Brookfield Renewable Power

BROOKFIELD RENEWABLE POWER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008


Attached is management's discussion and analysis of
Brookfield Renewable Power Inc. (formerly Brookfield Power Inc. and
Brookfield Power Corporation through amalgamation)
Brookfield Renewable Power Inc. is a subsidiary of Brookfield Asset Management Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

JULY 31, 2008

INTRODUCTION

The information provided in this management discussion and analysis ("MD&A") is intended to provide readers with an overview of the Company's overall business strategy, its competitive advantages and its performance for the quarters and six months ended June 30, 2008 and 2007, as well as providing a framework for understanding its long-term growth trends and ability to deliver strong and stable cash flows.

The information in this MD&A should be read in conjunction with our June 30, 2008 unaudited consolidated financial statements and our December 31, 2007 audited consolidated financial statements. Additional information can also be found on our website at www.brookfieldpower.com and on SEDAR's website at www.sedar.com, filed under the name of "Brookfield Renewable Power Inc."

On March 31, 2008, the Company changed its name to Brookfield Renewable Power Inc. ("Brookfield Renewable") following an amalgamation, which is described in more detail on page 6 of this MD&A.

BASIS OF PRESENTATION

The financial information contained herein is prepared in accordance with Canadian generally accepted accounting principles ("GAAP") with the exception of operating cash flow, which is a non-GAAP measure and may differ from definitions of operating cash flow used by other companies. Operating cash flow is our principal performance measure since it is a tangible measurement and best reflects the cash flows generated by our power assets. We present the information in this format as we believe it is informative for the reader and it presents our business in a more meaningful way. We define operating cash flow as revenues from power operations, net of operating and maintenance costs, fuel purchases for the combined cycle natural gas generation plants, power purchases, selling, marketing and administration expenses and property and other generation taxes on our facilities. A reconciliation of operating cash flow to net income as presented in our financial statements is presented in the "Performance Review" section of this report.

Unless otherwise indicated, the terms "the Company", "we", "our" and "us" refer to Brookfield Renewable Power Inc. and all of its subsidiaries and joint ventures. All figures are reported in United States dollars, unless otherwise noted.

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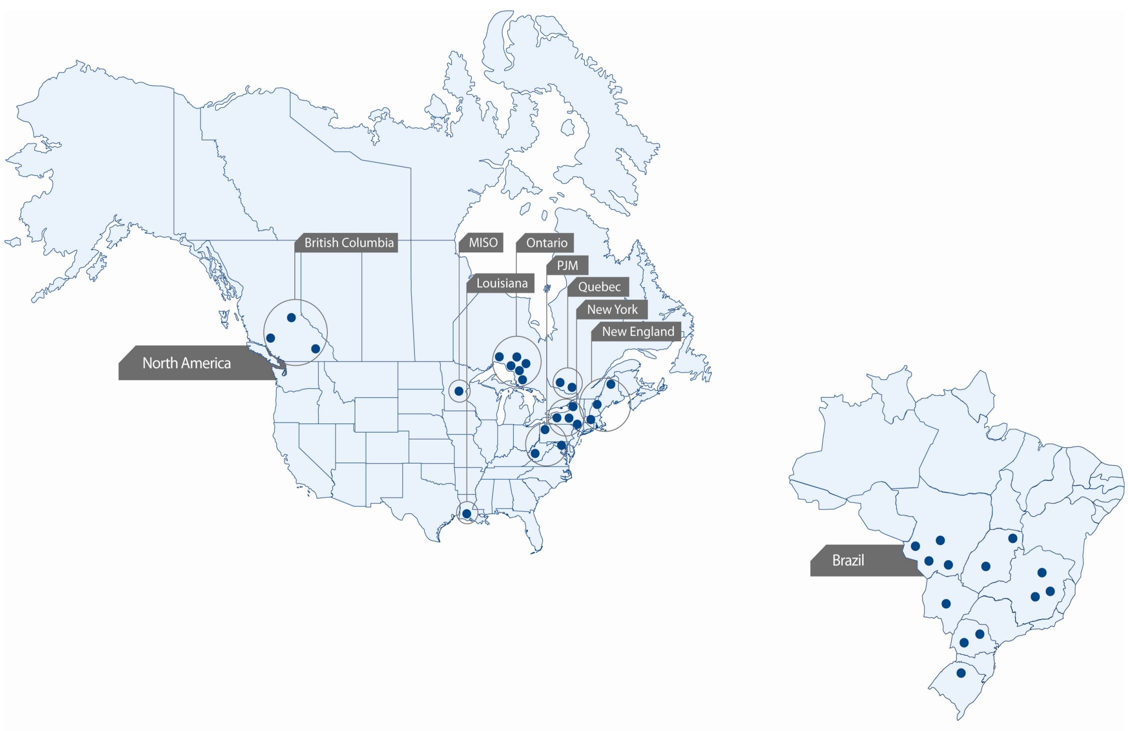
OVERVIEW OF THE BUSINESS

The Company has been in the power generation business for over 100 years. We are an experienced and proven owner, manager, operator and developer of renewable power generation facilities that produce and sell electricity generated primarily from water and wind resources. We aim to provide our shareholder with long-term sustainable cash flows and create value over time through disciplined growth and by maximizing the productivity of our operations.

The Company is a wholly owned subsidiary of Brookfield Asset Management Inc. ("Brookfield"), a global asset management company focused on property, power and infrastructure assets. Brookfield has approximately $95 billion of assets under management and is listed on the Toronto and New York Stock Exchanges under the symbol BAM, as well as on the Euronext Amsterdam exchange under the symbol BAMA.

