

# Brookfield Renewable Energy Partners L.P.

## Q3 2012 INTERIM REPORT

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## OUR OPERATIONS

We operate our facilities through three regional operating centers in the United States, Canada and Brazil which are designed to maintain and enhance the value of our assets, while cultivating positive relations with local stakeholders. We own and manage 171 hydroelectric generating stations, seven wind facilities, and two natural gas-fired plants. Overall, the assets we own or manage have 4,915 MW of generating capacity and annual generation of 18,148 GWh based on long-term averages. We also have three hydroelectric facilities under construction that are scheduled to be commissioned within the next 24 months, thereby increasing the total capacity of our portfolio by 93 MW to 5,008 MW. The table below outlines our portfolio as at September 30, 2012:

Markets	Rivers	Generating Stations	Generating Units	Capacity <sup>(1)</sup> (MW)	LTA <sup>(2)</sup> (GWh)	Storage (GWh)
<b>Operating Assets</b>						
Hydroelectric generation <sup>(3)</sup>						
United States	26	103	292	1,966	7,020	2,146
Canada	18	32	72	1,323	4,972	1,261
Brazil	24	36	81	632	3,486	N/A <sup>(4)</sup>
	68	171	445	3,921	15,478	3,407
Wind energy						
Canada	-	3	220	406	1,197	-
United States	-	4	156	373	952	-
	-	7	376	779	2,149	-
Other	-	2	6	215	521	-
Total from operating assets	68	180	827	4,915	18,148	3,407
<b>Assets under construction</b>						
Hydroelectric generation						
Brazil <sup>(5)</sup>	-	2	4	48	229	N/A <sup>(4)</sup>
Canada	1	1	4	45	138	-
Total	69	183	835	5,008	18,515	3,407

<sup>(1)</sup> Total capacity of our operating assets including our share of equity-accounted investments is 4,504 MW.

<sup>(2)</sup> Long-term average ("LTA") is calculated on an annualized basis to the beginning of the year, regardless of the acquisition or commercial operation date.

<sup>(3)</sup> Long-term average is the expected average level of generation, as obtained from the results of a simulation based on historical inflow data performed over a period of typically 30 years. In Brazil, assured generation levels are used as a proxy for long-term average.

<sup>(4)</sup> Brazilian hydroelectric assets benefit from a market framework which levelizes generation risk across producers.

<sup>(5)</sup> Assets under construction are on the same river systems as existing hydroelectric assets.

The following table presents the annualized long-term average generation of our operating portfolio on a quarterly basis:

LTA generation (GWh) <sup>(1)</sup>	Q1	Q2	Q3	Q4	Total
<b>Operating Assets</b>					
Hydroelectric generation <sup>(2)</sup>					
United States	1,883	2,075	1,378	1,684	7,020
Canada	1,158	1,407	1,232	1,175	4,972
Brazil <sup>(3)</sup>	883	820	870	913	3,486
	3,924	4,302	3,480	3,772	15,478
Wind energy					
Canada	324	292	238	343	1,197
United States	215	310	236	191	952
	539	602	474	534	2,149
Other	217	103	97	104	521
<b>Total LTA generation</b>	<b>4,680</b>	<b>5,007</b>	<b>4,051</b>	<b>4,410</b>	<b>18,148</b>

<sup>(1)</sup> Long-term average is calculated on an annualized basis to the beginning of the year, regardless of the acquisition or commercial operation date.

<sup>(2)</sup> Long-term average is the expected average level of generation, as obtained from the results of a simulation based on historical inflow data performed over a period of typically 30 years. In Brazil, assured generation levels are used as a proxy for long-term average.

<sup>(3)</sup> Brazilian hydroelectric assets benefit from a market framework which levelizes generation risk across producers.

#### Statement Regarding Forward-Looking Statements and Use of Non-IFRS Accounting Measures

This Interim Report contains forward-looking information within the meaning of Canadian securities laws. We may make such statements in this Interim Report, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission or in other communications. See "Cautionary Statement Regarding Forward-Looking Statements" beginning on page 38. We make use of non-IFRS measures in this interim report as disclosed further on page 39. This interim report and additional information, including our Annual Information Form, are available on our website at [www.brookfieldrenewable.com](http://www.brookfieldrenewable.com) and on SEDAR's website at [www.sedar.com](http://www.sedar.com).

## LETTER TO SHAREHOLDERS

Almost a year has passed since the launch of Brookfield Renewable Energy Partners and it has been tremendously successful. The objective was to create a global pure-play renewable power company — one whose portfolio, operating platform and financial strength would make it one of the leading renewable businesses worldwide. Overall, we can confidently say that we have accomplished many of our first-year objectives and remain poised to build on our achievements in 2013 and beyond.

Brookfield Renewable has provided shareholders with an attractive total return of approximately 30% over the last twelve months, including unit price appreciation and quarterly distributions which have been increased twice over that time.

### **A Year of Growth**

Since launch, we have acquired or are completing the acquisition of more than 600 MW of additional hydroelectric and wind generation, increasing our installed capacity by approximately 13 percent.

We have also made excellent progress on our organic growth and development initiatives, having completed the construction of five renewable power projects in Canada and the United States. We are nearing completion of two hydroelectric projects in Brazil which will enter commercial operations in the coming months. In Canada, construction is progressing very well on the 45 MW hydroelectric project on the Kokish River in British Columbia, which is scheduled to begin operations in 2014.

During the third quarter we acquired a 17% stake in a publicly-traded company with 165 MW of operating wind assets, most of which is adjacent to our own wind facilities in California. The company is undergoing a sale process whose outcome is not known at this time, however we are confident that our purchase represents good value and that we will realize even greater value from this investment in time.

### **Strong Funding Platform**

Another key objective in forming Brookfield Renewable was to enhance our access to long-term sources of capital while diversifying our shareholder base.

Accordingly, in 2012 we have completed or are in the process of completing more than \$3 billion of capital transactions, including acquisitions, financings, and offerings. Recent activity includes a C\$250 million offering of preferred shares, as well as a C\$175 million financing of the Kokish River project with a term of 41 years. These financings have provided us with access to stable sources of long-term capital at very attractive rates.

Over the last several quarters, we have also strengthened our financial position by strategically reducing the costs on our borrowings by approximately 50 basis points, which translates into meaningful savings on our interest costs. We believe that there are additional low-cost and low-risk opportunities to optimize the financial strength of the business. Our liquidity position remains strong, allowing us to pursue our business objectives, while our anticipated listing on the New York Stock Exchange (NYSE) by the end of 2012 is expected to enhance our liquidity and growth prospects by making our securities available to a broader group of investors.

## Financial Results

After strong generation in the first three months of the year, we have experienced lower precipitation levels over the last two quarters. Consequently, year-to-date generation was 11,889 GWh or 13% lower than the long-term average (LTA). It is important to recall that these shortfalls from LTA are a normal part of the hydrology cycle (as are periods of excess generation), and it is for this reason that we have always managed our operations based on LTA.

The discipline of managing to LTA means that we routinely ensure adequate liquidity for our operations, review capital expenditures, and maintain a prudent payout ratio. We have continued to invest in our portfolio, spending \$40 million on sustaining capital expenditures year to date without increasing amounts drawn on our credit facilities, demonstrating the financial flexibility of our operations and our ability to mitigate the impact of short term deviations in generation on our cash flows.

Adjusted EBITDA and funds from operations (FFO) were \$657 million and \$273 million, respectively, for the first nine months of 2012. As we have reduced our generation in response to the lower inflows, our reservoir levels across the portfolio are in line with their long-term average levels for this time of year.

## Looking Ahead

Based on our results to date and assuming long-term average generation for the rest of the year, we would expect a distribution payout ratio for fiscal 2012 in the range of 95% of FFO which, while greater than our target of 60% to 70%, demonstrates the resilience of our business considering the extent of the generation shortfall in the last two quarters.

We look forward to achieving a number of milestones in the fourth quarter, including completing the acquisition of a 378 MW hydroelectric portfolio from Alcoa, the listing of our units on the NYSE and the advancement of our construction projects.

We also continue to identify and evaluate numerous growth opportunities in North and South America, as well as Europe, and are optimistic that we will be able to capitalize on a number of these in the future.

On a final note, we are very pleased to welcome Lars Josefsson to our Board of Directors. From 2001 to 2010, Lars served as the Chief Executive Officer of Vattenfall AB, which he helped to grow into one of Europe's largest diversified energy companies, one with a significant hydroelectric and wind portfolio. An experienced senior executive with a wealth of power industry expertise, we look forward to his presence on the board and his contributions to the growth of our business.

We remain grateful for your ongoing support and look forward to reporting on our continued progress.

Sincerely,



Richard Legault  
President and Chief Executive Officer

# Management's Discussion and Analysis

## For the three and nine months ended September 30, 2012

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### **QUARTERLY HIGHLIGHTS**

#### **Portfolio growth**

We have been progressing with the integration of our 378 MW hydroelectric portfolio acquired, with our institutional partners, from Alcoa in June 2012. The acquisition is on track to close by the end of this year.

We announced the investment in common shares and warrants of Western Wind Energy Corporation ("Western Wind") and hold approximately 17 percent of the outstanding common shares. Western Wind has 165 MW of operating wind assets located primarily in the Tehachapi region of California.

We completed the acquisition, with institutional partners, of a 6 MW hydroelectric facility in Brazil. The facility benefits from a power purchase agreement expiring in 2019.

Construction on our 48 MW hydroelectric projects in Brazil and our 45 MW hydroelectric project in British Columbia are progressing on scope, and remain scheduled for completion in early 2013 and mid-2014, respectively.

#### **Capital markets initiatives**

Subsequent to the quarter end, we issued C\$250 million of Class A Preference Shares with fixed, annual, cumulative dividends yielding 4.4%. The net proceeds were used to repay outstanding indebtedness and for general corporate purposes.

As well, we completed a C\$175 million financing of our 45 MW British Columbia hydroelectric development project with a term of 41 years at a rate of 4.45%.

We are continuing to progress with our registration statement filed with the Securities and Exchange Commission in connection with an anticipated listing on the New York Stock Exchange in the fourth quarter of 2012.

#### **Generation results**

In the third quarter, generation was lower than prior year and below long-term average levels primarily due to our hydroelectric portfolio.

There were lower inflows from the drier than normal conditions in eastern Canada, New York state, and in the mid-western United States. The variance in our year-over-year results also reflects the above average precipitation and record rainfall levels in the mid-western and eastern United States in 2011 resulting from Hurricane Irene.

Generation from our wind portfolio was substantially higher than the prior year as a result of the acquired or commissioned facilities in California and New England, and from an Ontario facility commissioned in 2011. Results were below long-term average for the current period primarily due to lower wind conditions across our U.S. and Canadian facilities.

For the month of October, generation levels have recovered in our U.S. facilities, due to significant precipitation and stronger than expected wind conditions.

While our short-term generation has been significantly below long-term average, the business itself is performing well from an operating standpoint, including both our existing and recently acquired or commissioned assets.

## SUMMARY OF HISTORICAL CONSOLIDATED FINANCIAL AND OTHER INFORMATION

	Three months ended Sep 30		Nine months ended Sep 30	
(US\$ MILLIONS, UNLESS OTHERWISE STATED)	2012	2011	2012	2011
Operational Information:				
Capacity (MW)	4,915	4,339	4,915	4,339
Long-term average (GWh) <sup>(1)</sup>	4,049	3,671	13,604	12,221
Actual generation (GWh) <sup>(1)</sup>	2,971	3,614	11,889	12,029
Selected Financial Information:				
Revenues	\$ 229	\$ 280	\$ 992	\$ 902
Adjusted EBITDA <sup>(2)</sup>	118	197	657	650
Funds from operations <sup>(2)</sup>	11	79	273	298
Net loss	(59)	(242)	(31)	(365)
Average revenue per MWh <sup>(1)</sup>	77	77	83	75
Basic and diluted loss per share <sup>(3)(4)</sup>	(0.20)	(0.95)	(0.06)	(1.46)
Distributions per share	0.35	0.33	1.04	0.98

	Sep 30	Dec 31
	2012	2011
Balance sheet data:		
Property, plant and equipment, at fair value	\$ 14,520	\$ 13,945
Equity-accounted investments	307	405
Total assets	15,933	15,708
Long-term debt and credit facilities	5,850	5,519
Deferred income tax liabilities	2,427	2,374
Total liabilities	8,982	8,508
Participating non-controlling interests	728	629
Preferred equity	250	241
Limited partners' equity	5,973	6,330
Total liabilities and partners' equity	15,933	15,708
Net asset value <sup>(2)</sup>	\$ 8,388	\$ 8,398
Net asset value per share <sup>(2)(3)</sup>	\$ 31.95	\$ 31.99
Debt to total capitalization <sup>(2)</sup>	38%	37%

<sup>(1)</sup> Includes 100% of generation from equity-accounted investments.

<sup>(2)</sup> Non-IFRS measures. See "Cautionary Statement Regarding Use of Non-IFRS Accounting Measures".

<sup>(3)</sup> On a fully-exchanged basis, average units outstanding during the period total 262.5 million (2011: 262.5 million).

<sup>(4)</sup> Represents the loss attributed to limited partners.

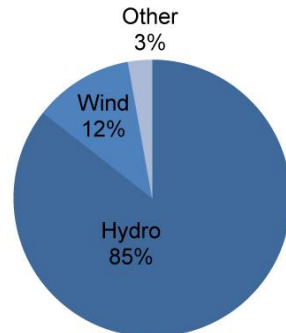
## BUSINESS OVERVIEW

We are an owner and operator of a diversified portfolio of high quality assets that produce electricity from renewable resources and have evolved into one of the world's largest listed pure-play renewable power businesses.

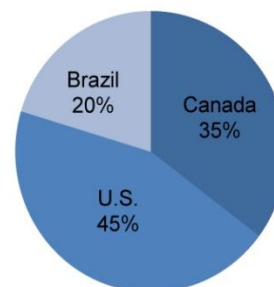
Our assets generate high quality, stable cash flows derived from a virtually fully contracted portfolio. Our business model is simple: utilize our global reach to identify and acquire high quality renewable power assets at favourable valuations, finance them on a long-term, low-risk basis, and enhance the cash flows and values of these assets using our experienced operating teams to earn reliable, attractive, long-term total returns for the benefit of our shareholders.

**One of the largest, listed pure-play renewable platforms.** We own one of the world's largest, publicly-traded, pure-play renewable power portfolios with \$15 billion in power assets, approximately 5,000 MW of installed capacity, and long-term average generation of approximately 18,100 GWh annually. Our portfolio includes 171 hydroelectric generating stations on 68 river systems and seven wind facilities, diversified across ten power markets in the United States, Canada and Brazil.

Generation by Technology



Generation by Market



**Focus on attractive hydroelectric asset class.** Our assets are predominantly hydroelectric and represent one of the longest life, lowest cost and most environmentally preferred forms of power generation. Our North American hydroelectric portfolio has the ability to store water in reservoirs approximating 28% of our annual generation. Our assets in Brazil benefit from a framework that exists in the country to levelize generation risk across producers. This ability to store water and have levelized generation in Brazil, provides partial protection against short-term changes in water supply. As a result of our scale and the quality of our assets, we are competitively positioned compared to other listed renewable power platforms, providing significant scarcity value to investors.

**Well positioned for global growth mandate.** Over the last ten years we have acquired or developed over 130 hydroelectric assets totaling approximately 3,000 MW and seven wind generating assets totalling approximately 800 MW. In addition, since the beginning of 2012, we acquired or are completing the acquisition of 384 MW of hydroelectric generating assets and 223 MW of wind generating assets. We also have strong organic growth potential with a 2,000 MW development pipeline spread across all of our operating jurisdictions. Our net asset value in renewable power has grown from approximately \$900 million in 1999 to \$8.4 billion today, representing a 19% compounded annualized growth rate. We are able to acquire and develop assets due to our established operating and project development teams, strategic relationship with Brookfield Asset Management, and our strong liquidity and capitalization profile.



**Attractive distribution profile.** We pursue a strategy which we expect will provide for highly stable, predictable cash flows sourced from predominantly long-life hydroelectric assets ensuring an attractive distribution yield. We target a distribution payout ratio in the range of approximately 60% to 70% of funds from operations and pursue a long-term distribution growth rate target in the range of 3% to 5% annually.

**Stable, high quality cash flows with attractive long-term value for limited partnership unitholders.**

We intend to maintain a highly stable, predictable cash flow profile sourced from a diversified portfolio of low operating cost, long-life hydroelectric and wind power assets that sell electricity under long-term, fixed price contracts with creditworthy counterparties. Virtually all of our generation output is sold pursuant to power purchase agreements, to public power authorities, load-serving utilities, industrial users or to affiliates of Brookfield Asset Management. The power purchase agreements for our assets have a weighted-average remaining duration of 23 years, providing long-term cash flow stability.

**Strong financial profile.** With \$15 billion of power generating assets and a conservative leverage profile, consolidated debt-to-capitalization is approximately 38%. Our liquidity position remains strong with approximately \$1.0 billion of cash and unutilized portion of committed bank lines, as of the date of this report. Liquidity increased from September 30, 2012 due to our recently completed C\$250 preferred share issuance. Over 70% of our borrowings are non-recourse to Brookfield Renewable. Both corporate borrowings and subsidiary borrowings have weighted-average terms of nine and ten years, respectively.

