7 million higher than the prior period primarily due to higher operations costs as described above as well as the inclusion of Gemini and Nordsee One construction costs.

Corporate management and administration expenses for the three and six months ended June 30, 2015 were \$0.8 million and \$0.5 million less, respectively, than the prior period as increased operations expenses were offset by reduced development prospecting costs.

SECTION 4: NON-IFRS FINANCIAL MEASURES

This MD&A includes references to Northland's adjusted EBITDA, free cash flow, free cash flow payout ratio, payout ratio and free cash flow per share, measures not prescribed by IFRS. Adjusted EBITDA, free cash flow, free cash flow payout ratio, payout ratio and free cash flow per share, as presented, do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. These measures should not be considered alternatives to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Rather, these measures are provided to complement IFRS measures in the analysis of Northland's results of operations from management's perspective. Management believes that adjusted EBITDA, free cash flow, free cash flow payout ratio, payout ratio and free cash flow per share are widely accepted financial indicators used by investors and securities analysts to assess the performance of a company, including its ability to generate cash through operations.

Readers should refer to *SECTION 5: Consolidated Results* for an explanation of adjusted EBITDA and a reconciliation of Northland's reported adjusted EBITDA to its consolidated net income (loss) and *SECTION 6: Equity, Liquidity and Capital Resources* for an explanation of free cash flow and a reconciliation of Northland's free cash flow to its cash provided by operating activities.

SECTION 5: CONSOLIDATED RESULTS

The following discussion of the consolidated financial condition and results of operations of Northland should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months period ended June 30, 2015, Northland's 2014 Annual Report and AIF. Readers should note that a significant number of variances on the unaudited interim condensed consolidated statements of income (loss) are the result of Northland now consolidating the financial results for Project Gemini, and Nordsee One. Consolidation of Project Gemini began in the second quarter of 2014, and as a result of acquiring the controlling interest in Nordsee on September 4, 2014, Nordsee's financial results are included in Northland's June 30, 2015 unaudited interim condensed consolidated balance sheets.

Second Quarter

Net income for the three months ended June 30, 2015 of \$140.3 million was primarily due to the non-cash fair value gains associated with Northland's derivative contracts (\$168.9 million gain in the second quarter of 2015 versus a \$130.4 million loss in the second quarter of 2014). Of the non-cash fair value gain on the derivative contracts for the second quarter of 2015, \$144.1 million was associated with Gemini's and Nordsee One's interest rate swap contracts.

The following describes the significant factors contributing to the change in net income for the quarter ended June 30, 2015:

Total Sales decreased by 2% or were \$2.7 million lower in the second quarter of 2015 compared to the same period in 2014 mainly due to lower production at the Thorold facility and lower natural gas costs at both the Thorold and North Battleford facilities. Gas costs are largely contractually passed-through to the customer and therefore are a component of total electricity revenues, as further discussed in *SECTION 3: Facility Results*. Lower steam sales, largely due to the shutdown of the mill in Iroquois Falls and lower natural gas resales also contributed to the decrease in sales. These unfavourable variances were partially offset by favourable contributions from Northland's other operating facilities.

Cost of sales decreased by \$13.2 million largely due to lower gas costs at the Thorold and North Battleford facilities, as discussed above and in *SECTION 3: Facility Results*.

Plant operating costs decreased by \$1.5 million largely due to the shutdown of the Cochrane facility and a non-

recurring outage at Kingston in 2014, partially offset by higher long-term service agreement costs at the wind facilities, largely due to higher production and an additional month of operations at McLean's.

Management and administration costs at \$9.6 million were in line with the second quarter of 2014, as previously discussed.

Investment income was \$2.6 million lower than the second quarter of 2014 primarily due to higher dividends received in 2014 from Northland's Panda-Brandywine investment.

Finance costs, net increased by \$4.5 million from the prior period due to the inclusion of interest on McLean's project debt, higher convertible debenture interest due to the issuance of the 2020 Debentures, and interest on the \$250 million corporate term facility.

Amortization of contracts and other intangible assets at \$4.7 million was in line with the prior period.

Non-cash fair value gain of \$167.5 million (compared to a \$131.7 million loss in 2014) is comprised of a \$168.9 million gain in the fair value of Northland's financial derivative contracts that include the interest rate swaps on the facilities' non-recourse project debt, the long-term financial hedge related to future natural gas prices at Iroquois Falls and foreign exchange contracts associated with Project Gemini and Nordsee One, combined with a \$1.3 million unrealized foreign exchange loss. A significant portion (\$144.1 million) of the second quarter non-cash fair value gain represents the consolidated marked-to-market adjustment on the interest rate swaps entered into by the Gemini and Nordsee One projects.

Impairment of contracts and other intangible assets increased by \$12.6 million due to Cochrane.

Other increased to \$7.3 million due to the provision relating to decommissioning and employee severance costs.

The factors described above, combined with a \$27.5 million provision for current and deferred income taxes, resulted in net income of \$140.3 million for the second quarter of 2015, compared to a net loss of \$91.8 million for the second quarter of 2014.

Year-to-Date

Net income for the six months ended June 30, 2015 of \$109.7 million was primarily due to the non-cash fair value gains associated with Northland's derivative contracts (\$83 million gain in the first six months of 2015 versus a \$138.8 million loss in the first six months of 2014). Of the non-cash fair value gain on the derivative contracts for the first six months of 2015, \$68.9 million was associated with Gemini's and Nordsee One's interest rate swap contracts.

The following describes the significant factors contributing to the change in net income for the six months ended June 30, 2015:

Sales and cost of sales were lower in the first six months of 2015 compared to the prior year due to contributions from Thorold and North Battleford and non-recurring natural gas resale margins earned during the first quarter of 2014, as discussed in *SECTION 3: Facility Results*. Lower steam sales and a one-time charge associated with an IESO generator cost recovery program at Thorold also contributed to lower sales.

Management and administration costs increased by \$0.7 million from the prior period largely due to the inclusion of Gemini and Nordsee One overhead costs, as previously discussed.

Non-cash fair value gain of \$83.3 million (compared to a \$138.4 million loss in 2014) is comprised of an \$83 million gain in the fair value of Northland's financial derivative contracts and a \$0.3 million unrealized foreign

exchange gain. A significant portion (\$68.9 million) represents the consolidated marked-to-market adjustment on the interest rate swaps entered into by the Gemini and Nordsee One projects.

Impairment of contracts and other intangible assets increased by \$12.6 million due to Cochrane.

Other decreased to \$0.3 million due to the \$7.4 million provision relating to decommissioning and employee severance costs primarily offset by the gain on sale of Frampton wind project.

The factors described above, combined with a \$19.2 million provision for current and deferred income taxes, resulted in net income of \$109.7 million for the six months ended June 30, 2015, compared to a net loss of \$63.3 million for the six months ended June 30, 2014.

Adjusted EBITDA

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

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

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

<i>(in thousands of dollars)</i>	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Net Income (loss)	140,281	(91,845)	109,665	(63,269)
Adjustments:				
Provision for (recovery of) income taxes	27,471	(26,526)	19,229	(16,568)
Depreciation of property, plant and equipment	30,914	30,219	61,912	58,410
Amortization of contracts and other intangible assets	4,656	5,053	9,312	10,106
Finance costs, net	34,766	30,306	66,578	58,836
Gemini subordinated debt interest	3,699	1,944	7,281	1,944
Change in fair value of derivative contracts	(168,858)	130,371	(83,007)	138,842
Unrealized foreign exchange loss (gain)	1,422	1,217	(174)	(571)
Gain on sale of the wood chipping facility	-	(547)	-	(547)
Gain on sale of development assets	-	-	(7,555)	-
Write-down of Panda-Brandywine investment	-	3,100	-	3,100
Impairments	12,581	-	12,581	-
Elimination of non-controlling interests	3,694	(2,529)	(8,791)	(8,098)
Finance lease and equity accounting	744	689	1,472	1,364
Adjusted EBITDA	91,370	81,452	188,503	183,549

Adjusted EBITDA for the three months ended June 30, 2015 was \$9.9 million higher than the prior period primarily

due to: (i) overall favourable results from Northland's renewable facilities (\$8.2 million) and thermal facilities (\$1.2 million); (ii) higher performance incentive fees earned from Kirkland Lake (\$2.2 million); and (iii) interest earned on Northland's portion of the Gemini subordinated debt (\$1.3 million). Partially offsetting these favourable variances were: (i) lower investment income (\$2.6 million) largely due to the 2014 dividends from Panda-Brandywine; and (ii) \$0.7 million due to the sale of a wind development project in 2014.

Year to date adjusted EBITDA was \$5 million higher than the prior year primarily due to: (i) favourable results from Northland's renewable facilities (\$10.6 million); (ii) the write-off of deferred development costs in 2014 (\$5.2 million); (iii) interest earned on Northland's portion of the Gemini subordinated debt (\$4.9 million); and (iv) a \$1.6 million increase in contributions from Iroquois Falls. These favourable results were partially offset by: (i) lower contributions from Kingston (\$3.6 million) due to non-recurring gas resale margins in 2014, and Thorold (\$4.4 million) due to lower production and the one-time charge associated with an IESO generator cost recovery program; (ii) lower performance incentive fees from Cochrane and Kirkland Lake (\$4.6 million) also mainly due to 2014 gas resale margins; (iii) lower investment income of \$3.4 million (Panda-Brandywine dividends and interest on the MMPLP loan); and (iv) \$0.7 million from the sale of an early-stage wind development project in 2014.

SECTION 6: EQUITY, LIQUIDITY AND CAPITAL RESOURCES

Equity and Convertible Unsecured Subordinated Debenture Information

As at June 30, 2015, Northland had 168,424,707 common shares outstanding (as at December 31, 2014 – 149,409,892), 6,000,000 Series 1 Preferred Shares, 4,800,000 Series 3 Preferred Shares and 1,000,000 Class A Shares.

On January 22, 2015, Northland announced the closing of a \$157.5 million offering of 4.75% convertible unsecured subordinated debentures. In March 2015, Northland closed a \$231 million offering of 14,437,500 common shares. Northland also issued, on a private placement basis, 3,125,000 common shares to a subsidiary of Northland Power Holdings Inc., a company controlled by the Chairman of Northland, James C. Temerty. The aggregate gross proceeds from the offering and placement were \$281 million (\$271.3 million after costs and underwriters' fees). Northland used the net proceeds of the offerings primarily to fund a portion of Northland's equity investment in the Nordsee One project and the Grand Bend wind project in Ontario, to replenish working capital and for general corporate purposes.

