

# Letter to Unitholders

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We continue to advance our strategic priorities for the business. We have raised, or expect to raise, approximately \$850 million in net proceeds by the end of the year, primarily by opportunistically recycling capital from mature or non-core assets. These initiatives will increase our total liquidity to over \$2.3 billion once completed. These asset sales are at values significantly higher than those reflected in our public unit price, demonstrating the unique attributes of our business relative to the broader industry. We reported 18% FFO growth and 18% adjusted FFO growth from our operations on a per unit basis, reflecting both margin expansion and growth-related initiatives. Finally, we advanced approximately 130 megawatts of development wind and hydro at returns in the range of 20%, supporting our investment activities.

Overall, our strategy remains the same – we look for investment opportunities in our core markets globally where we can surface 12% to 15% returns on a per unit basis using our operational expertise. We maintain strong access to public and private sources of debt and equity capital, an investment grade balance sheet, and surface value through the monetization of mature assets. This strategy has served us well for almost 20 years and our business has been resilient through multiple investment cycles and the numerous investment trends that have permeated the renewable power sector over that time. As a result, we have delivered a 15% total return on a per unit basis, to unitholders since our inception in 1999.

## Investment Environment

We continue to see strong appetite for renewable assets across the globe. Our asset recycling program demonstrates the significant value high quality assets attract in the private markets. In particular, the recent sale of a minority interest in certain of our hydro assets in Canada was completed at valuation in excess of 15x EBITDA based on the contracted price of the portfolio, or well in excess of 20x using current spot energy and capacity prices. This value reflects the perpetual nature of our hydro assets combined with their unique ability to store power and deliver energy and capacity during high demand periods.

Recently built contracted wind and solar assets in North America and Europe also regularly transact at mid-to high-single digit returns. In contrast to hydro assets however, these assets have largely fixed revenue streams that typically do not grow with inflation, and a much shorter asset life. Accordingly, we would expect valuations to soften as interest rates rise. As a result, we continue to be patient and look for situations that require operational, development or recapitalization expertise.

In the emerging markets, significant volatility driven by weak public equity market valuations, reductions in subsidies – particularly in China where government support for solar has decreased recently – and continued demand growth for electricity is driving a need for long-term capital. Investors with strong operating expertise, patient capital, and a long-term outlook should benefit in this environment.

Finally, we are seeing the valuation of public stocks in the U.S. diverge from U.S. private market valuations. We believe this is largely due to investors prioritizing near-term distribution growth over long run asset, earnings and balance sheet quality. This focus on near-term distributions combined with rising rates has led to significant stock price pressure across all renewable issuers, with the most likely long-term impact on those companies in the sector with sub-investment grade balance sheets and shorter duration assets.

We believe this public-private market dislocation will provide meaningful opportunities for value-focused investors who have strong balance sheets and significant access to capital.

## Operating and Financial Results

We reported Funds From Operations (FFO) of \$105 million or \$0.33 per unit in the third quarter. This represents a year-over-year increase of \$14 million to FFO as the business continues to benefit from recent acquisitions, development projects coming online, and margin enhancement initiatives.

Our hydroelectric segment contributed \$104 million to FFO. While generation was below long-term average levels in certain geographies this quarter, we benefitted from selling power stored in our reservoirs during high priced periods. In the U.S., this active marketing of power allowed us to capture prices in the range of \$60 per megawatt-hour, while in Brazil, short term power sales were at close to R\$500 per megawatt-hour (~U.S.\$165 per megawatt-hour). In Colombia, we continued to execute on our business plan and signed 12 new multi-year contracts at prices above the current spot price.

Our wind segment contributed \$29 million to FFO, which is nearly double relative to the prior year period as we benefitted from recent acquisitions. Although wind variability is a reality of our business, our global scale provides significant resource diversity benefits as overall generation was in-line with plan. For example, weaker wind resource in the U.S. and Ireland was largely offset by outperformance in Brazil.

Our solar, storage and other segments contributed \$42 million of FFO in-line with expectations, reflecting stable resource and revenues tied to availability rather than generation.

We continued to advance our global development pipeline. A highlight was that we commissioned a 28 megawatt wind farm in Ireland this quarter. We also progressed an additional 19 megawatts of wind in Scotland, 49 megawatts of small hydro in Brazil, and a 63 megawatt expansion of a pumped storage facility in the U.S. Together these projects are expected to contribute \$17 million to FFO on an annualized basis starting in the fourth quarter of 2018. We are also advancing an additional 176 megawatts of advanced stage development through permitting and contracting. We continued to pursue a tuck-in asset strategy in Europe, closing the acquisition of a 23 megawatt wind farm in Ireland subsequent to quarter-end.

## Capital Raising Initiatives

We expect to complete approximately \$1 billion of asset sales and upfinancings by the end of the year, which would generate net proceeds of \$850 million to BEP. As of the date of this report we have executed on over \$500 million of these initiatives. In total, this will increase our available liquidity to \$2.3 billion as we enhance our financial flexibility in the current investment environment.

During the quarter, we issued a C\$300 million corporate green bond. The issue was priced at 4.25% which is 100 basis points below the corresponding maturing debt. As a result, we now have no material maturities over the next five years and the weighted average term of our debt is over 10 years.

We also expect to generate proceeds from continued execution of our capital recycling program that will allow us to surface value from mature assets and redeploy capital into higher growth opportunities:

- We sold a 25% interest in a 413 megawatt portfolio of three Canadian hydroelectric assets. We will retain management and operating responsibilities for the portfolio;
- We intend to sell an additional 25% interest in these assets to another group of investors prior to year-end;
- Progressed the sale of a 178 megawatt wind and solar portfolio in South Africa.

