

# Brookfield

Renewable Energy Partners

## LETTER TO SHAREHOLDERS

I am pleased to report our results for the first quarter of 2013, reflecting strong operating and financial performance and continued progress in meeting our long-term growth objectives.

We have enjoyed great success in meeting our growth objectives, having added more than 1,000 MW of renewable power generating capacity since 2011. We believe that these investments will be accretive to shareholders in a way that enhances cash flows and adds meaningfully to the long-term value of the business.

We remain focused on maintaining a portfolio whose output is sold predominantly under long-term power sales agreements, which provides a stable and predictable cash flow profile. This formula has served us very well and continues to be a cornerstone of our strategy. Notwithstanding, we also find ourselves in a strong investment environment that has permitted us to acquire attractive hydroelectric portfolios – such as Smoky Mountain in the southeastern U.S. and White Pine in New England – at compelling values. These assets carry strong upside potential from rising energy prices, which will be an important driver of value in the coming years amid tighter gas and power markets, continued demand for renewables, and a sustained economic recovery in the U.S.

We remain committed to the operations-oriented approach which has also been essential to our growth. The unique operating platform that we have established over many years not only enables us to maximize the value of our existing portfolio, but also provides a significant advantage when competing for new assets in the marketplace. Our detailed knowledge of hydro and wind assets gives us the ability to perform extensive yet rapid due diligence, which is an attractive feature to many sellers in the current environment. Moreover, we can evaluate single assets or complex portfolios, consider assets on either a contracted or merchant basis, and integrate acquisitions efficiently into our broader operating platform. These are key differentiation points enabling us to pursue even the most challenging transactions and to surface long-term value.

Also key to our success is our strong access to capital, the result of long-term relationships with investors and lenders. To that end, we completed over \$1 billion of financing and capital markets activity in the first quarter, including Canada's largest wind offering and its first rated wind bond financing.

We invested approximately \$600 million of equity in three transactions since the start of the year:

- **White Pine Hydro.** In March, we completed the purchase of a 360 MW hydroelectric portfolio in Maine. Following this transaction we own and operate nearly 1,300 MW of capacity in New England, making us one of the region's largest independent power producers.
- **Western Wind Energy.** We acquired 93% of the shares of this 165 MW wind energy company, and expect to take up the remaining shares in the second quarter. This transaction increases our operating wind portfolio on the U.S. west coast to 430 MW, most of which is in the high-value Tehachapi region of California.
- **Powell River Hydro.** We completed the purchase of our partner's 50% interest in the 83 MW Powell River Energy portfolio located in British Columbia. We have been managing and operating these assets since 2001 and look forward to the continued ownership of these high quality facilities.

We also recently achieved commercial operations for a 29 MW hydroelectric project in Brazil, which brings to 14 stations and 314 MW the total we have constructed in Brazil since 2003.

The 45 MW Kokish River hydro project in western Canada which began construction last year is progressing as planned and is on track for completion in mid-2014.

## **Financial Results**

For the first three months of 2013, total generation was 5,535 GWh and in line with the long-term average, as a result of stronger inflows across most of our watersheds. Consequently, funds from operations in the quarter was \$162 million, in line with plan and modestly below the prior year which experienced above average precipitation, particularly in regions with higher priced power purchase agreements.

As previously announced, our quarterly distribution was increased to \$1.45 per unit on an annualized basis, effective with the first quarter. We are well positioned relative to our distribution payout policy of 60% to 70% of funds from operations and remain confident in our ability to produce long-term distribution growth in the range of 3% to 5% annually.

## **Looking Ahead**

We continue to see attractive opportunities to deploy capital in each of our core markets and are confident that the growth momentum will continue in 2013.

In North America, we continue to monitor announced sales processes by a variety of market participants, including strategic owner-operators and financial sponsors, and expect this to result in more renewable power assets being available for sale in 2013. In Brazil, we expect that current market conditions will provide opportunities to grow the business and achieve operating synergies.

We remain very well positioned for the opportunities that lie ahead and are grateful for your continued support.