During the first six months of 2015, Northland recognized a \$392.5 million increase in total shareholders' equity. The increase in common shares was primarily due to the public offering and private placement in March 2015, the issuance of additional common shares under Northland's LTIP and DRIP programs and deferred rights. As a result of the acquisition of the controlling interests in CEEC, Gemini and Nordsee and the equity funding of McLean's, Grand Bend, Project Gemini and Nordsee by their non-controlling partners, Northland's shareholders' equity includes non-controlling interests, which totals \$396.8 million at June 30, 2015. Readers should refer to Note 9 to the interim condensed consolidated financial statements for the period ending June 30, 2015 for additional details related to Northland's non-controlling interests. Shareholders' equity also includes \$33.3 million in accumulated other comprehensive losses which arises as the CAD/EUR exchange rate fluctuates and Gemini and Nordsee is translated into Canadian dollars.

As of the date of this MD&A, Northland has outstanding 168,676,305 common shares, 6,000,000 Series 1 Preferred Shares, 4,800,000 Series 3 Preferred Shares, 1,000,000 Class A Shares, \$78.8 million of the 2019 Debentures and \$157.5 million of the 2020 Debentures. If the 2019 Debentures and 2020 Debentures were converted in their entirety, an additional 10.9 million shares would result.

Liquidity and Capital Resources

<i>(in thousands of dollars)</i>	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Cash and cash equivalents - opening	242,788	348,981	193,412	138,460
Cash provided by operating activities	88,237	166,064	207,849	217,452
Cash used in investing activities	(561,255)	(679,704)	(1,164,057)	(737,335)
Cash provided by financing activities	531,809	708,893	1,051,204	925,610
Effect of exchange rate differences	(11,216)	(25,502)	1,955	(25,455)
Cash and cash equivalents - closing	290,363	518,732	290,363	518,732

Cash and cash equivalents for the six months ended June 30, 2015 were \$290.4 million, which increased by \$97 million from December 31, 2014, due to \$207.8 million in cash provided by operating activities and \$1.1 billion in cash provided by financing activities, partially offset by \$1.2 billion in cash used in investing activities.

Cash provided by operating activities for the six months ended June 30, 2015 was \$207.8 million, comprising a net income of \$109.7 million, \$72.9 million in non-cash and non-operating items such as depreciation and amortization, unrealized foreign exchange gains, the impairment of contracts and other intangibles and changes in fair value of financial instruments, combined with a \$25.3 million decrease in working capital from December 31, 2014 due to the inclusion of Grand Bend and the timing of payables, receivables, and deposits.

Cash used for investing activities for the six months ended June 30, 2015 consumed \$1.2 billion, primarily due to: (i) \$896.7 million used for the purchase of property, plant and equipment, mostly for the construction of the Gemini, Nordsee One, Grand Bend and Cochrane Solar projects; (ii) a net reserve increase of \$370.7 million primarily associated with the transfer of funds related to construction expenditures (\$291.2 million is associated with construction activities at Project Gemini and Nordsee One); (iii) a \$84.2 million investment in the shares of Nordsee One; (iv) \$73.3 million in deferred development costs, largely relating to Nordsee One; and (v) \$0.7 million of transaction costs related to the partial sale of Cochrane Solar. Partially offsetting these usages were: (i) a \$249.4 million change in working capital related to the timing of construction payables (\$248.8 million is associated with construction payables at Project Gemini and Nordsee); (ii) \$10.8 million in net proceeds primarily related to the sale of the Frampton wind farm project; and (iii) \$1.5 million of interest received.

Cash provided by financing activities for the six months ended June 30, 2015 was \$1.1 billion, comprising: (i) \$788 million of proceeds from Gemini's third-party senior debt and Grand Bend's project financing; (ii) \$421.9 million of net proceeds from the offering of convertible debentures and common shares offering; (iii) \$179.6 million of net proceeds from the refinancing of the Thorold senior bank debt; (iv) \$38.6 million in contributions from the non-controlling interest partners in the Grand Bend and Nordsee One projects; and (v) a \$2.2 million repayment receipt on the loan made to McLean's equity partner. Partially offsetting these proceeds were: (i) a \$179.3 million debt repayment associated with the Thorold refinancing; (ii) \$72.2 million of common, Class A and preferred share dividends; (iii) \$62.5 million in interest payments; (iv) \$32.7 million in scheduled loan repayments (including Kirkland Lake); (v) a \$28.7 million loan made to the equity partner of the Grand Bend project; and (vi) \$3.8 million of dividends to the non-controlling shareholders of McLean's.

Due to a weakening in the Canadian dollar versus the Euro, Northland's June 30, 2015 consolidated cash and cash equivalents was positively impacted by \$2 million as a result of translating euro-denominated cash and cash equivalents held by Project Gemini into Canadian dollars. The "effect of exchange rate differences" on Project Gemini's cash and cash equivalents (and Nordsee's) will fluctuate from quarter to quarter as the Canadian dollar/euro exchange rate fluctuates. However, euro-denominated cash will be utilized by Project Gemini (and Nordsee) for the purchase of euro-denominated property, plant and equipment. Similar to Project Gemini, subsequent to closing the financing for Gemini, Northland entered into additional foreign exchange contracts with several members of its corporate banking syndicate to effectively fix the foreign exchange conversion rate on

substantially all of Northland's projected euro-denominated cash inflows from Nordsee One. The weighted average conversion rate over the term of the foreign exchange contracts is approximately 1.51 Canadian dollars per euro.

During the quarter, cash and cash equivalents increased by \$47.6 million due to cash provided by operations of \$88.2 million and cash provided by financing activities of \$531.8 million, offset by \$561.3 million of cash used in investing activities.

The increase in cash and cash equivalents during the quarter was largely due to: (i) debt proceeds from the Grand Bend, Gemini and the ground-mounted solar entities credit facilities; (ii) overall favourable operating results from Northland's operating facilities; and (iii) a net reserve drawdown of \$1.6 million primarily associated with the release of funds related to construction expenditures. Partially offsetting these inflows were: (i) construction and development related expenditures, mostly associated with Gemini, Grand Bend and Cochrane Solar; (ii) interest payments associated with borrowings; (iii) payment of dividends; (iv) \$74.3 million change in working capital related to the timing of construction payables; and (v) scheduled debt repayments.

Total Assets and Total Liabilities

The following sections describe significant changes in Northland's unaudited interim consolidated balance sheet, and include schedules of property, plant and equipment, deferred development costs, and debt.

Consolidated Balance Sheet

- Restricted cash increased by \$373.7 million primarily due to the funds set aside for construction at Grand Bend and the Gemini and Nordsee One offshore wind farms.
- Trade and other receivables increased by \$28.8 million mainly due to the timing of receipts for electricity sales and investment tax credits related to construction activities.
- Property, plant and equipment increased \$987.4 million from December 31, 2014 primarily due to construction-related activities at Grand Bend, Gemini and Cochrane Solar and reclassification of deferred development costs to property, plant and equipment (Nordsee One and Grand Bend).
- Contracts and other intangible assets decreased by \$105.8 million mainly due to contract amortization, impairments related to the Cochrane facility, the reclassification of deferred development costs to property, plant and equipment and the sale of the Frampton wind farm including its deferred development costs.
- Other assets increased by \$44.2 million primarily due to increased loan receivables from the Grand Bend and Cochrane Solar equity partners.
- Trade and other payables increased by \$181.2 million primarily due to the timing of construction-related payables, including amounts owing at Project Gemini, Nordsee One, Cochrane Solar, and the Grand Bend wind farm.
- Interest-bearing loans and borrowings increased by \$755.5 million mainly due to Gemini's senior debt and Grand Bend's project financing, partially offset by scheduled loan repayments.
- Convertible unsecured subordinated debentures increased by \$151.4 million due to the issuance of the 2020 Debentures.
- Derivative financial liabilities decreased by \$85.7 million primarily due to the non-cash fair value marked-to-market adjustments on foreign exchange contracts and Iroquois Falls' natural gas financial derivative contract and interest rate swaps (\$71.6 million relates to Gemini and Nordsee One's interest rate swaps).

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

<i>(In thousands of dollars)</i>	Cost					Exchange Rate		Cost
	Balance as of Dec. 31, 2014	Purchases	Write-offs	Other ⁽¹⁾	Differences	Transfers	Balance as of Jun. 30, 2015	
Operations:								
Thermal ⁽²⁾	1,614,941	68	-	-	-	-	1,615,009	
Renewable	1,006,118	155	-	98	(275)	-	1,006,096	
	2,621,059	223	-	98	(275)	-	2,621,105	
Construction:								
Renewable	184,842	237,341	-	(168)	-	33,691	455,706	
Gemini	1,572,625	583,767	-	1,108	(6,421)	-	2,151,079	
Nordsee	733	74,330	-	(153)	3,653	129,394	207,957	
	1,758,200	895,438	-	787	(2,768)	163,085	2,814,742	
Managed⁽³⁾	217,587	-	-	(7)	-	-	217,580	
Corporate⁽⁴⁾	11,929	1,088	-	(34)	-	(8,628)	4,355	
Total	4,608,775	896,749	-	844	(3,043)	154,457	5,657,782	
Deferred Development⁽⁵⁾:								
Corporate	14,098	14,219	-	(3,254)	-	(25,063)	-	
Nordsee	92,090	59,033	-	(17,464)	(4,265)	(129,394)	-	
	106,188	73,252	-	(20,718)	(4,265)	(154,457)	-	

(1) Includes the accrual for asset retirement obligations for accounting purposes, tax credits, LTIP shares granted and write-offs of deferred development costs.

(2) Excludes Spy Hill lease receivable accounting treatment.

(3) Kirkland Lake and Cochrane facilities.

(4) Includes certain costs related to projects in construction.

(5) All deferred development costs associated with Grand Bend and Nordsee One were transferred to construction-in-progress in the first quarter of 2015.

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

<i>(In thousands of dollars)</i>	Balance as of		Amort. of costs		Exchange Rate		Balance as of
	Dec. 31, 2014	Financings	Repayments	/Fair Value	Transfers	Differences	Jun. 30, 2015
Operations:							
Thermal ⁽¹⁾	1,129,096	179,589	(196,866)	1,230	-	-	1,113,049
Renewable ⁽²⁾	708,707	905	(12,750)	437	-	-	697,299
	1,837,803	180,494	(209,616)	1,667	-	-	1,810,348
Construction:							
Renewable	130,570	325,645	-	-	-	-	456,215
Gemini ⁽³⁾	823,848	461,418	-	-	-	(1,751)	1,283,515
	954,418	787,063	-	-	-	(1,751)	1,739,730
Managed⁽⁴⁾	2,340	-	(2,340)	-	-	-	-
Corporate⁽⁵⁾	246,048	-	-	-	-	(218)	245,830
Total	3,040,609	967,557	(211,956)	1,667	-	(1,969)	3,795,908

(1) Includes a favourable fair value adjustment to Thorold's debt.

(2) Includes a favourable fair value adjustment to Jardin's debt.