## **SUCCESSFUL COMBINATION OF OUR RENEWABLE ENERGY BUSINESS**

On November 28, 2011, we completed the strategic combination (the “Combination”) of the renewable power assets of Brookfield Renewable Power Inc. (“BRPI”) and Brookfield Renewable Power Fund (the “Fund”) to launch Brookfield Renewable Energy Partners L.P. (“Brookfield Renewable”), a publicly-traded limited partnership. Public unitholders of the Fund received one non-voting limited partnership unit of Brookfield Renewable in exchange for each trust unit of the Fund held, and the Fund was wound up.

The business activities of Brookfield Renewable consist of owning a portfolio of renewable power generating facilities in the United States, Brazil and Canada, which have historically been held as part of the power generating operations of BRPI and the Fund.

As at the date of this report, Brookfield Asset Management owned an approximate 68% limited partnership interest, on a fully-exchanged basis, and all general partnership units totalling a 0.01% general partnership interest in Brookfield Renewable while the remaining 32% was held by the public. Since November 30, 2011, Brookfield Renewable’s limited partnership units trade on the Toronto Stock Exchange (“TSX”) under the symbol “BEP.UN”.

## **BASIS OF PRESENTATION**

This Management’s Discussion and Analysis for the three and nine months ended September 30, 2012 is provided as of November 9, 2012. Unless the context indicates or requires otherwise, the terms “Brookfield Renewable”, “we”, “us”, and “our” mean Brookfield Renewable Energy Partners L.P. and its controlled entities.

The Combination does not represent a business combination in accordance with IFRS 3 Business Combinations (“IFRS 3R”) as it represents a reorganization of entities under common control of Brookfield Asset Management. Accordingly, the consolidated financial statements of Brookfield Renewable are presented to reflect such continuing control and no adjustments were made to reflect fair values or to recognize any new assets or liabilities, as a result of the Combination. Brookfield Renewable’s consolidated balance sheets, statements of income (loss), and statements of cash flows are presented as if these arrangements had been in place from the time that the operations were originally acquired by Brookfield Asset Management. For periods prior to November 28, 2011, the financial information for Brookfield Renewable represents the combined financial information for the Brookfield Renewable Power Division (the “Division”) a division of Brookfield Asset Management. Transactions entered into as part of the Combination are accounted for effective November 28, 2011.

Effective December 2011, Brookfield Renewable entered into voting arrangements with various affiliates of Brookfield Asset Management, whereby Brookfield Renewable gained control of the entities that own certain renewable power generating operations in the United States and Brazil (the “Voting Arrangements”). The Voting Arrangements provide Brookfield Renewable with all of the voting rights to elect the Boards of Directors of the relevant entities and therefore provides Brookfield Renewable with control. Accordingly, Brookfield Renewable consolidates the accounts of these entities.

The Combination and Voting Arrangements do not represent business combinations in accordance with IFRS 3R, as all combining businesses are ultimately controlled by Brookfield Asset Management both before and after the transactions were completed. Brookfield Renewable accounts for these reorganizations of entities under common control in a manner similar to a pooling of interest which requires the presentation of pre-Combination and Voting Arrangement financial information as if the transactions had always been in place. Refer to Note 2(o)(ii) in our audited consolidated financial statements for the year ended December 31, 2011 for our policy on accounting for transactions under common control.

Brookfield Renewable's unaudited interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), which require estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and the amounts of revenue and expense during the reporting periods.

Certain comparative figures have been reclassified to conform to the current period's presentation. Unless otherwise indicated, all dollar amounts are expressed in United States ("U.S.") dollars.

## **PERFORMANCE MEASUREMENT**

Although we monitor and analyze our financial performance using a number of indicators, our primary business objective of generating reliable and growing cash flow is monitored and analyzed using adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"), funds from operations and net asset value. Beginning on page 33, we also present these same measurements of the 2011 results on a *pro forma* basis under two scenarios: 1) new contracts and contract amendments, along with the tax implications of the Combination, as if each had occurred as of January 1, 2011; and 2) results assuming long-term average generation.

While net income is calculated in accordance with IFRS, Adjusted EBITDA, funds from operations, and net asset value do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other companies. See "Reconciliation of Funds From Operations to Net Loss" and "Reconciliation of *Pro forma* Results".

### **Net Income**

Net income is calculated in accordance with IFRS.

### **Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization (Adjusted EBITDA)**

Adjusted EBITDA means revenues less direct costs (including energy marketing costs), plus our share of cash earnings from equity-accounted investments and other income, before interest, current income taxes, depreciation, amortization, management service costs and the cash portion of non-controlling interests.

### **Funds From Operations**

Funds from operations is defined as Adjusted EBITDA less interest, current income taxes and management service costs, which is then adjusted for the cash portion of non-controlling interests.

### **Net Asset Value**

Net Asset Value represents our capital at carrying value, on a pre-tax basis prepared in accordance with the procedures and assumptions utilized to prepare Brookfield Renewable's IFRS financial statements, adjusted to reflect asset values not otherwise recognized under IFRS.

## FINANCIAL REVIEW FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012

The following table reflects the actual and long-term average generation for the three months ended September 30:

					Variance of Results		
					Actual vs. LTA		Actual vs. Prior year
					2012	2011	2012
GENERATION (GWH)	2012	2011	2012	2011	2012	2011	2012
Hydroelectric generation							
United States	889	1,503	1,378	1,336	(489)	167	(614)
Canada	705	1,030	1,232	1,267	(527)	(237)	(325)
Brazil <sup>(1)</sup>	868	842	868	842	-	-	26
	2,462	3,375	3,478	3,445	(1,016)	(70)	(913)
Wind energy							
Canada	151	93	238	128	(87)	(35)	58
United States	150	-	236	-	(86)	-	150
	301	93	474	128	(173)	(35)	208
Other	208	146	97	98	111	48	62
Total generation <sup>(2)</sup>	2,971	3,614	4,049	3,671	(1,078)	(57)	(643)

<sup>(1)</sup> In Brazil assured generation levels are used as a proxy for long-term average.

<sup>(2)</sup> Includes 100% of generation from equity-accounted investments.

We compare actual generation levels against the long-term average to highlight the impact of one of the important factors that affect the variability of our business results. In the short-term, we recognize that hydrology will vary from one period to the next, over time however, we expect our facilities will continue to produce in line with their long-term averages, which have proven to be reliable indicators of performance. Accordingly, we present our generation and the corresponding Adjusted EBITDA and funds from operations on both an actual generation and a long-term average basis.

Generation levels for the three months ended September 30, 2012 totalled 2,971 GWh, a decrease of 643 GWh or 18% as compared to the same period of the prior year. This was primarily due to lower generation experienced across our hydroelectric portfolios in the United States and Canada which was partly offset by an increase in generation from our wind portfolio with assets acquired or commissioned within the last 12 months.

Generation from our hydroelectric portfolio totalled 2,462 GWh, a decrease of 913 GWh as a result of lower inflows from the drier than normal conditions in eastern Canada, New York state, and in the mid-western United States. The variance in our year-over-year results also reflects the above average precipitation and record rainfall levels in 2011 with Hurricane Irene impacting the mid-western and eastern United States. Generation from our hydroelectric portfolio in Brazil was in line with long-term average and consistent with the framework that exists to levelize generation across power producers in that market.

Generation from our wind portfolio totalled 301 GWh, an increase of 208 GWh, as a result of the recently acquired or commissioned facilities in California and New England, and from an Ontario facility commissioned in 2011. Results were below long-term average for the current period primarily due to lower wind conditions across our United States and Canadian facilities.

## ADJUSTED EBITDA AND FUNDS FROM OPERATIONS ON A CONSOLIDATED BASIS

The following table reflects the Adjusted EBITDA and funds from operations for the three months ended September 30:

	Results under actual generation	
(MILLIONS, EXCEPT AS NOTED)	2012	2011
Generation (GWh)	2,971	3,614
Revenues	\$ 229	\$ 280
Other income	2	7
Share of cash earnings from equity-accounted investments	3	7
Direct operating costs	(116)	(97)
Adjusted EBITDA <sup>(1)</sup>	118	197
Interest expense – borrowings	(99)	(104)
Management service costs	(10)	-
Current income taxes	1	(1)
Cash portion of non-controlling interests	1	(13)
Funds from operations <sup>(1)</sup>	\$ 11	\$ 79

<sup>(1)</sup> Non-IFRS measures. See “Reconciliation of Funds From Operations to Net Loss”.

Revenues totalled \$229 million for the three months ended September 30, 2012, representing a year-over-year decrease of \$51 million. Approximately \$80 million of the decrease resulted from reduced generation levels at existing facilities and \$14 million is attributable to the appreciation of the U.S. dollar relative to the Brazilian real and Canadian dollar. Offsetting the decreases in revenues was \$27 million attributable to generation from facilities acquired or commissioned within the last 12 months. These include hydroelectric generation facilities in the mid-western United States, an eastern Canadian wind facility integrated in the fourth quarter 2011, as well as the recently acquired or commissioned wind facilities in California and the northeastern United States. A further \$16 million of the increase in revenues was attributable to the amended power purchase agreement entered into at the time of the Combination.

Adjusted EBITDA totalled \$118 million for the three months ended September 30, 2012, representing a year-over-year decrease of \$79 million. The decrease was attributed to the aforementioned decrease in revenues and the increase in direct operating costs associated with new facilities acquired or commissioned in the last 12 months.

Interest expense on borrowings reflects the cost related to approximately \$4.2 billion of non-recourse asset-specific borrowings and \$1.7 billion of corporate borrowings and credit facilities. During the year, we have been proactively taking advantage of the low interest rate environment to reduce the cost of capital and increase the duration of our borrowings. As a result, interest expense has decreased either due to the repayment or refinancing of higher-yielding borrowings. During the nine months ended September 30, 2012, long-term debt increased by \$331 million from assets acquired or commissioned during this period, causing an increase in interest expense compared to the same period of the prior year. The increased interest expense in the quarter was completely offset by interest savings associated with the successful initiatives to lower borrowing costs.

Management service costs reflect a base fee of \$20 million annually plus 1.25% of the growth in the total capitalization. Management service costs came into effect as part of the Combination.

Funds from operations totalled \$11 million for the three months ended September 30, 2012, a decrease of \$68 million year-over-year. The decrease in funds from operations is primarily attributable to the decrease in Adjusted EBITDA net of non-controlling interests.

## HYDROELECTRIC GENERATION

The following table reflects the results of our hydroelectric operations for the three months ended September 30:

(MILLIONS, EXCEPT AS NOTED)					2012			
	United States		Canada		Brazil		Total	
Generation (GWh) – LTA <sup>(1)</sup>	1,378		1,232		868		3,478	
Generation (GWh) – actual <sup>(1)</sup>	889		705		868		2,462	
Revenues	\$	55	\$	42	\$	83	\$	180
Other income	-		-		2		2	
Share of cash earnings from equity-accounted investments	-		1		2		3	
Direct operating costs	(33)		(16)		(32)		(81)	
Adjusted EBITDA <sup>(2)</sup>	22		27		55		104	
Interest expense - borrowings	(34)		(18)		(8)		(60)	
Current income taxes	5		-		(4)		1	
Cash portion of non-controlling interests	4		-		(2)		2	
Funds from operations <sup>(2)</sup>	\$	(3)	\$	9	\$	41	\$	47

<sup>(1)</sup> Includes 100% generation from equity-accounted investments.

<sup>(2)</sup> Non-IFRS measures. See "Reconciliation of Funds From Operations to Net Loss".

(MILLIONS, EXCEPT AS NOTED)					2011			
	United States		Canada		Brazil		Total	
Generation (GWh) – LTA <sup>(1)</sup>	1,336		1,267		842		3,445	
Generation (GWh) – actual <sup>(1)</sup>	1,503		1,030		842		3,375	
Revenues	\$	107	\$	59	\$	86	\$	252
Other income	-		-		7		7	
Share of cash earnings from equity-accounted investments	2		3		2		7	
Direct operating costs	(35)		(18)		(29)		(82)	
Adjusted EBITDA <sup>(2)</sup>	74		44		66		184	
Interest expense - borrowings	(37)		(16)		(27)		(80)	
Current income taxes	3		1		(5)		(1)	
Cash portion of non-controlling interests	(9)		-		-		(9)	
Funds from operations <sup>(2)</sup>	\$	31	\$	29	\$	34	\$	94

<sup>(1)</sup> Includes 100% generation from equity-accounted investments.

<sup>(2)</sup> Non-IFRS measures. See "Reconciliation of Funds From Operations to Net Loss".

## United States

Generation from our U.S. portfolio was 889 GWh for the three months ended September 30, 2012 compared to the long-term average of 1,378 GWh and compared to the prior year generation of 1,503 GWh. The decrease is attributable to lower inflows and generation given the persistent warm

temperatures and below average rainfalls in New York state and the mid-western United States. While the impact of Hurricane Isaac provided improvement to inflows towards the latter part of the quarter there was still below average generation from our facility in Louisiana. In the third quarter of 2011, generation was above long-term average across most regions given the record levels of rainfall and flood conditions resulting from Hurricane Irene.

Revenues totalled \$55 million for the three months ended September 30, 2012 representing a year-over-year decrease of \$52 million. Approximately \$64 million of the decrease was the result of generation levels affecting assets in regions where power purchase agreement prices are higher than our average, and this had a disproportionate impact on our financial results. The amended power purchase agreements executed on the date of the Combination partly offset the decrease from lower generation by \$12 million.

Funds from operations totalled negative \$3 million for the three months ended September 30, 2012, representing a year-over-year decrease of \$34 million. Funds from operations were impacted by the decrease in Adjusted EBTIDA net of non-controlling interests.

### **Canada**

Generation from our Canadian portfolio was 705 GWh for the three months ended September 30, 2012 compared to the long-term average of 1,232 GWh and compared to the prior year generation of 1,030 GWh. The decrease in generation was primarily attributable to lower inflows resulting from drier than usual conditions and low levels of precipitation in Ontario and Quebec.

Revenues totalled \$42 million for the three months ended September 30, 2012, representing a year-over-year decrease of \$17 million. Lower generation levels resulted in a \$20 million decrease in revenues. The amended power purchase agreements, executed on the date of the Combination, partly offset the decrease by \$4 million.

Funds from operations totalled \$9 million for the three months ended September 30, 2012, representing a year-over-year decrease of \$20 million.

### **Brazil**

Generation from our Brazilian portfolio was 868 GWh for the three months ended compared to the prior year generation of 842 GWh.

Our risk of a generation shortfall in Brazil continues to be minimized by participation in a hydrological balancing pool administered by the government of Brazil. This program mitigates hydrology risk by assuring that all participants receive, at any particular point in time, a reference amount of electricity (assured energy), irrespective of the actual volume of energy generated. The program reallocates energy, transferring surplus energy from those who generated in excess of their assured energy to those who generate less than their assured energy, up to the total generation within the pool.

Revenues totalled \$83 million for the three months ended September 30, 2012 representing a year-over-year decrease of \$3 million. The decrease in revenues is primarily attributable to \$13 million relating to the appreciation of the U.S. dollar relative to the Brazilian real, partly offset by the increase in revenue relating to average prices increases of \$7 million.

Funds from operations totalled \$41 million for the three months ended September 30, 2012 representing a year-over-year increase of \$7 million. The increase in funds from operations is primarily attributable to a reduction in interest expense from the repayment of subsidiary borrowings during the first quarter of 2012.

## WIND ENERGY

The following table reflects the results of our wind operations for the three months ended September 30:

(MILLIONS, EXCEPT FOR AS NOTED)	United States		Canada		2012	2011 <sup>(1)</sup>
Generation (GWh) – LTA <sup>(2)</sup>	236		238		474	128
Generation (GWh) – actual <sup>(2)</sup>	150		151		301	93
Revenues	\$	17	\$	18	\$ 35	\$ 13
Direct operating costs	(11)		(5)		(16)	(3)
Adjusted EBITDA <sup>(3)</sup>	6		13		19	10
Interest expense - borrowings	(7)		(11)		(18)	(6)
Cash portion of non-controlling interests	2		-		2	-
Funds from operations <sup>(3)</sup>	\$	1	\$	2	\$ 3	\$ 4

<sup>(1)</sup> Results for 2011 are entirely from Canadian assets.

<sup>(2)</sup> Actual and long-term average generation includes 100% of the generation from equity-accounted investments.

<sup>(3)</sup> Non-IFRS measures. See "Reconciliation of Funds from Operations to Net Loss."

### United States

Generation from our U.S. wind portfolio was 150 GWh for the three months ended September 30, 2012 compared to the long-term average of 236 GWh. In 2011, we held no wind assets in our U.S. portfolio and in the first quarter of 2012 we acquired or commissioned four wind facilities in California and the northeastern United States. Results were below long-term average for the current period primarily due to lower wind conditions.