Brookfield, through Brookfield Renewable, currently owns one of the largest privately owned hydroelectric power generating portfolios in the world. Brookfield is currently exploring alternatives to establish an externally managed entity through which Brookfield can share the ownership of these assets with others on a fee bearing basis.

Some of the Company's assets are owned through the Great Lakes Hydro Income Fund (the "Fund"), a publicly traded reporting issuer on the Toronto Stock Exchange (symbol: GLH.UN) that we manage and in which we own a 50.1% interest, or by Brookfield.



OPERATING PLATFORM

The Company owns a portfolio of 3,562 megawatts ("MW") of renewable generation comprised of 3,373 MW of hydroelectric generation and 189 MW of wind generation in Canada, the United States and Brazil. It also owns two combined cycle natural gas generation facilities with a total capacity of 215 MW and an electricity distribution system in Northern Ontario. In addition to its operating assets, Brookfield Renewable has a diversified pipeline of approximately 5,800 MW of development projects, including 347 MW of projects that are either in construction or advanced development.

In addition, we also manage all Brazilian power operations owned by Brookfield, which consist of 27 hydroelectric facilities with an installed capacity of 314 MW capable of producing close to 1,700 gigawatt hours ("GWh") of power annually. With the exception of the Itiquira assets acquired directly by Brookfield Renewable on April 28, 2008 (see page 6 for further details), the Brazilian assets are not included in our consolidated financial statements and therefore information regarding those operations is not part of this MD&A. We do anticipate that, at some point during 2008 and pending all necessary regulatory and other approvals, we will acquire all hydroelectric generating assets currently held by Brookfield, further diversifying our geographic base.

Operating Assets
(as at June 30, 2008)

Markets	Rivers	Generating Stations	Generating Units	Capacity MW	LTA [1] GWh	Storage GWh [2]
Hydroelectric						
Conventional						
Canada	18	32	72	1,314	5,058	1,261
United States	24	99	262	1,303	6,100	1,047
Brazil	1	2	4	156	940	940
	43	**133**	**338**	**2,773**	**12,098**	**3,248**
Pumped Storage	1	1	2	600	380	1,095
Total Hydroelectric	**44**	**134**	**340**	**3,373**	**12,478**	**4,343**
Wind	–	1	126	189	535	–
Thermal	–	2	6	215	880	–
Power generating assets – Owned	**44**	**137**	**472**	**3,777**	**13,893**	**4,343**
Brazil – Operated	19	27	60	314	1,662	1,662
Power generating assets – Owned and Operated	**63**	**164**	**532**	**4,091**	**15,555**	**6,005**

(1) Expected generation is based on long-term average ("LTA") except for hydroelectric pumped storage ("pumped storage") which is based on the estimated level of generation that can be supported by expected market prices.

(2) Storage includes access to physical storage reservoirs and the hydrological balancing pool ("MRE") administered by the government of Brazil.

Hydroelectric Generation – Conventional

Our hydroelectric facilities are located on more than 40 river systems in a number of geographic regions, specifically Ontario, Quebec, British Columbia, New York, Pennsylvania, Maryland, West Virginia, Minnesota, Maine, New Hampshire, Massachusetts, Louisiana and the State of Mato Grosso in Brazil. This geographic distribution provides diversification of water flows to minimize the overall impact of fluctuating hydrology. When our physical storage reservoirs are full and with access to the hydrological balancing pool in Brazil, we could produce approximately 30% of our total annual generation and provide partial protection against short-term changes in water supply. The physical storage reservoirs also enable us to optimize revenues by generating and selling power during higher priced peak periods.

Hydroelectric Generation – Pumped Storage

We own a 50% interest in a 600 MW pumped storage facility located in Massachusetts. The facility delivers its power, capacity and ancillary services into the New England wholesale electricity market. Furthermore, a portion of the power and capacity produced from this facility is sold to the Long Island Power Authority ("LIPA") under a long-term contract expiring in 2021.

Wind
We operate Canada's largest wind farm with an installed capacity of 189 MW comprised of 126 turbines. All power produced by the wind farm is sold to the Ontario Power Authority ("OPA") under two power purchase agreements expiring in 2026 and 2028.

Combined Cycle Natural Gas Generation
We own two natural gas-fired combined cycle facilities, one located in Ontario and one in New York State. The Ontario facility sells its power to the Ontario Electricity Financial Corporation under a contract which expires in 2014 and has gas procurement contracts extending to the end of 2008. The facility in New York State has no long-term contract and is predominantly used to meet power needs at times of peak demand.

Electricity Distribution and Transmission
We own a regulated electricity distribution business in Ontario, consisting of 11 distribution stations servicing approximately 11,500 customers. During the first quarter of 2008, we disposed of our regulated electricity transmission business. This transaction is discussed in our financial statements as well as on page 11 of this MD&A.

POWER MARKETING

We optimize the value of our generating assets through a power marketing strategy that uses a combination of long-term contracts, forward sales and spot sales in the wholesale power markets in order to capture rising prices over time and maximize the current revenue potential of our asset base.

Approximately 50% of our annual generation is sold pursuant to long-term power purchase agreements with an average term of 11 years remaining with counterparties that have long-standing favourable credit histories or investment grade ratings. Our long-term contracts generally do not provide for fixed volume commitments; therefore we have limited risk of having to purchase power from the market to supply our customers when we are experiencing low water conditions.

All power produced and not otherwise sold under a contract is delivered to wholesale electricity markets. To reduce our exposure to volatile spot pricing in the wholesale electricity market, we enter into short-term financial contracts that represent approximately 25% of our annual generation. The contracts cover a period generally not exceeding 30 months.

In order to minimize the potential adverse financial impact of low water flows, the remaining 25% of our annual output is sold into the wholesale power markets only when water inflows have been confirmed.