(3) Excludes Northland's subordinated debt, which eliminates on consolidation.

(4) Kirkland Lake and Cochrane facilities.

(5) Excludes convertible unsecured subordinated debentures.

On February 18, 2015, Northland completed an additional amendment to its corporate credit facility. The primary components of the amendment include: (i) the receipt of lender commitments for the \$100 million accordion feature of the revolving credit facility, which increased the revolving facility from \$350 million to \$450 million; (ii) an extension of the revolving facility maturity date to March 2020; and (iii) changes to certain financial ratios and sub-limits in order to provide liquidity and support Northland's ongoing development activities. The maturity date of the

\$250 million term facility remains unchanged at March 2018 and includes a one-year renewal option in favour of Northland.

On March 16, 2015, Northland completed the refinancing of Thorold's credit facility. The facility is non-recourse to Northland and comprises a \$183 million bank term loan and \$16 million letter of credit facility, along with an existing institutional term debt of \$179 million. The bank term loan matures in March 2030, coincident with the maturity of the existing institutional debt. The average all-in interest rate on the new loan is 7.05%.

On March 19, 2015, the Nordsee One project completed €903 million of non-recourse project financing with a syndicate of international financial institutions including a €63 million facility of contingent debt. The project loans include a three-year construction period and an approximately 10-year amortization period. The majority of the interest rate exposure for the project has been hedged over the full loan amortization period with an effective interest rate of approximately 3.29%.

On March 31, 2015, Northland completed \$326 million of non-recourse project financing and a \$16 million letter of credit facility for the Grand Bend wind farm. Once commercial operations is achieved, the project loan will require payments of interest only for a 42-month period, followed by scheduled payments of principal and interest to maturity over a 19-year amortization period. The all-in interest rate is 4.24%. At the time of financing, Northland also provided a loan to its First Nations partner for \$28.7 million for their equity contribution.

Debt Covenants

Northland generally conducts its business indirectly through separate subsidiary legal entities and is dependent on receipt of cash from those entities to defray its corporate expenses and to pay cash dividends to common, Class A and preferred shareholders. Certain of those entities have outstanding debt arising from incurring non-recourse project finance debt sourced at the subsidiary entity to fund a significant portion of construction costs. Under the credit agreements or trust indentures for such debt, distributions of cash to Northland are typically prohibited if the loan is in default (notably for non-payment of principal or interest or if certain debt service coverage ratios are not met). Northland and its subsidiaries were in compliance with all debt covenants for the period ended June 30, 2015. Readers should refer to Northland's 2014 AIF, dated February 18, 2015, for additional details concerning its debt covenants.

Letters of Credit

Northland's corporate credit facility, among other uses, secures letters of credit issued on behalf of Northland and subsidiaries to counterparties to secure certain obligations under PPAs, credit agreements, development related agreements, or other operating related agreements. As of June 30, 2015, Northland and its subsidiaries had \$359.2 million of letters of credit outstanding, of which \$335.8 million were issued as security under Northland's corporate credit facility for certain projects in operation, advanced development and construction, including a €32.5 million Nordsee contingent equity letter of credit, and \$23.4 million was issued under specific subsidiaries' non-recourse credit facilities.

Free Cash Flow and Dividends to Shareholders

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

Free cash flow represents the cash generated from the business that Northland's management believes is representative of the amount that is available to be paid as dividends to common shareholders while preserving the long-term value of the business. Free cash flow is calculated as cash provided by operating activities, adjusted for:

- Short-term changes in operating working capital that are expected to be largely reversed in succeeding periods (or represent reversals from previous periods);
- Capital expenditures related to the maintenance requirements of the existing business;

- Interest paid on outstanding debt, as it is excluded from cash provided by operating activities under IFRS;
- Scheduled repayments of principal on debt (because these payments must be made before funds are available for dividends to the shareholders of Northland);
- Funds set aside for quarterly scheduled principal repayments (or reversals from previous periods), as these amounts would have been included in scheduled repayments of principal on debt if not for the timing of holidays and weekends;
- Funds identified as being set aside or reserved (or utilized) for future maintenance;
- The write-off of deferred development costs (because these costs are not included in the free cash flow calculation when incurred);
- Consolidation of non-controlling interests (see below for additional details);
- Timing of distributions received from equity accounted investments;
- Net proceeds on the sale of development assets; and
- Preferred share dividends.

	<i>Three Months ended June 30</i>		<i>Six Months ended June 30</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
Cash provided by operating activities	88,237	166,064	207,849	217,452
Northland adjustments:				
Net change in non-cash working capital balances related to operations	3,405	(79,755)	(25,273)	(27,369)
Capital expenditures, net-non-expansary	(287)	(457)	(447)	(601)
Interest paid, net	(42,358)	(33,800)	(61,017)	(53,090)
Scheduled principal repayments on term loans	(21,541)	(16,682)	(30,302)	(26,421)
Funds (set aside) for quarterly scheduled principal repayments	6,447	3,423	-	-
Restricted cash funding for major maintenance	(1,220)	(888)	(2,838)	(1,916)
Write-off of deferred development costs	-	-	-	(5,181)
Consolidation of non-controlling interests	5,474	(1,431)	(3,686)	(5,687)
Equity accounting	(300)	212	(244)	(280)
Proceeds from sale of the wood chipping facility	-	750	-	750
Net proceeds from the sale of development assets ⁽¹⁾	-	-	7,529	-
Corporate credit facility renewal costs	-	(2,598)	-	(2,598)
Grand Bend investment income on First Nations loan	878	-	878	-
Transaction costs - Cochrane Solar	(682)	-	(682)	-
Preferred share dividends	(3,469)	(3,469)	(6,938)	(6,938)
Free cash flow⁽²⁾	34,584	31,369	84,829	88,121
Cash Dividends paid to common and Class A shareholders	35,141	29,281	65,253	56,898
Free cash flow payout ratio - net dividends ^{(2)/(3)}	102%	93%	77%	65%
Total Dividends⁽⁴⁾ paid to common and Class A shareholders	45,620	39,676	86,310	75,634
Free cash flow payout ratio - total dividends ^{(2)/(3)}	132%	126%	102%	86%
Free cash flow payout ratio - total dividends since initial public offering ^{(2)/(3)}			103%	103%
Average number of shares - basic (thousands of share)⁽⁵⁾	169,416	147,466	163,193	142,717
Average number of shares - fully diluted (thousands of shares)⁽⁶⁾	184,847	152,246	179,351	147,681
Per share (\$/share)				
Free cash flow - basic ⁽²⁾	0.20	0.21	0.52	0.62
Free cash flow - fully diluted ⁽²⁾	0.19	0.21	0.47	0.61

(1) Amount is net of deferred development costs.

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

Free cash flow of \$34.6 million for the second quarter of 2015 was \$3.2 million higher than the corresponding period in 2014 primarily due to higher contributions from Northland's operating facilities, as previously discussed. Significant factors increasing and decreasing free cash flow for the comparative quarter are described below.

Factors increasing free cash flow in the second quarter of 2015 compared to the second quarter of 2014 primarily relate to:

- \$9.4 million higher adjusted EBITDA from Northland's operating facilities, as previously discussed;
- \$2.6 million of fees related to the 2014 renewal and expansion of Northland's corporate credit facility; and
- \$2.2 million increase in management fees from Kirkland Lake and Cochrane largely due to the settlement of Kirkland Lake's long-term debt, as previously discussed.

Factors decreasing free cash flow in the second quarter of 2015 compared to the second quarter of 2014 mainly relate to:

- \$4.1 million net interest expense increase primarily due to the inclusion of McLean's and Ground-mounted Solar Phase II debt, interest on the 2020 Debentures and Northland's corporate term facility;
- \$2.6 million decrease in investment income largely due to higher dividends received in 2014 from Northland's Panda-Brandywine investment;
- \$1.8 million increase in scheduled debt repayments and funds set aside for debt repayments as a result of including Ground-mounted Solar Phase II projects and higher scheduled repayments on Thorold's credit facility;
- \$1.4 million of net proceeds received in 2014 related to the sale of Northland's wood chipping facility and early-stage development assets;
- \$0.3 million increase in funds set aside for future maintenance; and
- \$0.9 million decrease in other miscellaneous items.

For the three months ended June 30, 2015, common share and Class A Share dividends declared for the quarter totalled \$0.27 per share. The increase in quarterly free cash flow from 2014, described above, and combined with increased share count as a result of capital raises during the first quarter of 2015 were primary reasons for an increased quarterly cash payout ratio of 102% or 132% if all dividends were paid out in cash (i.e. excluding the effect of dividends re-invested through Northland's DRIP).

Free cash flow during the second quarter was \$15.7 million lower than the first quarter primarily due to: (i) lower adjusted EBITDA from the majority of Northland's operating facilities for the reasons previously explained and for expected seasonal variations in performance, except the ground-mounted solar sites; (ii) the first quarter included \$7.5 million of net proceeds from the sale of the Frampton wind farm and land leases and options associated with early-stage development projects; and (iii) \$2.5 million in higher interest costs.

Free cash flow for the six months ended June 30, 2015 was \$3.3 million lower than the same period in 2014. Unfavourable changes from the same period for 2014 included: (i) a \$7.3 million net interest expense increase, related to the inclusion of McLean's and Ground-mounted Solar Phase II debt and interest on the 2020 convertible

unsecured subordinated debentures and Northland's corporate term facility; (ii) a \$3.9 million increase in scheduled debt repayments as a result of including Ground-mounted Solar Phase II projects and higher scheduled repayments on Thorold's credit facility; (iii) the \$5 million increase in adjusted EBITDA reduced by \$5.3 million of investment income from Gemini which will be included in free cash flow as received; (iv) a \$0.9 million increase of funds set aside for future major maintenance; and (v) \$0.3 million of other miscellaneous items including expensed LTIPs. Partially offsetting these unfavourable variances were: (i) \$6.8 million net proceeds from the sale of the Frampton wind farm and land leases and options associated with early-stage development projects; and (ii) \$2.6 million of fees related to the renewal and expansion of Northland's corporate credit facility in 2014.

SECTION 7: CONSTRUCTION ACTIVITIES

Gemini 600 MW Offshore Wind Project – Netherlands

In May 2014, Northland acquired a 60% interest in Project Gemini, located 85 kilometres off the coast of the Netherlands in the North Sea. Gemini is owned by a consortium consisting of affiliates of Northland Power (60%), Siemens (20%), Van Oord (10%) and N.V. HVC (10%). The project was awarded 15-year electricity off-take agreements by the Government of the Netherlands. Under a two-contract project structure, Siemens will supply and erect the turbines and Van Oord will construct the balance of the wind farm.

