

Brookfield

Renewable Energy Partners

LETTER TO SHAREHOLDERS

Our strong performance continued into the second quarter with adjusted EBITDA of \$360 million and funds from operations of \$198 million. Both new and existing assets across our portfolio contributed to this result, and we are pleased with the state of the current business and our significant prospects for accretive growth.

We continue to benefit from a robust, stable business with predominantly contracted cash flows, and an ability to capture organic upside through higher prices, which we will seek to lock in through long-term contracts over time. As we have highlighted before, in the last 36 months we have acquired more than 2 million megawatt-hours of annual generation in the United States (about 10% of our total yearly generation) underwritten at historically low power prices. This uncontracted hydro position provides us with an option on rising electricity prices resulting from long-term changes in supply from the retirement of coal facilities as well as from improving economic fundamentals.

During the quarter, with our institutional partners we completed the acquisition of a 326 MW wind portfolio in Ireland comprising 17 operating wind farms, a predictable cash flow profile with longer term upside, and a significant pipeline of development projects to fuel future growth. This milestone investment represents our first acquisition in Europe and provides us with a strong foundation to build a scalable renewable energy business on this continent.

With our institutional partners, we also announced the acquisition of the remaining 67% interest in the flagship 417 MW Safe Harbor hydroelectric generating station, one of the largest such facilities in the United States. This follows our acquisition of an initial 33% interest completed just last quarter, and demonstrates our ability to source transactions and work with counterparties on an exclusive and timely basis.

In June 2014, we completed a bought-deal equity offering of 10.25 million limited partnership units which raised gross proceeds of C\$325 million, contributing to a strong liquidity position of \$1.2 billion at quarter end. This was our first treasury offering of units since the partnership was launched in 2011, during which time we have seen considerable increases in our asset base and financial results.

YieldCos: an emerging asset class

The renewable energy sector continues to expand and evolve, bringing with it new opportunities. One of the more notable recent industry developments has been the emergence of a new class of power companies (both renewable and non-renewable) collectively referred to as “yieldcos”. Like Brookfield Renewable, these companies own and operate diversified portfolios of assets backed predominantly by long-term contracted cash flows, and pay out a sizable portion of their cash flows to shareholders as dividends. These entities have shown strong appeal to income-oriented investors, particularly in the current low interest rate environment, and as a result they have traded at very strong multiples.

Though in its early stages, we see this development as favourable as it will highlight our asset class to investors, although we remain cautious should these entities push valuations of potential acquisitions to less attractive levels. On balance, we see this as positive as we believe private sector entities such as

these will bring capital to bear in an environment where government and state sponsors are broadly challenged in doing so on their own balance sheets due to fiscal pressures. As a result, companies like Brookfield Renewable have an increasingly important role to play in the development of the next generation of clean and sustainable energy sources.

However, companies will still be evaluated and differentiated in the marketplace based on the quality of their respective portfolios, strategies, growth prospects and overall investment characteristics. We believe that in this environment, Brookfield Renewable is extremely well positioned by virtue of its key attributes, including:

- A **unique focus and expertise in hydroelectricity** with the scale that confers a strong competitive advantage;
- **Significant cash flow upside** tied to rising prices and an improving economy, while maintaining a predominantly contracted portfolio;
- A **global mandate** and breadth of operations across 13 power markets in 5 countries;
- A **15 year public track record** of paying and growing our distributions on a per-unit basis;
- An **operating platform** of 1,300 committed and talented employees who drive value in the business on a daily basis;
- A **proprietary 2,000 MW development pipeline** with the proven expertise to build and operate high-value projects at premium returns; and
- **Financial strength and liquidity** to fund growth and capital initiatives.

As the industry expands, we also expect to see growing investor awareness of the key business drivers and long-term value potential of these investment opportunities. We expect that this, in turn, will enhance our profile and unlock significant upside potential in our units. Moreover, it should contribute to greater transaction opportunities and access to capital, all of which further support valuation and growth prospects. For these reasons, we remain excited about the future and our ability to build on our track record of value creation.

Thank you for your continued support.

Sincerely,



Richard Legault
President and Chief Executive Officer

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This shareholder letter 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 shareholder letter 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, future energy prices and demand for electricity, economic recovery, achieving long term average generation, project development and capital expenditure costs, diversification of shareholder base, energy policies, economic growth, growth potential of renewable asset class, 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 shareholder letter 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, security and environmental risks; disputes, governmental and regulatory investigations 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; risks relating to our reliance on computerized business systems; general industry risks relating to operating in the North American, Brazilian, and European 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 sufficient investment opportunities; and complete transactions; risks related to the growth of our portfolio and our inability to realize the expected benefits of our transactions; 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 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; and 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 shareholder letter and should not be relied upon as representing our views as of any date subsequent to August 6, 2014, the date of this shareholder 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 Form 20-F.