Brookfield
Renewable Energy Partners

LETTER TO UNITHOLDERS

Our results for the second quarter of 2012 were impacted by very low precipitation levels across some of our North American markets. However, we continued to make significant progress on our growth initiatives and our capital markets and funding strategy.

One of the key features of our business which differentiates it from other independent renewable power producers is the scale of our hydroelectric platform, both in absolute terms and as a proportion of our overall portfolio. Our portfolio is centered on this core technology and is truly unique in the world. During the quarter, we built upon this leadership position in a meaningful way, through the continued advancement of our existing construction projects in Canada and Brazil, and importantly, the announcement of a large-scale acquisition of hydro assets in the southeastern United States.

U.S. Hydro Acquisition

As we announced just prior to quarter-end, we will acquire with our institutional partners, a portfolio of four hydroelectric generating stations in Tennessee and North Carolina for a total investment of approximately $600 million. Located on two river systems in eastern Tennessee and western North Carolina, the portfolio is in the latter stages of an extensive asset modernization program which is expected to result in an installed capacity of 378 MW and average annual generation of approximately 1.4 million MWh.

All output from the facilities is currently contracted at a fixed price through June 2014 to the Tennessee Valley Authority, a U.S. government-owned entity providing electricity to nine million people. These facilities are proven generation assets in a market with favourable supply-demand dynamics including a growing population with increasing electricity usage, and significant planned coal retirements. The portfolio also benefits from direct and indirect access to multiple adjacent markets and industrial users, providing a number of additional potential customers.

These assets are an excellent fit with our long-term strategy and our existing platform. We see the current period as an exceptional time to be acquiring renewable power assets, particularly of the hydroelectric variety. Given current market conditions, with natural gas and electricity prices at temporarily depressed levels, we believe that there are significant opportunities to acquire high quality assets at very attractive valuations, particularly for those investors like us, who have the capital, requisite operating expertise and ability to engage in long-term value creation strategies.

Progress on Construction Activities

We continue to make excellent progress on our existing construction projects. In Canada, we have begun construction of the 45 MW hydroelectric project on the Kokish River in British Columbia, in conjunction with our partner, the ‘Namgis First Nation. Site preparation work is underway, with construction activity at the proposed powerhouse and intake sites, and along the penstock route. Construction of a key access bridge and other roads has been completed.

Our two hydroelectric construction projects in Brazil, Pezzi and Serra dos Cavalinhos, are proceeding on scope, schedule and budget and are expected to enter commercial operations by the first quarter of 2013.

Second Quarter Results

After strong generation in the first three months of the year, the second quarter saw lower levels of precipitation and therefore lower inflows in a number of our watersheds. While new assets helped to offset some of the impact, results were well below the quarterly average. Despite the shortfall, our reservoir levels across the portfolio are in line with their long-term average levels for this time of year. Factoring in the results from the first quarter, our Adjusted EBITDA and funds from operations were $539 million and $262 million, respectively, for the first six months of 2012.

Our long-term unitholders are well aware that variations from the long-term average are a very normal part of the hydrology cycle where periods with more favourable conditions are offset by those below the average. For this reason, we have always managed our operations based on long-term average generation. Combined with our financial strength and prudent payout ratio, this approach has allowed us to achieve our near and long-term growth and financial objectives, and to maintain stable and growing cash distributions to unitholders despite these variations.

Looking Ahead

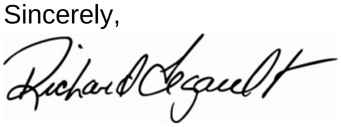
We remain very well-positioned to achieve our objectives for the year. Our liquidity position is strong, and with a $1 billion credit facility, in addition to our cash balances, we have ready access to funds to pursue our business objectives. Over the last several quarters, we have also strengthened our financial position by strategically reducing our borrowing costs.

From a capital markets perspective, we continue to enjoy the strong support of investors, which we would expect to be enhanced as we achieve a listing on the New York Stock Exchange, anticipated this fall. We expect that the listing will make our securities available to a much broader set of global investors which should enhance our liquidity and access to capital.

As we look ahead to the rest of the year, our priorities include the closing and integration of the U.S. hydro acquisition and the successful completion of our construction projects.

As always, we appreciate your continued support and look forward to reporting on our progress at the next opportunity.

Sincerely,



Richard Legault
President and Chief Executive Officer

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENT

This letter to unitholders contains forward-looking statements and information, within the meaning of Canadian securities laws, 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 unitholders 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, 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" "targets" 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 unitholders 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: 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; our operations being 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; force majeure events; exposure to uninsurable losses; adverse changes in currency exchange rates; our inability to access interconnection facilities and transmission systems; occupational, health, safety and environmental risks; disputes and litigation; losses resulting from fraud, 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; risks related to operating in Brazil; our inability to finance our operations; 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; our obligations to issue equity or debt for future acquisitions and developments; and foreign laws or regulation to which we become subject as a result of future acquisitions in new markets.

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 unitholders and should not be relied upon as representing our views as of any date subsequent to August 7, 2012, the date of this letter. 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.

CAUTIONARY STATEMENT REGARDING USE OF NON-IFRS ACCOUNTING MEASURES

This letter to unitholders contains references to Adjusted EBITDA, funds from operations and net asset value which are not generally accepted accounting measures in accordance with IFRS and therefore may differ from definitions of Adjusted EBITDA, funds from operations and net asset value used by other entities. We believe that Adjusted EBITDA, funds from operations and net asset value are useful supplemental measures that may assist investors in assessing the financial performance and the cash anticipated to be generated by our operating portfolio. None of Adjusted EBITDA, funds from operations and net asset value 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. As a result of the Combination, we have presented these measurements on a pro forma basis.

A reconciliation of Adjusted EBITDA and funds from operations to net income is presented in our Management's Discussion and Analysis related to our interim consolidated financial statements.