Fabrication of steel structures – monopiles, transition pieces, offshore high voltage substations (**OHVS**) and OHVS jackets – is complete. On July 8, 2015, Northland announced that the first steel foundation, or monopile, for the 600 MW Gemini offshore wind project located in the North Sea, was successfully installed on July 1, 2015, as allowed under environmental permits. Installation activity continues to progress with 54 monopiles installed as of this date, and associated transition pieces being installed on 52 of the monopiles. The two jacket foundations for the offshore high voltage platforms have been completed and have been placed in-water and secured to the seabed. The two high voltage offshore platforms are substantially complete, are on a barge, and are waiting to be taken to sea to be installed on top of the jacket foundations. In addition, 100% of the 209 kms of the underwater electrical cable connecting the wind farm to the Dutch grid has been manufactured and approximately 92% has been laid on or in the seabed. All risks related to unexploded World War II ordnance on the seabed have been cleared. Production, testing and installation of the export, infield and land cables is proceeding on schedule. Commissioning of the land high voltage substation is set to begin in the second half of 2015 with an expected interconnection date in late 2015.

Project Gemini's total capital cost is approximately €2.8 billion (CAD\$3.9 billion as at June 30, 2015). Full commercial operations are expected in 2017. As at June 30, 2015, Gemini had incurred \$2.2 billion of construction costs. The project is on time and within budget as of the date hereof.

Nordsee One 332 MW Offshore Wind Farm – Germany

In September 2014, Northland acquired an 85% equity stake from RWE Innogy GmbH (**RWE**) in Project Nordsee One, a 332 MW, €1.2 billion offshore wind development located in the North Sea, 40 kilometres north of Juist Island in German territorial waters. RWE, a global leader in renewable energy with an interest in more than 8,000 MW of offshore wind assets under construction, in operation, and in development, will retain a 15% equity interest in the wind farms. Nordsee One is situated in a highly attractive location with a robust wind resource and is entitled to a feed-in tariff (**FIT**) subsidy for approximately ten years under the German Renewable Energy Act, which is added to the market power price effectively generating a fixed unit price for energy sold.

On March 19, 2015, Northland and RWE announced that the Nordsee One project had reached financial close, with all of the equity contributed to the project and all debt required for the project being fully committed by the project lenders. Approximately 70% of the project's required costs will be provided from an €840 million non-recourse secured construction and term loan and related loan facilities from ten international commercial lenders.

Subsequent to financial close, all major supply and construction contracts were made effective and all contractors

have since commenced their respective contract works. Senvion SE, a German-based company and one of the largest turbine suppliers to the offshore wind industry, will supply, install, and maintain the 54 wind turbine generators for the project, each with a 6.15 MW capacity. The balance of plant will be engineered and constructed by four experienced offshore wind contractors. Construction of the Nordsee One offshore wind project advanced as expected during the quarter and remains on plan. Early-stage construction activities include the production of major plant components, such as the offshore substation platform, monopiles, transition pieces, and infield cables.

Nordsee's total capital cost is approximately €1.2 billion (CAD\$1.7 billion as at June 30, 2015). Full commercial operations are expected in 2017. As at June 30, 2015, Nordsee had incurred \$208 million of construction and development costs. The project is on time and within budget as of the date hereof.

Readers should refer to Note 4 of the interim condensed consolidated financial statements for more details on the acquisition of Nordsee.

Grand Bend 100 MW Wind Project – Ontario

Northland and an entity created by the Aamjiwnaang First Nation and Bkejwanong Territory (Walpole Island First Nation) are jointly developing the 100 MW (50 MW net to Northland) Grand Bend wind farm project under a 50/50 partnership. The project has a 20-year PPA with the OPA under the FIT Program.

On March 31, 2015, Northland and the Aamjiwnaang First Nation and Bkejwanong Territory (Walpole Island First Nation) completed project financing for the Grand Bend wind farm, with all of the equity contributed to the project and all debt required for the project fully committed by the project lenders.

Major procurement and construction contracts were executed in advance of financial close in order to support the project construction schedule. Engineering is well underway and procurement of major electrical equipment is substantially completed and construction has been initiated. Tree trimming along the transmission and collector systems has been completed. Staking of buildable area is ongoing and close to completion. Access road entrance construction is near completion, half of turbine access roads have been constructed, switching station foundations and steel structures for dead end and disconnect switches have been completed to accommodate physical connection to the transmission grid. Protection and communication fiber was installed by the local telecommunication providers. Substation grading, excavation and pouring has commenced, including trenching and conduit installation work.

Capital cost of the project is estimated to be approximately \$384 million. As at June 30, 2015, Grand Bend has incurred \$157 million of development and construction costs. The project is on time and within budget as of the date thereof.

Ground-mounted Solar Projects

Two of the remaining four 10 MW Cochrane Solar projects commenced operations after the quarter and, have applied to the IESO for approval of commercial operations, with the last two ground-mounted solar projects expected to be completed by the third quarter of 2015. As described in *SECTION 3: Facility Results*, in 2010, Northland secured 20-year PPAs for the Ground-mounted Solar Projects – 13 individual 10 MW ground-mounted solar projects qualifying under the Green Energy Act, 2009. The 130 MW Ground-mounted Solar Projects were built or are being built in phases and have all been financed. As of the date of this report, 11 projects totalling 110 MW are operating, and two projects totalling 20 MW remain under construction and are expected to be completed in the third quarter of 2015. All operating Ground-mounted Solar Projects are all performing according to Northland's expectations.

Construction of the remaining two facilities has progressed significantly and are on schedule. Foundation installation is complete at all of the sites. The interconnection facility associated with one of the two sites was completed and energized at the end of the second quarter.

SECTION 8: OUTLOOK

During the first nine months of 2015 and through the date of this report, Northland continued to expand its earlier-stage development pipeline, pursuing opportunities that meet the Company's investment criteria in targeted markets including North America, Europe, Latin America, and Mexico. Northland has identified a number of opportunities in these jurisdictions, in addition to several projects already under development. Northland's sustained focus is on purposefully advancing those development opportunities that align with the Company's business strategy while prudently managing the cost exposure of earlier-stage projects.

Management continues to expect adjusted EBITDA in 2015 to be approximately \$380 to \$400 million, guiding towards the lower end of the range in the event that the OEFC does not provide for recalculated payments in 2015 pursuant to the power producers' successful court decision against the OEFC in March 2015. The OEFC has appealed the decision and asked that the power producers relieve it of the requirement to adjust payments for the period of time since the court's decision pending the results of the appeal. The power producers have declined and await the OEFC's response.

Northland's 2015 dividend payments, on a total dividend basis, are expected to exceed free cash flow due largely to the level of spending on growth initiatives and payments of dividends and interest on capital raised for construction projects. The corresponding cash flows will not be received until the projects for which the capital is raised are completed. For 2015, management continues to expect the cash dividends to be 75–85% of free cash flow, including the impact of reinvested dividends through the DRIP, and 100–115% of free cash flow excluding the impact of reinvested dividends through the DRIP (compared with 70% and 95%, respectively, in 2014). Anticipated free cash flow for 2015 includes proceeds from the sale of the Frampton wind project and proceeds from the sale of 37.5% of four ground-mounted solar projects which is expected to be received in the third quarter of 2015 upon our partners meeting certain financing conditions. Due to the significant capital costs for Northland's investment in Nordsee and Grand Bend, additional corporate capital was raised in 2015 to fund the projects, and as a result the payout ratio is expected to exceed 100% until Gemini and Nordsee are completed in 2017. Northland has sufficient liquidity to bridge the payout of the current dividend in excess of free cash flow during this period. Management expects the payout ratio during construction of Gemini and Nordsee to be significantly lower than during the growth period experienced by Northland from 2009 to 2014.

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

SECTION 9: HISTORICAL CONSOLIDATED QUARTERLY RESULTS

<i>\$ millions, except</i>	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<i>Per share information</i>	2015	2015	2014	2014	2014	2014	2013	2013
Total sales	167.3	201.6	188.2	172.5	170.0	229.4	174.3	152.4
Operating income	59.5	74.3	60.1	54.3	50.4	84.0	60.9	51.2
Net income (loss)	140.3	(30.6)	(70.5)	(43.8)	(91.8)	28.6	22.0	41.3
Adjusted EBITDA ⁽¹⁾	91.4	97.1	93.2	86.8	81.4	102.1	82.9	75.7
Cash provided by operating activities	88.2	119.6	74.6	74.5	166.1	51.4	78.5	76.0
Free cash flow ⁽¹⁾	34.6	50.2	41.2	35.6	31.4	56.8	38.0	39.7
<i>Per share statistics</i>								
Net income (loss) - basic	0.53	(0.12)	(0.34)	(0.11)	(0.44)	0.08	0.08	0.27
Net income (loss) - diluted	0.50	(0.12)	(0.34)	(0.11)	(0.44)	0.08	0.08	0.26
Free cash flow ⁽¹⁾	0.20	0.33	0.28	0.24	0.21	0.41	0.28	0.32
Total dividends declared	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27

(1) Non-IFRS measures.

Northland's consolidated financial results are affected by seasonal factors that result in quarterly variations. At the Iroquois Falls and managed facilities (Kirkland Lake and Cochrane), OEFC has contracted for more electricity and pays a higher price in winter than in summer. The financial results from Northland's wind farms follow a similar seasonal pattern because it tends to be windier in winter months compared to summer months. Northland's solar projects follow a seasonal pattern that is the opposite of Northland's wind farms because the solar projects are expected to generate higher output and revenue during the summer months. Consolidated seasonality is also mitigated at the Kingston, Thorold, Spy Hill and North Battleford facilities because the contract provisions of these projects provide for generally consistent earnings throughout the year.

Northland's quarterly net income (loss) also varies due to any non-cash impairments/recoveries and foreign exchange adjustments required to translate U.S. dollar- and euro-denominated balances to the appropriate quarter-end Canadian-dollar equivalent and due to fair value movements of financial derivative contracts.

SECTION 10: RISKS AND UNCERTAINTIES

For information concerning Northland's risks, uncertainties, financial instruments and contractual commitments please refer to Northland's 2014 Annual Report and its AIF dated February 23, 2015 which are filed electronically at www.sedar.com under Northland's profile.

Except as described in more detail below, management believes that there have been no material changes in the business environment or risks faced by Northland during the quarter that have not been disclosed in the AIF or the 2014 Annual Report.

Northland's overall risk management approach seeks to mitigate the financial risks to which it is exposed in order to maintain stable and sustainable levels of cash available to pay dividends to shareholders. Northland does not seek to mitigate fair value risk. Northland classifies financial risks into the categories of market risk, counterparty risk and liquidity risk. Readers should refer to Note 4 to the 2014 annual consolidated financial statements for additional information on Northland's risk management.

