

Brookfield

Renewable Energy Partners

LETTER TO SHAREHOLDERS

Brookfield Renewable experienced a strong year in 2012. While our short-term financial results were impacted by unfavourable hydrology in some of our markets, we nonetheless made excellent progress in growing and strengthening our business, and solidifying our position as a global leader in the renewable power sector.

Together with our institutional partners, we announced the acquisition of nearly 1,000 MW of renewable power assets, including two large scale hydroelectric portfolios expected to add significant value in the coming years. The first of these is our 378 MW Smoky Mountain portfolio consisting of four generating stations in the U.S. southeast, which was originally announced in the second quarter of 2012. The transaction was completed on schedule in November and we have since integrated the assets into our U.S. operating platform.

Just prior to year-end we announced an agreement to acquire a 351 MW portfolio of 19 hydroelectric generating stations, including eight upstream storage reservoir dams on four rivers in Maine. This asset fleet is one of the region's largest independently-owned hydro portfolios of scale and includes the two largest hydroelectric facilities in the state. This portfolio complements our existing 103 MW of operating capacity on the same river systems, and increases our footprint in the attractive New England market to nearly 1,000 MW of installed capacity. Importantly, it provides a unique opportunity to leverage our operating platform while positioning us to participate in rising electricity prices over time. The transaction is expected to close in the first quarter of 2013.

While our acquisition activity has been significant, our operating and development teams have been equally busy managing our existing assets, and advancing development projects. In Brazil, we completed the construction of our 19 MW hydroelectric project and it was commissioned during the fourth quarter. Our 29 MW hydroelectric project is progressing as planned and remains scheduled for completion in the first quarter of 2013. The 45 MW Kokish River hydroelectric project in British Columbia, remains on scope, schedule and budget for its targeted completion in mid-2014.

Distribution Increases and Strong Returns

We strive to provide shareholders with an attractive annual total return of 12% to 15% on a low-risk basis. In 2012, we delivered on that promise with a total return of 13.5% as compared with 7.1% for the benchmark S&P/TSX Composite Index.

In addition, we recently announced a distribution increase – our third in the last two years – reflecting the accretive investments and numerous strategic and operating enhancements made across our platform in the last year. The distribution for the first quarter of 2013 will be 36.25 cents per unit, representing an annualized payment of \$1.45 per unit. This level is consistent with our long-term target payout ratio of 60% to 70% of funds from operations, and exceeded our objective of increasing distributions by 3% to 5% annually.

Financial Strength and Results

During 2012, we completed more than \$2.8 billion of financing and capital markets activity which has funded our growth and meaningfully lowered our borrowing costs while increasing the overall term of our maturities. Subsequent to year end, we completed a C\$175 million offering of preferred shares, which like other financings completed in 2012, will provide us with access to stable sources of long-term capital at very attractive rates.

Generation for the year was 15,942 GWh, an increase of 65 GWh from 2011, reflecting the contribution from new assets which helped to offset low hydrology levels in the second and third quarters. Funds from operations of \$347 million was \$15 million higher than in 2011. Our overall results, however, were lower than expected due to lower generation from existing assets in regions where power purchase agreement prices are higher than our portfolio average. Nonetheless, we were able to achieve our operating and investment objectives in 2012 while maintaining a strong financial position. Generation in the fourth quarter was markedly improved from prior quarters and our reservoirs are at expected levels for this time of year, which is an encouraging sign for the spring season.

Outlook

Brookfield Renewable's first year was one of many successes and achievements which will carry us into 2013 with significant momentum. We look forward to continuing to manage a unique and high-quality asset portfolio, the progress in executing our growth plans and the positive impact of strategic initiatives aimed at further enhancing our leadership position in the renewable power sector.

We remain grateful for your support and look forward to reporting on the continued progress throughout the year.

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 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, 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 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 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; exposure to force majeure events; exposure to uninsurable losses; adverse changes in currency exchange rates; availability and access to interconnection facilities and transmission systems; occupational, health, safety and environmental risks; disputes and litigation; 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 being 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 Asset Management'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 and should not be relied upon as representing our views as of any date subsequent to February 7, 2013, 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 MEASURES

This letter contains references to Adjusted EBITDA, funds from operations and net asset value which are not generally accepted accounting measures under 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. Neither Adjusted EBITDA, funds from operations nor 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.