The low variable cost of hydroelectric power, relative to other forms of generators, enables us to sell power at a favourable margin under almost all normal market conditions.

Given the nature of the transactions executed by the power marketing group, we are subject to complex accounting rules governing derivatives and hedging instruments. The accounting treatment associated with some of these transactions may result in the accounting recognition of gains and losses in periods different than the actual related economic exposures. This can result in volatility in reported net income.

GROWTH STRATEGY - ACQUISITION AND DEVELOPMENT

We are committed to expanding our renewable power generation base by strategically acquiring and developing hydroelectric and wind power facilities. Our acquisitions in the past few years have allowed us to expand our operations into several new geographic regions, allowing the Company to diversify its watersheds. Although acquisitions will continue to be part of our growth strategy, development of greenfield opportunities will also constitute an important element going forward. As a result, we have established a highly qualified team which will allow us to pursue our development activities.

We have a development pipeline with over 5,800 MW of projects at various stages in North America in conventional hydro, pumped storage and wind that positions us for future growth. We will continue to identify new opportunities to optimize the performance of our portfolio and continue to expand our growth strategy in 2008 and beyond.

2008 Portfolio Activities

Acquisitions

On April 28, 2008, we completed the acquisition of a 156 MW hydroelectric facility ("Itiquira") located in Mato Grosso State in Brazil, for a total cost of $302 million including the assumption of $114 million of other long-term debt. All the power produced by the facility is sold under a long-term contract expiring in 2014, at which time we will seek to re-contract the power.

On March 31, 2008, we completed the acquisition of a hydroelectric generating facility in Minnesota. This 18 MW run-of-the-river merchant facility, which is currently uncontracted, is located on the Mississippi River and has the capacity to generate approximately 104 GWh of energy per year.

Amalgamation

On March 31, 2008, Brookfield Power Inc. ("BPI") and its former wholly owned subsidiary Brookfield Power Corporation ("BPC") amalgamated and changed its name to Brookfield Renewable Power Inc. As part of the amalgamation, we replaced the $1,109 million in capital securities owed to Brookfield and other intercompany balances that were owed to Brookfield with new promissory notes and preferred shares.

Financing and Treasury

In late June, we completed a $120 million financing related to the Itiquira acquisition described above. The financing matures in December 2009 and bears an interest rate of LIBOR plus a margin.

In July 2008, the Company filed a base shelf prospectus with the Ontario Securities Commission for up to $750 million of debt securities.

Performance Review – Q2-2008

Summary

We continued to record strong operating results through the second quarter of 2008. Our operating cash flow increased by $76 million from $161 million in the second quarter of 2007 to $237 million in the second quarter of 2008. These unprecedented operating cash flow levels were achieved for a second consecutive quarter. Conventional hydroelectric facilities owned throughout 2007 have produced almost 700 GWh more than last year as a result of strong water conditions. As natural gas prices remained high, power facilities using these fuels saw their costs rising, pushing electricity prices up in most markets. We were able to capture those higher prices with the portion of our generation that is not sold under long-term or shorter-term financial contracts. It is in these instances that we see the benefit of operating hydroelectric power facilities which have low and stable operating costs and which require no fossil fuels.

In addition to the positive impact of rising prices and strong generation volumes, we also benefited from our optimization efforts, particularly in moving power from lower priced markets to higher priced markets, and by dispatching our generating capability at the right time to capture better prices in wholesale power markets. Assets acquired in 2007 and 2008 also contributed to our results by adding 209 GWh and $15 million to our revenues. The continued appreciation of the Canadian dollar against the U.S. dollar relative to the second quarter of 2007 also positively impacted our operating cash flows.

The higher operating cash flow resulted in an increase of $17 million of net income to $23 million in the second quarter of 2008 relative to 2007. Higher operating cash flow was partially offset by higher non-controlling interest expense and unrealized derivative losses. We do not use net income as a key metric to value the performance of our business and intrinsic value of our operations, preferring to focus on operating cash flows. However, we recognize the importance of net income as a key measure for many users of financial information and, therefore, we reconcile our operating cash flows to our net income.

	Three months ended June 30		Six months ended June 30	
($US millions)	**2008**	2007	**2008**	2007
Operating cash flow	**$ 237**	$ 161	**$ 474**	$ 343
Interest and financing fees	**(79)**	(71)	**(157)**	(137)
Unrealized derivative loss	**(39)**	(11)	**(86)**	(29)
Depreciation and amortization	**(44)**	(38)	**(85)**	(74)
Non-controlling interests	**(40)**	5	**(54)**	(4)
(Provision for) recovery of income taxes	**(9)**	(19)	**10**	(28)
Investment (loss) income and other	**(3)**	10	**(1)**	16
Net income before interest on capital securities	**23**	37	**101**	87
Interest on capital securities	**-**	(31)	**(31)**	(62)
Net income	**$ 23**	$ 6	**$ 70**	$ 25

Interest and financing fee expense for the second quarter was $8 million above the same period last year. This increase is driven by additional interest on $550 million of additional property specific debt obtained in May and December of 2007, the debt assumed with the acquisition of our Itiquira facility in April 2008, and the appreciation of the Canadian dollar. Offsetting this increase is a decrease in debt of CDN$120 million resulting from the disposition of the transmission assets during the first quarter of 2008.

During the second quarter of 2008, we recorded a net unrealized loss of $39 million in the statement of income as a result of changes in the value of our commodity derivatives, compared to a net unrealized loss on commodity derivatives of $11 million for the same period of 2007.

