

# Brookfield

Renewable Energy Partners

## LETTER TO SHAREHOLDERS

Over the past 15 years, we are proud to have grown Brookfield Renewable into one of the largest and most experienced pure-play renewable power businesses in the world. More than 1,300 talented professionals are committed to managing and optimizing the value of our portfolio on a daily basis. It is as a result of their efforts that we had another successful year across our operations – ensuring the reliability and performance of our asset base; delivering projects on scope, schedule and budget; embodying our core principles around health, safety and the environment; and meeting the daily challenges of operating a global business with \$20 billion of assets and more than 230 facilities on three continents.

Our strategy is to leverage our integrated operating platform to provide stable, high quality cash flows for our shareholders and create outsized returns over the long term. Our approach to value creation is primarily focused on the following: 1) marketing our power to capture rising prices and take advantage of cycles; 2) advancing our high quality development pipeline and building assets at premium returns; and 3) growing margins and reducing operating risk through strong internal expertise in hydro and wind. This expertise gives us confidence that we can continue to grow cash flows and raise distributions consistently.

Our achievements in 2014 reflect this strategy and we believe we will be able to continue to increase distributions within our stated range. We remain focused on delivering total shareholder returns of 12-15% over time, and as the track record below illustrates, this is consistent with our performance over the last 15 years.

<b>Total Return</b>	1 Year	3 Years	5 Years	15 Years (inception)
BEP.UN (TSX)	35%	15%	19%	16%
BEP (NYSE)	24%	-	-	-

### Building a strong operating organization

We generated \$1.2 billion in Adjusted EBITDA and \$560 million in Funds From Operations in 2014, in line with our annual plans but below the prior year, which had benefitted from both strong generation and higher-priced contracts. Newly added assets, strong pricing in some markets and cost reduction efforts in North America and Brazil helped to mitigate less favourable hydrology in our U.S. fleet and the suspension of operations at our natural gas facility in Ontario. We continued to generate meaningful cash flow to fund our operations, growth initiatives and development activities. We continue to invest in our assets to maintain high reliability, and are well positioned to benefit from our recent acquisitions and newly commissioned facilities in 2015.

As we have grown meaningfully in recent years, we have been working actively to strengthen the organization and to ensure that we have the systems, structure and culture in place to achieve our objectives. By establishing the business around three continental platforms – in North America, South America and Europe – we benefit from strong local leadership and clear accountability for operations, as well as the identification, execution and integration of new assets in their respective regions.

In addition, succession planning has also been a key area of focus within the organization over the last year. Our succession and continuity plans are well advanced in every key area of the organization,

including operations, finance, legal and business development. Two especially notable changes for Brookfield Renewable are the appointments of Sachin Shah as President and Chief Operating Officer and Nicholas (Nick) Goodman as Chief Financial Officer.

### **Advancing our development pipeline**

We delivered approximately \$400 million of development projects on plan during 2014, and continued to advance our development pipeline with the objective of bringing 500 megawatts to 750 megawatts of greenfield projects into operation over the next five years.

Early in the year, we brought online a 45 megawatt hydro project in British Columbia. More recently, the 88 megawatt Knockacummer and 37 megawatt Killhills wind projects in Ireland were substantially completed and are generating revenue under long-term contracts. Our 12 megawatt Glentane 2 project remains on track to achieve commercial operation in the second quarter of 2015. In Brazil, construction of the 25 megawatt Serra dos Cavalinhos I hydro project is proceeding to plan.

In addition to acquiring operating assets and portfolios, we are strategically expanding our development pipeline with renewable projects acquired from other developers. We recently entered into an agreement to acquire two advanced hydro development projects totaling 47 megawatts located on the Verde River in the state of Mato Grosso do Sul, Brazil. These projects have all the permits necessary to begin construction, which we anticipate will take place in 2015. Together with two other projects in our pipeline, we have the potential to start construction on a total of 90 megawatts of new hydro capacity in Brazil in 2015.

### **Growth initiatives**

We, along with our institutional partners, invested or committed more than \$3 billion of capital in new acquisitions in 2014. These included more than 800 megawatts of transformational acquisitions in Ireland and Brazil. The purchase of a wind portfolio in Ireland in June 2014 was our first acquisition in Europe and provides us with a strong foundation to build a scalable renewable energy business on the continent. More recently, we entered into an agreement to acquire a 488 megawatt diversified portfolio in Brazil which significantly expands our operating capacity in the country. The transaction is expected to close in the first quarter of 2015 and will add two new technologies to our Latin American portfolio – wind and biomass – with additional opportunities for future expansion.

In North America, we continued to pursue our growth strategy based on high-quality assets which also provide an option on rising electricity prices. During the year, we acquired more than 500 megawatts of hydroelectric capacity in the United States including the 417 megawatt Safe Harbor facility, the second-largest privately held hydroelectric generating station in the country. These assets are situated in northeastern markets where power prices are poised to increase from gradually improving economic fundamentals, the significant retirement of coal facilities, and strong renewable portfolio standards. Today, approximately 50% of our portfolio is situated in the United States, where we see considerable opportunity for continued growth.

### **A strong outlook**

In North America, current energy prices remain well below sustainable long-term levels, while in Brazil, years of under-investment have contributed to very tight power market conditions and the growing

realization that new supply is required to meet current and future needs. The investment opportunity in Europe remains compelling as exemplified by the recent increase to EU long-term objectives targeting a 40% CO2 reduction and 27% of renewables content by 2030. We are actively pursuing growth opportunities in a number of markets in western Europe which could provide meaningful expansion and diversification to our newest platform.

We raised \$3.5 billion in capital during 2014 to fund growth, refinance existing maturities and optimize our capital structure. Our liquidity at year-end stood at \$1.0 billion and our ability to maintain strong capitalization and funding platforms continues to play an integral role in our success.

We are well positioned to create meaningful shareholder value in the coming years and believe that our scale will allow us to allocate capital across our key markets opportunistically. Our integrated operations will allow us to surface value in multiple technologies by efficiently integrating new assets, building our development pipeline, growing our cash flow margins and continuously enhancing the operating characteristics of the portfolio. The core business is highly stable with long-life, predominantly contracted assets, while a prudent portion of our revenues are positioned to benefit from rising prices over time and the potential to add meaningful accretion on a per share basis.

We have a long and successful track record of executing our strategy and this has allowed us to steadily grow our distributions. In light of our 2014 achievements and strong cash flow profile, we are announcing an increase in our annualized distribution to \$1.66 per unit, representing a 7% increase over 2014 and consistent with our distribution growth target of 5-9% per year.

On a final note, I would like to express my sincere appreciation to our employees, directors, shareholders and business partners for your contributions to our success. We are looking forward to the opportunities that 2015 will bring and thank you for your continued support.

Sincerely,



Richard Legault  
Chief Executive Officer

February 6, 2015

#### **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, achievement of long term average generation, project development and capital expenditure costs, diversification of shareholder base, energy policies, economic growth, growth potential of the 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 fact that we are not subject to the same disclosure requirements as a U.S. domestic issuer; risks commonly associated with a separation of economic interest from control or the incurrence of debt at multiple levels within our organizational structure; the risk that we may be deemed an “investment company” under the Investment Company Act; 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, to wind conditions at our wind energy facilities or to weather generally at any biomass cogeneration 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; risks relating to the increasing amount of uncontracted generation in our portfolio; exposure to additional costs as a result of our operations being highly regulated and exposed to increased regulation; 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; local communities affecting our operations; 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, Latin American 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, including transactions that have been announced but not yet closed; 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 February 6, 2015, 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.