### Canada

Generation from our Canadian wind portfolio was 151 GWh for the three months ended September 30, 2012 compared to the long-term average of 238 GWh and compared to the prior year generation of 93 GWh. The increase in generation from prior year is primarily attributable to the contribution of 62 GWh from our eastern Canadian facility integrated in 2011. Results were below long-term average for the current period primarily due to lower wind conditions across southwestern Ontario.

Revenues totalled \$18 million for the three months ended September 30, 2012 representing a year-over-year increase of \$5 million. Approximately \$9 million of the increase is attributable to generation from the eastern Canadian facility integrated in the fourth quarter of 2011 and which was partly offset by the appreciation of the U.S. dollar and below average wind conditions.

Funds from operations totalled \$2 million for the three months ended September 30, 2012, representing a year-over-year decrease of \$2 million. Higher revenues of \$5 million were offset by increased direct operating costs of \$2 million, and interest expense of \$5 million associated with the growth of the portfolio.



## FINANCIAL REVIEW FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

The following table reflects the actual and long-term average generation for the nine months ended September 30:

					Variance of Results		
					Actual vs. LTA		Actual vs. Prior Year
	Actual Generation		LTA Generation		2012	2011	2012
GENERATION (GWh)	2012	2011	2012	2011	2012	2011	2012
Hydroelectric generation							
United States	4,466	5,394	5,336	5,156	(870)	238	(928)
Canada	2,999	3,300	3,797	3,872	(798)	(572)	(301)
Brazil <sup>(1)</sup>	2,546	2,428	2,554	2,428	(8)	-	118
	10,011	11,122	11,687	11,456	(1,676)	(334)	(1,111)
Wind energy							
Canada	765	407	854	463	(89)	(56)	358
United States	461	-	646	-	(185)	-	461
	1,226	407	1,500	463	(274)	(56)	819
Other	652	500	417	302	235	198	152
Total generation <sup>(2)</sup>	11,889	12,029	13,604	12,221	(1,715)	(192)	(140)

<sup>(1)</sup> In Brazil, assured generation levels are used as a proxy for long-term average.

<sup>(2)</sup> Includes 100% of generation from equity-accounted investments.

Generation levels during the nine months ended September 30, 2012 totalled 11,889 GWh, a decrease of 140 GWh or 1% as compared to the same period of the prior year primarily due to lower generation across our hydroelectric portfolios in the United States and Canada. This was partly offset by an increase in generation from our wind portfolio and hydroelectric facilities in Brazil with assets acquired or commissioned within the last 12 months.

Generation from our hydroelectric portfolio totalled 10,011 GWh, a decrease of 1,111 GWh, as a result of lower levels of precipitation and warmer than average temperatures across eastern Canada, the northeastern United States and in mid-western United States. The variance in our year-over-year results also reflects the above average precipitation and record rainfall levels in 2011 resulting from Hurricane Irene. Generation from our hydroelectric portfolio in Brazil was positively impacted by the contribution of a facility acquired in 2011.

Generation from our wind portfolio totalled 1,226 GWh, an increase of 819 GWh, as a result of the contributions from recently acquired or commissioned facilities in California and New England, and from an Ontario facility commissioned in 2011. Results were below long-term average as a result of timing differences between commercial operation dates and full commissioning of the assets, and lower wind conditions across the U.S. and Canadian facilities.

## ADJUSTED EBITDA AND FUNDS FROM OPERATIONS ON A CONSOLIDATED BASIS

The following table reflects the Adjusted EBITDA and funds from operations for the nine months ended September 30:

(MILLIONS, EXCEPT AS NOTED)	Results under actual generation	
	2012	2011
Generation (GWh)	11,889	12,029
Revenues	\$ 992	\$ 902
Other income	12	17
Share of cash earnings from equity-accounted investments	11	19
Direct operating costs	(358)	(288)
Adjusted EBITDA <sup>(1)</sup>	657	650
Interest expense – borrowings	(313)	(304)
Management service costs	(25)	-
Current income taxes	(12)	(7)
Cash portion of non-controlling interests	(34)	(41)
Funds from operations <sup>(1)</sup>	\$ 273	\$ 298

<sup>(1)</sup> Non-IFRS measures. See “Reconciliation of Funds From Operations to Net Loss”.

Revenues totalled \$992 million for the nine months ended September 30, 2012, representing a year-over-year increase of \$90 million. Approximately \$103 million of the increase in revenues is attributable to generation from facilities acquired or commissioned in the last 12 months. These include hydroelectric generation facilities in Brazil and the mid-western United States, an eastern Canadian wind facility, as well as the recently acquired or commissioned wind facilities in California and the northeastern United States. A further \$120 million of the increase in revenues is attributable to the amended power purchase agreement entered into at the time of the Combination. Offsetting these increases in revenues was \$133 million resulting from reduced generation levels at existing facilities and the appreciation of the U.S. dollar relative to the Canadian dollar and Brazilian real.

Adjusted EBITDA totalled \$657 million for the nine months ended September 30, 2012, representing a year-over-year increase of \$7 million. The increase in revenues were offset by the increase in direct operating costs and interest expense primarily associated with new facilities acquired or commissioned in the last 12 months.

Interest expense on borrowings reflects the cost related to approximately \$4.2 billion of non-recourse asset-specific borrowings and \$1.7 billion of corporate borrowings and credit facilities. During the year, we have been proactively taking advantage of the low interest rate environment to reduce the cost of capital and increase the duration of our borrowings. As a result, interest expense has decreased either due to the repayment or refinancing of higher-yielding borrowings. During the nine months ended September 30, 2012, long-term debt increased by \$331 million from assets acquired or commissioned during this period, causing an increase in interest expense compared to the same period of the prior year. The increased interest expense for the nine months ended September 30, 2012 was largely offset by interest savings associated with the initiatives to lower borrowing costs.

Management service costs reflect a base fee of \$20 million annually plus 1.25% of the growth in total capitalization. Management service costs came into effect as part of the Combination.

Funds from operations totalled \$273 million for the nine months ended September 30, 2012, a decrease of \$25 million year-over-year. The decrease in funds from operations is primarily attributable to the management service costs of \$25 million.

## HYDROELECTRIC GENERATION

The following table reflects the results of our hydroelectric operations for the nine months ended September 30:

(MILLIONS, EXCEPT AS NOTED)	2012			
	United States	Canada	Brazil	Total
Generation (GWh) – LTA <sup>(1)</sup>	5,336	3,797	2,554	11,687
Generation (GWh) – actual <sup>(1)</sup>	4,466	2,999	2,546	10,011
Revenues	\$ 343	\$ 207	\$ 262	\$ 812
Other income	1	2	9	12
Share of cash earnings from equity-accounted investments	5	2	4	11
Direct operating costs	(111)	(49)	(90)	(250)
Adjusted EBITDA <sup>(2)</sup>	238	162	185	585
Interest expense - borrowings	(102)	(51)	(51)	(204)
Current income taxes	1	-	(13)	(12)
Cash portion of non-controlling interests	(12)	-	(10)	(22)
Funds from operations <sup>(2)</sup>	\$ 125	\$ 111	\$ 111	\$ 347

<sup>(1)</sup> Includes 100% generation from equity-accounted investments.

<sup>(2)</sup> Non-IFRS measures. See "Reconciliation of Funds From Operations to Net Income Loss".

(MILLIONS, EXCEPT AS NOTED)	2011						
	United States		Canada		Brazil		Total
Generation (GWh) – LTA <sup>(1)</sup>	5,156		3,872		2,428		11,456
Generation (GWh) – actual <sup>(1)</sup>	5,394		3,300		2,428		11,122
Revenues	\$	384	\$	177	\$	249	\$ 810
Other income	-		-		17		17
Share of cash earnings from equity-accounted investments	9		5		5		19
Direct operating costs	(103)		(48)		(82)		(233)
Adjusted EBITDA <sup>(2)</sup>	290		134		189		613
Interest expense - borrowings	(110)		(50)		(72)		(232)
Current income taxes	2		5		(14)		(7)
Cash portion of non-controlling interests	(24)		-		(7)		(31)
Funds from operations <sup>(2)</sup>	\$	158	\$	89	\$	96	\$ 343

<sup>(1)</sup> Includes 100% generation from equity-accounted investments.

<sup>(2)</sup> Non-IFRS measures. See "Reconciliation of Funds From Operations to Net Loss".

## **United States**

Generation from our U.S. portfolio was 4,466 GWh for the nine months ended September 30, 2012 compared to the long-term average of 5,336 GWh and compared to the prior year generation of 5,394 GWh. The decrease is attributable to lower inflows and generation given the warmer temperatures and below average rainfall in New York state, and in the mid-western United States. The variance in our year-over-year results also reflects the above average precipitation and record rainfall levels in 2011, with Hurricane Irene impacting the mid-western and eastern United States.

Revenues totalled \$343 million for the nine months ended September 30, 2012 representing a year-over-year decrease of \$41 million. The decrease in generation affected assets in regions where power purchase agreement prices are higher than our average, which had a disproportionate impact on our financial results. The amended power purchase agreements, executed on the date of the Combination partly offset the decrease from below average generation.

Funds from operations totalled \$125 million for the nine months ended September 30, 2012, representing a year-over-year decrease of \$33 million. The decrease in funds from operations is attributable to the decrease in revenues.

## **Canada**

Generation from our Canadian portfolio was 2,999 GWh for the nine months ended September 30, 2012 compared to the long-term average of 3,797 GWh and compared to the prior year generation of 3,300 GWh. The decrease in generation is primarily attributable to lower inflows resulting from drier than usual conditions in Ontario and Quebec.

Revenues totalled \$207 million for the nine months ended September 30, 2012, representing a year-over-year increase of \$30 million. Although generation had decreased in the period, the amended power purchase agreements, executed on the date of the Combination more than offset the impact of the decrease from below average generation.

Funds from operations totalled \$111 million for the nine months ended September 30, 2012, representing a year-over-year increase of \$22 million. Fund from operations increased with revenues and was partly offset by the increase in current income taxes by \$5 million.

## **Brazil**

Generation from our Brazilian portfolio was 2,546 GWh for the nine months ended September 30, 2012 compared to the prior year generation of 2,428 GWh. Generation in the current period includes the addition of two hydroelectric facilities which were acquired during the last 12 months.

Our risk of a generation shortfall in Brazil continues to be minimized by participation in a hydrological balancing pool administered by the government of Brazil. This program mitigates hydrology risk by assuring that all participants receive, at any particular point in time, a reference amount of electricity (assured energy), irrespective of the actual volume of energy generated. The program reallocates energy, transferring surplus energy from those who generated in excess of their assured energy to those who generate less than their assured energy, up to the total generation within the pool.

Revenues totalled \$262 million for the nine months ended September 30, 2012 representing a year-over-year increase of \$13 million. The increase in revenues is primarily attributable to generation from the new facilities.

Funds from operations totalled \$111 million for the nine months ended September 30, 2012 representing a year-over-year increase of \$15 million. The increase in funds from operations is attributable to the new

facilities, and a reduction in interest expense from the repayment of subsidiary borrowings during the first quarter of 2012.

## WIND ENERGY

The following table reflects the results of our wind operations for the nine months ended September 30:

(MILLIONS, EXCEPT FOR AS NOTED)	United States		Canada		2012	2011 <sup>(1)</sup>
Generation (GWh) – LTA <sup>(2)</sup>	646		854		1,500	463
Generation (GWh) – actual <sup>(2)</sup>	461		765		1,226	407
Revenues	\$	42	\$	89	\$ 131	\$ 45
Direct operating costs	(20)		(14)		(34)	(8)
Adjusted EBITDA <sup>(3)</sup>	22		75		97	37
Interest expense - borrowings	(17)		(32)		(49)	(19)
Cash portion of non-controlling interests	(2)		-		(2)	-
Funds from operations <sup>(3)</sup>	\$	3	\$	43	\$ 46	\$ 18

<sup>(1)</sup> Results for 2011 are entirely from Canadian assets.

<sup>(2)</sup> Actual and long-term average generation includes 100% of the generation from equity-accounted investments.

<sup>(3)</sup> Non-IFRS measures. See "Reconciliation of Funds from Operations to Net Loss".

### United States

Generation from our U.S. wind portfolio was 461 GWh for the nine months ended September 30, 2012 compared to the long-term average of 646 GWh. In 2011, we held no U.S. wind assets in our portfolio and in the first quarter of 2012, we acquired or commissioned four facilities in California and the northeastern United States. Results were below long-term average as a result of timing differences between commercial operation dates and full commissioning of the assets, and lower wind conditions.

### Canada

Generation from our Canadian wind portfolio was 765 GWh for the nine months ended September 30, 2012 compared to the long-term average of 854 GWh and compared to the prior year generation of 407 GWh. The increase in generation from prior year is primarily attributable to the contribution of 335 GWh from our eastern Canadian facility integrated in the fourth quarter of 2011. Results were below long-term average for the current period due to lower than expected wind conditions.

Revenues totalled \$89 million for the nine months ended September 30, 2012 representing a year-over-year increase of \$44 million. Approximately \$47 million of the increase is attributable to generation from the eastern Canadian facility integrated in the fourth quarter of 2011.

Funds from operations totalled \$43 million for the nine months ended September 30, 2012, representing a year-over-year increase of \$25 million. The increase is attributable to the growth of the business.

## ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS AND OTHER INFORMATION

### NET ASSET VALUE

The following table presents our net asset value:

	Total		Per Share	
	Sep 30	Dec 31	Sep 30	Dec 31
(MILLIONS, EXCEPT AS NOTED)	2012	2011	2012	2011
Property, plant and equipment, at fair value				
Hydroelectric <sup>(1)</sup>	\$ 12,392	\$ 12,463	\$ 47.20	\$ 47.47
Wind energy	2,303	1,480	8.77	5.64
Other	89	86	0.34	0.33
	14,784	14,029	56.31	53.44
Development assets	445	378	1.69	1.44
Working capital and other, net	(13)	380	(0.05)	1.45
Long-term debt and credit facilities	(5,850)	(5,519)	(22.28)	(21.02)
Participating non-controlling interests	(728)	(629)	(2.77)	(2.40)
Preferred equity	(250)	(241)	(0.95)	(0.92)
Net asset value <sup>(2)</sup>	\$ 8,388	\$ 8,398	\$ 31.95	\$ 31.99

<sup>(1)</sup> Includes \$307 million of equity-accounted investments (2011: \$405 million) and \$49 million of intangible assets (2011: \$57 million).

<sup>(2)</sup> Non-IFRS measure. See "Cautionary Statement Regarding Use of Non-IFRS Accounting Measures".

The net asset value of Brookfield Renewable totalled approximately \$8.4 billion as at September 30, 2012 which is consistent with our value as at December 31, 2011. An increase in net asset value from assets acquired or commissioned within the last 9 months, was offset by increased capitalization and non-controlling interest resulting from our portfolio growth, as well as by the decrease in working capital.

The assets deployed in our renewable power operations are revalued on an annual basis, with the exception of foreign exchange impacts which are calculated quarterly.

We value our assets based on discounted cash flows over a 20-year period and key assumptions utilized in 2011 were as follows:

	United States	Canada	Brazil
Discount rate	5.6%	5.4%	9.9%
Terminal capitalization rate	7.2%	6.8%	N/A
Exit date	2031	2031	2029

A 50 bps change in discount rates would have an approximate \$1 billion impact on the fair values of our property, plant and equipment.

## NET ASSET VALUE FOR HYDROELECTRIC FACILITIES

The following table presents our net asset value of the hydroelectric facilities:

(MILLIONS)	United States	Canada	Brazil	Sep 30 2012	Dec 31 2011
Hydroelectric power assets <sup>(1)</sup>	\$ 4,530	\$ 5,042	\$ 2,513	\$ 12,085	\$ 12,138
Development assets	65	167	189	421	147
Equity-accounted investments	162	69	76	307	325
	4,757	5,278	2,778	12,813	12,610
Working capital and other, net	65	(16)	139	188	300
Subsidiary borrowings	(1,758)	(961)	(356)	(3,075)	(3,411)
Participating non-controlling interests	(175)	(25)	(197)	(397)	(459)
Net asset value <sup>(2)</sup>	\$ 2,889	\$ 4,276	\$ 2,364	\$ 9,529	\$ 9,040

<sup>(1)</sup> Includes intangibles for 2012: \$49 million and 2011: \$57 million.

<sup>(2)</sup> Non-IFRS measure. See "Cautionary Statement Regarding Use of Non-IFRS Accounting Measures".

The net asset value of our hydroelectric facilities was \$9.5 billion as at September 30, 2012, an increase of \$489 million from December 31, 2011. The increase in net asset value was primarily attributable to the construction of the hydroelectric facilities in Brazil and British Columbia. During the nine months ended September 30, 2012, we repaid over \$300 million in subsidiary borrowings, further increasing the net asset value of our hydroelectric facilities.

