Brookfield Renewable Power

BROOKFIELD RENEWABLE POWER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS
DECEMBER 31, 2008

Attached is Management's Discussion and Analysis of the Financial Results 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

FEBRUARY 24, 2009

INTRODUCTION

The information provided in this Management's Discussion and Analysis of Financial Results ("MD&A") is intended to provide readers with an overview of Brookfield Renewable Power Inc.'s (the "Company") overall business strategy, its competitive advantages and its performance for the fourth quarters and fiscal years ended December 31, 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 audited consolidated financial statements for the year ended December 31, 2008. 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 "Brookfield Renewable Power Inc.".

On March 31, 2008, the Company changed its name to Brookfield Renewable Power Inc. ("Brookfield Renewable") following an amalgamation between Brookfield Power Inc. ("BPI") and Brookfield Power Corporation ("BPC").

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 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-fired 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 (loss) as presented in our financial statements is presented in the "2008 Fourth Quarter and Full Year Performance Review" section of this report.

Unless otherwise indicated, the terms the "Company", "Brookfield Renewable", "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 ("US") dollars, unless otherwise noted.

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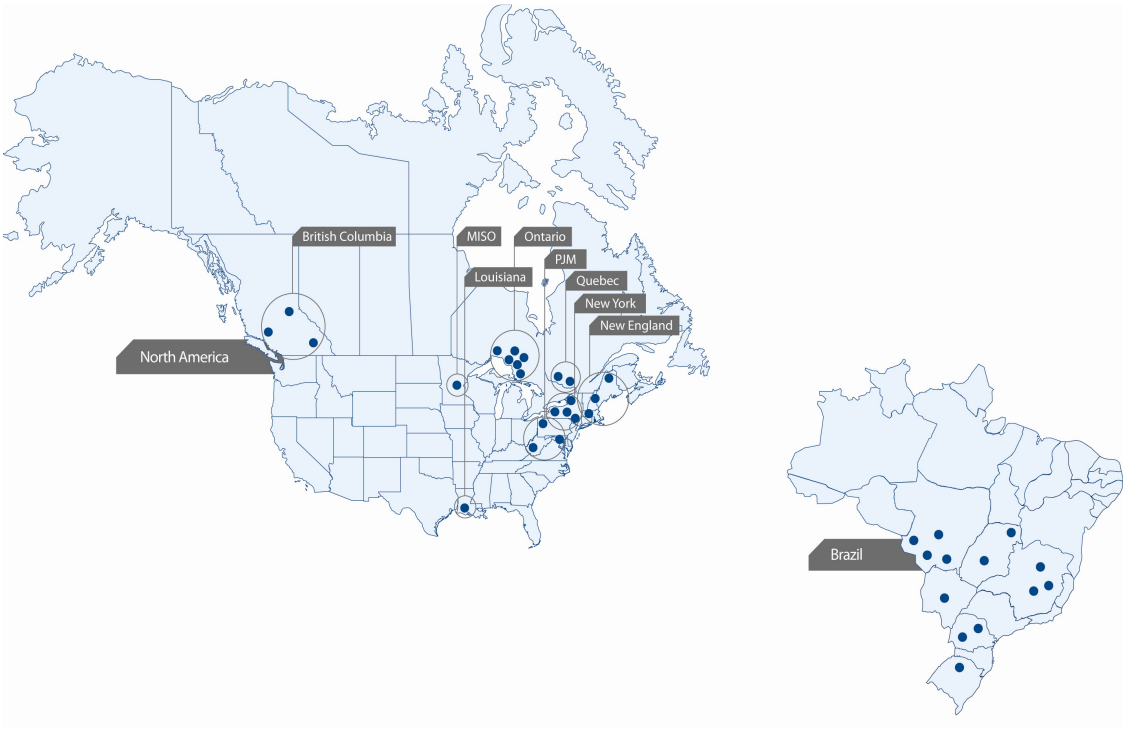
OVERVIEW OF THE BUSINESS

In business for over 100 years, Brookfield Renewable Power owns and manages renewable power generation facilities that produce and sell electricity generated primarily from water and wind resources with an underlying value of approximately $12 billion. 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. Brookfield Renewable owns one of the largest privately owned hydroelectric generating portfolios in the world. Hydroelectric generating assets are a unique asset class in the power industry and rely on simple, proven technology. Hydroelectric assets are considered to be a low cost, long life, flexible and environmentally preferred form of electric power generation. The low variable cost of hydroelectric power, relative to other forms of generation, enables us to sell electricity at a favourable margin under almost all normal market conditions.

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 manages assets worth approximately $80 billion 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.

Some of the Company's assets are owned through the Great Lakes Hydro Income Fund (the "Fund"), a publicly traded reporting issuer listed on the Toronto Stock Exchange (symbol: GLH.UN) that we manage and in which we own a 50.01% interest.



OPERATING PLATFORM

The Company owns a portfolio of 3,918 megawatts ("MW") of renewable power generation comprised of 3,729 MW of hydroelectric generation in Canada, the United States and Brazil, and 189 MW of wind generation in Canada. It also owns two combined cycle natural gas-fired 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 significant diversified pipeline of development projects, including 818 MW of projects that are either in construction or advanced development.

Operating Assets
(as at December 31, 2008)

Markets	Rivers	Generating Stations	Generating Units	Capacity MW	LTA [1] GWh	Storage and MRE[2] GWh
Hydroelectric						
Conventional						
Canada	18	32	72	1,314	5,058	1,261
United States	24	99	262	1,303	6,100	1,047
Brazil	21	31	68	512	2,833	2,750
	63	**162**	**402**	**3,129**	**13,991**	**5,058**
Pumped Storage	1	1	2	600	380	1,095
Total Hydroelectric	**64**	**163**	**404**	**3,729**	**14,371**	**6,153**
Wind	–	1	126	189	535	–
Thermal	–	2	6	215	435	–
Power generating assets	**64**	**166**	**536**	**4,133**	**15,341**	**6,153**

(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) Energy Reallocation Mechanism ("MRE") in Brazil that mitigates hydrology risk by guaranteeing that all participants receive their assured energy. See below for more detail.

Hydroelectric Generation – Conventional
Our conventional hydroelectric facilities are located on 63 geographically diversified river systems in Canada (Ontario, Quebec, and British Columbia), the United States (New York, Pennsylvania, Maryland, West Virginia, Minnesota, Maine, New Hampshire, Massachusetts and Louisiana), and Brazil (midwest, southeast and southern regions). This geographic distribution provides diversification of water flows to minimize the overall impact of fluctuating hydrology. Combined with the Energy Reallocation Mechanism ("MRE") available in Brazil, our physical storage reservoirs, when full, can store approximately 36% of our total annual generation. The ability to store water, and to have access to the MRE in Brazil, provides 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.

The MRE mitigates hydrology risk by assuring that all participant plants in the MRE receive their assured energy (a reference amount of electricity determined through studies conducted at each new plant), irrespective of the volume of energy generated by them. The MRE reallocates energy, transferring surplus energy from those who generated in excess of their assured energy to those who generated less than their assured energy, up to the total generation within the pool. Should the total generation within the pool be less than the assured energy of the participating plants, then the allocation of energy will be less than the assured amount, and we may have to purchase power at the wholesale market price to fulfill our electricity sales contracts.

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

Combined Cycle Natural Gas-Fired Generation
We own two combined cycle natural gas-fired 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 that expires in 2014. 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
We own a regulated electricity distribution business in Ontario, consisting of 11 distribution stations servicing approximately 11,500 customers.

POWER MARKETING

In North America, 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. In Brazil, all of our power is sold under PPAs with industrial users, retail customers or distribution companies.

Approximately 51% of our annual generation is sold pursuant to long-term contracts with an average term of 12 years remaining with counterparties that have long-standing favourable credit histories or investment grade ratings. In North America, 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. In Brazil, all of our PPAs, with the exception of the PPA for our Ponte Alta facility, are supported by the MRE program described earlier.

All power produced and not otherwise sold under a contract in North America 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 29% of our annual generation. The short-term financial contracts cover a period generally not exceeding 30 months. In order to minimize the potential adverse financial impact of low water flows, the remaining 20% of our annual output is sold into the wholesale power markets only when water inflows have been confirmed.

Given the nature of the transactions we execute, 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 of reported income.