Unrealized derivative loss includes:

	Three months ended June 30		Six months ended June 30	
($US millions)	**2008**	2007	**2008**	2007
Gain (loss) related to the LIPA contract and related transactions	**$ 2**	$ (14)	**$ (18)**	$ (16)
Loss on commodity derivatives not designated as hedges	**(43)**	-	**(58)**	(5)
Gain (loss) related to the long-term PPA with an industrial company owned by Brookfield	**4**	2	**(7)**	(8)
(Loss) gain related to hedge ineffectiveness on derivatives designated as hedges	**(2)**	1	**(3)**	-
	$ (39)	$ (11)	**$ (86)**	$ (29)

The majority of our forward sales are designated as hedges for accounting purposes and changes in their fair value are recorded in other comprehensive income. However, certain of our forward sales do not qualify for hedge accounting and therefore the change in the fair value is recognized in the statement of income. Included in our commodity derivatives are all of the transactions relating to a 15 year agreement with LIPA. Ascribing a fair value to these contracts involves the forecasting of energy prices, and other inputs, sometimes over a significant period of time. As new external market data becomes available, it is applied to the valuation, and extrapolated out over the volume and duration of these contracts. Accordingly, the fair value is subject to estimation and could increase or decrease significantly over time thus creating volatility in our reported net income (while having no impact on our reported operating cash flow).

At times when power prices are rising, which is positive for our business, we will generally record mark-to-market "losses" in our net income on certain financial contracts. These losses do not mean that we are selling power at a negative profit margin, but rather they are a measure of the opportunity that we have lost because we agreed to sell the power at a lower price than the current market price. Conversely, if market prices fall significantly, we may record "gains" which reflect the fact that we agreed to sell power in the future at prices that are greater than the current market prices.

Depreciation and amortization expense of $44 million for the quarter was $6 million higher than the amount recorded in the second quarter of 2007 due in large part to the impact of our 2007 – 2008 acquisitions. Also contributing to the increase was the continued strengthening of the Canadian dollar on depreciation associated with Canadian assets.

Non-controlling interests relate to income associated with the non-controlling interests in our consolidated entities. The increase of $45 million, when comparing the second quarter of 2008 to the same period in 2007, is primarily due to strong second quarter results in the Fund and our pumped storage facility. 2007 results for the Fund were also negatively impacted by a non-cash tax charge of $29 million discussed below.

Income taxes for the quarter of $9 million are composed of $11 million of current taxes and a $2 million recovery of future taxes. The decrease of $10 million from the second quarter of 2007 is mainly attributed to the recognition in 2007 of a one-time non-cash charge of $29 million by the Fund due to the legislation making income trusts taxable in 2011. The decrease in future taxes is partially offset by the increase in current taxes resulting from increased generation levels.

SEGMENTED OPERATING RESULTS

We added 174 MW of installed capacity during the second quarter with the acquisition of an 18 MW facility in Minnesota and a 156 MW facility in Brazil, bringing total installed capacity to 3,777 MW at June 30, 2008.

The following table sets out installed capacity and development projects in MW as at June 30, 2008:

Installed capacity	
Conventional hydroelectric generation	2,773
Pumped storage – hydroelectric generation	600
Wind energy	189
Combined cycle natural gas generation	215
Total installed capacity	3,777
Development projects	
Hydroelectric – under construction	17
– advanced stage	120
Wind energy – advanced stage	210
	347

The following table presents our operating cash flow for the second quarter of 2008 and 2007 on a segmented basis.

	Invested Capital [1] As at		Operating cash flow Three months ended June 30		Six months ended June 30	
(MW and $US millions)	**June 30 2008**	Dec 31 2007	**2008**	2007	**2008**	2007
Conventional hydroelectric generation						
Canada	**$ 1,512**	$ 1,565	**$ 84**	$ 44	**$ 157**	$ 98
United States	**1,926**	1,902	**118**	93	**248**	196
Brazil	**450**	-	**9**	-	**9**	-
Pumped storage						
United States	**100**	97	**9**	5	**17**	7
Total hydroelectric generation	**3,988**	3,564	**220**	142	**431**	301
Wind generation	**352**	369	**9**	6	**18**	13
Other power assets	**111**	328	**8**	13	**25**	29
Development projects	**82**	51	**-**	-	**-**	-
Total power operations	**4,533**	4,312	**237**	161	**474**	343
Other assets	**2,373**	2,579	**-**	-	**-**	-
Total	**$ 6,906**	$ 6,891	**$ 237**	$ 161	**$ 474**	$ 343

(1) Invested capital for the various operating segments includes power generating assets and other long-term assets, namely power purchase agreements, FERC licenses, and other depreciable assets.

Our facilities produced 4,039 GWh of electricity during the second quarter of 2008, compared with 3,174 GWh during the comparative period in 2007. Generation from hydroelectric facilities owned throughout 2007 was up 674 GWh on a quarter over quarter basis, and was 180 GWh above long-term average levels due to higher water flows. Strong generation results were recorded in regions where we have the largest concentration of assets which are Ontario, Quebec, New England and New York. Our production was supplemented by the contribution of 209 additional GWh from hydroelectric facilities acquired or developed in 2007 and 2008. The Itiquira facility acquired at the end of April 2008 contributed 154 GWh during the quarter. Generation levels for our wind farm were slightly below long-term average levels, but significantly better than last year.