Sincerely,



Richard Legault  
President and Chief Executive Officer

## **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

*This Letter to Shareholders contains forward-looking statements and information, within the meaning of Canadian 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" of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations, concerning the business and operations of Brookfield Renewable. Forward-looking statements may include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact. Forward-looking statements in this Letter to Shareholders include statements regarding the quality of Brookfield Renewable's assets and the resiliency of the cash flow they will generate, Brookfield Renewable's anticipated financial performance, future commissioning of assets, contracted portfolio, technology diversification, acquisition opportunities, expected completion of acquisitions, listing on the NYSE, future energy prices and demand for electricity, the future growth prospects and distribution profile of Brookfield Renewable and Brookfield Renewable's access to capital. Forward-looking statements can be identified by the use of words such as "plans", "expects", "scheduled", "estimates", "intends", "anticipates", "believes", "potentially", "tends", "continue", "attempts",*

*“likely”, “primarily”, “approximately”, “endeavours”, “pursues”, “strives”, “seeks”, or variations of such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Although we believe that our anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information in this Letter to Shareholders are based upon reasonable assumptions and expectations, we cannot assure you that such expectations will prove to have been correct. You should not place undue reliance on forward-looking statements and information as such statements and information involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.*

*Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: our limited operating history; the risk that we may be deemed an “investment company” under the Investment Company Act; the fact that we are not subject to the same disclosure requirements as a U.S. domestic issuer; the risk that the effectiveness of our internal controls over financial reporting could have a material effect on our business; changes to hydrology at our hydroelectric stations or in wind conditions at our wind energy facilities; the risk that counterparties to our contracts do not fulfill their obligations, and as our contracts expire, we may not be able to replace them with agreements on similar terms; increases in water rental costs (or similar fees) or changes to the regulation of water supply; volatility in supply and demand in the energy market; our operations are highly regulated and exposed to increased regulation which could result in additional costs; the risk that our concessions and licenses will not be renewed; increases in the cost of operating our plants; our failure to comply with conditions in, or our inability to maintain, governmental permits; equipment failure; dam failures and the costs of repairing such failures; exposure to force majeure events; exposure to uninsurable losses; adverse changes in currency exchange rates; availability and access to interconnection facilities and transmission systems; health, safety and environmental risks; disputes and litigation; our operations could be affected by local communities; losses resulting from fraud, bribery, corruption, other illegal acts, inadequate or failed internal processes or systems, or from external events; general industry risks relating to the North American and Brazilian power market sectors; advances in technology that impair or eliminate the competitive advantage of our projects; newly developed technologies in which we invest not performing as anticipated; labour disruptions and economically unfavourable collective bargaining agreements; our inability to finance our operations due to the status of the capital markets; the operating and financial restrictions imposed on us by our loan, debt and security agreements; changes in our credit ratings; changes to government regulations that provide incentives for renewable energy; our inability to identify and complete sufficient investment opportunities; the growth of our portfolio; our inability to develop existing sites or find new sites suitable for the development of greenfield projects; risks associated with the development of our generating facilities and the various types of arrangements we enter into with communities and joint venture partners; Brookfield Asset Management’s election not to source acquisition opportunities for us and our lack of access to all renewable power acquisitions that Brookfield Asset Management identifies; our lack of control over all our operations conducted through joint ventures, partnerships and consortium arrangements; our ability to issue equity or debt for future acquisitions and developments will be dependent on capital markets; foreign laws or regulation to which we become subject as a result of future acquisitions in new markets; the departure of some or all of Brookfield’s key professionals.*

*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 Letter to Shareholders and should not be relied upon as representing our views as of any date subsequent to May 8, 2013, the date of this news release. 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 Annual Information Form and 20-F registration statement.*

#### **CAUTIONARY STATEMENT REGARDING USE OF NON-IFRS MEASURES**

*This Letter to Shareholders contains references to funds from operations which is not a generally accepted accounting measure under IFRS and therefore may differ from definitions of funds from operations used by other entities. We believe that funds from operations is a useful supplemental measure that may assist investors in assessing the financial performance and the cash anticipated to be generated by our operating portfolio. Funds from operations should not 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.*