In order to facilitate the sale of the 25% interest in our Canadian hydro portfolio, we have taken the opportunity to internalize our power marketing capabilities in North America, previously provided by Brookfield Asset Management (BAM), into BEP's operations, consistent with our internalized power

marketing capabilities in other parts of the world. This internalization required amending certain existing agreements as follows:

- Aligning the PPA price received by BEP from BAM with the underlying third-party contracts associated with these assets. This will increase the price BEP receives for its Ontario portfolio by C\$16 per megawatt-hour. BEP has also been granted the option to extend the contract at its Great Lakes Power system in 2029 through 2044 at a price of C\$60 per megawatt-hour. BAM will also transfer to BEP all its other PPAs, with the exception of those in New York;
- As all future energy marketing capabilities will be internalized, we are eliminating all energy marketing fees paid to BAM;
- In exchange, our current PPA price with BAM for our New York assets will be reduced by approximately \$3 per megawatt-hour each year between 2021 and 2026.

## Outlook

We continue to focus on executing our key priorities, including advancing contracting and cost savings initiatives and building out our development pipeline. We also continue to assess acquisition opportunities across our core technologies and geographies. In September, we held our annual Investor Day in New York, where we took the opportunity to update unitholders on the investment environment, the strength of our balance sheet, and operating initiatives that we have undertaken at our recent acquisitions that illustrate how our operating expertise can drive significant value. We would like to thank those of you who were able to attend this event.

As always, we remain focused on delivering our unitholders long-term total returns of 12% to 15% on a per unit basis. We thank you for your continued support and we look forward to updating you on our progress in that regard.

Sincerely,



Sachin Shah  
Chief Executive Officer

October 31, 2018

### Cautionary Statement Regarding Forward-looking Statements

*This unitholder letter contains forward-looking statements and information within the meaning of Canadian provincial securities laws and “forward-looking statements” within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations. The words “will”, “intend”, “should”, “could”, “target” “future”, “growth”, “expect”, “believe”, “plan”, derivatives thereof and other expressions which are predictions of or indicate future events, trends or prospects and which do not relate to historical matters identify the above mentioned and other forward-looking statements. Forward-looking statements in this unitholder letter include statements regarding the quality of Brookfield Renewable’s and its subsidiaries’ businesses and our expectations regarding future cash flows and distribution growth. They include statements regarding our liquidity, upfinancings, the proceeds from opportunistically recycling capital, as well as the benefits from acquisitions and Brookfield Renewable’s global scale and resource diversity. They also include statements regarding the simplification of Brookfield Renewable’s operations and the strengthening of its trading and commercial capabilities, statements regarding the progress towards completion of development projects, and the expected contribution of development projects to future generation capacity and cash flows. Additionally, they include statements regarding the opportunities for Brookfield Renewable as a result of volatility in emerging markets and divergence in the valuation of public stocks in the U.S. Although Brookfield Renewable believes that these forward-looking statements and information are based upon reasonable assumptions and expectations, you should not place undue reliance on them, or any other forward-looking statements or information in this unitholder letter. The future performance and prospects of Brookfield Renewable are subject to a number of known and unknown risks and uncertainties. Factors that could cause actual results of*

*Brookfield Renewable to differ materially from those contemplated or implied by the statements in this unitholder letter include economic conditions in the jurisdictions in which we operate; our ability to sell products and services under contract or into merchant energy markets; weather conditions and other factors which may impact generation levels at our facilities; our ability to grow within our current markets or expand into new markets; our ability to complete development and capital projects on time and on budget; our inability to finance our operations or fund future acquisitions due to the status of the capital markets; the ability to effectively source, complete and integrate new acquisitions and to realize the benefits of such acquisitions; health, safety, security or environmental incidents; changes to government regulations; regulatory risks relating to the power markets in which we operate, including relating to the regulation of our assets, licensing and litigation; risks relating to our internal control environment; our lack of control over all of our operations; contract counterparties not fulfilling their obligations; and other risks associated with the construction, development and operation of power generating facilities.*

*We caution that the foregoing list of important factors that may affect future results is not exhaustive. The forward-looking statements represent our views as of the date of this unitholder letter and should not be relied upon as representing our views as of any subsequent date. While we anticipate that subsequent events and developments may cause our views to change, we disclaim any obligation to update the forward-looking statements, other than as required by applicable law. For further information on these known and unknown risks, please see "Risk Factors" included in our Form 20-F.*

**Cautionary Statement Regarding Use of Non-IFRS Measures**

*This unitholder letter contains references to Funds From Operations (FFO), Funds from Operations on a normalized basis and Funds From Operations per Unit, which are not generally accepted accounting measures under IFRS and therefore may differ from definitions of Funds From Operations, Funds from Operations on a normalized basis and Funds From Operations per Unit used by other entities. We believe that these are useful supplemental measures that may assist investors in assessing the financial performance and the cash anticipated to be generated by our operating portfolio. Neither Funds From Operations, Funds from Operations on a normalized basis nor Funds From Operations per Unit should be considered as the sole measure of our performance and should not be considered in isolation from, or as a substitute for, analysis of our financial statements prepared in accordance with IFRS.*

*References to Brookfield Renewable are to Brookfield Renewable Partners L.P. together with its subsidiary and operating entities unless the context reflects otherwise.*