	Long-term Average Three months ended June 30		Six months ended June 30		Actual Production Three months ended June 30		Six months ended June 30	
(GWh)	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Conventional hydroelectric generation								
Canada[1]	**1,426**	1,409	**2,615**	2,591	**1,583**	990	**2,979**	2,195
United States	**1,813**	1,764	**3,478**	3,389	**1,833**	1,697	**3,799**	3,562
Brazil	**157**	-	**157**	-	**154**	-	**154**	-
Pumped Storage[2]								
United States	**96**	96	**192**	148	**125**	168	**215**	257
Total hydroelectric generation	**3,492**	3,269	**6,442**	6,128	**3,695**	2,855	**7,147**	6,014
Wind generation	**130**	130	**269**	269	**117**	91	**235**	229
Thermal generation	**222**	222	**439**	439	**227**	228	**450**	447
Total generation	**3,844**	3,621	**7,150**	6,836	**4,039**	3,174	**7,832**	6,690

(1) Investment in Pingston Creek Hydro is a joint venture with 50% ownership; therefore generation and LTA are presented at 50%.
(2) Generation for 2007 related to the pumped storage facility is included at 50% until March 23, 2007 and at 100% thereafter.

CONVENTIONAL HYDROELECTRIC GENERATION

	Three months ended June 30				Six months ended June 30			
	2008		2007		**2008**		2007	
($US millions)	**Revenues**	**Operating cash flow**	Revenues	Operating cash flow	**Revenues**	**Operating cash flow**	Revenues	Operating cash flow
Canada	**$ 106**	**$ 84**	$ 61	$ 44	**$ 200**	**$ 157**	$ 134	$ 98
United States	**156**	**118**	128	93	**322**	**248**	263	196
Brazil	**13**	**9**	-	-	**13**	**9**	-	-
Total	**$ 275**	**$ 211**	$ 189	$ 137	**$ 535**	**$ 414**	$ 397	$ 294
Per MWh	**$ 77**	**$ 59**	$ 70	$ 51	**$ 77**	**$ 60**	$ 69	$ 51

During the second quarter of 2008, operating cash flows from our conventional hydroelectric business increased by $74 million or 54% on a quarter over quarter basis to $211 million. The main drivers of these strong financial results were a return to higher than long-term average water flow levels combined with higher realized prices driven by high fuel costs and our optimization efforts. Results were also impacted by the addition of 196 MW of capacity.

Our conventional hydroelectric portfolio generated 3,570 GWh during the quarter, which is 33% above the generation achieved in 2007 and 5% above LTA. Strong hydrological conditions in the quarter positively impacted our generation in New York, New England, Quebec and Ontario. Assets acquired in 2007 and 2008 added 209 GWh in generation and $15 million in revenues. The increase in generation is due to improved water conditions on a quarter over quarter basis (based on the Q2-2007 realized price of $70 per MWh) increased revenues by $62 million.

Realized prices from our conventional hydro portfolio increased by 10% over 2007 levels to $77 per MWh during the second quarter of 2008. Although a significant portion of our generation is pre-sold through long-term or financial contracts, above average generation allowed us to benefit from the high energy market price environment on a portion of our generation. We were able to generate additional revenue by moving generation in lower priced environments to higher priced markets, significantly increasing our margin. Our ability to capture peak pricing and to sell other energy products such as capacity and ancillary services also allows us to capture higher realized prices. The continued strengthening of the Canadian dollar against its U.S. counterpart also positively impacted the results for the quarter.

PUMPED STORAGE HYDROELECTRIC GENERATION

	Three months ended June 30				Six months ended June 30			
	2008		2007		**2008**		2007[(1)]	
(US$ millions)	**Revenues**	**Operating cash flow**	Revenues	Operating cash flow	**Revenues**	**Operating cash flow**	Revenues	Operating cash flow
United States	**$ 25**	**$ 9**	$ 19	$ 5	**$ 43**	**$ 17**	$ 28	$ 7

[(1)]Amounts shown represent 50% of operations until March 23, 2007 and 100% thereafter.

Higher capacity prices and our ability to obtain revenue by participating in the forward reserves for our pumped storage facility added $2 million to our operating cash flow. Higher realized spread (from $10 per MWh to $14 per MWh) resulted in $1 million in additional revenues. A combination of planned upgrade work on unit 1 controls and regional transmission maintenance constraints contributed to the reduction in generation during the second quarter of 2008, compared with the previous year. Some work will be done on the second unit controls during the fourth quarter of 2008, which will limit generation output during the quarter.

WIND GENERATION

	Three months ended June 30				Six months ended June 30			
	2008		2007		**2008**		2007	
($US millions)	**Revenues**	**Operating cash flow**	Revenues	Operating cash flow	**Revenues**	**Operating cash flow**	Revenues	Operating cash flow
Wind power	**$ 11**	**$ 9**	$ 8	$ 6	**$ 22**	**$ 18**	$ 17	$ 13

Our wind facility generated 117 GWh during the second quarter, an increase of 29% over last year but still below our long-term average. The increase in generation and a stronger Canadian dollar explain the additional operating cash flow during the second quarter of 2008. The availability of our 126 units remains at expected levels.

COMBINED CYCLE NATURAL GAS GENERATION

	Three months ended June 30				Six months ended June 30			
	2008		2007		**2008**		2007	
($US millions)	**Revenues**	**Operating cash flow**	Revenues	Operating cash flow	**Revenues**	**Operating cash flow**	Revenues	Operating cash flow
Thermal power(1)	**$ 20**	**$ 6**	$ 17	$ 5	**$ 40**	**$ 14**	$ 36	$ 13

(1) Includes gas resale power equivalent.

Our combined cycle natural gas generation facilities include a 110 MW facility located in Ontario and a 105 MW facility located in New York State. The facility in Ontario benefited in 2008 from the strengthening of the Canadian dollar, while the New York State facility, which is generally dispatched only as a peaking plant at times of very high demand, benefited from increased capacity payments in the New York market.