## NET ASSET VALUE FOR WIND FACILITIES

The following table presents the net asset value of our wind facilities:

(MILLIONS)	United States	Canada	Sep 30 2012	Dec 31 2011
Wind power assets	\$ 861	\$ 1,442	\$ 2,303	\$ 1,400
Development assets	1	18	19	231
Equity-accounted investments	-	-	-	80
	862	1,460	2,322	1,711
Working capital and other, net	3	(78)	(75)	(26)
Subsidiary borrowings	(462)	(660)	(1,122)	(785)
Participating non-controlling interests	(331)	-	(331)	(170)
Net asset value <sup>(1)</sup>	\$ 72	\$ 722	\$ 794	\$ 730

<sup>(1)</sup> Non-IFRS measures. See "Cautionary Statement Regarding Use of Non-IFRS Accounting Measures".

The net asset value of our wind facilities was \$794 million as at September 30, 2012, compared to \$730 million as at December 31, 2011. This increase is primarily due to acquisitions and commissioning of wind facilities in California and the northeastern United States that was partly offset by the increased capitalization related to new facilities, increased non-controlling interests and a decrease in working capital.

## LIQUIDITY AND CAPITAL RESOURCES

We operate with sufficient liquidity, which along with ongoing cash flow from operations enables us to fund growth initiatives, capital expenditures, distributions, and to finance the business on an investment grade basis. As part of our financing strategy, we raise the majority of our debt in the form of asset-specific, non-recourse borrowings at our subsidiaries. As at September 30, 2012 subsidiary and corporate borrowings increased from December 31, 2011 as a result of the growth of our portfolio during the period. Our debt to capitalization ratio was 38% as at September 30, 2012, which is consistent with December 31, 2011.

### Capitalization

The following table summarizes our capitalization using book values:

	Sep 30	Dec 31
(MILLIONS)	2012	2011
Credit facilities <sup>(1)</sup>	\$ 136	\$ 251
Corporate borrowings <sup>(1)</sup>	1,517	1,071
Subsidiary borrowings <sup>(2)</sup>	4,197	4,197
Long-term indebtedness	5,850	5,519
Participating non-controlling interests	728	629
Preferred equity	250	241
Net asset value	8,388	8,398
Total capitalization	\$ 15,216	\$ 14,787
Debt to total capitalization <sup>(3)</sup>	38%	37%

<sup>(1)</sup> Issued by a subsidiary of Brookfield Renewable, guaranteed by Brookfield Renewable. The amounts are unsecured.

<sup>(2)</sup> Issued by a subsidiary of Brookfield Renewable and secured against its assets. The amounts are not guaranteed.

<sup>(3)</sup> Non-IFRS measures. Refer to "Cautionary Statement Regarding the Use of non-IFRS Measures".

Subsequent to the quarter end, we issued C\$250 million of Class A Preference Shares with fixed, annual, cumulative dividends yielding 4.4%. The net proceeds were used to repay outstanding indebtedness and for general corporate purposes.

As well, we completed a C\$175 million financing of our 45 MW British Columbia hydroelectric development project with a term of 41 years at a rate of 4.45%.

### Available liquidity

Total liquidity is comprised of cash and the available portion of credit facilities. As at September 30, 2012, we had \$874 million of available liquidity (December 31, 2011: \$457 million) which provides the flexibility to fund ongoing portfolio growth initiatives and to protect against short-term fluctuations in generation.

During the quarter, our liquidity decreased by \$131 million as a result of the repayment of subsidiary borrowings, an investment in Western Wind, and the continued funding for the development of hydroelectric facilities in British Columbia and Brazil. For the nine months ended September 30, 2012, available liquidity increased by \$417 million primarily as a result of the \$390 million increase in available credit facilities secured during the first half of the year.

With cash on hand and cash generated by our operations, we have continued to invest in growth initiatives and pay unitholder distributions. Despite generation levels that have been below long-term average in 2012, we have not increased amounts drawn on credit facilities, demonstrating the financial resilience of the operations and our ability to mitigate the impact that the short-term fluctuations in generation have on funds from operations.



	Sep 30	Dec 31
(MILLIONS)	2012	2011
Cash and cash equivalents	\$ 177	\$ 267
Credit facilities		
Authorized credit facilities	990	601
Issued letters of credit	(157)	(160)
Draws on credit facilities	(136)	(251)
Available portion of credit facilities	697	190
Available liquidity	\$ 874	\$ 457

### Corporate and subsidiary borrowings

The following table summarizes our principal repayments and maturities over the next three years:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Balance of 2012	2013	2014
Subsidiary borrowings - consolidated	\$ 489	\$ 523	\$ 288
Subsidiary borrowings – total <sup>(1)</sup>	\$ 489	\$ 524	\$ 289

<sup>(1)</sup> Includes total borrowings incurred on behalf of equity-accounted investments.

We have no corporate borrowings maturing before 2016.

Subsidiary borrowings maturing in the next twelve months relate to the Ontario wind assets and hydroelectric facilities in New York which we expect to refinance in the normal course.

The overall maturity profile and average interest rates associated with corporate and subsidiary borrowings are as follows:

	Average term (years)		Average interest rate (%)	
	Sep 30	Dec 31	Sep 30	Dec 31
	2012	2011	2012	2011
Corporate borrowings	9.0	9.6	5.3	5.5
Subsidiary borrowings	10.0	10.0	6.7	7.5

## CONTRACT PROFILE

We have a predictable pricing profile driven by both long-term power purchase agreements with a weighted-average remaining duration of 23 years, combined with a well-diversified portfolio that reduces variability in our generation volumes. We operate the business on a largely contracted basis to ensure a high degree of predictability in funds from operations. We do however maintain a long-term view that electricity prices and the demand for electricity from renewable sources will rise due to a growing level of acceptance around climate change and the legislated requirements in some areas to diversify away from fossil fuel based generation.

As at September 30, 2012, we had contracted virtually all of the 2012 generation at an average price of \$83 per MWh. The following table sets out contracts over the balance of 2012 and the following four years for generation from existing facilities assuming long-term average hydrology and wind conditions:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT AS NOTED)	Balance of 2012	2013	2014	2015	2016
Generation (GWh)					
Contracted <sup>(1)</sup>					
Hydroelectric <sup>(2)</sup>	3,736	15,335	14,742	14,052	13,921
Wind energy	522	2,104	2,104	2,104	2,104
Other	104	398	134	-	-
	4,362	17,837	16,980	16,156	16,025
Uncontracted	48	388	1,071	1,809	1,940
LTA	4,410	18,225	18,051	17,965	17,965

Contracted generation – as at September 30, 2012:

% of total generation	99 %	98 %	94 %	90 %	89 %
Price per MWh	\$ 83	\$ 86	\$ 85	\$ 86	\$ 86

<sup>(1)</sup> Assets under construction are included when long-term average and pricing details are available and the commercial operations date is established in a definitive construction contract.

<sup>(2)</sup> Long-term average for 2013 to 2016 includes generation from two facilities in Brazil and one in Canada that are currently under construction with estimated commercial operation dates commencing in 2013 and 2014, respectively.

The majority of the long-term power purchase agreements are with investment-grade rated or creditworthy counterparties such as Brookfield Asset Management and its subsidiaries (47%), government-owned utilities or power authorities (19%), industrial power users (25%) and distribution companies (9%).

Over the next three years we have on average approximately 955 GWh of energy annually which is uncontracted. All of this power can be sold into the current wholesale or bilateral market, however we intend to maintain flexibility in re-contracting to position ourselves to achieve the most optimal pricing.

## RECONCILIATION OF FUNDS FROM OPERATIONS TO NET LOSS

The following table presents the reconciliation of funds from operations to net loss on a consolidated basis:

(MILLIONS, EXCEPT AS NOTED)	Three months ended Sep 30		Nine months ended Sep 30	
	2012	2011	2012	2011
Funds from operations - consolidated basis	\$ 11	\$ 79	\$ 273	\$ 298
Cash portion of non-controlling interests included in funds from operations	(1)	13	34	41
Other items:				
Depreciation and amortization <sup>(1)</sup>	(117)	(117)	(360)	(341)
Unrealized financial instrument gain (loss)	6	(12)	(6)	(9)
Loss on Fund unit liability	-	(208)	-	(368)
Share of non-cash loss from equity-accounted investments	(5)	(6)	(13)	(10)
Deferred income tax recovery	37	33	40	36
Other	10	(24)	1	(12)
Net loss	\$ (59)	\$ (242)	\$ (31)	\$ (365)
Net loss attributable to limited partners	\$ (52)	\$ (252)	\$ (15)	\$ (385)
Basic and diluted loss per share <sup>(2)</sup>	(0.20)	(0.95)	(0.06)	(1.46)

<sup>(1)</sup> See note 2(c) to the unaudited interim consolidated financial statements concerning changes in estimates related to depreciation expense.

<sup>(2)</sup> Represents loss attributed to limited partners.

We measure our results based on Adjusted EBITDA and funds from operations to provide readers with an assessment of the cash flow generated by our assets and the residual cash flow retained to fund shareholder distributions and growth initiatives. We recognize that net income is an important measure of profitability. However, the presentation of net income on an IFRS basis for our business often leads to the recognition of a loss even though the underlying cash flow generated by the assets is supported by high margins and stable, long-term contracts. In accordance with IFRS, we recognize a significantly higher level of depreciation than we are required to reinvest in the business as sustaining capital expenditures.

The net loss was \$59 million for the three months ended September 30, 2012 (2011: \$242 million loss) and reflects the normal course depreciation and amortization expense of \$117 million (2011: \$117 million). The net loss attributable to limited partners for the three months ended September 30, 2012 was \$52 million or \$0.20 per share (2011: \$252 million loss or \$0.95 per share).

Throughout the year, analyses were performed on the useful lives of certain components of property, plant and equipment and we have determined that changes in their estimated service lives will more accurately reflect the period over which they provide economic benefits. Brookfield Renewable applied these changes in accounting estimates on a prospective basis effective January 1, 2012 or April 1, 2012 or July 1, 2012 based on timing of completion of the review. Depreciation expense for the three months ended September 30, 2012 was \$33 million lower as a result of the changes in estimates. Assets acquired or commissioned within the past 12 months increased depreciation expense by \$22 million.

2011 results also include a revaluation amount on the Fund unit liability. In accordance with IFRS, Fund units held by the public that have a feature that allows the holder to redeem the units for cash, are presented as a liability and recorded at fair value, with the change in fair value recorded in net income. For the nine months ended September 30, 2011, the Fund unit price appreciated significantly resulting in a revaluation amount of \$368 million. As a result of the Combination, the Fund units were exchanged for limited partnership units and the Fund was dissolved.

The net loss was \$31 million for the nine months ended September 30, 2012 (2011: \$365 million loss) and reflects the normal course depreciation and amortization expense of \$360 million (2011: \$341 million). The net loss attributable to limited partners for the nine months ended September 30, 2012 was \$15 million or \$0.06 per share (2011: \$385 million loss or \$1.46 per share). Depreciation expense for the nine months ended September 30, 2012 was \$83 million lower than the prior year as a result of the change in estimate of the useful lives of certain components of property, plant and equipment. Assets acquired or commissioned within the last 12 months increased depreciation expense by \$65 million.

## SUMMARY CONSOLIDATED BALANCE SHEETS

The following table provides a summary of the key line items on the consolidated balance sheets:

(MILLIONS)		Sep 30 2012	Dec 31 2011
Property, plant and equipment, at fair value	\$	14,520	\$ 13,945
Equity-accounted investments		307	405
Total assets		15,933	15,708
Long-term debt and credit facilities		5,850	5,519
Deferred income tax liabilities		2,427	2,374
Total liabilities		8,982	8,508
Participating non-controlling interests		728	629
Preferred equity		250	241
Limited partners' equity		5,973	6,330
Total liabilities and partners' equity		15,933	15,708

## Contractual Obligations

There were no significant changes during the nine months ended September 30, 2012.

## Guarantees

Brookfield Renewable, on behalf of Brookfield Renewable's subsidiaries, and subsidiaries of Brookfield Renewable provided letters of credit, which include, but are not limited to, guarantees for debt service reserves, capital reserves, construction completion and performance. As at September 30, 2012, letters of credit issued by subsidiaries of Brookfield Renewable amounted to \$79 million.

In the normal course of operations, we execute agreements that provide for indemnification and guarantees to third parties in transactions such as business dispositions and acquisitions, construction projects, capital projects, and sales and purchases of assets and services. We have also agreed to indemnify our directors and certain of our officers and employees. The nature of substantially all of the indemnification undertakings prevents us from making a reasonable estimate of the maximum potential amount that we could be required to pay third parties, as many of the agreements do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the

nature and likelihood of which cannot be determined at this time. Historically, we have made no significant payments under such indemnification agreements.

### Off balance sheet arrangements

Brookfield Renewable has no off-balance sheet financing arrangements.

### Related Party Transactions

Brookfield Renewable's related party transactions are in the normal course of business and are recorded at the exchange amount, except for related party acquisitions. Brookfield Renewable's related party transactions are primarily with Brookfield Asset Management.

Brookfield Renewable sells electricity to subsidiaries of Brookfield Asset Management through long-term power purchase agreements to provide stable cash flow and reduce Brookfield Renewable's exposure to electricity prices in deregulated power markets.

In addition to these agreements, Brookfield Renewable and Brookfield Asset Management have executed other agreements that are fully described in Note 8 Related Party Transactions of the December 31, 2011 annual audited consolidated financial statements.

The decrease from \$253 million to \$51 million in the current portion due from related parties is attributed to the draws on demand deposits and the settlement of amounts related to the acquisition of a wind facility in California.

The following table reflects the related party agreements and transactions on the interim consolidated statements of income (loss) for the three and nine months ended September 30:

	Three months ended Sep 30		Nine months ended Sep 30	
(MILLIONS)	2012	2011	2012	2011
Revenues				
Purchase and revenue support agreements	\$ 54	\$ 56	\$ 289	\$ 191
Wind levelization agreement	1	3	1	5
	\$ 55	\$ 59	\$ 290	\$ 196
Direct operating costs				
Energy purchases	\$ (8)	\$ (7)	\$ (38)	\$ (25)
Operations, maintenance and administration services	(5)	(3)	(14)	(11)
Insurance services	(5)	(4)	(13)	(12)
	\$ (18)	\$ (14)	\$ (65)	\$ (48)
Interest expense	\$ -	\$ (11)	\$ -	\$ (24)
Management service costs	\$ (10)	\$ -	\$ (25)	\$ -

## CONSOLIDATED STATEMENTS OF CASH FLOWS

The following table summarizes the key items on the consolidated cash flow statements for the three and nine months ended September 30:

	Three months ended Sep 30		Nine months ended Sep 30	
(MILLIONS)	2012	2011	2012	2011
Cash flow provided by (used in):				
Operating activities	\$ 84	\$ 81	\$ 378	\$ 325
Financing activities	(204)	391	(402)	687
Investing activities	19	(544)	16	(971)
Foreign exchange loss (gain) on cash held in foreign currencies	1	(18)	(7)	(11)
(Decrease) increase in cash and cash equivalents	\$ (100)	\$ (90)	\$ (15)	\$ 30

Cash and cash equivalents as at September 30, 2012 totalled \$252 million, representing a decrease of \$15 million since December 31, 2011. Cash and cash equivalents include \$75 million of restricted cash (December 31, 2011: \$42 million).

### Operating Activities

Cash flows provided by operating activities totalled \$84 million for the three months ended September 30, 2012, resulting in a year-over-year increase of \$3 million. The increase was primarily due to a \$78 million net change in working capital balances, offset by a \$68 million decrease in funds from operations.

Cash flows provided by operating activities totalled \$378 million for the nine months ended September 30, 2012, resulting in a year-over-year increase of \$53 million. The changes in working capital balances, share of loss from equity-accounted investments, and other non-cash items totaling \$75 million were offset by the decrease in funds from operations of \$25 million from the prior year.

### Financing Activities

Cash flows used in financing activities totalled \$204 million for the three months ended September 30, 2012 and were primarily attributable to the net repayments related to subsidiary borrowings and credit facilities of \$134 million, and distributions paid of \$95 million.

Cash flows used in financing activities totalled \$402 million for the nine months ended September 30, 2012 and were primarily attributable to distributions paid of \$304 million and repayments related to borrowings of \$240 million. Capital provided by participating non-controlling interests for the acquisitions of assets amounted to \$142 million.

For the nine months ended September 30, 2012 cash distributions to shareholders and preferred shareholders were \$271 million and \$10 million respectively (2011: \$72 million and \$10 million, respectively). The remaining \$23 million in distributions was related to participating non-controlling interests (2011: \$21 million). In January 2012, we announced an increase in shareholder distributions to \$1.38 per share, on an annualized basis, that took effect in April 2012.

Subsequent to quarter end, we issued 10 million Class A Preference Shares at a price of C\$25.00. Holders are entitled to receive fixed, cumulative dividends, payable quarterly, yielding 4.4% at the issue price annually.

As well, we completed a C\$175 million financing of our 45 MW British Columbia hydroelectric development project with a term of 41 years at a rate of 4.45%.

## **Investing Activities**

Cash flows provided by investing activities totalled \$19 million for the three months ended September 30, 2012. During the quarter, we received \$84 million in investment tax credits pursuant to government incentives to build new renewable wind facilities and \$54 million related to the settlement of a portion of due from related party balances. The increase in cash provided by these activities was partly offset by the continued investment in sustaining capital expenditures and construction of renewable power generating assets which amounted to \$83 million. During the period, we acquired a hydroelectric facility in Brazil and purchased publicly issued securities totalling \$43 million.