BUSINESS STRATEGY AND COMPETITIVE ADVANTAGES

Our overall growth strategy is based on solid, long-term value-creating principles. Although expansion of our portfolio is always a key objective, we are patient and strongly believe in ensuring that any additional investment must provide rates of return that are commensurate with their risk.

We own and invest in high quality long-life assets that generate sustainable cash flows and tend to appreciate in value over the course of time. We focus our efforts in areas where barriers to entry are typically high due to regulatory, physical or cost structure factors, and in which we believe we have a competitive advantage. Furthermore, we invest in renewable technology, which in itself constitutes a major competitive advantage that provides additional value for the future.

While current financial market conditions have made it challenging for most businesses to access an increasingly scarce capital base, we believe that our assets can provide the strong and stable returns required to raise the finances needed to maintain, and grow, our operating portfolio. With our strong balance sheet position, which includes substantial balances of cash, cash equivalents, short-term investments and amounts on deposit with Brookfield, and with access to available credit facilities and the capital we believe we can raise by borrowing against our operating assets (as evidenced by the issuance of CDN$300 million of medium-term notes in February 2009), we believe we will be able to acquire or develop new operating assets as opportunities arise.

We are well positioned to increase the underlying value of our business by maintaining a prudent approach to investing in its growth and by respecting our established investment guidelines, while optimizing the value of our existing generating asset platform.

The key elements of our business strategy and our competitive advantages are summarized as follows:

Optimize Current Portfolio
We have a high performance portfolio and we will continue to seek ways to extract value from our current assets by improving overall plant performance. Our existing operating assets allow us to leverage the current operating platform and benefit from economies of scale through centrally managed, but locally operated, assets. Brookfield Renewable maintains a key objective of ensuring stable cash flows over the long-term. We believe it is critical to reduce the volatility of our cash flows while ensuring continuous value creation through the optimization of our portfolio. The core of our power marketing philosophy is the generation of strong returns from our portfolio while preserving our ability to capture high spot market margins. As a result, we ensure stable cash flows by selling a significant portion of our electricity generation into the forward market or through long-term contracts while retaining some value through our peaking capabilities.

Reliability
As part of our overall strategy, we invest in our assets based on a 20 year capital program designed to ensure we sustain the value and useful life of our assets. The equipment involved in producing hydroelectric power has relatively few moving parts. Since the process does not include combusting fossil fuels at high temperatures or creating steam, there is minimal wear and tear on the machinery, which contributes to long asset lives, high reliability and low maintenance requirements. The Company's unplanned outage rates for hydroelectric units are among the lowest in the electricity industry.

Pursue Growth Opportunities
Whether it is through acquisition or development of greenfield opportunities, we will continue to pursue expansion of our asset base through sound investment principles. We will continue to invest in mature and attractive markets such as North America and Brazil where regulatory regimes are stable and there are well established market rules. We have a significant diversified pipeline of development projects, including 818 MW of hydroelectric and wind projects that are either in construction or advanced development in North America and Brazil. We have established a highly qualified team that will allow us to pursue our development activities. In particular, we believe that Brazil is one of the most attractive areas of development for the following reasons: there is significant load growth due to continued rapid industrialization of the country; opportunities for new hydroelectric developments are abundant; we already have a well established footprint in Brazil giving us a strong knowledge of the country, its economy and its political regime; and we have established a strong talent pool and key business relationships given our history of building hydroelectric plants in Brazil.

We have a proven track record of successfully acquiring and integrating hydroelectric facilities. Since 2002, Brookfield Renewable has acquired approximately 2,600 MW of hydroelectric generation capacity in more than 20 transactions with a total value of $2.7 billion. We will continue to pursue, on an opportunistic basis, acquisitions that will enhance our renewable power asset mix and overall competitive position. Our acquisitions over the past few years have allowed us to expand our operations into several new geographic regions, allowing us to diversify our watersheds and power markets.

Low Environmental Impact
Hydroelectric generation produces virtually no greenhouse gas emissions or acid rain, both of which have major impacts on the environment. It also minimizes thermal, chemical, radioactive, water and air pollution as compared to fossil-fuel and nuclear facilities. Instead of producing substantial amounts of residual wastes during the power generation process, hydroelectric generation simply returns the water to the river.

Investing in Renewable Energy
We believe that investing in renewable energy will provide long-term sustainable value for our shareholder. With the ever-increasing demand for green energy and concerns for the environment, renewable energy will be the preferred choice of consumers and provide us with a competitive advantage over time. The future regulatory regime with respect to greenhouse gas emissions will likely provide future benefits and added value to our portfolio given its renewable nature and green attributes.

Affiliation with Brookfield Asset Management
As a 100% owned subsidiary of Brookfield, we benefit from the financial strength and managerial expertise of our parent. Brookfield considers power generation to be one of its core business segments and is committed to the continued success and growth of our operations.

Leveraging our Management Expertise
Our management team has substantial experience and has a positive track record of successfully growing both our asset base and cash flows. We have significant experience in all of our core business practices including asset management, energy marketing and sales, risk management, construction management, acquisitions, due diligence and project development. In each of these areas, we have well established processes and procedures along with defined policies that allow us to continuously adhere to our basic investment principles and ensure continuous value creation.

Energy Marketing Expertise
Our centralized power marketing and sales group in North America works to optimize and enhance returns from our existing generation assets while employing strategies to limit transaction risks. This group also provides valuable market intelligence regarding pricing dynamics, regulatory systems and market participants, which serves to support our growth strategy.

Risk Management
We use risk management strategies to monitor a number of factors to ensure the organization complies with our risk policy and is not exposed to undue risk. More specifically, we monitor key indicators such as hydrology, plant availability, price risk, counterparty risk, as well as regulatory and political risks.

Interconnected Markets
A significant portion of our power generating facilities are located in the northeastern US and Canada. The New York, New England, Ontario and Québec power markets are all interconnected, allowing power generated in one of these markets to be sold into any of the other markets. Having generation assets in all of these regions allows us to capture pricing opportunities that exist between markets and optimize the value of our portfolio. It also allows us flexibility in serving our customers.

Storage Capacity
We have the equivalent of more than 3,400 GWh of storage capacity in Canada and the United States, and access to the MRE in Brazil (over 2,700 GWh). This level of storage capacity provides us with the ability to minimize water spillage. Contrary to most run-of-the-river facilities, we have the ability to store excess water, allowing us to generate when market prices are more favorable. The storage capabilities of our operating assets allow us to better manage water resources and capture higher prices.

Strong Competitive Position
We are one of the lowest cost generators of electricity in North America, providing us with a unique advantage in bid-based markets where the hourly price of electricity is a function of instantaneous supply and demand that favors low-cost producers. With virtually no fuel costs and minimal overhead and maintenance costs, our assets are competitively positioned relative to other types of generation supply.

Geographic Diversity
Our electricity generating assets are located in nine distinct power markets reducing the impact of individual market or regulatory risk. The regional diversity of our hydroelectric plants, located on 64 different river systems, materially mitigates our overall hydrology risk.

Financial Strength and Attractive Debt Maturity Profile
We have investment grade issuer ratings from Standard & Poor's ("S&P"), Dominion Bond Rating Service ("DBRS"), and Fitch Ratings ("Fitch"). We pursue a conservative approach to our capitalization, maintaining a prudent level of low-cost limited recourse project financing and modest levels of corporate debt. The long-life nature of our assets allows us to finance these assets with long-term limited recourse debt, with minimal near-term maturities.

2008 PORTFOLIO ACTIVITIES

ACQUISITIONS AND DISPOSITIONS

On March 12, 2008, we finalized the sale of our transmission operations located in Northern Ontario to Brookfield Infrastructure Partners LP, a newly-formed publicly traded partnership affiliated with Brookfield, for cash consideration of approximately CDN$88 million, the assumption of debt in the amount of CDN$120 million, and additional consideration for working capital.

On March 31, 2008, we acquired the Twin Cities hydroelectric generating facility in Minnesota for cash consideration of $48 million. This 18 MW run-of-the-river facility is located on the Mississippi River and has the capacity to generate approximately 104 GWh of electricity per year. All power generated by the facility is delivered to the Midwest ISO market. On August 15, 2008, we issued series 1 senior secured notes in the amount of $25 million, which mature in August 2012 and bear interest at an annual rate of 6.01%. The notes are secured by the Twin Cities electricity generating assets.