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

SECTION 11: MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

A rigorous and comprehensive financial governance framework is in place at Northland and its subsidiaries. Northland's 2014 Annual Report contains a statement signed by Northland's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) outlining management's responsibility for financial information contained in the report. Northland filed certifications, signed by the CEO and CFO, with the Canadian Securities Administrators in February 2015 in association with the filing of the 2014 Annual Report and other annual disclosure documents. In those filings, Northland's CEO and CFO certified, as required in Canada by National Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings), the appropriateness of the financial disclosures in Northland's annual filings and the effectiveness of Northland's disclosure controls and procedures. The CEO and CFO have certified to securities regulators the appropriateness of the financial disclosures in Northland's interim filings for the period ended June 30, 2015, and that they are responsible for the design of disclosure controls and procedures and internal controls over financial reporting. The interim filings include this MD&A and the accompanying unaudited interim condensed consolidated financial statements.

There have been no changes in internal controls over financial reporting during the quarter ended June 30, 2015 that have materially affected or are reasonably likely to materially affect Northland's internal controls over financial reporting.

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

SECTION 12: FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements that are provided for the purpose of presenting information about management's current expectations and plans. Readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects," "anticipates," "plans," "believes," "estimates," "intends," "targets," "projects," "forecasts" or negative versions thereof and other similar expressions or future or conditional verbs such as "may," "will," "should," "would" and "could." These statements may include, without limitation, statements regarding future adjusted EBITDA, free cash flows, dividend payments and dividend payout ratios; the construction, completion, attainment of commercial operations, cost and output of development projects; plans for raising capital; and the future operations, business, financial condition, financial results, priorities, ongoing objectives, strategies and outlook of Northland and its subsidiaries. These statements are based upon certain material factors or assumptions that were applied in developing the forward-looking statements, including the design specifications of development projects, the provisions of contracts to which Northland or a subsidiary is a party, management's current plans and its perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. Although these forward-looking statements are based upon management's current reasonable expectations and assumptions, they are subject to numerous risks and uncertainties. Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, natural events, construction risks, counterparty risks, operational risks, risks relating to co-ownership, the variability of revenues from generating facilities powered by intermittent renewable resources, power market risks and possible inflation risks and the other factors described in this MD&A and Northland's 2014 Annual Report and the 2014 Annual Information Form dated February 23, 2015, both of which can be found at www.sedar.com under Northland's profile and on Northland's website at www.northlandpower.ca. Northland's actual results could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur. The forward-looking statements contained in this MD&A are based on assumptions that were considered reasonable on August 13, 2015. Other than as specifically required by law, Northland undertakes no obligation to update any forward-looking statements to reflect events or circumstances after such date or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Interim Consolidated Balance Sheets (Unaudited)

As at, in thousands of Canadian dollars

Assets	June 30, 2015	December 31, 2014
Current		
Cash and cash equivalents	290,363	193,412
Restricted cash	418,919	45,245
Trade and other receivables	113,176	84,371
Other current assets	21,456	30,483
Total current assets	843,914	353,511
Finance lease receivable	157,022	158,485
Property, plant and equipment [Note 3]	4,776,015	3,788,571
Contracts and other intangible assets [Notes 3 and Note 13]	242,338	348,161
Deferred tax asset	94,223	88,980
Other assets [Note 9]	52,909	8,686
Goodwill	219,238	219,238
Total assets	6,385,659	4,965,632
Liabilities and equity		
Current		
Trade and other payables	410,747	229,523
Interest-bearing loans and borrowings	71,592	240,597
Dividends payable	16,189	14,478
Total current liabilities	498,528	484,598
Interest-bearing loans and borrowings [Note 7.3]	3,478,486	2,553,964
Corporate term loan facility [Note 7.2]	245,830	246,048
Convertible debentures [Note 7.1]	226,659	75,307
Provisions and other liabilities	34,427	33,309
Derivative financial instruments [Note 6]	249,246	334,908
Deferred tax liability	157,773	135,278
Total liabilities	4,890,949	3,863,412
Equity		
Preferred shares	261,279	261,279
Common and convertible shares [Note 8.2]	2,215,944	1,919,521
Long-term incentive plan reserve [Note 8.2]	2,896	2,137
Contributed surplus	858	1,328
Accumulated other comprehensive (loss)	(33,270)	(33,741)
Deficit	(1,349,792)	(1,319,713)
Equity attributable to shareholders'	1,097,915	830,811
Non-controlling interests [Note 9]	396,795	271,409
Total equity	1,494,710	1,102,220
Total liabilities and equity	6,385,659	4,965,632

See accompanying notes.

Interim Consolidated Statements of Income (Loss) (Unaudited)

In thousands of Canadian dollars except per Share and Share information

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Sales				
Electricity	165,429	164,528	361,433	366,439
Steam and natural gas	1,636	5,288	6,820	32,657
Other	224	129	632	273
Total sales	167,289	169,945	368,885	399,369
Cost of sales	53,055	66,244	124,494	162,230
Gross profit	114,234	103,701	244,391	237,139
Expenses				
Plant operating costs	18,582	20,074	36,840	36,744
Management and administration costs – operations	6,071	4,304	12,553	8,607
Management and administration costs – development	3,484	5,690	7,142	10,350
Depreciation of property, plant and equipment	30,914	30,219	61,912	58,410
	59,051	60,287	118,447	114,111
Investment income	954	3,562	1,128	4,524
Finance lease income	3,366	3,421	6,747	6,854
Operating income	59,503	50,397	133,819	134,406
Finance costs [Note 10]	35,145	31,312	68,033	60,335
Amortization of contracts and other intangible assets	4,656	5,053	9,312	10,106
Impairment of contracts and other intangible assets [Note 13]	12,581	–	12,581	5,181
Writedown of Panda-Brandywine equity investments	–	3,100	–	3,100
Foreign exchange (gain) loss	1,333	1,309	(263)	(479)
Finance income	(379)	(1,006)	(1,455)	(1,499)
Fair value (gain) loss on derivative contracts	(168,858)	130,371	(83,007)	138,842
Other	7,273	(1,371)	(276)	(1,343)
Income (loss) before income taxes	167,752	(118,371)	128,894	(79,837)
Provision for (recovery of) income taxes				
Current	1,510	1,739	5,445	4,546
Deferred	25,961	(28,265)	13,784	(21,114)
	27,471	(26,526)	19,229	(16,568)
Net income (loss) for the period	140,281	(91,845)	109,665	(63,269)
Net income (loss) attributable to:				
Non-controlling interest [Note 9]	47,182	(30,391)	31,185	(16,857)
Common shareholders	93,099	(61,454)	78,480	(46,412)
	140,281	(91,845)	109,665	(63,269)
Weighted average number of Shares outstanding – basic (000s) [Note 11]	169,416	147,466	163,193	142,717
Weighted average number of Shares outstanding – diluted (000s) [Note 11]	184,847	147,466	179,351	142,717
Net income (loss) per share – basic	\$0.53	(\$0.44)	\$0.44	(\$0.37)
Net income (loss) per share – diluted	\$0.50	(\$0.44)	\$0.42	(\$0.37)

See accompanying notes.

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

In thousands of Canadian dollars

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net income (loss) for the period	140,281	(91,845)	109,665	(63,269)
Items that may be re-classified into net income (loss):				
Exchange differences on translation of foreign operations	20,574	(29,107)	1,439	(29,392)
Deferred taxes	627	–	(464)	–
Other comprehensive income (loss)	21,201	(29,107)	975	(29,392)
Total comprehensive income (loss)	161,482	(120,952)	110,640	(92,661)
Total comprehensive income (loss) attributable to:				
Non-controlling interest [Note 9]	55,378	(30,391)	31,689	(16,857)
Common shareholders	106,104	(90,561)	78,951	(75,804)
	161,482	(120,952)	110,640	(92,661)

See accompanying notes.

Interim Consolidated Statements of Changes in Equity (Unaudited)

Six Months Ended June 30, 2015

In thousands of Canadian dollars	Common and convertible shares	Preferred shares	Long-term incentive plan reserve	Deficit	Contributed surplus	Foreign currency translation reserve	Equity attributable to shareholders'	Non-controlling interests	Total equity
December 31, 2014	1,919,521	261,279	2,137	(1,319,713)	1,328	(33,741)	830,811	271,409	1,102,220
Net income for the period	–	–	–	78,480	–	–	78,480	31,185	109,665
Public offering and private placement	271,304	–	–	–	–	–	271,304	–	271,304
Deferred income taxes	2,424	–	–	240	–	(464)	2,200	–	2,200
Change in translation of net investment in foreign operation	–	–	–	–	–	935	935	504	1,439
LTIP shares and deferred rights	1,638	–	759	–	(470)	–	1,927	–	1,927
Non-controlling interest contributions	–	–	–	(13,158)	–	–	(13,158)	97,453	84,295
Dividends to non-controlling interest	–	–	–	–	–	–	–	(3,756)	(3,756)
Common and Class A share dividends	21,057	–	–	(88,021)	–	–	(66,964)	–	(66,964)
Preferred share dividends	–	–	–	(6,938)	–	–	(6,938)	–	(6,938)
Other	–	–	–	(682)	–	–	(682)	–	(682)
June 30, 2015	2,215,944	261,279	2,896	(1,349,792)	858	(33,270)	1,097,915	396,795	1,494,710

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

Six Months Ended June 30, 2014

In thousands of Canadian dollars	Common and convertible shares	Preferred shares	Long-term incentive plan reserve	Deficit	Contributed Surplus	Foreign currency translation reserve	Equity attributable to shareholders'	Non-controlling interests	Total equity
December 31, 2013	1,652,095	261,737	7,319	(1,041,872)	–	204	879,483	73,255	952,738
Net (loss) for the period	–	–	–	(46,412)	–	–	(46,412)	(16,857)	(63,269)
Conversion of debentures	2,457	–	–	–	–	–	2,457	–	2,457
Public offering and private placement	200,421	–	–	–	–	–	200,421	–	200,421
Deferred income taxes	1,633	–	–	–	–	–	1,633	–	1,633
Change in translation of net investment in foreign operation	–	–	–	–	–	(29,392)	(29,392)	–	(29,392)
Gemini acquisition and equity contribution	–	–	–	–	–	–	–	284,315	284,315
LTIP shares and deferred rights	7,212	–	(4,206)	–	643	–	3,649	–	3,649
Dividends to non-controlling interest	–	–	–	–	–	–	–	(2,974)	(2,974)
Common and Class A share dividends	18,735	–	–	(76,969)	–	–	(58,234)	–	(58,234)
Preferred share dividends	–	–	–	(6,938)	–	–	(6,938)	–	(6,938)
June 30, 2014	1,882,553	261,737	3,113	(1,172,191)	643	(29,188)	946,667	337,739	1,284,406

See accompanying notes.