Cash flows provided by investing activities for the nine months ended September 30, 2012 totalled \$16 million. During the nine months ended September 30, 2012, we received \$199 million in investment tax credits pursuant to government incentives to build new renewable wind facilities and \$192 million related to the settlement of certain related party balances. The increase in cash provided by these activities was partly offset by the continued investment in sustainable capital expenditures and construction of renewable power generating assets, which amounted to \$282 million, as well as \$146 million related to the acquisition of wind facilities in California, and a hydroelectric facility in Brazil.

## **LIMITED PARTNERS' EQUITY**

Brookfield Renewable's capital structure is comprised of two classes of Partnership units: general partnership interests and limited partnership units. Income and distributions of Brookfield Renewable are allocated to the partners of record based on their respective interests in Brookfield Renewable. Distributions may be made to the general partner of Brookfield Renewable with the exception of instances where there is insufficient cash available, where payment renders Brookfield Renewable unable to pay its debts as and when they fall due, or when payment of which might leave Brookfield Renewable unable to meet any future or contingent obligations.

Brookfield Renewable Energy L.P. ("BRELP"), a subsidiary of Brookfield Renewable has issued redeemable partnership units held 100% by Brookfield Asset Management, which may, at the request of the holder, require BRELP to redeem the units for cash consideration after a mandatory two-year holding period from the date of issuance. The right is subject to Brookfield Renewable's right of first refusal which entitles it, at its sole discretion, to elect to acquire all of the units presented to BRELP that are tendered for redemption in exchange for Brookfield Renewable limited partnership units. As Brookfield Renewable, at its sole discretion has the right to settle the obligation with limited partnership units, the BRELP redeemable partnership units are classified as limited partners' equity.

With the completion of the Combination in November 2011, the number of outstanding units increased from 104,718,976 to 262,485,747, on a fully-exchanged basis.

Brookfield Renewable maintains a distribution re-investment plan, which allows holders of Brookfield Renewable limited partnership units who are resident in Canada to acquire additional units by reinvesting all or a portion of their cash distributions without paying commissions. The limited partnership units increased by 11,587 and 57,359 for the three and nine months ended September 30, 2012, respectively.

As of the date of this report, the total amount of our limited partnership units outstanding was comprised of 262,543,106 limited partnership units, assuming the exchange of all redeemable limited partnership units, and general partnership interests of 0.01%.

A secondary offering was completed during the first quarter of the year, where a wholly-owned subsidiary of Brookfield Asset Management sold 13,144,500 of its limited partnership units of Brookfield Renewable (11,430,000 limited partnership units plus 1,714,500 limited partnership units pursuant to an over-allotment option) at an offering price of C\$26.25 per limited partnership unit. Brookfield Asset

Management had owned approximately 73% of Brookfield Renewable on a fully-exchanged basis. Upon the completion of the secondary offering, and giving effect to the over-allotment option, Brookfield Asset Management now owns, directly and indirectly, 177,750,609 limited partnership units, representing approximately 68% of Brookfield Renewable on a fully-exchanged basis.

## **CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES**

The consolidated interim financial statements are prepared in accordance with IFRS, which require the use of estimates and judgments in reporting assets, liabilities, revenues, expenses and contingencies. In the judgment of management, none of the estimates outlined in Note 2 Significant Accounting Policies to the September 30, 2012 consolidated interim financial statements are considered critical accounting estimates as defined in regulation 51-102 with the exception of the estimates related to the valuation of property, plant and equipment and the related deferred income tax liabilities. These estimates are critical given the significance of the property, plant and equipment and the related deferred income tax liabilities, as well as the number of assumptions used in determining their fair values. These assumptions include estimates of future electricity prices, discount rates, expected long-term average generation, inflation rates, terminal year and operating and capital costs, the amount, the timing and the income tax rates of future income tax provisions. Estimates also include determination of accruals, purchase price allocations, useful lives, asset valuations, asset impairment testing, deferred tax liabilities, decommissioning retirement obligations and those relevant to the defined benefit pension and non-pension benefit plans in Mississagi Power Trust and Great Lakes Power Limited. Estimates are based on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

## **FUTURE CHANGES IN ACCOUNTING POLICIES**

### **(i) Financial Instruments**

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB on October 28, 2010, and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held for trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Management is currently evaluating the impact of IFRS 9 on the consolidated financial statements.

### **(ii) Consolidation**

IFRS 10, Consolidation ("IFRS 10") was issued by the IASB on May 12, 2011, and replaces SIC-12, Consolidation – Special Purpose Entities and parts of IAS 27. IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under IAS 27, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. Management is currently evaluating the impact of IFRS 10 on the consolidated financial statements.



### **(iii) Joint arrangements**

IFRS 11, Joint Arrangements ("IFRS 11") was issued by the IASB on May 12, 2011, and replaces IAS 31, Interests in Joint Ventures ("IAS 31"), and SIC-13, Jointly Controlled Entities-Non-monetary Contributions by Venturers. IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under IAS 31, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Management is currently evaluating the impact of IFRS 11 on the consolidated financial statements.

### **(iv) Disclosure of interests in other entities**

IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12") was issued by the IASB on May 12, 2011. IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Management is currently evaluating the impact of IFRS 12 on the consolidated financial statements.

### **(v) Fair value measurement**

IFRS 13, Fair Value Measurement ("IFRS 13") a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards, was issued by the IASB on May 12, 2011. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It supersedes the fair value guidance that currently exists in IAS 16 concerning the use of the revaluation method. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Management is currently evaluating the impact of IFRS 13 on the consolidated financial statements.

### **(vi) Accounting for employee benefits and minimum funding requirements**

In June 2011, the IASB issued significant amendments to IAS 19, Employee Benefits ("IAS 19"). These changes affect the recognition of actuarial gains and losses by removing the option to use the corridor approach and requiring immediate recognition in other comprehensive income ("OCI"). These OCI amounts cannot be recycled to the income statement. There are also changes to the recognition, measurement and presentation of past service costs, cost of benefits and finance expense or income relating to employee benefits. Further, termination benefits are recognized as a liability only when the entity can no longer withdraw the offer of the termination benefit or recognizes any related restructuring costs. There are additional disclosure requirements. The amendment is effective for periods beginning on or after January 1, 2013. Management is currently evaluating the impact of these amendments on the consolidated financial statements.

### **(vii) Presentation of items of OCI**

In June 2011, IASB issued amendments to IAS 1, Presentation of Financial Statements. These amendments include a requirement for entities to group items presented in OCI on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments), and emphasize the importance of presenting profit or loss and OCI together and with equal prominence. The

amendment is effective for annual periods starting on or after July 1, 2012. Management is currently evaluating the impact of these amendments on the consolidated financial statements.

#### **(viii) Consolidation and Separate Financial Statements**

In May 2011, IASB amended and reissued IAS 27. The amended standard is to be applied in accounting for investments in subsidiaries, jointly ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. The amendment is effective for annual periods starting on or after January 1, 2013. Management is currently evaluating the impact of these amendments on the consolidated financial statements.

#### **(ix) Investment in Associates**

In May 2011, IASB amended and reissued IAS 28, Investment in Associates and Joint Ventures. The amended standard prescribes the accounting treatment for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amendment is effective for annual periods starting on or after January 1, 2013. Management is currently evaluating the impact of these amendments on the consolidated financial statements.

### **SUMMARY OF HISTORICAL QUARTERLY RESULTS ON A CONSOLIDATED BASIS**

The following is a summary of unaudited quarterly financial information for the last eight consecutive quarters:

	2012			2011				2010
(MILLIONS, EXCEPT AS NOTED)	Q3	Q2	Q1	Q4 <sup>(1)</sup>	Q3 <sup>(1)</sup>	Q2 <sup>(1)</sup>	Q1 <sup>(1)</sup>	Q4
Generation (GWh) <sup>(2)</sup>	2,971	4,101	4,817	3,848	3,614	4,491	3,924	4,002
Revenues	\$ 229	\$ 337	\$ 426	\$ 267	\$ 280	\$ 329	\$ 293	\$ 281
Adjusted EBITDA <sup>(3)</sup>	118	221	318	154	197	238	215	201
Funds from operations <sup>(3)</sup>	11	87	175	34	79	116	103	68
Net (loss) income <sup>(4)</sup>	(52)	8	29	(90)	(252)	(43)	(90)	414
Net (loss) income per share <sup>(4)</sup>	(0.20)	0.03	0.11	(0.34)	(0.95)	(0.17)	(0.34)	1.57
Distributions <sup>(5)</sup>	92	93	90	89	34	34	35	34

<sup>(1)</sup> Comparative quarterly consolidated financial information for the year ended December 31, 2011 was revised to reflect adjustments, primarily related to deferred income tax and foreign currency translation, which were identified through the completion of the Combination. The adjustments do not impact the comparative annual consolidated financial information for the year ended December 31, 2011. See note 2(d) to the unaudited interim consolidated financial statements.

<sup>(2)</sup> Actual generation includes 100% of generation from equity-accounted investments.

<sup>(3)</sup> Non-IFRS measures. See "Reconciliation of Funds From Operations to Net Loss".

<sup>(4)</sup> Represents net income (loss) attributable to limited partners and on a fully-exchanged basis, average units outstanding for all of the periods of 262.5 million.

<sup>(5)</sup> Excludes distributions to preferred shareholders.

### **RISK FACTORS**

For a discussion on risks affecting our business, see our Annual Information Form and other public disclosures which can be accessed on SEDAR.

### **ANNUAL INFORMATION FORM**

Brookfield Renewable prepares an Annual Information Form which can be accessed on SEDAR.

## **SUBSEQUENT EVENTS**

Subsequent to the quarter end, we issued C\$250 million of Class A Preference Shares with fixed, annual, cumulative dividends yielding 4.4%. The net proceeds were used to repay outstanding indebtedness and for general corporate purposes. The shares commenced trading on October 11, 2012 on the Toronto Stock Exchange under the ticker symbol BRF.PR.C.

On November 1, 2012, we secured financing for our 45 MW British Columbia hydroelectric facility under construction through a C\$175 million bond with a term of 41 years at an interest rate of 4.45%.

## **PRO FORMA FINANCIAL REVIEW FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011**

We are providing *pro forma* financial results that include the impact of the Combination, new contracts and contract amendments, management and other service agreements along with the tax impacts resulting from the Combination, as if each had occurred as of January 1, 2011. The unaudited *pro forma* financial results have been prepared based upon currently available information and assumptions deemed appropriate by management. The *pro forma* financial results give effect to the following transactions:

Items affecting future cash flows:

- amendment and execution of power purchase agreements; and
- execution of management and other service agreements.

Items not affecting cash flows:

- changes in the fair value of property, plant and equipment due to the change in power purchase agreements and the resulting change in depreciation expense;
- settlement of intercompany balances as at the date of the transaction; and
- elimination of the Fund unit liability and related unrealized gain or loss on remeasurement.

For additional information on the *pro forma* adjustments see "Summary of *Pro Forma* Adjustments as They Relate to the Comparative Financial Results".

The unaudited *pro forma* financial results are provided for information purposes only and may not be indicative of the results that would have occurred had the above transaction been effected on the date indicated. The accounting for certain of the Combination transactions required the determination of fair value estimates as at the date of the transaction on November 28, 2011 rather than the date assumed in the determination of the *pro forma* results of January 1, 2011.

## ADJUSTED EBITDA AND FUNDS FROM OPERATIONS ON A *PRO FORMA* BASIS

The following table reflects the Adjusted EBITDA and funds from operations for the three months ended September 30, 2011:

(MILLIONS, EXCEPT AS NOTED)	Results under actual generation	Results under LTA generation
	<i>Pro forma</i> Basis <sup>(1)</sup>	<i>Pro forma</i> Basis <sup>(1)(2)</sup>
Generation (GWh)	3,614	3,671
Revenues	\$ 311	\$ 295
Other income	7	7
Share of cash earnings from equity-accounted investments	7	7
Direct operating costs	(102)	(98)
Adjusted EBITDA <sup>(3)</sup>	223	211
Interest expense - borrowings	(104)	(104)
Management service costs	(4)	(4)
Current income taxes	(1)	(1)
Cash portion of non-controlling interests	(13)	(7)
Funds from operations <sup>(3)</sup>	\$ 101	\$ 95

<sup>(1)</sup> *Pro forma* results reflect new contracts and contract amendments, along with the tax implications of the Combination, as if each had occurred as of January 1, 2011.

<sup>(2)</sup> Revenues are computed by using long-term average for each facility, and multiplied by the pricing in the respective PPAs. The majority of direct operating costs are fixed, regardless of changes in generation levels or revenue, except for certain items such as water royalty fees which are charged based on generation or revenues and will vary from time to time.

<sup>(3)</sup> Non-IFRS measure. See "Reconciliation of *Pro forma* Results".

The following table reflects the Adjusted EBITDA and funds from operations for the nine months ended September 30, 2011:

(MILLIONS, EXCEPT AS NOTED)	Results under actual generation	Results under LTA generation
	<i>Pro forma</i> Basis <sup>(1)</sup>	<i>Pro forma</i> Basis <sup>(1)(2)</sup>
Generation (GWh)	12,029	12,221
Revenues	\$ 1,014	\$ 1,018
Other income	17	17
Share of cash earnings from equity-accounted investments	19	19
Direct operating costs	(302)	(297)
Adjusted EBITDA <sup>(3)</sup>	748	757
Interest expense - borrowings	(304)	(304)
Management service costs	(15)	(15)
Current income taxes	(7)	(7)
Cash portion of non-controlling interests	(41)	(32)
Funds from operations <sup>(3)</sup>	\$ 381	\$ 399

<sup>(1)</sup> *Pro forma* results reflect new contracts and contract amendments, along with the tax implications of the Combination, as if each had occurred as of January 1, 2011.

<sup>(2)</sup> Revenues are computed by using long-term average for each facility, and multiplied by the pricing in the respective PPAs. The majority of direct operating costs are fixed, regardless of changes in generation levels or revenue, except for certain items such as water royalty fees which are charged based on generation or revenues and will vary from time to time.

<sup>(3)</sup> Non-IFRS measure. See "Reconciliation of *Pro forma* Results".

## RECONCILIATION OF *PRO FORMA* RESULTS

The following table reconciles Adjusted EBITDA, funds from operations and net loss on a consolidated basis to Adjusted EBITDA, funds from operations and net income on a *pro forma* basis, for the three and nine months ended September 30, 2011:

(MILLIONS)	Results under actual generation			Results under LTA generation	
	Notes	Three months ended	Nine months ended	Three months ended	Nine months ended
		Sep 30	Sep 30	Sep 30	Sep 30
Adjusted EBITDA on a consolidated basis		\$ 197	\$ 650	\$ 197	\$ 650
Change in revenues due to revised PPA	(i)	31	112	31	112
Change in revenues due to LTA generation	(ii)	-	-	(16)	4
Change in direct operating costs	(iii)	(5)	(14)	(1)	(9)
Adjusted EBITDA on a <i>pro forma</i> basis		\$ 223	\$ 748	\$ 211	\$ 757
Funds from operations on a consolidated basis		\$ 79	\$ 298	\$ 79	\$ 298
Change in revenues due to revised PPA	(i)	31	112	31	112
Change in revenues due to LTA generation	(ii)	-	-	(16)	4
Change in non-controlling interests	(v)	-	-	6	9
Change in direct operating costs	(iii)	(5)	(14)	(1)	(9)
Management service costs	(iii)	(4)	(15)	(4)	(15)
Funds from operations on a <i>pro forma</i> basis		\$ 101	\$ 381	\$ 95	\$ 399
Net loss on a consolidated basis		\$ (242)	\$ (365)	\$ (242)	\$ (365)
Change in revenues due to revised PPA	(i)	31	112	31	112
Change in revenues due to LTA generation	(ii)	-	-	(16)	4
Change in direct operating costs	(iii)	(5)	(14)	(1)	(9)
Management service costs	(iii)	(4)	(15)	(4)	(15)
Elimination of loss on Fund unit liability	(iv)	208	368	208	368
Transfer of revaluation to OCI	(v)	12	9	12	9
Intercompany settlements	(vi)	6	19	6	19
Change in depreciation expense	(vii)	1	3	1	3
Deferred income taxes	(viii)	13	(21)	21	(17)
Net income on a <i>pro forma</i> basis		\$ 20	\$ 96	\$ 16	\$ 109

## SUMMARY OF *PRO FORMA* ADJUSTMENTS AS THEY RELATE TO THE COMPARATIVE FINANCIAL RESULTS:

### (i) Power Purchase Agreements

*Pro forma* net income reflects the following contract changes that took effect at the time of the Combination; pursuant an amendment to the power purchase agreement between Brookfield Asset Management and an indirect wholly-owned subsidiary of Brookfield Renewable (the “GLPL PPA”). Brookfield Asset Management guarantees the price of electricity generated by facilities owned by Great Lakes Power Limited, a subsidiary of Brookfield Renewable, at C\$82 per MWh. This price is to be increased annually on January 1 by an amount equal to forty percent (40%) of the increase in the consumer price index during the previous calendar year.