In a series of transactions throughout the year we purchased 100% of the issued and outstanding shares of Itiquira Energética S.A. ("Itiquira") for a total cost of $393 million. The $393 million acquisition cost included $14 million of transaction costs and working capital adjustment, as well as $69 million for the acquisition of series B preferred shares during the fourth quarter. Itiquira owns a 156 MW hydroelectric generating facility located in Mato Grosso State in Brazil. This facility has the capacity to generate approximately 940 GWh of electricity per year. All of the electricity produced by the facility is sold under a long-term PPA to a state-owned electricity distributor until 2014.

On June 24, 2008, we completed the issuance of a $120 million term loan related to the Itiquira acquisition. The loan will mature in December 2009 and bears interest at an annual rate of LIBOR ("London Interbank Offer Rate") plus a margin. On August 21, 2008, we entered into a credit facility in the amount of R$185 million, which expires in December 2009, to fund the acquisition of the Series B preferred shares. The credit facility bears interest at the rate of the Interbank Deposit Certificate ("CDI") plus a margin. The credit facility is secured by the hydroelectric power generating assets of Itiquira. During the fourth quarter of 2008, the Company drew R$165 million to complete the purchase of the Series B preferred shares. The remaining R$20 million initially available to the Company under the credit facility was not required and is no longer available to be drawn.

On November 28, 2008, we completed the acquisition of 100% of the common shares of Brascan Energética S.A. ("BESA") from Brascan Brazil Ltd. ("BBL"), a subsidiary of Brookfield, for consideration equal to BESA's Brazilian GAAP carrying value of $490 million, all of which consisted of BBL preferred shares held in our portfolio, including $15 million purchased during 2008 for cash, and $127 million purchased during 2008 through a reduction of balances owed from Brookfield.

COMMISSIONING OF NEW HYDROELECTRIC FACILITIES

On December 26, 2008, we commenced operation of our newly constructed 20 MW Cotiporã hydroelectric generating facility located in Brazil. The facility has the capacity to generate approximately 112 GWh of electricity per year. The Cotiporã facility is part of a larger construction project called the Carreiro complex, which also includes the Caçador and Linha Emilia generating facilities. The 22 MW Caçador generating station commenced operations in October 2008, prior to the acquisition of BESA. During 2008, we also made significant progress on the construction of the Linha Emilia generating station and it commenced operations during the first quarter of 2009. On December 26, 2008, we received the final tranche of funding for construction of the Carreiro complex from the Brazilian National Bank for

Economic Development ("BNDES"). Each project has received funding from BNDES for its respective construction costs under a separate property specific debt facility with its own terms and conditions. The Caçador project loan is R$50 million and will mature in March 2023. The Cotiporã project loan is $R63 million and will mature in June 2023. The Linha Emilia project loan is R$65 million and will mature in September 2023. Each loan bears interest at a rate of TJLP (BNDES long-term interest rate) plus a margin.

CORPORATE

On January 24, 2008, Brookfield invested an additional $200 million in the Company's equity through the purchase of common shares to increase its capital base, consistent with the growth of our operations.

On March 31, 2008, 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 and other intercompany balances that were owed to Brookfield with new promissory notes and preferred shares.

On January 6, 2009, concurrent with the closing of the public offering of CDN$75 million of Great Lakes Hydro Income Fund units, the Company purchased 627,500 trust units of the Fund at a price of CDN$16.00 per trust unit for total consideration of CDN$10 million.

On February 4, 2009, the Company sold its interest in the 189 MW Prince Wind farm in Ontario and a 50% joint venture interest in the 45 MW Pingston Hydro station in British Columbia to the Fund for total proceeds of CDN$130 million, comprised of CDN$65 million cash and exchangeable shares in the corporation that owns the two projects. The exchangeable shares can be converted into Fund units at any time. On a fully exchangeable basis, the Company maintains its 50.01% ownership interest in the Fund.

On February 3, 2009, we issued medium-term notes ("the notes") in the amount of CDN$300 million pursuant to our Short Form Base Shelf Prospectus dated July 28, 2008 and a related Prospectus Supplement filed February 3, 2009. The notes will mature on February 3, 2012, bear a fixed annual interest rate of 8.75%, and have been assigned ratings of BBB (high) with a stable trend by DBRS and BBB with a stable outlook by both S&P and Fitch. On February 5, 2009, we utilized CDN$105 million of the proceeds to buy back a portion of our Series 1 corporate debentures that are scheduled to mature in December 2009. The remaining proceeds will be used for general corporate purposes.

On February 25, 2009, the Company declared a $1,100 million dividend payable to its common shareholder. Payment of the dividend was effected by reducing the amount receivable from the Company's common shareholder. Immediately prior to declaring the dividend, the Company issued preferred shares to Brookfield in the amount of $1,100 million with proceeds being a reduction in the balance owing to Brookfield.

2008 FOURTH QUARTER AND FULL YEAR PERFORMANCE REVIEW

SUMMARY

The Company remains relatively unaffected in the short-term by the current credit market conditions. With a strong balance sheet and the issuance of CDN$300 million of medium-term notes in early 2009, the financial position of the Company remains strong. While we have achieved excellent financial results in 2008, we remain prudent and focused on surfacing the underlying value of our assets. We continue to seek ways to strengthen our financial position while creating value for our shareholder.

We do not use net income (loss) as a key metric to assess 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 (loss) as a key measure for many users of financial information and, therefore, we reconcile our operating cash flow to our net income (loss) in the following table.

	Invested Capital [1] As at		Operating cash flow Three months ended December 31,		Operating cash flow Year ended December 31,	
($US millions)	**Dec. 31, 2008**	Dec. 31, 2007	**2008**	2007	**2008**	2007
Conventional hydroelectric generation						
Canada	**$ 1,260**	$ 1,565	**$ 37**	$ 38	**$ 271**	$ 171
United States	**1,920**	1,902	**70**	63	**397**	292
Brazil	**797**	-	**13**	-	**33**	-
Pumped storage						
United States	**100**	97	**10**	7	**37**	22
Total hydroelectric generation	**4,077**	3,564	**130**	108	**738**	485
Wind generation	**290**	369	**11**	13	**32**	33
Other operations	**386**	380	**7**	14	**37**	56
Total Invested capital / operating cash flow	**4,753**	4,313	**148**	135	**807**	574
Interest and financing fees			**(80)**	(76)	**(316)**	(286)
Unrealized derivative gain (loss)			**46**	(46)	**96**	(79)
Depreciation and amortization			**(42)**	(41)	**(169)**	(152)
Non-controlling interests			**(12)**	3	**(77)**	3
(Provision for) recovery of income taxes			**(11)**	35	**(53)**	21
Investment and other income			**10**	5	**20**	25
Net income before interest on capital securities			**59**	15	**308**	106
Interest on capital securities			**-**	(32)	**(31)**	(125)
Net income (loss)			**$ 59**	$ (17)	**$ 277**	$ (19)

[1] Invested capital for the various operating segments includes power generating assets, PPAs, FERC licenses, and other depreciable assets.

Net income was $277 million in 2008 compared to a net loss of $19 million in 2007, an increase of $296 million. Net income was $59 million during the fourth quarter of 2008 compared to a net loss of $17 million during the fourth quarter of 2007.

As a result of strong operating results throughout the year, our operating cash flow increased by $233 million from $574 million in 2007 to $807 million in 2008, mainly as a result of increased generation from our conventional hydroelectric portfolio in Ontario, Quebec, New York, New England and Louisiana, the acquisition of the Itiquira generating station in Brazil, and higher realized prices. 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 to capture better prices in wholesale power markets. Our realized price from conventional hydro increased to $76 from $70 in 2007. In 2007 and the first half of 2008, oil and natural gas prices increased steadily, with US natural gas prices reaching their highest level since 2005 and global prices realizing an all-time high, driving electricity prices upwards. Since then, oil and gas prices have declined significantly.

Interest and financing fee expense for the year was $30 million higher than in 2007, primarily due to the issuance of an additional $330 million of property specific debt in December 2007 secured by our New York portfolio and the $233 million of debt associated with the Itiquira facility. The increased interest and financing fee expense was partially offset by the elimination of a CDN$120 million debt from the disposition of the transmission assets during the first quarter of 2008.

During 2008, we recorded a $96 million net unrealized gain in the statement of income (loss) as a result of changes in the value of our commodity derivatives, compared to a $79 million net unrealized loss on commodity derivatives during 2007. During the fourth quarter of 2008, we recorded a $46 million net unrealized gain in the statement of income (loss) as a result of changes in the value of our commodity derivatives, compared to a $46 million net unrealized loss during the same quarter of 2007.

