

# Letter to Unitholders

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Our business continued to perform well in the third quarter, delivering adjusted EBITDA and FFO of \$378 million and \$91 million respectively. Above average generation, high availability across our fleet and the advancement of our organic growth initiatives all contributed positively to financial results during the quarter. We remain on track to deliver 8% to 10% FFO per share growth over the last five years.

We made significant progress on growth initiatives during the quarter. Post-quarter end we also closed the acquisition of a 51% controlling interest in TerraForm Power with our institutional partners. TerraForm Power has a 2,600 megawatt, high-quality, diversified portfolio of solar and wind assets located primarily in the U.S. The acquisition is expected to contribute 6% accretion to FFO on a run-rate basis, and generate long-term returns in line with our targets. More broadly, this transaction establishes us with scale operations in solar, and provides a platform for future growth.

In addition, we closed two acquisitions in Europe. The first was our 25% stake in First Hydro – the U.K.'s largest, most flexible and efficient pumped storage portfolio with 2,100 megawatts of capacity across two plants that are co-owned with a European utility. We also completed the tuck-in acquisition of a 16 megawatt wind farm in Northern Ireland. These transactions mark the continued momentum of our European platform as we capitalize on our deep wind expertise, and establish a hydro footprint in the region.

In aggregate, these transactions deployed \$278 million of partnership equity, and are expected to deliver approximately \$50 million of incremental FFO to the partnership on an annual basis.

We also continue to progress the acquisition of 100% of TerraForm Global, with a shareholder vote scheduled for mid-November.

## **Business Capabilities**

We invested considerable time and resources over the last few years positioning the business to have embedded organic growth, scale to operate and develop projects across multiple geographies, and expertise across multiple technologies. We now have almost \$30 billion of long duration hydro, wind, solar, storage and distributed generation assets around the world, all producing carbon-free power at a time when countries are actively moving to reduce pollution and decarbonize the global economy. All of our facilities are supported by dedicated in-house operating teams to enhance operations to ensure cash flows are both stable and growing. We continue to operate with a very stable fixed rate finance portfolio and have access to multiple sources of capital to further enhance the business over time.

We believe this scale and diversity will be beneficial to shareholders over the long term. It should allow us to further reduce operating costs and expand margins over time, pursue repowering opportunities across our fleet that provide long-term embedded growth, and advance our 7,000 megawatt development pipeline with little incremental cost, given that we can tuck assets into our operations. Accordingly, we are well positioned to

deliver per-share FFO growth over the next five years in excess of our 5% to 9% distribution growth targets from contracted revenue escalations, margin expansion and development activities alone. Finally, we have the benefit of being able to deploy capital around the world to markets where it is scarce so that we can continue to invest on a value basis.

### **Capital Deployment**

We continue to progress our \$435 million development backlog. Having already commissioned 56 megawatts of construction assets in 2017, we are advancing the development of a further 265 megawatts, largely in Europe and Brazil. In total, these projects should add \$45 - \$50 million to our annual FFO over the next 3 years.

In Europe, we commissioned a 15 megawatt wind farm last quarter and we are making good progress towards the completion of an additional 65 megawatts of wind which are on scope, schedule and budget. In Brazil, we expect to commission a 28 megawatt small hydro project later this year with an additional 19 megawatts on schedule for commissioning in 2018. In addition, we are preparing to bid another two Brazilian hydroelectric development projects, totaling 43 megawatts, into the upcoming auctions in the fourth quarter which, if successful, should ready them for construction.

From an M&A perspective, we remain very active in all of our key markets. As decarbonization continues to take hold around the world, we believe we are well positioned with our global operating and development capabilities, our investment expertise and our access to capital to pursue continued long term growth of the business. As a result, we expect to be able to continue to meet our annual target of deploying \$600 to \$700 million of Brookfield Renewable equity in growth opportunities.

### **Financial Results**

Overall the business is performing well. Increased hydroelectric generation across our North American portfolio, 6% above the long term average, was supported by higher precipitation in New York, PJM, Ontario and Quebec, and high fleet availability. We continue to maintain a largely contracted portfolio and are focused on a few select contracting opportunities across the business to generate further upside.

In Europe, the business continues to deliver strong operational performance with generation in line with the long-term average. Our operating expertise in the market has enabled us to advance a number of organic growth initiatives both with regards to building out our development pipeline and pursuing corporate contracting initiatives.

In Brazil, power prices remain well above historical norms as weak hydrological conditions and low reservoir levels persist. We have been able to capture higher prices and benefit from the volatility through the implementation of a successful hedging strategy. Accordingly, we have signed ten PPAs totaling 139 gigawatt-hours per year at an average price of R\$230 per megawatt-hour (~US\$70 per megawatt-hour) for deliveries up to 2021. The Brazilian economy continued to strengthen in the third quarter following the deep recession in 2015 and 2016. The central bank is aggressively cutting interest rates to support the recovery as inflation is now under control. GDP is expected to grow 2-3% in 2018.