Brookfield Energy Marketing LP (“BEM LP”) and Mississagi Power Trust (“MPT”), an indirect wholly-owned subsidiary of Brookfield Renewable, entered into an amendment to the existing Master Power Purchase and Sale Agreement (the “Mississagi PPA”) to adjust the price of electricity purchased to C\$103 per MWh. This price is to be increased annually by an amount equal to twenty percent (20%) of the increase in the consumer price index during the previous calendar year.

Additionally, BEM LP and Brookfield Power U.S. Holding America Co. (“BPUSHA”), an indirect wholly-owned subsidiary of Brookfield Renewable, entered into an Energy Revenue Agreement under which BEM LP will guarantee the price for energy delivered by certain facilities in the United States at \$75 per MWh. This price is to be increased annually on January 1 by an amount equal to forty percent (40%) of the increase in the consumer price index during the previous calendar year, but not exceeding an increase of three percent (3%) in any calendar year.

The impacts of these contract price amendments and agreements are summarized as follows:

	Actual generation (GWh)		Incremental Revenue	
	Three months ended Sep 30	Nine months ended Sep 30	Three months ended Sep 30	Nine months ended Sep 30
(MILLIONS, EXCEPT AS NOTED)				
GLPL PPA	294	873	\$ 4	\$ 12
Mississagi PPA	135	424	4	15
Energy Revenue Agreement	765	2,861	23	85
	1,194	4,158	\$ 31	\$ 112

### (ii) Long-term Average Generation

For the three months ended September 30, 2011, long-term average generation was 57 GWh higher than actual generation. Generation levels in regions where power purchase agreement prices are higher than our average will have a disproportionate impact on our financial results. As a result, there would have been a decrease in revenues of \$16 million had long-term average generation been achieved. For the nine months ended September 30, 2011, long-term average generation was 192 GWh higher than actual generation. There would have been an increase in revenues of \$4 million had long-term average generation been achieved.

### (iii) Management and Other Service Agreements

An exclusive agreement with Brookfield Asset Management to provide operating, management and consulting services to Brookfield Renewable provides for a management service fee to be paid on a quarterly basis and will continue in perpetuity. The fee has a fixed quarterly component of \$5 million and a variable component calculated as a percentage of the increase in the total capitalization value of

Brookfield Renewable, as defined. For the three and nine months ended September 30, 2011 *pro forma* results for management services costs reflect an expense of \$4 million and \$15 million, respectively.

Brookfield Renewable will also pay an annual marketing service fee of \$18 million to a subsidiary of Brookfield Asset Management to reflect an agreement to provide energy marketing services. The fee will be increased annually on January 1 by an amount equal to the increase in the U.S. consumer price index during the previous calendar year. *Pro forma* results for the three and nine months ended September 30, 2011 reflects an expense of \$5 million and \$14 million, respectively, included in direct operating costs.

**(iv) Transfer of Brookfield Renewable Power Fund Units**

The transfer of the 66% of the Fund units not previously owned by Brookfield Asset Management was completed at fair value satisfied by the issuance of Partnership units. The result of this transaction is to reflect the settlement of the Fund unit liability and the issuance of Partnership units to satisfy the transfer as equity of Brookfield Renewable. As a result of this transaction, the loss on Fund unit liability, related to the change in fair value of the units and the distributions made for the three and nine months ended September 30, 2011 of \$208 million and \$368 million, respectively, was eliminated.

**(v) Changes in Fair Value of Financial Instruments**

During the three and nine months ended September 30, 2011 certain power guarantee agreements between Brookfield Renewable and Brookfield Asset Management were accounted for as financial instruments with an unrealized loss of \$12 million and \$9 million, respectively.

As a result of new agreements and changes in existing agreements with Brookfield Asset Management and its subsidiaries arising from the Combination, the contracts are not accounted for as financial instruments by Brookfield Renewable. Thus the unrealized financial instrument losses described above have been eliminated.

**(vi) Intercompany Settlements**

Brookfield Renewable and its subsidiaries settled certain intercompany loans and transactions with Brookfield Asset Management upon completion of the Combination. During the three and nine months ended September 30, 2011, \$6 million and \$19 million, respectively, of interest income was recorded in the *pro forma* statement of income to reflect these transactions.

**(vii) Change in Depreciation Expense**

The reduction in fair value of the power generating assets from Brookfield Renewable's statement of income and loss results in a decrease in *pro forma* depreciation expense for the three and nine months ended September 30, 2011 of \$1 million and \$3 million, respectively.

**(viii) Deferred Income Tax**

Net income on a *pro forma* basis for the three months ended September 30 2011, reflects a decrease in deferred taxes of \$13 million. For the nine months ended September 30, 2011, deferred taxes would have increased by \$21 million.



## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

*This Interim Report contains forward-looking statements and information, within the meaning of Canadian securities laws, 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 Interim Report include statements regarding the quality of Brookfield Renewable's assets and the resiliency of the cash flow they will generate, Brookfield Renewable anticipated financial performance, future commissioning of assets, expected completion of acquisitions, listing on the NYSE, 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 Interim Report 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, 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'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 Interim Report and should not be relied upon as representing our views as of any date subsequent to November 9, 2012, the date of this Interim Report. 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 ACCOUNTING MEASURES**

*This Interim Report contains references to Adjusted EBITDA, funds from operations and net asset value which are not generally accepted accounting measures in accordance with 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. None of Adjusted EBITDA, funds from operations and 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 of the 2011 results on a pro forma basis.*

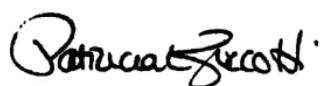
*A reconciliation of Adjusted EBITDA and funds from operations to net income is presented in our Management's Discussion and Analysis and in note 14 to our interim consolidated financial statements.*

**BROOKFIELD RENEWABLE ENERGY PARTNERS L.P.**  
**CONSOLIDATED BALANCE SHEETS**

UNAUDITED (MILLIONS)	Notes	Sep 30 2012	Dec 31 2011
<b>Assets</b>			
Current assets			
Cash and cash equivalents		\$ 252	\$ 267
Trade receivables and other current assets		130	158
Due from related parties		51	253
		433	678
Due from related parties		22	32
Equity-accounted investments	6	307	405
Property, plant and equipment, at fair value	7	14,520	13,945
Intangible assets		49	57
Deferred income tax assets	10	365	306
Other long-term assets		237	285
		\$ 15,933	\$ 15,708
<b>Liabilities and Partners' equity</b>			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 234	\$ 190
Financial instrument liabilities	4	121	99
Due to related parties		145	139
Current portion of long-term debt	9	568	650
		1,068	1,078
Financial instrument liabilities	4	37	15
Due to related parties		10	8
Long-term debt and credit facilities	9	5,282	4,869
Deferred income tax liabilities	10	2,427	2,374
Other long-term liabilities		158	164
		8,982	8,508
Non-controlling interests			
Participating non-controlling interests		728	629
Preferred equity	12	250	241
Limited partners' equity	11	5,973	6,330
		6,951	7,200
		\$ 15,933	\$ 15,708

*The accompanying notes are an integral part of these interim consolidated financial statements.*

Approved on behalf of Brookfield Renewable Energy Partners L.P.:



Patricia Zuccotti  
Director



David Mann  
Director

**BROOKFIELD RENEWABLE ENERGY PARTNERS L.P.**  
**CONSOLIDATED STATEMENTS OF INCOME (LOSS)**

		Three months ended Sep 30		Nine months ended Sep 30	
		2012	2011	2012	2011
			Restated		Restated
UNAUDITED (MILLIONS, EXCEPT PER SHARE AMOUNTS)	Notes		(See Note 2(d))		(See Note 2(d))
Revenues	5	\$ 229	\$ 280	\$ 992	\$ 902
Other income		2	7	12	17
Direct operating costs		(116)	(97)	(358)	(288)
Management service costs	5	(10)	-	(25)	-
Interest expense – borrowings		(99)	(104)	(313)	(304)
Share of (loss) earnings from equity-accounted investments	6	(2)	1	(2)	9
Unrealized financial instrument gain (loss)	3,4	6	(12)	(6)	(9)
Loss on Fund unit liability	11	-	(208)	-	(368)
Depreciation and amortization	7	(117)	(117)	(360)	(341)
Other	3	10	(24)	1	(12)
Loss before income taxes		(97)	(274)	(59)	(394)
Income tax recovery (expense)					
Current	10	1	(1)	(12)	(7)
Deferred	10	37	33	40	36
		38	32	28	29
Net loss		\$ (59)	\$ (242)	\$ (31)	\$ (365)
Net (loss) income attributable to:					
Non-controlling interests					
Participating non-controlling interests		\$ (11)	\$ 7	\$ (26)	\$ 10
Preferred equity		4	3	10	10
Limited partners		(52)	(252)	(15)	(385)
		\$ (59)	\$ (242)	\$ (31)	\$ (365)
Basic and diluted loss per share		\$ (0.20)	\$ (0.95)	\$ (0.06)	\$ (1.46)

*The accompanying notes are an integral part of these interim consolidated financial statements.*

**BROOKFIELD RENEWABLE ENERGY PARTNERS L.P.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

UNAUDITED (MILLIONS)	Notes	Three months ended Sep 30		Nine months ended Sep 30	
		2012	2011	2012	2011
			Restated (See Note (2d))		Restated (See Note (2d))
Net loss		\$ (59)	\$ (242)	\$ (31)	\$ (365)
Other comprehensive income (loss)					
Revaluations of property, plant and equipment	6,7	-	-	53	-
Financial instruments designated as cash-flow hedges	4	(5)	(300)	3	(264)
Foreign currency translation		66	(303)	(114)	(105)
Deferred income taxes on above items, net	10	-	78	(4)	274
		61	(525)	(62)	(95)
Comprehensive income (loss)		\$ 2	\$ (767)	\$ (93)	\$ (460)
Comprehensive income (loss) attributable to:					
Non-controlling interests					
Participating non-controlling interests		\$ (10)	\$ (5)	\$ (26)	\$ 3
Preferred equity		12	(18)	19	(2)
Limited partners		-	(744)	(86)	(461)
		\$ 2	\$ (767)	\$ (93)	\$ (460)

*The accompanying notes are an integral part of these interim consolidated financial statements.*

**BROOKFIELD RENEWABLE ENERGY PARTNERS L.P.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

UNAUDITED (MILLIONS)	Notes	Three months ended Sep 30		Nine months ended Sep 30	
		2011		2011	
		2012	Restated (See Note (2d))	2012	Restated (See Note (2d))
Participating non-controlling interests					
Balance, beginning of period		\$ 724	\$ 292	\$ 629	\$ 206
Net (loss) income		(11)	7	(26)	10
Other comprehensive income (loss)		1	(12)	-	(7)
Contributions and other		14	49	125	127
Balance, end of period		728	336	728	336
Preferred equity 12					
Balance, beginning of period		242	259	241	252
Net income		4	3	10	10
Other comprehensive income (loss)		8	(21)	9	(12)
Distributions		(3)	(3)	(10)	(10)
Other		(1)	-	-	(2)
Balance, end of period		250	238	250	238
Limited partners' equity 11					
Balance, beginning of period		(154)	(1,719)	(14)	(1,569)
Net loss		(52)	(252)	(15)	(385)
Distributions		(92)	-	(275)	-
Transfer from revaluation surplus	3	-	-	5	-
Contributions		1	202	2	350
Other		(5)	(74)	(5)	(239)
Balance, end of period		(302)	(1,843)	(302)	(1,843)
Accumulated other comprehensive income	13	6,275	4,865	6,275	4,865
		5,973	3,022	5,973	3,022
Fund unit liability		-	1,566	-	1,566
		\$ 6,951	\$ 5,162	\$ 6,951	\$ 5,162

The accompanying notes are an integral part of these interim consolidated financial statements.

**BROOKFIELD RENEWABLE ENERGY PARTNERS L.P.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

UNAUDITED (MILLIONS)	Notes	Three months ended		Nine months ended	
		2012	Sep 30 2011	2012	Sep 30 2011
			Restated (See Note 2(d))		Restated (See Note 2(d))
<b>Operating activities</b>					
Net loss		\$ (59)	\$ (242)	\$ (31)	\$ (365)
Adjustments for the following non-cash items:					
Depreciation and amortization	7	117	117	360	341
Unrealized financial instrument (gain) loss	4	(6)	12	6	9
Loss on Fund unit liability	11	-	208	-	368
Share of (earnings) loss from equity accounted investments	6	2	(1)	2	(9)
Deferred income taxes	10	(37)	(33)	(40)	(36)
Other non-cash items		(6)	24	23	(7)
Dividends received from equity-accounted investments		1	2	8	8
		12	87	328	309
Net change in working capital balances		72	(6)	50	16
		84	81	378	325
<b>Financing activities</b>					
Long-term debt – borrowings	9	448	321	1,294	580
Long-term debt – repayments	9	(582)	(27)	(1,534)	(109)
Capital provided by participating non-controlling interests and preferred equity		25	99	142	183
Contributions from common parent		-	26	-	136
Distributions:					
To participating non-controlling interests and preferred equity	12	(3)	(4)	(33)	(31)
To unitholders of Brookfield Renewable or the Fund	11	(92)	(24)	(271)	(72)
		(204)	391	(402)	687
<b>Investing activities</b>					
Due to (from) related parties		54	(170)	192	(165)
Investment in securities	4	(28)	-	(28)	-
Acquisitions	3	(15)	(38)	(146)	(212)
Investment tax credits related to wind facilities	7	84	-	199	-
Investment in:					
Sustaining capital expenditures		(20)	(6)	(40)	(30)
Development and construction of renewable power generating assets		(63)	(286)	(242)	(539)
Restricted cash and other		7	(44)	81	(25)
		19	(544)	16	(971)
Foreign exchange gain (loss) on cash held in foreign currencies		1	(18)	(7)	(11)
Cash and cash equivalents					
(Decrease) increase		(100)	(90)	(15)	30
Balance, beginning of period		352	308	267	188
Balance, end of period		\$ 252	\$ 218	\$ 252	\$ 218
Supplemental cash flow information:					
Interest paid		\$ 49	\$ 44	\$ 232	\$ 257
Interest received		\$ 3	\$ 8	\$ 13	\$ 19
Income taxes paid (received)		\$ (1)	\$ 4	\$ 10	\$ 34

The accompanying notes are an integral part of these interim consolidated financial statements.

# **BROOKFIELD RENEWABLE ENERGY PARTNERS L.P.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **1. ORGANIZATION AND DESCRIPTION OF THE BUSINESS**

The business activities of Brookfield Renewable Energy Partners L.P. ("Brookfield Renewable") consist of owning a portfolio of renewable power generating facilities in Canada, the United States and Brazil, which prior to November 28, 2011 were held as part of the power generating operations of Brookfield Renewable Power Inc. ("BRPI") and Brookfield Renewable Power Fund (the "Fund").

Brookfield Renewable is a publicly traded limited partnership established under the laws of Bermuda pursuant to an amended and restated limited partnership agreement dated November 20, 2011.

The registered office of Brookfield Renewable is 73 Front Street, Fifth Floor, Hamilton HM12, Bermuda.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Statement of compliance**

The unaudited interim consolidated financial statements have been prepared in accordance with IAS 34-Interim Financial Reporting on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the fiscal year ended December 31, 2011, with the exception of the changes in accounting policies as disclosed below. Certain information and footnote disclosure normally included in annual audited financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") have been omitted or condensed. These interim consolidated financial statements should be read in conjunction with the audited 2011 annual consolidated financial statements.

The interim consolidated financial statements are unaudited and reflect any adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to a fair statement of results for the interim periods in accordance with IFRS.

The results reported in these interim consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. Certain comparative figures have been reclassified to conform to the current year's presentation.

These interim consolidated financial statements have been authorized for issuance by the Board of Directors of its general partner, Brookfield Renewable Partners Limited, on November 7, 2012.

All figures are presented in millions of United States ("U.S.") dollars unless otherwise noted.

#### **(b) Basis of presentation**

##### **(i) Consolidation**

These interim consolidated financial statements include the accounts of Brookfield Renewable and its subsidiaries, which are the entities over which Brookfield Renewable has control. Control exists when Brookfield Renewable has the power, directly or indirectly, to govern the financial and operating policies of an entity, so as to obtain benefits from its activities. Non-controlling interests in the equity of Brookfield Renewable's subsidiaries are shown separately in partners' equity in the consolidated balance sheets.

##### **(ii) Strategic combination of the renewable power generating operations**

On November 28, 2011, upon completion of the strategic combination (the "Combination") of the renewable power assets of BRPI and the Fund, the public unitholders of the Fund received one non-



voting limited partnership unit of Brookfield Renewable in exchange for each trust unit of the Fund held and the Fund was wound up.