Unrealized commodity derivative gain (loss) includes:

($US millions)	Three months ended December 31, 2008	2007	Year ended December 31, 2008	2007
Gain (loss) related to the LIPA contract	**$ 29**	$ (35)	**$ 62**	$ (62)
Gain (loss) on commodity derivatives not qualifying for hedge accounting	**16**	(4)	**35**	(4)
Gain (loss) related to the long-term PPA with an industrial company owned by Brookfield	**4**	(9)	**1**	(16)
(Loss) gain related to hedge ineffectiveness on derivatives qualifying for hedge accounting	**(3)**	2	**(2)**	3
	$ 46	$ (46)	**$ 96**	$ (79)

Some of our forward sales are designated as hedges for accounting purposes and changes in their fair values are recorded in other comprehensive income (loss). However, certain of our forward sales do not qualify for hedge accounting and therefore the change in the fair values is recognized in the statement of income (loss). 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 forecasting energy prices, and other inputs, 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 can increase or decrease significantly over time and create volatility in our reported net income (loss) while having no impact on our 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 (loss) 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 that we will generate in the future at a lower price than the current market price. Conversely, if market prices fall significantly, as was the case during the fourth quarter of 2008, we may record gains to 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 $169 million during 2008 was $17 million higher than the amount recorded in 2007 due to our 2007 and 2008 acquisitions.

Non-controlling interests relate to income associated with the non-controlling interests in our consolidated entities. The increase of $80 million during 2008 compared to the 2007 year was primarily due to the strong financial performance of the Fund and the pumped storage facility.

Income tax expense of $53 million during 2008 is comprised of current tax expense in the amount of $13 million and $40 million of future tax expense. The $74 million increase compared to 2007 income tax expense was due to increased net income before income taxes as a result of increased generation, profit generated by businesses acquired during the year and unrealized gains on derivatives. Income tax expense of $11 million during the fourth quarter of 2008 was comprised of a current tax recovery of $5 million and future tax expense in the amount of $16 million. The $46 million increase compared to income tax expense during the fourth quarter of 2007 was primarily due to the same reasons as the year over year increase.

SEGMENTED OPERATING RESULTS

(GWh)	Long-term Average[1] Three months ended December 31, 2008	2007	Year ended December 31, 2008	2007	Actual Production[1] Three months ended December 31, 2008	2007	Year ended December 31, 2008	2007
Conventional hydroelectric generation								
Canada	**1,157**	1,156	**4,971**	4,931	**951**	829	**5,278**	3,892
United States	**1,461**	1,434	**6,072**	5,931	**1,487**	1,293	**6,681**	5,673
Brazil	**388**	-	**781**	-	**388**	-	**770**	-
Total conventional hydroelectric generation	**3,006**	2,590	**11,824**	10,862	**2,826**	2,122	**12,729**	9,565
Pumped Storage[2]								
United States	**96**	96	**384**	340	**86**	134	**426**	564
Wind generation	**156**	156	**534**	534	**143**	152	**456**	478
Thermal generation	**224**	224	**880**	880	**148**	243	**823**	929
Total generation	**3,482**	3,066	**13,622**	12,616	**3,203**	2,651	**14,434**	11,536

[1] LTA and actual production included as of the date of acquisition.

[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

($US millions)	Three months ended December 31, 2008 Revenues	2008 Operating cash flow	2007 Revenues	2007 Operating cash flow	Year ended December 31, 2008 Revenues	2008 Operating cash flow	2007 Revenues	2007 Operating cash flow
Canada	**$ 56**	**$ 37**	$ 61	$ 38	**$ 361**	**$ 271**	$ 250	$ 171
United States	**114**	**70**	94	63	**551**	**397**	421	292
Brazil	**23**	**13**	-	-	**51**	**33**	-	-
Total	**$ 193**	**$ 120**	$ 155	$ 101	**$ 963**	**$ 701**	$ 671	$ 463
Per MWh	**$ 68**	**$ 43**	$ 73	$ 47	**$ 76**	**$ 55**	$ 70	$ 48

During 2008, operating cash flows from our conventional hydroelectric generating assets increased by $238 million or 51% compared to operating cash flows generated during 2007. Higher than long-term average water flow levels combined with higher realized prices were the main contributors to the strong financial performance in 2008. The financial results were also positively impacted by the addition of 531 MW of capacity compared to 2007 capacity.

Our conventional hydroelectric portfolio generated 12,729 GWh during 2008, which was 8% higher than LTA and represented a 33% increase compared to the generation achieved in 2007. Favourable hydrological conditions throughout most of 2008 positively impacted generation volumes in New York, New England, Quebec, Ontario, and Louisiana. Based on the 2007 average realized price of $70 per MWh, the improved water conditions increased revenues by $158 million and operating cash flow by over $150 million. Assets acquired in 2007 and 2008 contributed 913 GWh to generation and $38 million to operating cash flow during the 2008 fiscal year.

Realized prices from our conventional hydroelectric portfolio increased by 9% to $76 per MWh compared to 2007 levels. Higher realized prices resulted partly from our long-standing strategy to sell a significant portion of our electricity under long-term PPAs or shorter-term financial contracts. Due to the high water levels, we were able to benefit from the high energy price environment by selling uncontracted energy at higher spot prices. Spot prices during the year were generally higher than spot prices during 2007 throughout most of the markets in which we operate. We were also able to recontract at higher prices, including our short-term financial contracts, obtain greater value for capacity and other ancillary services, and we were able to deliver a higher proportion of our power in higher-priced regions. Additionally, we were able to surface more revenue by generating power during higher-priced periods.

During the fourth quarter of 2008, operating cash flows from our conventional hydroelectric business increased by $19 million or 19% compared to operating cash flows generated during the fourth quarter of 2007. Higher water flows compared to the fourth quarter of 2007 and the addition of the Brazilian facilities

in 2008 were the primary drivers of increased cash flow during the fourth quarter of 2008. Our conventional hydroelectric portfolio generated 2,826 GWh during the fourth quarter of 2008, which was 6% lower than LTA but represented a 33% increase compared to generation during the fourth quarter of 2007. Realized prices from our conventional hydroelectric portfolio declined by 7% from 2007 levels to $68 per MWh during the fourth quarter of 2008. The decline in realized prices was primarily due to the 23% decline of the Canadian dollar against the US dollar compared to last year.

PUMPED STORAGE HYDROELECTRIC GENERATION

	Three months ended December 31				Year ended December 31			
	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	**$ 19**	**$ 10**	$ 21	$ 7	**$ 86**	**$ 37**	$ 71	$ 22

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

A combination of planned maintenance work and dedication to forward reserves of both generating units at various points throughout the year contributed to reduced generation throughout 2008 compared with the previous year. Despite the lower generation, operating cash flows from our pumped storage facility increased by $15 million compared to 2007, primarily due to ancillary revenues and higher capacity prices, which accounted for $9 million of the increase. The remainder of the increase was due to the improved price differential between on peak and off peak prices realized in 2008.

Operating cash flows of $10 million from our pumped storage facility during the fourth quarter of 2008 represented a $3 million increase compared to operating cash flows generated during the fourth quarter of 2007.

WIND GENERATION

	Three months ended December 31				Year ended December 31			
	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**	**$ 11**	$ 15	$ 13	**$ 40**	**$ 32**	$ 41	$ 33

During 2008, our wind facility generated 456 GWh, representing a 5% decrease compared to 2007 generation, and was 15% below LTA. The decrease in generation explains the lower operating cash flow during 2008 compared to 2007.

Our wind facility generated 143 GWh during the fourth quarter of 2008, which was 8% below LTA and 6% lower than generation during the fourth quarter of 2007. Revenues and operating cash flow for the fourth quarter were impacted by lower generation and a weakening of the Canadian dollar against the US dollar.

COMBINED CYCLE NATURAL GAS-FIRED GENERATION

	Three months ended December 31				Year ended December 31			
	2008		2007		**2008**		2007	
($US millions)	**Revenues**	**Operating cash flow**	Revenues	Operating cash flow	**Revenues**	**Operating cash flow**	Revenues	Operating cash flow
Thermal power[1]	**$ 11**	**$ 4**	$ 22	$ 7	**$ 71**	**$ 21**	$ 76	$ 25

[1] Includes gas resale power equivalent.

