

# Brookfield

Renewable Energy Partners

## LETTER TO SHAREHOLDERS

As we near the end of 2013, we can begin to look back on the year and be pleased with the continued success of our operating and growth plans. This month also marks two years since Brookfield Renewable was launched as a global, listed pure-play renewable power company. In that time, we have been able to expand our platform, increase cash flows and raise our distributions – all while strengthening our financial position and delivering strong returns to shareholders.

Renewable energy continues to grow around the world owing to its positive environmental attributes, supply diversification benefits, and increasing cost-competitiveness with traditional technologies. The global renewable power market is 1.5 times the size of the entire U.S. electricity market (the world's largest) and is growing by about 100 GW or \$200 billion of new supply each year.

The launch of a number of dedicated private funds and publicly-traded renewable power investment vehicles in North America and Europe is an indication of the growing attractiveness of the industry and the opportunity it presents. Brookfield Renewable is extremely well positioned within this universe by virtue of its differentiating attributes:

- A global mandate and scale of operations that traverses 12 power markets in 3 countries, with plans to expand into new markets;
- Our track record that is among the longest and strongest of the publicly-traded pure-plays;
- A unique hydroelectric focus, expertise and scale that confers a strong competitive advantage;
- An operating platform that in addition to supporting our acquisition strategy, allows us to develop, build and operate high-value projects at premium returns; and
- The financial strength, liquidity and proven ability to access capital in the pursuit of accretive growth opportunities.

In recent months, we have invested considerable time and resources in building our organic growth profile in a number of ways. The addition of merchant assets in the current environment has embedded the business with significant upside tied to rising power prices and economic recovery. We have also continued to develop our project pipeline which should support the deployment over the next five years of approximately \$500 million of capital into high-value projects delivering premium returns. Our contracted assets continue to benefit from contractual inflation protection which results in margin preservation and a real return profile. And with more than 200 facilities and \$17 billion in assets, the scale of our operating platform allows us to operate and integrate assets with high efficiency and at very low cost.

Accordingly, we believe that the business remains very well positioned to deliver cash flow growth and distribution increases at the higher end of our 3% to 5% distribution growth target, by virtue of these organic initiatives alone. The addition of acquisition-based growth, including the penetration of new markets and the diversification into new technologies, gives us even more reason to be very excited about the future of this business.

Our business has never been stronger and our growth prospects are better than ever. We remain focused on producing investment returns of 12 to 15 percent on average over the long term from a high-quality, scalable portfolio of renewable power assets.

I look forward to reporting on our continued progress and thank you for your ongoing 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, future energy prices and demand for electricity, economic recovery, the future growth prospects, 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, 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, security 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 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; and the completion and expected benefits of announced transactions..*

*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 November 5, 2013, the date of this Letter to Shareholders. 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" in our Annual Information Form and Form 20-F.*

#### **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.*