Also as part of the Combination, Brookfield Renewable entered into a voting agreement with Brookfield Asset Management Inc. ("Brookfield Asset Management"), which provides Brookfield Renewable with control of the general partner of Brookfield Renewable Energy L.P. ("BRELP"). Accordingly, Brookfield Renewable consolidates the accounts of BRELP and its subsidiaries. In addition, BRELP issued redeemable partnership units, to a subsidiary of Brookfield Asset Management, pursuant to which the holder may at its request require BRELP to redeem the units for cash consideration after a mandatory two-year holding period from the date of issuance. This right is subject to Brookfield Renewable's right of first refusal which entitles it, at its sole discretion, to elect to acquire all of the units so presented to BRELP that are tendered for redemption in exchange for Brookfield Renewable limited partnership units. As Brookfield Renewable, at its sole discretion, has the right to settle the obligation with limited partnership units, the BRELP redeemable partnership units are classified as limited partnership units.

Effective December 2011, Brookfield Renewable entered into voting arrangements with various affiliates of Brookfield Asset Management, whereby Brookfield Renewable gained control of the entities that own U.S. and Brazil renewable power generating operations (the "Voting Arrangements"). The Voting Arrangements provide Brookfield Renewable with all of the voting rights to elect the Boards of Directors of the relevant entities and therefore provides Brookfield Renewable with control. Accordingly, Brookfield Renewable consolidates the accounts of these entities.

Financial information for the periods prior to November 28, 2011 is presented based on the historical combined financial information for the contributed operations as previously reported by Brookfield Asset Management. For the period since completion of the Combination, the results are based on the actual results of the new entity, Brookfield Renewable.

### **(c) Change in accounting policies and estimates**

#### **(i) Income Taxes**

In December 2010, the IASB issued amendments to IAS 12, Income Taxes ("IAS 12"). Under these amendments, an entity is required to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment is effective for annual periods starting on or after January 1, 2012. Implementation of IAS 12 did not have a significant impact on the interim consolidated financial statements.

#### **(ii) Change in accounting estimates**

Brookfield Renewable retained third party engineers to review the estimated useful lives of certain assets. As a result, Brookfield Renewable revised the estimated remaining useful life of certain assets to more accurately reflect the period over which they provide economic benefits. Brookfield Renewable accounted for these changes in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, which requires a change in accounting estimate to be applied prospectively from the date of the change. The effective dates of changes were January 1, 2012 or April 1, 2012 or July 1, 2012 based on timing of completion of the review. The interim consolidated statement of income (loss) reflects a decrease in depreciation of \$33 million and \$83 million for the three and nine months ended September 30, 2012, respectively, as a result of the changes in accounting estimate.

#### **(iii) Future changes**

There are no future changes to IFRS with potential impact on Brookfield Renewable in addition to the changes disclosed in the 2011 annual consolidated financial statements.

#### (d) Revisions to previously reported comparative figures

Brookfield Renewable has revised its comparative consolidated financial statements as at and for the three and nine months ended September 30, 2011 to reflect adjustments, primarily related to deferred income tax and foreign currency translation, that were identified through the completion of the Combination. As a result of the revisions to the previous reported comparative figures, the following adjustments were made to the financial statements as at and for the three and nine months ended September 30, 2011:

(MILLIONS)	Previously Reported	Adjustment	As revised
For the three months ended September 30, 2011:			
Deferred income tax recovery	\$ 15	\$ 18	\$ 33
Net loss	(222)	(20)	(242)
Basic and diluted loss per share	(0.89)	(0.06)	(0.95)
Comprehensive loss	(891)	124	(767)
For the nine months ended September 30, 2011:			
Deferred income tax (expense) recovery	\$ (16)	\$ 52	\$ 36
Net loss	(383)	18	(365)
Basic and diluted loss per share	(1.53)	0.07	(1.46)
Comprehensive loss	(679)	219	(460)
As at September 30, 2011:			
Partners' equity	\$ 5,051	\$ 111	\$ 5,162

The adjustments do not impact the comparative annual consolidated financial statements as at and for the year ended December 31, 2011.

### 3. ACQUISITIONS

#### California Wind Generation Assets

During the first half of the year, the following investments were made by Brookfield Renewable and certain institutional partners through the Brookfield Americas Infrastructure Fund ("BAIF"), in which Brookfield Renewable holds a 22% controlling interest. The investments were accounted for using the acquisition method, and the results of operations have been included in the interim consolidated financial statements since the respective dates of acquisition.

BAIF acquired 100% interests in two wind generation facilities in California. BAIF also acquired the remaining 50% interest in a wind generation facility, bringing Brookfield Renewable's total investment to 100% (the "Step Acquisition"). Total consideration paid of \$206 million for these interests included \$180 million in cash and the settlement of certain liabilities.

The Step Acquisition required Brookfield Renewable to re-measure its previously held 50% interest to fair value of \$63 million and to reverse any amounts previously recorded in other comprehensive income ("OCI") related to the initial 50% interest. Net income for the nine months ended September 30, 2012 reflects an expense of \$11 million related to the reclassification from OCI on financial instruments designated as cash flow hedges prior to the Step Acquisition. In addition, \$5 million related to revaluation surplus on the initial 50% interest was reclassified to limited partners' equity.

Acquisition costs of \$2 million related to the above acquisitions were expensed at the acquisition dates.

These wind generating facilities are now all in commercial operation.

## Brazil Hydroelectric Generation Asset

In July 2012, a BAIF entity, in which Brookfield Renewable holds a 25% controlling interest, acquired a 100% interest in a hydroelectric generation facility in Brazil for cash consideration of \$14 million. A bargain purchase gain of \$12 million was recognized, from the excess fair value of the assets acquired over the consideration paid. The bargain purchase gain was recorded in Other, and acquisition costs were expensed at the acquisition date.

## Summary Purchase Price Allocation

(MILLIONS)	California		Brazil		Total
Current assets <sup>(1)</sup>	\$	50	\$	-	\$ 50
Property, plant and equipment		748		32	780
Other long-term assets		9		-	9
Current liabilities		(102)		-	(102)
Long-term debt		(436)		(6)	(442)
Net assets acquired	\$	269	\$	26	\$ 295

<sup>(1)</sup> Includes \$49 million of cash and cash equivalents.

Any changes from the preliminary amounts will be directly attributable to the finalization of valuations and revisions to current calculations. The estimated fair values of the assets acquired and liabilities assumed are expected to be finalized during the year.

## 4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### Risk management

Brookfield Renewable's activities expose it to a variety of financial risks, including market risk (i.e., commodity price risk, interest rate risk, and currency risk), credit risk and liquidity risk. Brookfield Renewable and its subsidiaries use financial instruments primarily to manage these risks.

There have been no material changes in exposure to these risks since the December 31, 2011 audited annual consolidated financial statements.

### Financial instrument disclosures

The aggregate amount of Brookfield Renewable's net financial instrument positions are as follows:

(MILLIONS)	Sep 30 2012		Dec 31 2011	
Energy derivative contracts	\$	(15)	\$	(26)
Interest rate swaps		(143)		(88)
	\$	(158)	\$	(114)

### Energy derivative contracts

Brookfield Renewable has entered into long-term energy derivative contracts primarily to eliminate the price risk on the sale of future power generation. All energy contracts are recorded in Brookfield Renewable's interim consolidated financial statements at an amount equal to fair value, using quoted market prices or, in their absence, a valuation model using both internal and third-party evidence and forecasts.

For the three and nine months ended September 30, 2012, unrealized gains of \$7 million and \$14 million, respectively, were recognized in the statement of income (loss) (2011: unrealized losses of \$12 million and \$9 million, respectively). For the three and nine months ended September 30, 2012, unrealized losses of \$2 million and \$3 million, respectively, were recognized in OCI (2011: unrealized losses of \$230 million and \$193 million, respectively).

### Interest rate swaps

Brookfield Renewable has entered into interest rate swap contracts primarily to minimize exposure to interest rate fluctuations on its variable rate debt or to lock in interest rates on future debt refinancing. All interest rate swap contracts are recorded in the interim consolidated financial statements at an amount equal to fair value.

For the three and nine months ended September 30, 2012, unrealized losses of \$1 million and \$20 million, respectively, were recognized in the statement of income (loss) (2011: there were no amounts recognized for both the three and nine months). For the three and nine months ended September 30, 2012, unrealized losses of \$3 million and an unrealized gain of \$6 million, respectively, were recognized in OCI (2011: unrealized losses of \$56 million and \$57 million, respectively). For the three and nine months ended September 30, 2011, additional unrealized loss of \$14 million was recognized in OCI on the interest rate swaps in the equity accounted investments.

### Available-for-sale investments

Investment in securities classified as available-for-sale investments as at September 30, 2012 totalled \$25 million (December 31, 2011: \$nil) and have been included in Other long-term assets.

## 5. RELATED PARTY TRANSACTIONS

Brookfield Renewable's related party transactions are recorded at the exchange amount. Brookfield Renewable's related party transactions are primarily with Brookfield Asset Management and its subsidiaries.

The following table reflects the related party agreements and transactions on the interim consolidated statements of income (loss):

(MILLIONS)	Three months ended Sep 30		Nine months ended Sep 30	
	2012	2011	2012	2011
Revenues				
Purchase and revenue support agreements	\$ 54	\$ 56	\$ 289	\$ 191
Wind levelization agreement	1	3	1	5
	\$ 55	\$ 59	\$ 290	\$ 196
Direct operating costs				
Energy purchases	\$ (8)	\$ (7)	\$ (38)	\$ (25)
Operations, maintenance and administration services	(5)	(3)	(14)	(11)
Insurance services	(5)	(4)	(13)	(12)
	\$ (18)	\$ (14)	\$ (65)	\$ (48)
Interest expense	\$ -	\$ (11)	\$ -	\$ (24)
Management service costs	\$ (10)	\$ -	\$ (25)	\$ -

## 6. EQUITY- ACCOUNTED INVESTMENTS

The following table presents the changes in Brookfield Renewable's equity-accounted investments:

(MILLIONS)	Three months ended Sep 30, 2012	Nine months ended Sep 30, 2012	Year ended Dec 31, 2011
Balance, beginning of period	\$ 311	\$ 405	\$ 269
Share of net income (loss)	(2)	(2)	10
Share of OCI	4	-	(7)
Revaluation recognized through OCI	-	(17)	136
Acquisitions	-	(63)	-
Other	(6)	(16)	(3)
Balance, end of period	\$ 307	\$ 307	\$ 405

The following table presents the breakdown of the share of earnings (loss) from equity accounted investments:

	Three months ended Sep 30		Nine months ended Sep 30	
(MILLIONS)	2012	2011	2012	2011
Share of cash earnings	\$ 3	\$ 7	\$ 11	\$ 19
Share of non-cash loss	(5)	(6)	(13)	(10)
	\$ (2)	\$ 1	\$ (2)	\$ 9

## 7. PROPERTY, PLANT AND EQUIPMENT, AT FAIR VALUE

The change to the net book value of property, plant and equipment, is presented in the following table:

(MILLIONS)	Hydroelectric	Wind energy	Other <sup>(1)</sup>	Total
As at December 31, 2011	\$ 11,876	\$ 1,395	\$ 674	\$ 13,945
Foreign exchange	13	52	(24)	41
Additions/transfers <sup>(2)</sup>	85	845	(113)	817
Revaluation recognized through OCI	-	3	67	70
Depreciation <sup>(3)</sup>	(234)	(83)	(36)	(353)
As at September 30, 2012	\$ 11,740	\$ 2,212	\$ 568	\$ 14,520

<sup>(1)</sup> Included in "Other" is land, roads, decommissioning assets, leasehold improvements, gas-fired generating ("co-gen") units and construction work-in-progress ("CWIP").

<sup>(2)</sup> Includes acquisitions of \$780 million (Note 3).

<sup>(3)</sup> Assets not subject to depreciation include CWIP and land.

Brookfield Renewable has pledged a significant amount of its property, plant and equipment as collateral for its subsidiary borrowings.

Certain of Brookfield Renewable's property, plant and equipment, comprised of hydroelectric, wind, and gas-fired generating units are carried at revalued amounts as opposed to historical cost. During the nine months ended September 30, 2012, certain of Brookfield Renewable's development assets were revalued resulting in an increase of \$70 million.

The additions/transfers to the property, plant and equipment also reflect the deduction of \$199 million of investment tax credits pursuant to government incentives to build new renewable wind facilities.

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The composition of accounts payable and accrued liabilities are as follows:

	Sep 30	Dec 31
(MILLIONS)	2012	2011
Accounts payable and accrued liabilities	\$ 115	\$ 128
Interest payable	88	36
Shareholders' distribution and preferred dividends payable	31	26
	\$ 234	\$ 190

## 9. DEBT OBLIGATIONS

The composition of debt obligations is presented in the following table:

	Sep 30	Dec 31
(MILLIONS)	2012	2011
Corporate borrowings	\$ 1,525	\$ 1,077
Unamortized financing fees, net <sup>(1)</sup>	(8)	(6)
	1,517	1,071
Subsidiary borrowings	4,233	4,246
Unamortized financing fees, net <sup>(1)</sup>	(36)	(49)
Current maturities	(568)	(650)
	3,629	3,547
Revolving credit facilities		
Unsecured corporate facilities	136	251
	\$ 5,282	\$ 4,869

<sup>(1)</sup> Unamortized financing fees are amortized to interest expense over the term of the borrowing.

### Corporate borrowings

Through a wholly-owned subsidiary, Brookfield Renewable successfully completed a C\$400 million offering of medium-term corporate notes bearing interest at an annual rate of 4.79% that are due February 2022. Proceeds of the offerings were used to repay existing indebtedness and for general business purposes.

### Subsidiary borrowings

As part of the acquisition of wind development and hydroelectric generation assets in California and Brazil, Brookfield Renewable acquired \$442 million of subsidiary borrowings.

Net repayments of \$471 million made during the nine months ended September 30, 2012 were primarily funded from proceeds of the C\$400 million medium-term corporate notes, and cash generated from operating activities.

## Revolving credit facilities

	Sep 30 2012	Dec 31 2011
(MILLIONS)		
Available revolving credit facilities	\$ 990	\$ 601
Drawings	(136)	(251)
Issued letters of credit	(157)	(160)
Unutilized revolving credit facilities	\$ 697	\$ 190

Brookfield Renewable expanded its revolving credit facilities from \$600 million to \$900 million in March 2012, and extended the maturity for the new facilities to October 2016. In May 2012, Brookfield Renewable entered into an additional credit agreement for \$90 million on similar terms and conditions as the other lenders and with an expiry of October 31, 2016, subject to additional one-year extensions.

Net draws of \$78 million and net repayments of \$115 million were made during the three and nine months ended September 30, 2012, respectively. The repayments were primarily funded from the proceeds of the C\$400 million medium-term corporate notes offering and cash generated from operating activities.

Brookfield Renewable and its subsidiaries issue letters of credit under the credit facilities for general corporate purposes, which include, but are not limited to, security deposits, performance bonds and guarantees for debt service reserve accounts.

## 10. INCOME TAXES

Brookfield Renewable's effective income tax rate was 47.5% for the nine months ended, September 30, 2012 (2011: 7.4%). Brookfield Renewable has a net income tax recovery for the nine months ended, September 30, 2012 and the effective tax rate of the recovery is greater than the statutory rate primarily due to losses experienced in higher tax rate jurisdictions. The loss on the Fund unit liability for the nine months ended, September 30, 2011 represents an amount for which Brookfield Renewable does not receive a tax benefit. This loss decreased accounting income before income taxes, therefore creating a lower effective income tax rate for the nine months ended, September 30, 2011. Subsequent to the Combination the terms of the newly-issued partnership units do not contain a redemption feature that requires a Fund unit liability to be calculated.

## 11. LIMITED PARTNERS' EQUITY

Brookfield Renewable's partnership equity is comprised of general partnership interests and limited partnership units ("LP Units"). Limited partners' equity includes LP Units issued by Brookfield Renewable and redeemable partnership units issued by BRELP ("Redeemable Partnership Units"). The Redeemable Partnership Units are held 100% by Brookfield, which at its discretion has the right to redeem these units for cash consideration after a mandatory holding period expiring on November 28, 2013. Since this redemption right is subject to Brookfield Renewable's right, at its sole discretion, to satisfy the redemption request with LP Units of Brookfield Renewable, the Redeemable Partnership Units are classified as limited partners' equity in accordance with IAS 32, Financial Instruments: Presentation. Both the LP Units issued by Brookfield Renewable and the Redeemable Partnership Units issued by its subsidiary BRELP have the same economic attributes in all respects, except for the redemption right described above. Income and distributions of Brookfield Renewable are allocated to the partners of record based on their respective interests in Brookfield Renewable. The Redeemable Partnership Units participate in earnings

and distributions on a per unit basis equivalent to the per unit participation of the LP Units of Brookfield Renewable.

A distribution re-investment plan was implemented, allowing holders of LP Units who are resident in Canada to acquire additional LP Units by reinvesting all or a portion of their cash distributions without paying commissions. During the nine months ended September 30, 2012, 57,359 LP Units were issued.

As at September 30, 2012, limited partnership units outstanding were 262,543,106 (December 31, 2011: 262,485,747) and general partnership interests of 0.01% of Brookfield Renewable.