Our combined cycle natural gas-fired generation facilities include a 110 MW facility located in Ontario and a 105 MW facility located in New York State. The decrease in revenues and operating cash flows for both the fourth quarter and 2008, compared to the same periods in 2007, is primarily attributable to the expiration in November 2008 of a below market price gas supply contract representing half of the gas required to operate our Ontario facility. The gas contract for the other half of the gas required to operate our Ontario facility also expired in December 2008. The movement of the exchange rate between the

Canadian dollar and the US. dollar during the fourth quarter of 2008 also impacted the financial results of our Ontario facility unfavourably.

DISTRIBUTION

Distribution revenues of $4 million and $17 million during the fourth quarter and fiscal year 2008, respectively, were $1 million and $5 million higher than distribution revenues earned during the fourth quarter and fiscal year 2007, respectively. Increased revenues were primarily attributable to the higher tariffs approved in our recent rate application.

On October 30, 2008, the Ontario Energy Board ("OEB") issued its decision in the distribution rate application of Great Lakes Power Limited ("GLPL"), a subsidiary of the Company. As part of its decision, the OEB approved the Company's request for an annual revenue requirement of approximately CDN$17 million, which the OEB made effective as of September 1, 2007. In another part of the decision, the OEB denied GLPL the recovery of approximately CDN$15 million related to amounts that GLPL accrued since 2002 in respect of its distribution rate mitigation plan and associated revenue deferrals that were not recovered through its approved distribution rates. GLPL has appealed this portion of the decision, and has accordingly not reversed these accruals.

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, representing less than 5% of our consolidated operating cash flow.

OUTLOOK

Despite continued uncertainty across global financial markets and the current economic recession, we remain focused and continue to believe in the strong underlying principles that have made us successful to date. Demand for oil and gas is declining and prices for these commodities have declined as a consequence. However, the recent decline in oil and gas prices does not change our long-term view of energy prices and we believe that we are well positioned to face the challenges of financial market uncertainty, credit restrictions, and short term declines in energy prices. With high quality assets that produce stable cash flows, we have created a business that will sustain itself during economic challenges such as those facing the world today.

We have a strong balance sheet with substantial combined balances of cash, cash equivalents, short term investments and balances on deposit with Brookfield and a portfolio of operating assets that have the ability to generate solid operating cash flows. As a result, we believe that we will be able to attract the necessary investment to refinance certain of our debt facilities. In 2009, we intend to refinance our CDN$75 million Powell River Energy Inc. property specific debt that matures in July 2009. We also intend to refinance our $120 million Itiquira term loan and R$165 million Itiquira credit facility, as well as our corporate debentures in the amount of CDN$450 million, all of which mature in December 2009. We have taken the first step toward raising the funds necessary for these refinancing activities, with the issuance of medium-term notes in the amount of CDN$300 million in early February 2009. The medium-term notes bear interest at the annual rate of 8.75% and will mature in February 2012. We utilized CDN$105 million of the proceeds from the medium-term note issuance to buy back a portion of the maturing corporate debentures. Our Great Lakes Hydro Income Fund subsidiary was also successful in raising proceeds of CDN$75 million from a public offering in January 2009 to fund the cash portion payable to Brookfield Renewable for the acquisition of its Prince Wind farm and its 50% joint venture interest in the Pingston Hydro station. Successful completion of these transactions, along with our strong fundamental financial position, lead us to believe that we will be able to raise the remaining funds necessary to refinance the debt facilities maturing in 2009.

Whether it is through acquisition or development of greenfield opportunities, including a significant diversified pipeline of projects, we will continue to pursue expansion of our asset base through sound investment principles. We will continue to invest in mature and attractive hydroelectric markets such as North America and Brazil where regulatory regimes are stable and there are well established market

rules. We have 818 MW of projects that are either in construction or advanced development, with capabilities in conventional hydro, pumped storage and wind that will position us for future growth, including our 50MW Gosfield project in Southwestern Ontario, which was recently awarded a 20 year PPA by the Ontario Power Authority. In particular, we believe that Brazil is one of the most attractive areas of development for the following reasons: there is significant load growth due to continued rapid industrialization of the country; opportunities for new hydroelectric developments are abundant; we already have a well established footprint in Brazil giving us a strong knowledge of the country, its economy and its political regime; and we have established a strong talent pool and key business relationships given our history of building hydroelectric plants in Brazil. In fact, we commissioned two small hydroelectric generating stations in the last quarter of 2008 in Brazil and we have commissioned a third station during the first quarter of 2009. We are also well advanced on the construction of two new hydroelectric generation plants in Brazil and we expect to commence operation of those plants during 2009.

We are able to sell all of our generation despite the reduced demand for certain other energy commodities. In North America, most of our long-term contracts do not limit the amount of generation we can deliver at fixed prices. With marginal production cost near zero, the risk of not being dispatched in any market is very low. The use of reservoirs enables us to optimize selling prices by generating and selling power during higher-priced peak periods. As a low cost producer of electricity, we are able to sell electricity at a favorable margin under almost all normal market conditions.

We experienced above average hydrology during most of the 2008 year, returning to more normal hydrology conditions across most of our portfolio during the fourth quarter of 2008. While we cannot predict hydrology on a short-term basis, we are encouraged by the increases in precipitation during 2008 after relatively dry conditions experienced during the latter part of 2007.

From a pricing perspective, the table below indicates that approximately 75% of our projected generation for 2009 and 2010 is subject to long-term bilateral power sales agreements or shorter-term financial contracts as of the end of 2008. The remaining generation will be sold into wholesale electricity markets when certainty of generation is higher. Our long-term sales contracts, which account for approximately 51% of total generation during this period, have an average term of 12 years. The following table sets forth our contract profile over the next five years, assuming long-term average generation:

Years ended December 31	2009	2010	2011	2012	2013
Generation (GWh)					
Contracted:					
Hydroelectric generation	6,623	6,592	6,117	5,356	5,121
Wind generation	536	536	536	536	536
Other	407	406	412	404	404
Power sales agreements	7,566	7,534	7,065	6,296	6,061
Financial contracts	4,366	2,873	-	-	-
Uncontracted	2,954	4,373	7,721	8,482	8,717
	14,886	14,780	14,786	14,778	14,778
Contracted generation % of total	80%	70%	48%	43%	41%
Contracted revenue ($US millions)	$ 805	$ 733	$ 495	$ 466	$ 461
Price ($/MWh)	$ 67	$ 70	$ 70	$ 74	$ 76

We continue to have a positive outlook about the long-term future prospects for our business. Electricity is an essential commodity, and worldwide power demand has increased with the development of a global economy and a growing population. While the economy is in a recession, history indicates that it will eventually return to expanding and demand for energy will increase correspondingly. This long-term trend of a growing need for electricity 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 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.

In the short term, significant downward pressure on natural gas and electricity prices has resulted from increased natural gas supply, following last year's increased gas development activities in response to high prices, combined with lower demand for industrial and power generation end-uses due to the current recession. We believe that current price levels are unsustainable, since they are well below the all-in marginal cost of additional gas supplies, and those additional supplies are needed to compensate for the natural decline of existing gas wells. Therefore, the current period of low gas prices will result in a slowing of natural gas supply growth and a decline in production by the end of 2009. We expect that natural gas and electricity prices should recover by the end of the year and converge back to expected long term levels by the end of 2010, 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.

FINANCIAL POSITION

We continue to have a strong balance sheet with cash and cash equivalents in the amount of $144 million, in addition to access to undrawn credit facilities ($130 million), liquidity from our short-term investment portfolio ($146 million), and funds on deposit with Brookfield ($346 million) as at December 31, 2008. Based on our industry experience and ability to generate operating cash flows, 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 the scarcity of available capital, and we are closely monitoring our overall liquidity and are allocating 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

($US millions)	Year ended December 31 **2008**	2007
Cash flow from operating activities	**$ 560**	$ 150
Cash flow provided by financing activities	**248**	349
Cash flow used in investing activities	**(717)**	(524)
Impact of foreign exchange on cash	**(8)**	5
Net cash inflow (outflow)	**$ 83**	$ (20)

Cash and cash equivalents at the end of the year amounted to $144 million, representing an $83 million increase since December 31, 2007.

Operating Activities

During the year, we generated $560 million from operating activities, representing a $410 million increase over last year. The increase in cash from operating activities was primarily due to a $298 million increase in operating cash flow net of interest and financing fees and interest on capital securities. Also contributing to the increase were changes in non-cash working capital items totaling $112 million on a

year over year basis due to lower collateral requirements in power marketing, a reduction in receivables, and an increase in payables and accrued expenses.