DISTRIBUTION

Distribution revenues of $5 million were $2 million higher than last year, mostly as a result of higher tariffs, as well as the impact of the stronger Canadian dollar. In March 2008, we sold our transmission business to a Brookfield affiliate. We do not expect this disposition to materially impact our future results given that the operating cash flows from the transmission business in 2007 were $26 million, which was less than 5% of our consolidated operating cash flows.

OUTLOOK

We continue to have a positive outlook about the future prospects for our business in the long-term. Electricity is an essential commodity, and worldwide power demand is growing with the global economy and population. This growing need for power is taking place concurrently with the gradual exhaustion of the cheapest and, historically, most accessible sources of energy, namely large scale hydro dams, conventional onshore and shallow offshore oil and natural gas fields. At the same time, there are increasing concerns over the environment in general, including the environmental impact of power generation and, as a result, a tightening of environmental regulations. Climate change issues have also significantly shifted attitudes over power generation technologies, and those acceptable only a few years ago, are now considered environmentally unattractive. In this context, Brookfield Renewable believes that the value of emission-free, fuel-free, long-life renewable power generation assets will increase as electricity prices increase to meet growing revenue requirements of new generation capacity due to escalating equipment, construction, fuel and environmental compliance costs.

The recent surge in oil/gas prices is significantly impacting the energy market including power prices. As oil and gas prices reach unprecedented highs, electricity prices are following suit, creating an opportunity for us to capture additional revenue. Furthermore, the combination of increasing demand and the need for grid operators to integrate renewable power sources allows us to capture new and growing revenue streams from capacity and other ancillary services, such as forward reserves or voltage support, in turn generating additional revenues. We also believe that over time, the "green" attributes of our renewable portfolio will become increasingly valuable as large load serving entities and governments address issues arising from maintaining power supplies in a carbon-constrained world.

In the near term, we have experienced above average hydrology in the first half of 2008; however, we expect to see a return to normal hydrology conditions across our portfolio in the upcoming months. While we cannot predict hydrology on a short-term basis, we are encouraged by the increases in precipitation after the dry run through the late summer and fall of 2007. From a pricing perspective, the table below indicates that for the remainder of 2008, approximately 80% of our long-term average volume has been sold forward at a weighted average price of $71 per MWh either through long-term contracts or with shorter term financial contracts. We will continue to seek opportunities to stabilize cash flows by extending the average size and duration of our annual output sold under long-term contracts. For the portion of our generation that is uncontracted, we will continue to use the flexibility of our reservoirs and our low cost position to maximize revenues.

The following table sets forth our contract profile over the next five years, assuming long-term average generation**:**

Years ended December 31	2008 (1)	2009	2010	2011	2012
Generation (GWh)					
Contracted:					
Hydroelectric generation	2,674	5,065	5,043	4,539	3,778
Wind generation	268	536	536	536	536
Other	503	407	406	412	404
Power sales agreements	3,445	6,008	5,985	5,487	4,718
Financial contracts	1,464	3,959	492	-	-
Uncontracted	1,264	2,886	6,370	7,366	8,127
	6,173	12,853	12,847	12,853	12,845
Contracted generation % of total	80%	78%	50%	43%	37%
Revenue ($US millions)	$ 348	$ 737	$ 496	$ 441	$ 411
Price ($/MWh)	$ 71	$ 74	$ 77	$ 80	$ 87

(1) Amounts for 2008 represent the six month period from July 1 to December 31.

FINANCIAL POSITION

We continue to have a strong balance sheet with ample liquidity. As at June 30, 2008, we maintained current cash and cash equivalents of $122 million in addition to the undrawn credit facilities, liquidity from our short-term investment portfolio and funds on deposit with Brookfield. Given our historical profitability and our ability to manage expenses, we believe that our current resources are adequate to meet our requirements for working capital and capital expenditures through the foreseeable future. However, we recognize the current instability in the capital markets and continue to allocate capital in a prudent manner.

The information in this section enables the reader to obtain additional information on our consolidated financial position.

CASH AND CASH EQUIVALENTS

	Three months ended June 30		Six months ended June 30	
($US millions)	**2008**	2007	**2008**	2007
Cash flow from operating activities	**$ 138**	$ 65	**$ 278**	$ 165
Cash flow provided by financing activities	**3**	89	**168**	81
Cash flow used in investing activities	**(95)**	(175)	**(384)**	(254)
Impact of foreign exchange on cash	**(2)**	3	**(1)**	4
Net cash inflow	**$ 44**	$ (18)	**$ 61**	$ (4)

Cash and cash equivalents at the end of the quarter totaled $122 million, up $44 million since March 31, 2008 and $61 million since December 31, 2007.

Operating Activities – During the second quarter of 2008 we generated $138 million from operating activities, an increase of $73 million over the same period in 2007. This increase is largely the result of the increase in operating cash flow.

Financing Activities – Cash flows from financing activities consist primarily of the addition of $120 million of debt related to the Itiquira acquisition. During the quarter, we also repaid $71 million of debt, made distributions to non-controlling interests of $15 million and distributions to our shareholder of $14 million.

Investing Activities – Cash flows from investing activities consist mostly of a reduction of amounts deposited with Brookfield of $150 million to fund the acquisition of the Itiquira generating station. Cash spent on acquisitions of businesses in the second quarter of 2008 totaled $247 million compared with $nil in the same period of 2007. We also invested $26 million in the second quarter of 2008 on capital asset additions.

POWER GENERATING AND OTHER ASSETS

The book value of our power generating assets and other assets increased to $5,379 million as at June 30, 2008 from $5,155 million at the end of 2007 due to the acquisition of facilities in the United States and Brazil, as well as additions to our assets to maintain their economic value. The sale of the transmission business to an affiliate of Brookfield, as well as depreciation taken on our assets partially offset the increase.