	Sep 30, 2012		Dec 31, 2011	
	Units Issued and Outstanding	Limited Partners' Equity	Units Issued and Outstanding	Limited Partners' Equity
(\$MILLIONS, UNLESS NOTED OTHERWISE)				
LP Units	132,884,483	\$ 3,023	132,827,124	\$ 3,203
Redeemable Partnership Units	129,658,623	2,950	129,658,623	3,127
Total	262,543,106	\$ 5,973	262,485,747	\$ 6,330

During the three months ended March 31, 2012, unitholder distributions were increased to \$1.38 per unit from \$1.35 per unit, on an annualized basis.

For the three and nine months ended September 30, 2012, Brookfield Renewable declared distributions of \$92 million and \$275 million or \$0.35 and \$1.04 per LP Unit and distributions for general partnership interests. For the three and nine months ended September 30, 2011, the Fund declared distributions of \$34 million and \$103 million, consisting of \$10 million and \$31 million to BRPI and \$24 million and \$72 million, respectively to public unitholders of the Fund. Brookfield Renewable recorded a mark-to-market loss of \$184 million and \$296 million, respectively on the Fund unit liability.



## 12. SUBSIDIARY PUBLIC ISSUERS

In March 2010, Brookfield Renewable Power Preferred Equity Inc. ("BRP Equity") issued 10 million Series 1 preferred shares at a price of C\$25 per share. The holders of the Series 1 preferred shares are entitled to receive fixed cumulative dividends at an annual rate of C\$1.3125 per share, a yield of 5.25% for the initial five-year period ending April 30, 2015. The dividend rate will reset on April 30, 2015 and every five years thereafter at a rate equal to the then five-year Government of Canada Bond yield plus 2.62%. Brookfield Renewable, BRELP and certain key holding company subsidiaries fully and unconditionally guarantee the payment of dividends on the preferred shares, the amounts due on redemption, and the amounts due on the liquidation, dissolution or winding-up of BRP Equity. For the three and nine months ended September 30, 2012, dividends declared on the Series 1 preferred shares were \$3 million and \$10 million, respectively (2011: \$3 million and \$10 million).

As a result of the Combination, Brookfield Renewable created Brookfield Renewable Energy Partners ULC (formerly BRP Finance ULC) ("BREP Finance") to contractually assume BRPI's term notes with maturities ranging from 2016 and 2036 with a principal value of approximately C\$1.1 billion. BREP Finance assumed these term notes, including accrued interest, in exchange for an interest-bearing demand promissory note issued by another wholly-owned subsidiary of Brookfield Renewable. The term notes payable by BREP Finance are unconditionally guaranteed by Brookfield Renewable, BRELP and certain other subsidiaries. During the three months ended March 31, 2012, BREP Finance issued C\$400 million of 10-year term notes bearing interest at a rate of 4.79% per annum.

The following tables set consolidated summary financial information for Brookfield Renewable, BRP Equity, and BREP Finance:

(MILLIONS)	Brookfield Renewable	BRP Equity	BREP Finance	Other Subsidiaries <sup>(1)</sup>	Consolidating adjustments <sup>(2)</sup>	Brookfield Renewable consolidated
As at September 30, 2012:						
Current assets	\$ 46	\$ -	\$ 1,554	\$ 440	\$ (1,607)	\$ 433
Long-term assets	5,973	253	-	15,494	(6,220)	15,500
Current liabilities	51	7	30	2,587	(1,607)	1,068
Long-term liabilities	-	-	1,518	6,643	(247)	7,914
Participating non-controlling interests	-	-	-	728	-	728
Preferred equity	-	250	-	-	-	250
As at December 31, 2011:						
Current assets	\$ 45	\$ -	\$ 1,087	\$ 678	\$ (1,132)	\$ 678
Long-term assets	6,330	244	-	15,024	(6,568)	15,030
Current liabilities	45	8	9	2,148	(1,132)	1,078
Long-term liabilities	-	-	1,071	6,597	(238)	7,430
Participating non-controlling interests	-	-	-	629	-	629
Preferred equity	-	241	-	-	-	241

<sup>(1)</sup> Includes subsidiaries of Brookfield Renewable other than BRP Equity and BREP Finance.

<sup>(2)</sup> Includes elimination of intercompany transactions and balances necessary to present Brookfield Renewable on a consolidated basis

(MILLIONS)	Brookfield Renewable	BRP Equity	BREP Finance	Other Subsidiaries <sup>(1)</sup>	Consolidating adjustments <sup>(2)</sup>	Brookfield Renewable consolidated
For the three months ended Sep 30, 2012						
Revenues	\$ -	\$ -	\$ -	\$ 229	\$ -	\$ 229
Net income (loss)	(52)	-	-	(59)	52	(59)
For the three months ended Sep 30, 2011						
Revenues	\$ -	\$ -	\$ -	\$ 280	\$ -	\$ 280
Net loss	(252)	-	-	(242)	252	(242)
For the nine months ended Sep 30, 2012						
Revenues	\$ -	\$ -	\$ -	\$ 992	\$ -	\$ 992
Net income (loss)	(15)	1	(2)	(29)	14	(31)
For the nine months ended Sep 30, 2011						
Revenues	\$ -	\$ -	\$ -	\$ 902	\$ -	\$ 902
Net loss	(385)	-	-	(365)	385	(365)

<sup>(1)</sup> Includes subsidiaries of Brookfield Renewable other than BRP Equity and BREP Finance.

<sup>(2)</sup> Includes elimination of intercompany transactions and balances necessary to present Brookfield Renewable on a consolidated basis.

### 13. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following is a reconciliation of Brookfield Renewable's accumulated other comprehensive income ("AOCI") attributable to the limited partners' equity:

(MILLIONS)	Foreign Currency translation	Revaluation surplus	Cash flow hedges	Total
Balance, December 31, 2011	\$ 387	\$ 6,019	\$ (62)	\$ 6,344
OCI	(108)	47	(6)	(67)
Transfer to limited partners' equity	-	2	-	2
Income taxes	-	(1)	(3)	(4)
Balance, September 30, 2012	\$ 279	\$ 6,067	\$ (71)	\$ 6,275

During the three and nine months ended September 30, 2012, gains of \$2 million and \$3 million relating to cash flow hedges were realized and reclassified from OCI to net loss, respectively (2011: losses of \$2 million and \$6 million, respectively).

## 14. SEGMENTED INFORMATION

Brookfield Renewable operates mostly renewable power assets, which include conventional hydroelectric generating assets located in the United States, Canada and Brazil, a pumped storage hydroelectric facility located in the United States and wind farms located in Canada and the United States. Brookfield Renewable also operates two co-gen facilities, one in Canada and one in the United States. Management evaluates the business based on the type of power generation (Hydroelectric, Wind and Other). Hydroelectric and wind are further evaluated by major region (United States, Canada and Brazil). "Equity-accounted investments" includes Brookfield Renewable's interest in hydroelectric facilities. The "Other" segment includes co-gen facilities, CWIP and corporate costs.

In accordance with IFRS 8, Operating Segments, Brookfield Renewable discloses information about its reportable segments based upon the measures used by management in assessing performance. The accounting policies of the reportable segments are the same as those described in Note 2 of the audited 2011 consolidated financial statements. Brookfield Renewable analyzes the performance of its operating segments based on revenues, earnings before interest, tax, depreciation and amortization ("Adjusted EBITDA"), and funds from operations. Adjusted EBITDA consists of 100% of revenues less direct costs (including energy marketing costs), plus Brookfield Renewable's share of cash earnings from equity-accounted investments, before interest, current income taxes, depreciation, amortization and management service costs. Funds from operations is defined as Adjusted EBITDA less interest, current income taxes and management service cost, which is then adjusted for the cash portion of non-controlling interests included in funds from operations. Transactions between the reportable segments occur at fair value.

	Hydroelectric			Wind energy			
(MILLIONS)	U.S.	Canada	Brazil	U.S.	Canada	Other	Total
For the three months ended Sep 30, 2012:							
Revenues	\$ 55	\$ 42	\$ 83	\$ 17	\$ 18	\$ 14	229
Adjusted EBITDA	22	27	55	6	13	(5)	118
Interest expense – borrowings	(34)	(18)	(8)	(7)	(11)	(21)	(99)
Funds from operations prior to non-controlling interests	(7)	9	43	(1)	2	(36)	10
Cash portion of non-controlling interests	4	-	(2)	2	-	(3)	1
Funds from operations	(3)	9	41	1	2	(39)	11
Depreciation and amortization	(27)	(18)	(36)	(12)	(19)	(5)	(117)
For the three months ended Sep 30, 2011:							
Revenues	\$ 107	\$ 59	\$ 86	- \$	13 \$	15 \$	280
Adjusted EBITDA	74	44	66	-	10	3	197
Interest expense – borrowings	(37)	(16)	(27)	-	(6)	(18)	(104)
Funds from operations prior to non-controlling interests	40	29	34	-	4	(15)	92
Cash portion of non-controlling interests	(9)	-	-	-	-	(4)	(13)
Funds from operations	31	29	34	-	4	(19)	79
Depreciation and amortization	(29)	(40)	(38)	-	(8)	(2)	(117)

	Hydroelectric			Wind energy			
(MILLIONS)	U.S.	Canada	Brazil	U.S.	Canada	Other	Total
For the nine months ended Sep 30, 2012:							
Revenues	\$ 343	\$ 207	\$ 262	\$ 42	\$ 89	\$ 49	\$ 992
Adjusted EBITDA	238	162	185	22	75	(25)	657
Interest expense - borrowings	(102)	(51)	(51)	(17)	(32)	(60)	(313)
Funds from operations prior to non-controlling interests	137	111	121	5	43	(110)	307
Cash portion of non-controlling interests	(12)	-	(10)	(2)	-	(10)	(34)
Funds from operations	125	111	111	3	43	(120)	273
Depreciation and amortization	(86)	(60)	(114)	(29)	(56)	(15)	(360)
For the nine months ended Sep 30, 2011:							
Revenues	\$ 384	\$ 177	\$ 249	\$ -	\$ 45	\$ 47	\$ 902
Adjusted EBITDA	290	134	189	-	37	-	650
Interest expense - borrowings	(110)	(50)	(72)	-	(19)	(53)	(304)
Funds from operations prior to non-controlling interests	182	89	103	-	18	(53)	339
Cash portion on non-controlling interests	(24)	-	(7)	-	-	(10)	(41)
Funds from operations	158	89	96	-	18	(63)	298
Depreciation and amortization	(92)	(112)	(105)	-	(24)	(8)	(341)

The following table reconciles Adjusted EBITDA and funds from operations, presented in the above tables, to net loss as presented in the interim consolidated statements of income (loss):

(MILLIONS)	Notes	Three months ended Sep 30		Nine months ended Sep 30	
		2012	2011	2012	2011
Revenues	5	\$ 229	\$ 280	\$ 992	\$ 902
Other income		2	7	12	17
Share of cash earnings from equity-accounted investments	6	3	7	11	19
Direct operating costs		(116)	(97)	(358)	(288)
Adjusted EBITDA		118	197	657	650
Interest expense - borrowings	9	(99)	(104)	(313)	(304)
Management service costs	5	(10)	-	(25)	-
Current income tax recovery (expense)	10	1	(1)	(12)	(7)
Funds from operations prior to non-controlling interests		10	92	307	339
Less: cash portion of non-controlling interests		1	(13)	(34)	(41)
Funds from operations		11	79	273	298
Add: cash portion of non-controlling interests		(1)	13	34	41
Depreciation and amortization	7	(117)	(117)	(360)	(341)
Unrealized financial instruments gain (loss)	3,4	6	(12)	(6)	(9)
Loss on Fund unit liability	11	-	(208)	-	(368)
Share of non-cash loss from equity-accounted investments	6	(5)	(6)	(13)	(10)
Deferred income tax recovery	10	37	33	40	36
Other		10	(24)	1	(12)
Net loss		\$ (59)	\$ (242)	\$ (31)	\$ (365)

The following table presents our consolidated results on a segmented basis for the period ended September 30:

(MILLIONS)	Hydroelectric			Wind energy		Equity-accounted investments	Other	Total
	U.S.	Canada	Brazil	U.S.	Canada			
As at September 30, 2012								
Property, plant and equipment	\$ 4,442	\$ 4,982	\$ 2,359	\$ 832	\$ 1,386	\$ -	\$ 519	\$ 14,520
Additions to property, plant and equipment	46	41	103	596	14	-	5	805
Total assets	4,769	5,147	2,689	913	1,405	307	703	15,933
Total borrowings	1,758	961	356	462	660	-	1,653	5,850
Total liabilities	2,987	2,043	555	541	1,008	-	1,848	8,982
As at December 31, 2011:								
Property, plant and equipment	\$ 4,547	\$ 4,908	\$ 2,626	\$ 57	\$ 1,343	\$ -	\$ 464	\$ 13,945
Additions to property, plant and equipment	136	46	210	397	2	-	238	1,029
Total assets	5,064	5,139	2,963	97	1,218	405	822	15,708
Total borrowings	1,838	928	645	164	621	-	1,323	5,519
Total liabilities	3,008	2,098	869	176	894	-	1,463	8,508

## **15. COMMITMENT, CONTINGENCIES AND GUARANTEES**

### **Commitments**

In the course of its operations, Brookfield Renewable and its subsidiaries has entered into agreements for the use of water, land and dams. Payment under those agreements varies with the amount of power generated. The various agreements are renewable and extend up to 2054.

Brookfield Renewable and certain institutional partners entered into an agreement to acquire a portfolio of four hydroelectric generating stations located in Tennessee and North Carolina for a total enterprise value of \$600 million. Brookfield Renewable will own an approximate 25% interest. These assets will have an installed capacity of 378 MW and annual generation of 1.4 million MWh. The transaction is expected to close in the fourth quarter of 2012.

### **Contingencies**

Brookfield Renewable and its subsidiaries are subject to various legal proceedings, arbitrations and actions arising in the normal course of business. While the final outcome of such legal proceedings and actions cannot be predicted with certainty, it is the opinion of management that the resolution of such proceedings and actions will not have a material impact on Brookfield Renewable's consolidated financial position or results of operations.

### **Guarantees**

Brookfield Renewable, on behalf of Brookfield Renewable's subsidiaries, and subsidiaries of Brookfield Renewable provided letters of credit, which include, but are not limited to, guarantees for debt service reserves, capital reserves, construction completion and performance. The activity on the issued letters of credit by Brookfield Renewable can be found in Note 9: Debt Obligations. As at September 30, 2012, letters of credit issued by subsidiaries of Brookfield Renewable amounted to \$79 million.

In the normal course of operations, Brookfield Renewable and its subsidiaries execute agreements that provide for indemnification and guarantees to third parties of transactions such as business dispositions, capital project purchases, business acquisitions, and sales and purchases of assets and services. Brookfield Renewable has also agreed to indemnify its directors and certain of its officers and employees. The nature of substantially all of the indemnification undertakings prevents Brookfield Renewable from making a reasonable estimate of the maximum potential amount that Brookfield Renewable could be required to pay third parties as the agreements do not always specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, neither Brookfield Renewable nor its subsidiaries have made significant payments under such indemnification agreements.

## **16. SUBSEQUENT EVENTS**

On October 11, 2012, BRP Equity issued C\$250 million of class A Preference Shares with fixed, annual, cumulative dividends yielding 4.4%. Net proceeds were used to repay outstanding indebtedness and for general corporate purposes.

On November 1, 2012, Brookfield Renewable secured financing for a 45 MW British Columbia hydroelectric facility under construction through a C\$175 million bond with a term of 41 years at an interest rate of 4.45%.

## **LP UNITHOLDERS' INFORMATION**

### **Corporate Office**

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Tel: +1(441) 294-3304  
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### **Officers of Brookfield Renewable Energy Partners L.P.'s Manager, BRP Energy Group L.P.**

Harry Goldgut  
Chairman of BRE Group

Richard Legault  
President and Chief Executive  
Officer

Sachin Shah  
Chief Financial Officer

Donald Tremblay  
Executive Vice President

Jeffrey Rosenthal  
Chief Operating Officer

**Transfer Agent & Registrar**  
Computershare Trust Company  
of Canada  
100 University Avenue  
9<sup>th</sup> floor  
Toronto, Ontario, M5J 2Y1  
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### **Directors of the General Partner of Brookfield Renewable Energy Partners L.P.**

Jeffrey Blidner  
Eleazar de Carvalho Filho  
John Van Egmond  
David Mann  
Lou Maroun  
Patricia Zuccotti  
Lars Josefsson

### **Exchange Listing**

TSX: BEP.UN (L.P. units)  
TSX: BRF.PR.A (Preferred shares)  
TSX: BRF.PR.C (Preferred shares)

### **Investor Information**

Visit Brookfield Renewable online at  
[www.brookfieldrenewable.com](http://www.brookfieldrenewable.com) for more information.  
The 2011 Annual Report is also available online. For  
detailed and up-to-date news and information, please  
visit the News Press Release section.

Additional financial information is filed electronically  
with various securities regulators in Canada through  
SEDAR at [www.sedar.com](http://www.sedar.com).

Shareholder enquiries should be directed to the  
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[unitholderenquiries@brookfieldrenewable.com](mailto:unitholderenquiries@brookfieldrenewable.com)



TSX:

**BEP.UN**

[www.brookfieldrenewable.com](http://www.brookfieldrenewable.com)