Financing Activities

During the year, we generated $248 million from financing activities. Cash inflow was sourced from the $200 million common share issuance to Brookfield, the $193 million debt issuance to finance the Itiquira acquisition, $100 million resulting from a draw down on our revolving unsecured corporate credit facility, the $25 million debt issuance to finance the acquisition of our Twin Cities facility, and $20 million obtained by certain of our Brazilian subsidiaries to fund construction costs. These cash inflows were offset by repayments of debt in the amount of $178 million, including $113 million in debt assumed when we acquired Itiquira, repayments of principal to a related party in the amount of $13 million, and distributions to non-controlling interests and common shareholder in the amounts of $59 million and $56 million, respectively.

Investing Activities

During the year, we utilized cash of $717 million for investing activities. Included in this amount was a $220 million increase in amounts placed on deposit with Brookfield. We utilized $265 million for the acquisition of power generating assets and businesses, net of cash of $107 million obtained upon the acquisitions of Itiquira and BESA. We also invested $148 million in capital asset additions, including the construction of projects in our development pipeline. Funds held in escrow at our Louisiana facility and classified as other assets in our statement of cash flows increased by $33 million in 2008. We also utilized $15 million to increase our long-term investment in BBL before completing the BESA acquisition. Also included in our investing activities during 2008 is $92 million received as proceeds from the sale of our Transmission business to an affiliate. Please refer to the Acquisitions and Dispositions section of this MD&A for more details about the purchase and sale of power generating assets and businesses.

POWER GENERATING AND OTHER ASSETS

The book value of our power generating assets and other assets increased to $5.5 billion as at December 31, 2008. The acquisition of facilities in the United States ($48 million) and Brazil ($1,087 million), and investments in our assets to maintain their economic value ($148 million), were offset by the disposition of our transmission operations ($211 million), depreciation expense for the year ($152 million), and the unfavourable impact of foreign exchange on our Canadian and Brazilian assets.

($US millions)	**December 31 2008**	December 31 2007	Change
Power generating assets	**$ 4,498**	$ 4,053	$ 445
Other assets	**1,033**	1,102	(69)
	$ 5,531	$ 5,155	$ 376

DERIVATIVE ASSETS AND LIABILITIES

Derivative assets and liabilities, primarily comprised of short-term financial contracts and certain long-term physical PPAs that qualify as non-financial derivative instruments, fluctuate from time to time depending on market conditions. Changes in the fair values of derivative instruments that are designated as hedges of future cash flows are recorded in other comprehensive income (loss). When the derivative instrument is not designated as a hedge of future cash flows, changes in the fair values are recorded in our statement of net income (loss).

($US millions)	**December 31 2008**	December 31 2007	Change
Short-term derivative assets	**$ 62**	$ 31	$ 31
Long-term derivative assets	**88**	167	(79)
Short-term derivative liabilities	**(11)**	(52)	41
Long-term derivative liabilities	**(81)**	(254)	173
	$ 58	$ (108)	$ 166

Long-term derivative assets and liabilities are included in other assets and other long-term liabilities on our balance sheet. $96 million of the net change in value of these assets and liabilities affected our net income in 2008, while $36 million impacted our other comprehensive income.

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 Power Inc.'s capitalization using book values:

($US millions)	December 31 2008	December 31 2007	Change
Credit facilities	**$ 101**	$ 12	$ 89
Property specific borrowings	**2,722**	2,727	(5)
Corporate debentures	**654**	797	(143)
Other long-term debt	**924**	852	72
Capital securities and promissory notes due to Brookfield	**1,235**	1,109	126
Non-controlling interests	**239**	217	22
Shareholder's equity			
Preferred shares	**1,391**	-	1,391
Common shares	**622**	422	200
Other components of shareholder's equity	**(640)**	(79)	(561)
Total	**$ 7,248**	$ 6,057	$ 1,191

Total capitalization increased by $1,191 million since December 31, 2007 as a result of the amalgamation between BPI and BPC, a $200 million equity contribution in cash by Brookfield in January 2008, and net income of $277 million, reduced by dividends and interest on the equity portion of capital securities of $56 million.

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 December 31, 2008, we were in compliance with all debt related covenants.

Our CDN$450 million Series 1 corporate debentures mature in December 2009, while the CDN$350 million (total) Series 3 and 4 debentures mature in 2018 and 2036, respectively. It is management's intention to refinance these debentures at maturity. In early February 2009, we bought back CDN$105 million of the Series 1 corporate debentures with proceeds from the issuance of medium-term notes in the amount of CDN$300 million.

The capital securities and other amounts that were owed to Brookfield were redeemed and replaced with new non-interest bearing promissory notes as a result of an internal re-organization. The promissory notes are repayable with a variable number of common shares based on the fair value of the common shares at the repayment date.

The authorized capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares. As at December 31, 2008 and the date of this MD&A there were 2,488,278 common shares of the Company issued and outstanding (December 31, 2007 – 101,512,218) and 57,077,112 preferred shares issued and outstanding (December 31, 2007 – nil).

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 has allowed 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 December 31, 2008:

($US millions)	2009	2010	2011	2012	2013	Thereafter	Total
Long-term debt							
Property specific borrowings	$ 298	$ 139	$ 57	$ 580	$ 25	$ 1,659	$ 2,758
Finance debt obligation	30	37	42	46	51	571	777
Corporate and other debt	369	2	1	13	27	393	805
Promissory notes	-	-	-	-	-	1,235	1,235
Capital projects [1]	93	-	-	-	-	-	93
	790	178	100	639	103	3,858	5,668
Interest Expense [2]							
Property specific borrowings	167	148	143	134	106	902	1,600
Finance debt obligation	80	77	73	69	64	550	913
Corporate and other debt	37	20	20	20	19	227	343
	284	245	236	223	189	1,679	2,856
Total	$ 1,074	$ 423	$ 336	$ 862	$ 292	$ 5,537	$ 8,524

[1] In the normal course of operations, the Company has committed as at December 31, 2008 to spend approximately $93 million on capital projects.

[2] Represents aggregate interest expense expected to be paid over the term of the obligations. Variable rate interest payments have been calculated based on current rates.

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 30 to the 2008 audited consolidated financial statements. There have been no material changes for the year ended December 31, 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, the changes resulting from the amalgamation, and the acquisition of BESA as previously discussed:

	Three months ended December 31		Year ended December 31	
($US millions)	**2008**	2007	**2008**	2007
Revenues				
Sale of power	**$ 6**	$ 7	**$ 28**	$ 30
Investment and other income				
Interest earned on demand deposits, promissory notes, and securities with affiliated companies	**3**	3	**12**	18
Expenses				
Interest expense on capital securities	**-**	32	**31**	125
Interest expense on note payable	**1**	2	**9**	10
Insurance services from Riskcorp Inc.	**2**	4	**11**	15

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:

($US millions, except generation)	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Power generated (GWh)	**3,203**	3,399	4,039	3,792	2,651	2,196	3,174	3,517
Revenues	**$ 238**	$ 289	$ 336	$ 321	$ 225	$ 179	$ 243	$ 257
Operating cash flow	**148**	185	237	237	135	96	161	182
Net income (loss)	**59**	148	23	47	(17)	(27)	6	19

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements are prepared in accordance with Canadian GAAP, 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) to the 2008 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. 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.

SIGNIFICANT CHANGES IN 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 GAAP purposes. Section 1535 requires disclosure 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.

Future Accounting Policy Changes

Goodwill and Intangible Assets – Handbook Section 3064

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 by profit-oriented enterprises. The new section will be applicable to the Company's financial statements beginning January 1, 2009. The Company has evaluated the impact of this new pronouncement on its financial statements and does not expect it to have a significant impact.

Business Combinations – Handbook Section 1582

In January 2009, the CICA issued Handbook Section 1582, *Business Combinations*, replacing Section 1581, *Business Combinations*. The Section establishes standards of accounting for a business combination. It provides the Canadian equivalent to the International Financial Reporting Standard ("IFRS"), IFRS 3 (Revised), *Business Combinations*. The Section applies prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier application is permitted. As this section is consistent with IFRS, it will be applied in accordance with our IFRS conversion framework.