($US millions)	**June 30 2008**	December 31 2007	Change
Power generating assets	**$ 4,326**	$ 4,053	$ 273
Other assets	**1,053**	1,102	(49)
	$ 5,379	$ 5,155	$ 224

DERIVATIVE ASSETS AND LIABILITIES

Derivative assets and liabilities, which are mainly comprised of short term financial contracts and certain long term physical PPAs that qualify as non-financial derivatives, fluctuate from time to time depending on market conditions. The change in the mark-to-market of derivatives that are designated as hedges of future cash flows are recorded in other comprehensive income. When the derivative is not designated as a hedge of future cash flows, the change in the mark-to-market is recorded in our statement of net income.

($US millions)	**June 30 2008**	December 31 2007	Change
Short-term derivative assets	**$ 25**	$ 31	$ (6)
Long-term derivative assets	**135**	167	(32)
Short-term derivative liabilities	**(157)**	(52)	(105)
Long-term derivative liabilities	**(257)**	(254)	(3)
	$ (254)	$ (108)	$ (146)

Long-term derivative assets and liabilities are included in other assets and other long-term liabilities on our balance sheet.

CAPITALIZATION

Our strong and flexible capital structure enables us to provide financial stability and a low cost of capital to our operations, as well as the ability to react quickly to acquisition opportunities.

Given the nature of our operations, the industry in which we operate and our contractual arrangements, our cash margin is stable and contributes to our solid credit profile.

The following table presents Brookfield Renewable's capitalization using book values:

($US millions)	**June 30, 2008**	December 31, 2007	Change
Credit facilities	**$ -**	$ 12	$ (12)
Property specific borrowings	**2,677**	2,727	(50)
Corporate debentures	**780**	797	(17)
Other long-term debt	**925**	852	73
Capital securities	-	1,109	(1,109)
Promissory notes due to Brookfield	**1,476**	-	1,476
Non-controlling interests	**246**	217	29
Shareholder's equity			
Preferred shares	**1,391**	-	1,391
Common shares	**622**	422	200
Other components of shareholder's equity	**(711)**	(79)	(632)
Total	**$ 7,406**	$ 6,057	$ 1,349

Total capitalization increased by $1,349 million since December 31, 2007 as a result of the amalgamation between BPI and BPC discussed on page 6 and a $200 million equity contribution by Brookfield in January 2008.

As part of our financing strategy, we raise the majority of our debt capital in the form of asset-specific borrowings. These borrowings are generally secured by the assets of the related property and, as such, limit the exposure of the Company in the unlikely case of default. We provide covenants to certain of our lenders, as do most borrowers. As at June 30, 2008, we were in compliance with all property specific debt related covenants.

Our corporate debentures mature in 2009, 2018, and 2036 and have an average interest rate of 5.02%. It is management's intention to refinance these debentures at maturity.

The capital securities and other amounts which were owed to Brookfield were redeemed and replaced with new promissory notes and preferred shares as a result of an internal re-organization and the ensuing amalgamation of BPI and BPC concluded on March 31, 2008.

The authorized capital of the Company consists of an unlimited number of common shares. As at June 30, 2008 and the date of this MD&A there were 2,488,278 common shares of the Company issued and outstanding after the conversion of the 108,339,336 common shares outstanding at the date of the amalgamation (December 31, 2007 – 101,512,218). See note 4 in the financial statements for more detail.

In addition, we are authorized to issue an unlimited number of preferred shares of which 57,077,112 were issued and outstanding both as at June 30, 2008 and the date of this MD&A (December 31, 2007 – nil), following the amalgamation transaction discussed on page 6.

We continue to maintain investment grade unsecured issuer ratings from DBRS (BBB (High)), Standard and Poor's (BBB) and Fitch (BBB-), which are influenced by a prudent level of low-cost asset financing and modest levels of corporate debt. The long-life nature of our assets allows us to finance with non-recourse debt and minimal near-term maturities, minimizing risks associated with liquidity and refinancing.

SUPPLEMENTAL INFORMATION

Information contained in this section is required by applicable continuous disclosure guidelines and to facilitate additional analysis.

CONTRACTUAL OBLIGATIONS

The following table summarizes our significant contractual obligations as of June 30, 2008:

($US millions)	2008 [3]	2009	2010	2011	2012	Thereafter	Total
Long-term debt							
Property specific borrowings	$ 16	$ 226	$ 122	$ 41	$ 578	$ 1,729	$ 2,712
Finance debt obligation	5	29	38	42	47	621	782
Corporate and other debt	87	441	-	-	-	398	926
Promissory notes	-	-	-	-	-	1,476	1,476
Capital projects [1]	20	-	-	-	-	-	20
	128	696	160	83	625	4,224	5,916
Interest Expense [2]							
Property specific borrowings	79	154	144	141	134	1,071	1,723
Finance debt obligation	41	80	77	73	69	614	954
Corporate and other debt	22	44	23	23	23	295	430
	142	278	244	237	226	1,980	3,107
Total	$ 270	$ 974	$ 404	$ 320	$ 851	$ 6,204	$ 9,023

(1) In the normal course of operations, the Company has committed as at June 30, 2008 to spend approximately $20 million on capital projects.
(2) Represents aggregate interest expense expected to be paid over the term of the obligations. Variable interest rate payments have been calculated based on current rates.
(3) Remaining year up to December 31, 2008.

GUARANTEES

In the normal course of operations, we execute agreements that provide for indemnification and guarantees to third parties in transactions such as energy trading and marketing, business dispositions, business acquisitions, construction projects, capital project purchases, 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 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, we have made no significant payments under such indemnification agreements. We provide guarantees as described in note 28 of the 2007 annual audited consolidated financial statements. There have been no material changes for the period ended June 30, 2008 related to our guarantees.