Interim Consolidated Statements of Cash Flows (Unaudited)

In thousands of Canadian dollars except per Share amounts

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Operating activities				
Net income (loss) for the period	140,281	(91,845)	109,665	(63,269)
Items not involving cash or operations:				
Depreciation of property, plant and equipment	30,914	30,219	61,912	58,410
Amortization of contracts and other intangibles	4,656	5,053	9,312	10,106
Impairment of contracts and other intangibles	12,581	–	12,581	5,181
Finance costs, net	43,258	35,275	64,024	55,819
Writedown of Panda-Brandywine investment	–	3,100	–	3,100
Fair value (gain) loss on derivative contracts [Note 6]	(168,858)	130,371	(83,007)	138,842
Finance lease	681	626	1,347	1,239
Unrealized foreign exchange loss (gain)	1,422	1,217	(174)	(571)
Other	746	558	(6,868)	2,340
Deferred income tax (recovery) expense	25,961	(28,265)	13,784	(21,114)
	91,642	86,309	182,576	190,083
Net change in non-cash working capital balances related to operations	(3,405)	79,755	25,273	27,369
Cash provided by operating activities	88,237	166,064	207,849	217,452
Investing activities				
Purchase of property, plant and equipment	(636,917)	(686,286)	(896,749)	(723,862)
Cash reserves utilization	1,622	23,101	(370,739)	23,489
Increase in intangible assets	–	(3,627)	(73,252)	(26,598)
Interest received	379	1,006	1,455	1,499
Nordsee acquisition [Note 4.2]	–	–	(84,231)	–
Gemini acquisition, net	–	(30,811)	–	(30,811)
Net change in working capital related to investing activities	74,343	16,163	249,359	18,198
Net proceeds from the sale of development assets [Note 5.2]	–	–	10,782	–
Other	(682)	750	(682)	750
Cash used in investing activities	(561,255)	(679,704)	(1,164,057)	(737,335)
Financing activities				
Proceeds from borrowings, net [Note 7.3]	636,728	284,300	787,968	290,900
Net proceeds from bank refinancing	–	–	179,589	–
Corporate term facility proceeds, net	–	247,402	–	247,402
Repayment of borrowings	(23,076)	(17,504)	(211,956)	(28,787)
Interest paid	(42,737)	(34,806)	(62,472)	(54,589)
Non-controlling interest equity contribution [Note 9]	–	263,770	38,625	263,770
Dividends to non-controlling interests [Note 9]	(1,749)	(1,519)	(3,756)	(4,979)
Loan to First Nations partner [Note 7.3 and Note 9]	–	–	(28,733)	–
Net proceeds convertible debenture offerings [Note 7.1]	–	–	150,643	–
Net proceeds common offerings and private placement [Note 8.2]	–	–	271,304	275,729
Preferred share dividends [Note 8.1]	(3,469)	(3,469)	(6,938)	(6,938)
Common and Class A share dividends	(35,141)	(29,281)	(65,253)	(56,898)
Other	1,253	–	2,183	–
Cash provided by financing activities	531,809	708,893	1,051,204	925,610
Effect of exchange rate differences on cash and cash equivalents	(11,216)	(25,502)	1,955	(25,455)
Net change in cash and cash equivalents during the period	47,575	169,751	96,951	380,272
Cash and cash equivalents, beginning of period	242,788	348,981	193,412	138,460
Cash and cash equivalents, end of period	290,363	518,732	290,363	518,732
Per Share				
Dividends declared to shareholders	\$0.27	\$0.27	\$0.54	\$0.54

See accompanying notes.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

1. Description of Business

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

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

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

Entity Name	Country of Incorporation	% ownership June 30, 2015	% ownership June 30, 2014
Iroquois Falls Power Corp. (“ Iroquois Falls ”)	Canada	100	100
Kingston CoGen Limited Partnership (“ Kingston ”)	Canada	100	100
Thorold CoGen L.P. (“ Thorold ”)	Canada	100	100
Spy Hill Power L.P. (“ Spy Hill ”)	Canada	100	100
North Battleford Power L.P. (“ Battleford ”)	Canada	100	100
Saint-Ulric Saint-Léandre Wind L.P. (“ Jardin ”)	Canada	100	100
Mont-Louis Wind L.P. (“ Mont Louis ”)	Canada	100	100
McLean’s Mountain Wind L.P. (“ McLean’s ”)	Canada	50	50
Ground-mounted Solar Partnerships (“ Ground-mounted Solar ”)	Canada	100/62.5 ⁽¹⁾	100
Canadian Environmental Energy Corporation (“ CEEC ”)	Canada	68	68
Grand Bend Wind L.P. (“ Grand Bend ”)	Canada	50 ⁽²⁾	100
Buitengaats C.V. and ZeeEnergie C.V. (“ Gemini ”)	Netherlands	60 ⁽³⁾	60
DK Windpark Kavelstorf GmbH & Co. KG and DK Burgerwindpark Eckolstädt GmbH & Co. KG (“the German wind farms”)	Germany	100	100
Nordsee One GmbH (“ Nordsee One ”)	Germany	85 ⁽⁴⁾	N/A

(1) In June 2015, Northland completed the sale of 37.5% equity interest in Northland’s four Phase III solar projects located in northern Ontario to Taykwa Tagamou Nation and Wahgoshig First Nation (“**Cochrane Solar**”); see Note 5.1. Northland retains full ownership of the nine original projects.

(2) Northland issued 50% interest of Grand Bend Wind Limited Partnership to Giiwedini Noodin FN Energy Corporation (“**Giiwedini FN**”); see Note 9.

(3) In May 2014, Northland acquired a controlling ownership interest in Gemini; see Note 4.1.

(4) In September 2014, Northland acquired a controlling ownership interest in Nordsee One; see Note 4.2.

Northland’s financial results also include results from the rooftop solar partnership in which Northland has a 75% interest, and management fees from Chapais Énergie, Société en Commandite (“**Chapais**”), in which Northland

has an indirect equity interest.

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation

These Interim Financial Statements of Northland and its subsidiaries were prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, utilizing the accounting policies Northland outlined in its December 31, 2014 consolidated financial statements. The accounting policies are in line with International Financial Reporting Standards (**IFRS**) guidelines. The Interim Financial Statements do not include all of the information and disclosures required in the annual audited consolidated financial statements and should be read in conjunction with Northland’s 2014 annual audited consolidated financial statements.

These Interim Financial Statements are presented in Canadian dollars and all values are rounded to the nearest thousand except where otherwise indicated.

2.2 Future Accounting Policies

As at June 30, 2015, there have been no additional accounting pronouncements by the International Accounting Standards Board (**IASB**) beyond what is described in Northland’s 2014 annual report that would impact Northland’s Interim Financial Statements except that IFRS 15, *Revenue from Contracts from Customers* is mandatorily applicable for years beginning on or after January 1, 2017; however the IASB has voted to delay this mandatory application date by one year. At this time, the final amendments to the standard detailing the delay is expected to be released by the IASB in September 2015.

3. Property, Plant and Equipment

In thousands of dollars	June 30, 2015	Dec. 31, 2014
Property, Plant and Equipment, net	1,961,273	2,029,966
Construction in Progress ⁽¹⁾	2,814,742	1,758,605
Property, plant and equipment, net	4,776,015	3,788,571

(1) The June 30, 2015 balance includes \$154.5 million transfers from deferred development costs in connection with financial close of Nordsee and Grand Bend. As at June 30, 2015, deferred development costs are nil.

4. Offshore Wind Acquisitions

4.1 Gemini Acquisition

In May 2014, Northland acquired an indirect 60% controlling interest in Project Gemini, an offshore wind project located off the coast of the Netherlands in the North Sea. Northland indirectly acquired 60% of the issued share capital and voting rights of two Dutch limited partnerships (**CVs**), named Buitengaats C.V. and ZeeEnergie C.V., and 60% of the issued share capital and voting rights of the corresponding Dutch general partner Corporations (**BVs**) Buitengaats Management B.V. and ZeeEnergie Management B.V., (together the “**partnerships**”), which held the respective rights in Gemini. The remaining ownership interests in the CVs and issued shared capital and voting rights of the BVs were acquired by affiliates of Siemens Financial Services, Van Oord Dredging and Marine Contractors BV and N.V. HVC.

The interim consolidated statement of income (loss) line item affected in Northland’s consolidated income statements until commercial operations is the fair value (gain) loss on derivative contracts, representing the fair value movement of the interest rate swaps on the project’s long-term debt. For the three and six months periods ended June 30, 2015, an unrealized gain of CAD\$112.5 million and an unrealized gain of CAD\$51.1 million, respectively, was recognized on the Gemini interest rate swaps in the interim consolidated statement of income (loss). Furthermore, Northland entered into additional foreign exchange contracts with members of its corporate banking syndicate to effectively fix the foreign exchange conversion rate on substantially all of Northland’s

projected Euro-denominated cash inflows from Gemini during the contracted revenue period. For the three and six months ended June 30, 2015 an unrealized gain of \$11.1 million and an unrealized gain of \$42.7 million, respectively, was recognized in the interim consolidated statement of income (loss).

4.2 Nordsee Acquisition

In September 2014, Northland acquired an 85% controlling interest in three offshore wind projects, (collectively “Nordsee”) from RWE Innogy GmbH, a subsidiary of a public utility company in Germany. The acquisition included 85% of the issued share capital and voting rights of Nordsee One as well as development rights for two additional early-stage development projects, Nordsee Two and Nordsee Three. The Nordsee projects are located off the coast of Germany in the North Sea. The remaining issued share capital and voting rights remain with RWE Innogy GmbH.

Northland's investment in Nordsee included a CAD\$7 million initial cash payment for the share purchase and partial funding of ongoing development costs. In March 2015, the project reached financial close and the remaining CAD\$84.2 million share purchase price was paid.

Nordsee One has commenced construction and the costs that are directly attributable to the project will be capitalized. Except as described below, the amount of revenue and profit or loss of Nordsee since the acquisition date has been nominal and has minimal impact on revenues and profit or loss of the combined entity. The fair value movement of the interest rate swaps on the project's long-term debt is the only line item affected in the interim consolidated statement of income (loss) until commercial operations. For the three and six months ended June 30, 2015, an unrealized gain of CAD\$31.6 million and an unrealized gain of CAD\$17.8 million, respectively, was recognized on the Nordsee One interest rate swaps in the interim consolidated statement of income (loss).

Furthermore, during the period, Northland entered into additional foreign exchange contracts with members of its corporate banking syndicate to effectively fix the foreign exchange conversion rate on substantially all Northland's projected Euro-denominated cash inflows from Nordsee One during the contracted revenue period. The weighted average conversion rate over the term of the foreign exchange contracts is approximately 1.51 Canadian dollars per Euro. For the three and six months ended June 30, 2015, an unrealized loss of \$2.6 million and an unrealized loss of \$8.8 million was recognized in the interim consolidated statement of income (loss).