Consolidated Financial Statements – Handbook Section 1601 and Non-Controlling Interests – Handbook Section 1602

In January 2009, the CICA issued Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-Controlling Interests*, which together replace Section 1600, *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), "Consolidated and Separate Financial Statements". The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. As these sections are consistent with IFRS, they will be applied in accordance with our IFRS conversion framework.

International Financial Reporting Standards

In February 2008, the Accounting Standards Board ("AcSB") of the Canadian Institute of Chartered Accountants confirmed that IFRS will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The Canadian Securities Administrators ("CSA") in Staff Notice 52-321 - *Early Adoption of International Financial Reporting Standards, Use of US GAAP and Reference to IFRS-IASB* also indicated that it would be prepared to provide exemptive relief to Canadian reporting issuers permitting them to prepare their financial statements in accordance with IFRS for financial periods beginning before January 1, 2011. The Company applied to the CSA for exemptive relief to prepare its financial statements in accordance with IFRS for periods earlier than January 1, 2011.

The Company has developed a conversion plan and is actively preparing itself for the changeover to IFRS. The conversion plan addresses matters including selection of IFRS accounting policies both upon adoption and prospectively, the need to modify information technology and data systems, the development of IFRS expertise, the changes to internal controls and disclosure controls as a result of new accounting policies, in addition to other related business matters. Overall responsibility for the implementation and success of the Company's conversion plan rests with the Company's senior financial management who report to and are overseen by the Company's Audit Committee.

The Company is proceeding with its conversion plan under the assumption that it will receive permission to prepare its financial statements in accordance with IFRS for periods earlier than January 1, 2011. Accordingly it has staff dedicated to the conversion and in 2008 had all middle and senior finance employees attend a three day intensive IFRS training course. The Company has evaluated and selected some of its significant IFRS accounting policies both for the initial adoption of IFRS and for prospective application. These are described below. Priorities for 2009 will be to assess and implement the necessary modifications to information technology and data systems as well as educate and prepare for changes to the internal controls and disclosure controls. We will continue to report on the key elements and timing of the conversion plan in our interim MD&As throughout 2009.

IFRS 1 - First-time Adoption of International Financial Reporting Standards:

The Company's adoption of IFRS will require the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply all IFRS effective at the end of its first IFRS reporting period retrospectively. However, IFRS 1 does require mandatory exceptions and limited optional exemptions in specified areas of certain standards from this general requirement. The following are the optional exemptions available under IFRS 1 significant to the Company that the Company expects to apply in preparing its first financial statements under IFRS.

Business combinations

IFRS 1 allows for IFRS 3R to be applied either retrospectively or prospectively. Retrospective application would require that the Company restate all business combinations occurring before the date of its choice. The Company will adopt IFRS 3R prospectively.

Fair value of revaluation as deemed cost

IFRS 1 allows an entity to initially measure property, plant and equipment upon transition to IFRS at fair value or under certain circumstances using a previous GAAP revaluation, as opposed to recreating depreciated cost under IFRS. The Company will, for items of property, plant and equipment where it is impracticable to recreate depreciated cost under IFRS, use either fair value or a previous GAAP revaluation as deemed cost. The Company expects to use a measure of deemed cost for a significant portion of its fixed assets, the cumulative effect of which will generally result in carrying values under IFRS in excess of those under Canadian GAAP.

Cumulative translation differences

IAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires a company to determine the translation differences in accordance with IFRS since the date on which a subsidiary was formed or acquired. IFRS allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations excluding translation differences arising from prior to the date of transition to IFRS. The Company expects to reset all cumulative translation differences to zero, with the exception of $21 million relating to the foreign exchange reporting difference created upon conversion of our reporting currency from the Canadian dollar to the US dollar.

IFRS 1 allows for certain other optional exemptions; however, the Company does not expect such exemptions to be significant to the Company's adoption of IFRS.

Impact of Adoption of IFRS:

IFRS is premised on a conceptual framework similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. A key performance indicator for the Company is operating cash flow as defined on page 2. While the adoption of IFRS will not change the cash flows generated by the Company, its adoption will result in changes to the reported financial position and results of operations of the Company, the effects of which will be material. The following are the

significant IFRS accounting policies, required or expected to be applied by the Company using IFRS that will be significantly different than the Company's current accounting policies.

Property, Plant and Equipment

Consistent with Canadian GAAP, under IFRS, separable components of property, plant and equipment are recognized initially at cost. Under IFRS an entity is required to choose, for each class of property, plant and equipment, to account for each class using either the cost model or the revaluation model. The cost model is generally consistent with Canadian GAAP where an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses. Under the revaluation method an item of property, plant and equipment is carried at its revalued amount, being its fair value at the date of the revaluation. Increases in fair value are recorded to the revaluation surplus account in equity while decreases in fair value serve to reduce the revaluation surplus account, related to the asset, with any excess recognized in the statement of income (loss). The Company is exploring whether to use the revaluation model for its power generation assets. The fair value of its power generation assets is in excess of its current net book value due to their long productive lives.

Basis of Consolidation

In accordance with Canadian GAAP, the Company determines whether or not it should consolidate an entity using two different frameworks: the variable interest entity ("VIE") and voting control models. In accordance with IFRS the Company will consolidate an entity if determined to be controlled. Control is defined as the power to govern the financial and operating policies of an entity to obtain benefit. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than one half of an entity's voting power, but also exists when the parent owns half or less of the voting power but has legal or contractual rights to control, or de facto control. This change in policy could result in deconsolidation of certain entities that are currently consolidated by the Company under the VIE model. The Company is in the process of evaluating each entity in which it has an interest to determine whether the entity should be consolidated under IFRS.

Business Combinations

Under IFRS the Company will account for business combinations in accordance with IFRS 3, *Business Combinations*, as revised in 2008 (IFRS 3R). IFRS 3R is similar to the Company's current accounting for business combinations under Canadian GAAP, in that both frameworks require use of the acquisition method of accounting for all business combinations, although significant differences exist. The most significant differences between the treatment under IFRS 3R and the Company's current Canadian GAAP policy are that under IFRS 3R transaction costs are expensed immediately whereas under Canadian GAAP such amounts are capitalized; contingent consideration under IFRS 3R is recognized on the date of acquisition, with subsequent changes recognized in income, whereas under Canadian GAAP such amounts are only recognized initially to the extent probable; and under IFRS 3R the purchaser can elect to measure any non-controlling interest at fair value at the date of acquisition or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquisition target, and can make this election on a transaction-by-transaction basis.

Impairments

Under Canadian GAAP for assets other than financial assets, a write-down to estimated fair value is recognized if the estimated undiscounted future cash flows from an asset or group of assets is less than the value at which the asset or group of assets is carried in the financial statements. Under IFRS, IAS 36, *Impairment of Assets* ("IAS 36"), a write-down is recognized if the recoverable amount, determined as the higher of the estimated fair value less costs to sell or the discounted future cash flows from an asset or group of assets, is less than the value at which the asset or group of assets is carried in the financial statements. Consistent with Canadian GAAP impairments are measured at the amount by which carried value exceeds fair value less costs to sell.

BUSINESS RISKS

The following represents a summary of the most relevant risk factors relating to our business. This summary contains only certain risk factors and is not all-inclusive. For a more comprehensive description of these and other possible risks, such as: force majeure, rate setting risks, regulatory regime, governmental permits, changes in technology, insurance limits, dam safety, labor relations, health, safety, environmental, research and development, new markets, and changes in tax laws and practice and international tax treaties, please see the Brookfield Renewable Power Inc. Annual Information Form filed with SEDAR at *www.sedar.com*.

Changes in Hydrology and Wind Conditions
The revenues generated by our facilities are directly correlated to the amount of electricity generated which in turn is dependent upon available water flows and wind conditions. Hydrology and wind conditions have natural variation from year to year and may also change permanently because of climate change or other factors, and a natural disaster could impact water flows within the watersheds in which we operate. Water rights are also generally owned or controlled by governments that reserve the right to control water levels or may impose water-use requirements as a condition of license renewal. Wind energy is highly dependent on weather conditions, and, in particular, on wind conditions. The profitability of a wind farm depends not only on observed wind conditions at the site, which are inherently variable, but also on whether observed wind conditions are consistent with assumptions made during the project development phase. A sustained decline in the water flows of our hydroelectric stations or wind conditions at our wind energy facilities could lead to a material adverse change in the volume of electricity generated and revenues and cash flows.