Related Party Transactions

From time to time the Company enters into agreements and transactions with Brookfield and some of its affiliates. The Company also holds short and long-term investments in Brookfield and its subsidiaries that generate interest income. The table below summarizes the transactions that occurred in the normal course of operations, excluding the disposal of our transmission business and the changes resulting from the amalgamation, as previously discussed:

	Three months ended June 30		Six months ended June 30	
($US millions)	**2008**	2007	**2008**	2007
Revenues				
Sale of power	**$ 8**	$ 8	**$ 16**	$ 15
Investment and other income				
Interest earned on demand deposits, promissory notes, and securities with affiliated companies	**3**	5	**6**	9
Expenses				
Interest expense on capital securities	**-**	31	**31**	62
Interest expense on note payable and letters of credit	**3**	3	**8**	5
Insurance services from Riskcorp Inc.	**2**	4	**6**	7

Critical Accounting Estimates

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles, which require the use of estimates and judgment in reporting assets, liabilities, revenues, expenses and contingencies. In the judgment of management, none of the estimates outlined in note 2 (Significant Accounting Policies) and note 3 (Changes in Accounting Policies) of the 2007 annual audited consolidated financial statements are considered critical accounting estimates as defined in regulation 51-102, with the exception of the estimates related to certain derivative financial instruments. These estimates are critical given the significance of derivative financial instruments as well as the number of assumptions used in determining their fair value. Key estimates include determination of accruals, levelized accounting, purchase price allocations, useful lives, asset impairment testing, future income tax liabilities and those relevant to the defined benefit pension and non-pension benefit plans. 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.

Changes in Significant Accounting Standards

On January 1, 2008, we adopted Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation for Canadian generally accepted accounting principal purposes. Section 1535 requires disclosures of our objectives, policies and processes for managing capital, the quantitative data about what we regard as capital, whether we have complied with any capital requirements and, if not, the consequences of such non-compliance. Sections 3862 and 3863 replace Section 3861 and place an increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how we manage those risks.

The new standards have resulted in increased disclosure in our consolidated interim financial statements but have had no impact on the accounting policies or accounting treatments disclosed in notes 2 and 3 of our 2007 annual audited consolidated financial statements.

Future Accounting Policy Changes

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, replacing Handbook Sections 3062, Goodwill and Other Intangible Assets and 3450, Research and Development Costs. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangibles. This new standard will be effective for us on January 1, 2009 and we are currently evaluating the impact of this section on our financial statements.

The CICA plans to converge Canadian GAAP with International Financial Reporting Standards (IFRS) over a transition period expected to end in 2011. A high level IFRS implementation plan has been developed and an initial assessment of the financial statements impact of the accounting standard differences is currently in progress. Based on the initial analysis, the most significant differences relate to power generating assets, financial instruments, hedging, income taxes, business combinations and financial statement disclosures.

SUMMARY OF HISTORICAL QUARTERLY RESULTS

Variations in operating cash flows are correlated with the amount of electricity generated in any given quarter, which is in turn dependent primarily on available water inflows, as well as realized prices due to marketing and asset enhancement initiatives. The following is a summary of unaudited quarterly financial information for the last eight consecutive quarters:

($US millions, except generation)	2008		2007				2006	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Power generated (GWh)	**4,039**	3,792	2,651	2,195	3,174	3,517	3,063	2,516
Revenues	**336**	321	225	179	243	257	208	175
Operating cash flow	**237**	237	135	96	161	182	131	117
Net income (loss)	**23**	47	(17)	(27)	6	19	14	-

BUSINESS RISKS

Management believes that there have been no significant changes in business risks that could affect our activities or results since the end of 2007. For additional information, please refer to the MD&A filed with the last audited financial statements, as well as the annual information form filed by Brookfield Power Corporation on www.sedar.com under Brookfield Power Corporation.

CERTIFICATION OF INTERIM FILINGS

In conjunction with these statements, we have filed the Venture Issuer Basic Certificate on SEDAR. This certificate, which replaces Form 52-109F2, provides certification from the Chief Executive Officer and Chief Financial Officer that, after reviewing all interim filings of the Company, there are no material misstatements or omissions and that the filings present, in all material respects, the financial condition, results of operations and cash flows of the issuer, as of and for the period ended June 30, 2008.

Cautionary Statement Regarding Forward-Looking Statements

This MD&A may contain forward-looking statements concerning the Company's business and operations. Forward looking statements can be identified by the use of words, such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes" or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward looking statements involve assumptions and known and unknown risks, uncertainties and other factors which may cause the actual results or performance to be materially different from any future results or performance expressed or implied by the forward statements.

Examples of such statements include, but are not limited to, factors relating to production and the business, financial position, operations and prospects for the Company. They include (1) the level of generation; (2) energy prices; (3) the cost of production; (4) interest rates as they bear on indebtedness; (5) planned capital expenditures; (6) the impact of changes in the exchange rate on costs and results of operations; (7) the negotiation of collective agreements with unionized employees; (8) business and economic conditions; (9) the legislation governing air emissions, discharges into water, waste, hazardous materials and workers' health and safety as well as the impact of future legislation and regulations on taxation, expenses, capital expenditures and restrictions on operations; and (10) regulatory investigations, claims, lawsuits and other proceedings. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied in the forward-looking statements contained herein and as such, you are cautioned not to place undue reliance on these forward-looking statements.

These forward-looking statements represent our views as of the date of this MD&A. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to July 31, 2008, the date of this MD&A.

/s/ Donald Tremblay

Donald Tremblay
Executive Vice President and Chief Financial Officer