5. Sale of Assets

5.1 Sale of 37.5% interest of Cochrane Solar Projects

In June 2015, Northland completed the sale of 37.5% equity interest in Northland's four Phase III solar projects located in northern Ontario to Taykwa Tagamou Nation and Wahgoshig First Nation (“Cochrane Solar”). The total consideration for the equity interest is approximately \$45.7 million, of which approximately \$17.5 million will be a vendor take-back loan repayable from the partner's net proceeds of the project. The remaining \$28.2 million is subject to the closing of the partner's financing, expected in the second half of 2015. These are the final four projects in Northland's 13 ground-mounted solar project portfolio that remain under construction as of June 30, 2015. The sale resulted in a loss of \$13.8 million (including \$0.7 million of transaction costs), recorded to shareholders' equity, as Northland continues to retain control over these Cochrane Solar projects.

5.2 Sale of Development Assets

In February 2015, Northland sold its 66.7% interest in the advanced-stage development wind project and certain Quebec development rights and options. Net proceeds from these sales were \$10.8 million, resulting in an accounting gain of \$7.6 million.

6. Derivative Financial Instruments

Summarized financial information on the derivative financial instruments in the interim consolidated balance sheet is as follows:

In thousands of dollars	June 30, 2015	December 31, 2014
Canadian dollar interest rate swaps	101,474	91,686
Euro interest rate swaps	170,833	242,413
Gas purchase swaps	22,983	11,435
US\$ foreign exchange contracts	(6,976)	(5,306)
Euro foreign exchange contracts	(39,068)	(5,320)
Liability on derivative financial instruments	249,246	334,908

The change in derivative financial instruments during 2015 and 2014 is as follows:

In thousands of dollars	Amount
Balance as of December 31, 2013	46,622
Canadian dollar interest rate swaps	51,419
Euro interest rate swaps	242,414
Gas purchase swaps	2,430
US\$ foreign exchange contracts	(2,358)
Euro foreign exchange contracts	(5,619)
Balance as of December 31, 2014	334,908
Canadian dollar interest rate swaps	9,794
Euro interest rate swaps	(71,581)
Gas purchase swaps	11,549
US\$ foreign exchange contracts	(1,966)
Euro foreign exchange contracts	(33,458)
Balance as of June 30, 2015	249,246

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

7.1 Convertible Debentures

As at June 30, 2015, approximately \$78.8 million of the 2019 debentures were outstanding that if converted would convert into approximately 3.6 million Shares.

In January 2015, Northland completed a public offering of 4.75% convertible unsecured subordinated 2020 Debentures providing gross proceeds of \$157.5 million (\$150.6 million after costs and underwriters' fees). The 2020 Debentures have a maturity date of June 30, 2020. As at June 30, 2015, approximately \$157.5 million of the 2020 Debentures were outstanding that if converted would convert into approximately 7.3 million Shares.

7.2 Amendment to Corporate Credit Facility

On February 18, 2015, Northland completed an additional amendment to its corporate credit facility. The primary components of the amendment include (i) the receipt of lender commitments for the \$100 million accordion feature of the revolving credit facility, which increased the revolving facility from \$350 million to \$450 million; (ii) an extension of the revolving facility maturity date to March 2020 and (iii) changes to certain financial ratios and sub-limits in order to provide liquidity and support Northland's ongoing development activities. The maturity date of the \$250 million term facility remains unchanged at March 2018 and includes a one-year renewal option in favour of Northland.

7.3 Long-Term Project Debt

On March 16, 2015, Northland refinanced the Thorold credit facility. The credit facility is non-recourse to Northland and is comprised of a \$183 million bank term loan and a \$16 million letter of credit facility, along with an existing institutional term debt of \$179 million. The bank term loan matures in March 2030, coincident with the maturity

of the existing institutional debt. The all-in rate on the new loan is 7.05%.

On March 19, 2015, the Nordsee One project completed €903 million of non-recourse project financing with a syndicate of international financial institutions including a €63 million facility of contingent debt. The project loans include a 3-year construction period and an approximately 10-year amortization period. The majority of the interest rate exposure for the project has been hedged over the full loan amortization period with an effective interest rate of approximately 3.29%.

On March 31, 2015, Northland completed \$326 million of non-recourse project financing and a \$16 million letter of credit facility for the Grand Bend wind farm. Once commercial operations are achieved, the project loan will require payments of interest only for a 42-month period, followed by scheduled payments of principal and interest to maturity over a 19-year amortization period. The all-in interest rate is 4.24%. At the time of financing, Northland also provided a loan to its First Nations partner for \$28.7 million for their equity contribution.

8. Equity

8.1 Preferred Shares

During the three and six months ended June 30, 2015, \$2 million and \$4 million, respectively, of Series 1 Preferred Share dividends were paid, excluding taxes (2014 - \$2 million and \$4 million, respectively) and \$1.5 million and \$3 million, respectively, of Series 3 Preferred Share dividends were paid, excluding taxes (2014 - \$1.5 million and \$3 million, respectively).

8.2 Shares

Northland is authorized to issue an unlimited number of Shares.

The change in Shares during 2015 and 2014 was as follows:

In thousands of dollars except for Shares	Shares	Amount
Outstanding as at December 31, 2013	131,978,711	1,637,480
Public offering, net of transaction costs	9,843,750	150,421
Private placement	3,125,000	50,000
Change in deferred taxes	–	1,327
Shares issued under LTIP ⁽¹⁾	632,701	9,125
Conversion of 2014 debentures	1,292,079	16,048
Shares issued under DRIP ⁽²⁾	2,537,651	40,505
Common Shares Outstanding as at December 31, 2014	149,409,892	1,904,906
Public offering, net of transaction costs	14,437,500	221,304
Private placement	3,125,000	50,000
Change in deferred taxes	–	2,424
Shares issued under LTIP ⁽¹⁾ – Q1	96,291	1,323
Shares issued under DRIP ⁽²⁾ – Q1	676,031	10,578
Shares issued under LTIP ⁽¹⁾ – Q2	19,007	315
Shares issued under DRIP ⁽²⁾ – Q2	660,986	10,479
Common Shares Outstanding as at June 30, 2015	168,424,707	2,201,329
Class A Shares	1,000,000	14,615
Total Common and Convertible Shares Outstanding June 30, 2015	169,424,707	2,215,944

(1) Long-Term Incentive Plan

(2) Dividend Reinvestment Plan

Issuance of Common Shares

On March 5, 2015, Northland completed a public offering of 14,437,500 Shares at a price of \$16.00 per Share, representing gross proceeds of \$231.0 million (\$221.3 million after costs and underwriters' fees). Concurrently with the public offering of Shares, Northland completed a \$50 million private placement of 3,125,000 Shares to a subsidiary of Northland Power Holdings Inc., a company controlled by Mr. James C. Temerty, at the same price

per Share as the Shares issued pursuant to the public offering. The proceeds from the public offerings and private placement totalled \$281.0 million (\$271.3 million after costs and underwriters' fees) and were used by Northland to fund a portion of its equity contribution in Nordsee One and the Grand Bend wind farm project.

Dividend Reinvestment Plan (“DRIP” or the “Plan”)

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

Long-Term Incentive Plan (“LTIP”)

Northland's LTIP provides for a maximum of 3.1 million Shares to be reserved and available for grant to employees of Northland and its subsidiaries. There are two scenarios when LTIP Shares are awarded: when projects achieve predetermined milestones or, based upon time served. The number of Shares awarded at each milestone is determined using the amount of expected development profits at that milestone date. As a result, the amount of LTIP costs recognized depends on the estimated number of Shares to be issued at each milestone date, which in turn is based on management's best estimate of a project's expected development profit. Changes in estimates about the number of Shares to be issued, forfeiture rates and vesting dates and changes in fair value up to the grant date are recognized in the period of the change. For the three and six months ended June 30, 2015, Northland capitalized \$0.8 million and \$3.3 million, respectively, (2014 – \$1.2 million and \$2.0 million, respectively) and expensed \$nil and \$0.5 million, respectively, (2014 – \$0.5 million and \$1.0 million, respectively) of costs under the LTIP. Forfeitures have been assumed to be \$nil.

8.3 Dividends

For the three and six months ended June 30, 2015, dividends were declared totalling \$0.27 per Share and \$0.54 per Share, respectively (2014 - \$0.27 and \$0.54, respectively), being aggregate dividends of \$45.7 million and \$88.0 million (2014 – \$39.7 million and \$76.9 million). The total dividends declared for the three and six months ended June 30, 2015 consist of \$35.2 million and \$67.0 million of cash dividends and \$10.5 million and \$21.0 million of Share dividends pursuant to Northland's DRIP.

9. Non-Controlling Interest

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

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

In thousands of dollars As at June 30, 2015	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities
CEEC	50,626	21,668	(9,364)	–
McLean's	9,661	168,763	(6,259)	(147,449)
Grand Bend	242,244	145,958	(3,035)	(325,645)
Cochrane Solar	11,097	296,799	(18,378)	(150,920)
Gemini	105,523	2,208,028	(244,395)	(1,513,655)
Nordsee	207,554	206,020	(86,227)	(10,619)
Total	626,705	3,047,236	(367,658)	(2,148,288)

In thousands of dollars As at December 31, 2014	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities
CEEC	41,447	23,531	(24,643)	(694)
McLean's	12,471	177,994	(7,389)	(147,282)
Gemini	12,938	1,569,193	(27,973)	(1,038,132)
Nordsee	7,458	92,091	(120,254)	(18,010)
Total	74,314	1,862,809	(180,259)	(1,204,118)

As at June 30, 2015, dividends payable to the non-controlling interest shareholders of CEEC totalled \$0.9 million.

As at June 30, 2015, Northland had an outstanding receivable balance of \$2.2 million, \$30.5 million and \$45.7 million with McLean's, Grand Bend and Cochrane Solar First Nations partners, respectively.

The change in non-controlling interests during 2015 and 2014 is as follows:

In thousands of dollars	CEEC	McLean's	Grand Bend	Cochrane Solar	Gemini	Nordsee	Total
As at December 31, 2013	48,423	24,832	–	–	–	–	73,255
Acquisitions	–	–	–	–	20,545	16,643	37,188
Contribution of non-controlling interests	–	–	–	–	263,770	–	263,770
Net income (loss) attributable	30,067	(744)	–	–	(100,096)	(111)	(70,884)
Dividends declared	(2,974)	(6,087)	–	–	–	–	(9,061)
Allocation of other comprehensive (loss)	–	–	–	–	(22,859)	–	(22,859)
As at December 31, 2014	75,516	18,001	–	–	161,360	16,532	271,409
Contribution of non-controlling interests	–	–	28,733	45,670	–	9,892	84,295
Equity adjustment	–	–	–	13,158	–	–	13,158
Net income (loss) attributable	8,651	533	–	–	20,197	1,804	31,185
Dividends declared	–	(3,756)	–	–	–	–	(3,756)
Allocation of other comprehensive income	–	–	–	–	474	30	504
As at June 30, 2015	84,167	14,778	28,733	58,828	182,031	28,258	396,795

10. Finance Costs

Finance costs consist of the following:

In thousands of dollars	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Interest on debts, borrowings and bank fees	34,759	30,929	67,243	59,626
Discount on provisions for decommissioning liability	231	194	462	331
Amortization of transaction costs	155	189	328	378
	35,145	31,312	68,033	60,335

For the six months ended June 30, 2015 and 2014, \$50.4 million and \$6.3 million, respectively, in interest was incurred related to facilities under construction, which was capitalized and included in construction in progress.