In Colombia, the combination of average hydrology and the ability to draw on our significant storage capacity resulted in hydro generation at 2% above the long-term average. We also ended the quarter with reservoir levels above the long-term average, positioning us well for the upcoming dry season, which typically lasts from

December to April. System power prices remained low this quarter, however a recovery in market demand combined with an expected return to more normal hydrology should support an increase in prices in the coming months. Our contracting strategy in the country continues to be focused on securing and renewing contracts with distribution companies and credit-worthy industrial consumers. We were awarded several medium-term contracts with distribution companies and renewed four contracts with industrial off-takers at prices in the range of COP 190 per kilowatt-hour (~US\$65 per megawatt-hour).

Our investment in TerraForm Power has performed in line with our expectations so far this year and as we look forward, we would expect the investment to add approximately \$40 million to Brookfield Renewable's FFO over the next 12 months. With the opportunity to grow cash flows organically through margin expansion and asset re-powering, we are expecting these assets to provide a meaningful ongoing contribution to Brookfield Renewable's financial results and support our annual FFO growth targets.

### **Liquidity and Outlook**

Our liquidity position, pro forma for the above mentioned closed transactions, remains strong at \$1.7 billion. This leaves us well positioned to pursue further growth opportunities in the months ahead.

In September, we held our annual Investor Day in New York, and we want to thank those of you who were able to attend either in person, or via our webcast. At this event, we took the opportunity to delve into the strength and low-risk nature of our balance sheet, our ability to surface value and grow cash flows from the existing business, and the broadening renewable investible universe that is leading to a growing number of accretive acquisition opportunities.

Over the coming months, we will be focused on advancing our development and acquisition pipelines, optimizing and enhancing our existing operations, and preserving strong liquidity and access to multiple sources of capital.

We are grateful for your continued support, and look forward to updating you on our progress again next quarter.

Sincerely,



Sachin Shah  
Chief Executive Officer  
November 1, 2017



### **Cautionary Statement Regarding Forward-looking Statements**

*This letter to unitholders contains forward-looking statements and information within the meaning of Canadian provincial 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” provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations. The words “will”, “should”, “could”, “potential”, “tend to”, “target” “future”, “growth”, “expect”, “believe”, “goal”, “plan”, derivatives thereof and other expressions which are predictions of or indicate future events, trends or prospects and which do not relate to historical matters identify the above mentioned and other forward-looking statements. Forward-looking statements in this letter to unitholders include statements regarding the quality of Brookfield Renewable’s and TerraForm Power’s businesses and our expectations regarding future cash flows and distribution growth. They include statements regarding our liquidity, the availability of acquisition opportunities and the timing and progress towards completion of acquisitions and development projects. They also include statements regarding the expected contribution of development projects and of TerraForm Power to future cash flows as well as statements regarding the nature of the investment opportunities available within the renewables market generally. Although Brookfield Renewable believes that these forward-looking statements and information are based upon reasonable assumptions and expectations, you should not place undue reliance on them, or any other forward looking statements or information in this letter to unitholders. The future performance and prospects of Brookfield Renewable are subject to a number of known and unknown risks and uncertainties. Factors that could cause actual results of Brookfield Renewable to differ materially from those contemplated or implied by the statements in this letter to unitholders include economic conditions in the jurisdictions in which we operate; our ability to sell products and services under contract or into merchant energy markets; weather conditions and other factors which may impact generation levels at our facilities; changes to government regulations, including incentives for renewable energy; our ability to grow within our current markets or expand into new markets; our ability to complete development and capital projects on time and on budget; our inability to finance our operations or fund future acquisitions due to the status of the capital markets; the ability to effectively source, complete and integrate new acquisitions and to realize the benefits of such acquisitions; health, safety, security or environmental incidents; regulatory risks relating to the power markets in which we operate, including relating to the regulation of our assets, licensing and litigation; risks relating to our internal control environment; our lack of control over all of our operations; contract counterparties not fulfilling their obligations; and other risks associated with the construction, development and operation of power generating facilities.*

*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 subsequent date. 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.*

### **CAUTIONARY STATEMENT REGARDING USE OF NON-IFRS MEASURES**

*This letter to unitholders contains references to Adjusted EBITDA and Funds From Operations (FFO), which are not generally accepted accounting measures under IFRS and therefore may differ from definitions of Adjusted EBITDA and Funds From Operations used by other entities. We believe that these 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 nor Funds From Operations 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.*

*References to Brookfield Renewable are to Brookfield Renewable Partners L.P. together with its subsidiary and operating entities unless the context reflects otherwise.*