11. Net Income (Loss) per Share

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

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

In thousands of dollars	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net income (loss) for the period	93,099	(61,454)	78,480	(46,412)
Less: preferred share dividends, net	(3,469)	(3,469)	(6,938)	(6,938)
Net income (loss) attributable to ordinary equity holders of Northland for basic earnings	89,630	(64,923)	71,542	(53,350)
Add back: convertible subordinated debentures interest	2,120	–	3,909	–
Net income (loss) attributable to ordinary equity holders of Northland for diluted earnings	91,750	(64,923)	75,451	(53,350)

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Weighted average number of Shares outstanding	168,415,935	146,465,816	162,192,507	141,716,575
Weighted average number of Class A Shares	1,000,000	1,000,000	1,000,000	1,000,000
Weighted average number of Shares outstanding, basic	169,415,935	147,465,816	163,192,507	142,716,575
Effect of dilutive securities:				
Convertible unsecured subordinated debentures	15,431,368	–	16,158,437	–
Weighted average number of shares outstanding, diluted	184,847,303	147,465,816	179,350,944	142,716,575

The inclusion of the conversion of the convertible unsecured subordinated debentures are anti-dilutive for the three and six months ended June 30, 2014 and have therefore been excluded from the calculation of the diluted weighted average number of Shares.

12. Operating Segment Information

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

Significant information for each segment for the interim consolidated income statement is as follows:

In thousands of dollars								
Three months ended June 30, 2015	Thermal	Renewables	Managed ⁽¹⁾	Gemini	Nordsee	Other ⁽²⁾	Eliminations ⁽³⁾	Total
External revenue	102,140	38,927	25,998	–	–	224	–	167,289
Inter-segment revenue	1,464	–	–	–	–	7,267	(8,731)	–
Total revenue	103,604	38,927	25,998	–	–	7,491	(8,731)	167,289
Depreciation of property, plant and equipment	15,094	14,046	1,661	–	–	113	–	30,914
Finance costs, net	16,490	10,468	(70)	–	1	7,877	–	34,766
Operating income (loss)	42,620	19,472	5,393	(280)	(192)	(7,510)	–	59,503

In thousands of dollars								
Three months ended June 30, 2014	Thermal	Renewables	Managed	Gemini	Nordsee	Other ⁽²⁾	Eliminations ⁽³⁾	Total
External revenue	113,387	28,419	28,010	–	–	129	–	169,945
Inter-segment revenue	573	–	–	–	–	5,001	(5,574)	–
Total revenue	113,960	28,419	28,010	–	–	5,130	(5,574)	169,945
Depreciation of property, plant and equipment	15,236	12,705	2,178	–	–	100	–	30,219
Finance costs, net	16,782	9,701	12	–	–	3,811	–	30,306
Operating income (loss)	41,520	11,566	3,296	–	–	(5,985)	–	50,397

In thousands of dollars								
Six months ended June 30, 2015	Thermal	Renewables	Managed ⁽¹⁾	Gemini	Nordsee	Other ⁽²⁾	Eliminations ⁽³⁾	Total
External revenue	232,658	70,768	64,827	–	–	632	–	368,885
Inter-segment revenue	2,365	–	–	–	–	13,740	(16,105)	–
Total revenue	235,023	70,768	64,827	–	–	14,372	(16,105)	368,885
Depreciation of property, plant and equipment	30,188	28,107	3,391	–	–	226	–	61,912
Finance costs, net	32,761	20,777	(101)	–	(58)	13,199	–	66,578
Operating income (loss)	100,402	32,404	18,254	(688)	(579)	(15,974)	–	133,819

In thousands of dollars								
Six months ended June 30, 2014	Thermal	Renewables	Managed	Gemini	Nordsee	Other ⁽²⁾	Eliminations ⁽³⁾	Total
External revenue	275,894	53,702	69,500	–	–	273	–	399,369
Inter-segment revenue	1,277	–	–	–	–	18,645	(19,922)	–
Total revenue	277,171	53,702	69,500	–	–	18,918	(19,922)	399,369
Depreciation of property, plant and equipment	30,450	23,323	4,436	–	–	201	–	58,410
Finance costs, net	33,642	17,472	46	–	–	7,676	–	58,836
Operating income (loss)	107,027	22,494	18,585	–	–	(13,700)	–	134,406

(1) Includes Kirkland Lake, Cochrane and CEEC's consolidated operations.

(2) Includes management and operations fees, investment income, and management, administration and development expenditures.

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

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

In thousands of dollars As at June 30, 2015	Thermal	Renewables	Managed ⁽¹⁾	Gemini	Nordsee	Other ⁽²⁾	Total
Property, plant and equipment	1,142,937	812,099	10,329	2,151,079	207,957	451,614	4,776,015
Equity-accounted investment	–	–	–	–	–	4,660	4,660
Contracts and other intangibles, net	67,313	914	18,983	55,114	99,713	301	242,338
Goodwill	162,908	49,227	–	–	–	7,103	219,238
Total assets	1,672,866	922,105	85,812	2,373,204	515,225	816,447	6,385,659

In thousands of dollars As at Dec. 31, 2014	Thermal	Renewables	Managed ⁽¹⁾	Gemini	Nordsee	Other ⁽²⁾	Total
Property, plant and equipment	1,173,057	839,974	13,663	1,573,358	–	188,519	3,788,571
Equity-accounted investment	–	–	–	–	–	4,666	4,666
Contracts and other intangibles, net	75,081	1,010	32,652	55,557	169,103	14,758	348,161
Goodwill	162,908	49,227	–	–	–	7,103	219,238
Total assets	1,746,389	945,405	87,763	1,705,855	177,294	302,926	4,965,632

(1) Includes Kirkland Lake, Cochrane and CEEC.

(2) Includes projects under construction that will be transferred to the appropriate segment once commercial operations have begun.

Information on operations by geographic area is as follows:

In thousands of dollars Sales	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Canada	166,560	169,274	366,842	397,461
Europe	729	671	2,043	1,908
Total sales	167,289	169,945	368,885	399,369

In thousands of dollars		
Property, plant and equipment, net as at	June 30, 2015	Dec. 31, 2014
Canada	2,415,242	2,212,974
Europe	2,360,773	1,575,597
Total property, plant and equipment, net	4,776,015	3,788,571

13. Impairment

Cochrane ceased generating electricity for Ontario's power grid at midnight on May 11, 2015, due to the expiry of the facility's PPA. Late last year, Cochrane was granted an extension to that date from the agreement's original end date in January 2015, to allow sufficient time for Cochrane and the Independent Electricity System Operator (IESO) to negotiate a new long-term agreement. However, concurrent with that extension, the Ontario Ministry of Energy directed the IESO to suspend all negotiations until the IESO has developed a strategy for power generators, such as Cochrane, across the province. The strategy is expected to be announced in the fall of 2015. Given the uncertainty of the future economic benefit of the facility, management has recorded an impairment of \$12.6 million relating to contracts and other intangible assets and a provision of \$7.4 million relating to decommissioning and employee severance costs in the second quarter of 2015. Property, plant and equipment has been fully amortized with a net book value of nil as at June 30, 2015.

14. Litigation, Claims and Contingencies

In late December 2014, Northland terminated its engineering, procurement and construction (EPC) contract with H.B. White Canada Corp. ("White") for default of White's obligations to construct the Ground-mounted Solar Phase III projects. Under the terms of the EPC contract, Northland's four solar subsidiaries have filed a claim in arbitration against White Construction, Inc. ("White US"), guarantor under the White contract, for costs losses and damages for breaches of the EPC contract. White US has counterclaimed in this arbitration proceeding for approximately \$50 million. White registered a lien and filed a claim for approximately \$32 million against the Cochrane Solar entities relating to the termination of the EPC contract. Northland has arranged for the White lien to be removed from title to the project lands by posting letters of credit of approximately \$16 million. The proceedings arising from Northland's arbitration claim and the White lien and counterclaim are proceeding through the arbitration process, and the outcome at this time is unknown.

In addition to the claim by White, a number of White's subcontractors involved in the construction of the Ground-mounted Solar Phase III projects have registered liens and filed claims against White and Northland's four solar subsidiaries. Northland has arranged for the subcontractor liens to be removed from title by posting letters of credit of approximately \$28 million. Northland has retained a holdback of \$7.4 million in accordance with the *Ontario Construction Lien Act*. Northland contends that its liability to the subcontractors is limited to this holdback amount. The proceedings of these claims are ongoing and the outcome at this time is unknown.

As of the date of this report, Northland has posted approximately \$46.0 million of letters of credit to remove liens from these projects which Northland expects will be returned in their entirety once the claims of the subcontractors have been resolved. Additionally, Northland has posted \$34.4 million of letters of credit as contingent equity which will be returned upon the projects completion in 2015.

15. Authorization of Interim Financial Statements

The Interim Financial Statements for the period ended June 30, 2015 (including comparatives) were approved by the Board of Directors on August 13, 2015.

Corporate Information

Directors and Officers of Northland Power Inc.

DIRECTORS

Mr. James C. Temerty

The Right Honourable John N. Turner

Ms. Linda L. Bertoldi

Dr. Marie Bountrogianni

Mr. Barry Gilmour

Mr. Russell Goodman

Mr. V. Peter Harder

EXECUTIVE OFFICERS

Mr. John W. Brace

Chief Executive Officer

Mr. Sean Durfy

President and Chief Development Officer

Mr. Salvatore Mantenuto

Chief Operating Officer and Vice Chair

Mr. Paul J. Bradley

Chief Financial Officer

Mike Crawley

Executive Vice President Development

Mr. Michael D. Shadbolt

Vice President and General Counsel

Ms. Linda L. Bertoldi

Secretary

General Information

REGISTRAR AND TRANSFER AGENT

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Toronto, Ontario, Canada
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Attention: Equity Services

COMMON SHARES, DEBENTURES AND PREFERRED SHARES

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

DIVIDEND REINVESTMENT PLAN (DRIP)

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

TAX CONSIDERATIONS

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

Shareholder Information

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