Energy Price Fluctuations
A significant portion of our revenues are tied, either directly or indirectly, to the wholesale market price for electricity in the markets in which we operate. Wholesale market electricity prices are impacted by a number of factors including: the price of fuel (for example, natural gas) that is used to generate other sources of electricity; the management of generation and the amount of excess generating capacity relative to load in a particular market; the cost of controlling emissions of pollution, including potentially the cost of carbon; the structure of the market; and weather conditions that impact electrical load. As a result, we cannot accurately predict future electricity prices and electricity price volatility could have a material adverse effect on our assets, liabilities, business, financial condition, results of operations and cash flow.

Management of Energy Marketing and Sales
We enter into physical and financial contracts designed to optimize revenues on a portfolio basis and minimize the impact of price volatility. From time-to-time, we may take advantage of very short-term arbitrage opportunities when hourly prices diverge between interconnected markets in its area of operation. There is a transaction risk associated with these activities that could result in losses in certain circumstances. We are also exposed to losses in the event of the non-performance by counterparties to financial instruments and physical electricity and natural gas trades. This could have a material adverse effect on our assets, liabilities, business, financial condition, results of operations and cash flow.

Equipment Failure
Our generation assets may not continue to perform as they have in the past and there is a risk of equipment failure due to wear and tear, latent defect, design error or operator error, among other things, which could have a material adverse effect on our assets, liabilities, business, financial condition, results of operations and cash flow.

Performance of Counterparties and Contract Expiry
A significant portion of the power we generate is sold under long-term PPAs. If for any reason any of the purchasers of power under such PPAs are unable or unwilling to fulfill their contractual obligations under the relevant PPA, our assets, liabilities, business, financial condition, results of operations and cash flow could be materially and adversely affected as we may not be able to replace the agreement with an agreement on equivalent terms and conditions. Certain of our PPAs provide for terms that are above market.

Industry Risk
We operate in the North American and Brazilian power markets, which are affected by competition, supply of and demand for power, the location of import / export transmission lines, and overall economic conditions. A general and extended decline in the North American or Brazilian economy or sustained conservation efforts to reduce electricity consumption could have the effect of reducing demand for electric energy over time. In addition, electricity demand by some of our industrial customers could exhibit variations in demand or load in such circumstances. Also, an economic downturn could impair the ability of some end use customers to pay for electricity received. Any such prolonged downturn in the relevant economies could materially and adversely affect our assets, liabilities, business, financial condition, results of operations and cash flow.

Availability of Transmission Systems
Our ability to sell electricity is impacted by the availability of the various transmission systems in jurisdictions in which we operate. The failure of existing transmission facilities or the lack of adequate transmission capacity would have a material adverse effect on our ability to deliver electricity to our various counterparties, the price we may pay for transmission of electricity or the price we realize for the sale of electricity. Each of these could materially affect our assets, liabilities, business, financial condition, results of operations and cash flow.

Water Rental Costs
We are required to make rental payments and pay property taxes for water rights or pay similar fees for use of water once its hydroelectric projects are in commercial operation. Significant increases in water rental costs or similar fees in the future or changes in the way that governments regulate water supply could have a material adverse effect on our assets, liabilities, business, financial condition, results of operations and cash flow.

Foreign Exchange
The price paid for energy produced by our operations and a portion of our outstanding indebtedness are denominated in the local currencies which in some cases are other than US dollars and, therefore, results may be affected by the fluctuations in exchange rates over time. A material decrease in the value of the local currency may negatively impact our operating cash flow. We may manage the risk associated with foreign exchange rate fluctuations by, from time to time, entering into forward foreign exchange contracts and engaging in other hedging strategies. To the extent that we engage in risk management activities related to foreign exchange rates, we will be subject to credit risks associated with the counterparties with which we contract. Defaults by counterparties to these contracts may have a material adverse effect on our results of operations.

Brazil
The Brazilian economic, political and social climate differs from that in most developed countries in many respects, including structure, government involvement, level of development, economic growth rate, government control of foreign exchange, allocation of resources and balance of payment position. In addition, Brazil has suffered through periods of hyperinflation and has nationalized assets including some previously owned by us. Our assets, liabilities, business, financial condition, results of operations and cash flow may be materially and adversely affected by, among other things: changes in Brazilian political, economic and social conditions; social movements that use land invasion or occupation to advocate for property redistribution and compensation for local residents; changes in policies of the Brazilian government, including changes in policies affecting the renewable power industry; changes in laws and regulations or the interpretation of laws and regulations; measures which may be introduced to control inflation or deflation; abuse of market power by the Brazilian federal or state governments; changes in the rate or method of taxation; expropriation by the Brazilian federal government; errors, fraud or corruption in the Brazilian land registry system causing the loss of real property; imposition of additional restrictions on currency conversion and remittances abroad; and reduction in tariff protection and other import restrictions.

Support for Renewable Power

Development of renewable energy sources and the overall growth of the renewable energy industry are dependent on national and international policies in support of such development. In particular, Canada and the United States, two of our principal markets, have pursued policies of active support for renewable energy for several years. These policies include renewable energy purchase obligations imposed on local service entities, tax incentives including production tax credits and accelerated depreciation and direct subsidies. The cost of renewable energy to purchasers, as well as the economic return available to project sponsors, is often dependent on the level of incentives available and the availability of such incentives in uncertain. For example, the production tax credit in the United States is an incentive that is only available to taxpayers that place a wind or hydro facility in service prior to 2009 and accelerated depreciation is only available in Canada prior to 2012. There is a risk that government regulations providing incentives for renewable energy could change at any time. Any such change may impact the competitiveness of renewable energy generally and the economic value and ability to develop our projects in particular. As a result, we may face a reduced ability to develop our project pipeline and realize our development growth objectives. We may also suffer material write-downs or write-offs of development assets as a result.

Development Risk

Our ability to realize our greenfield development growth plans is dependent on our ability to develop existing sites and find new sites suitable for development into viable projects. Ability to maintain a development permit often requires specific development steps be undertaken. Successful development of greenfield power projects, whether hydroelectric or wind, is typically dependent on a number of factors, including: the ability to secure an attractive site on reasonable terms; the ability to measure resource availability such as water flows or wind speeds at levels deemed economically attractive for continued project development; the ability to secure approvals, licenses and permits which are dependent on successful completion of regulatory processes or environmental studies; the acceptance of local stakeholders, communities and, in some cases, First Nations and other aboriginal peoples of proposed developments; the ability to secure transmission interconnection access or agreements; the ability to secure a long-term PPA or other sales contract on reasonable terms; and the ability to procure necessary equipment on a schedule that matches long-term power sales opportunities.

Each of these factors can be critical in determining whether or not a particular development project might ultimately be suitable for construction. Failure to achieve any one of these elements may prevent the development and construction of a project. When this occurs, we may lose all of our investment in development expenditures and may be required to write-off project development assets.

Construction Risks

Our ability to develop an economically successful project is dependent on, among other things, our ability to construct a particular project on-time and on-budget. The construction and development of generating facilities is subject to various environmental, engineering and construction risks that could result in cost-overruns, delays and reduced performance. A number of factors that could cause such delays, cost over-runs or reduced performance include, but are not limited to, permitting delays, changing engineering and design requirements, the performance of contractors, labor disruptions and inclement weather.

The demand for power generation equipment such as wind and hydro turbines is increasing rapidly and as a result prices have risen sharply and may continue to rise. In this environment, the level of contractual performance guarantees and equipment warranties we are able to negotiate from suppliers may be limited. In order to secure equipment, we may seek to enter into purchase orders with third party suppliers for generation equipment for projects under construction, which involve deposits prior to equipment being delivered. Should one or more of these suppliers be unable to meet their obligations under the contracts, this would result in possible loss of revenue, delay in construction and increase in construction costs for us. Failure of any equipment supplier to meet its obligations to us may result in Brookfield Renewable not being able to meet its commitments and thus lead to potential defaults or liability under PPAs. For example, we may be required to make payments to the relevant power purchaser in an amount equal to the purchaser's replacement costs for the energy relating to any shortfall that it does not provide under the PPA that the purchaser is forced to obtain from another source. We may also be required to pay

damages and other amounts and penalties for non-compliance under PPAs, or the purchaser may be entitled to terminate the related PPA.

In addition to experiencing difficulty in securing equipment, we may experience difficulty in finding suppliers or contractors with the necessary experience or expertise to provide construction services. The costs of construction are also rising rapidly due to escalation in prices for labor and raw materials such as metals and concrete. Any significant increase in construction costs of a project could materially and adversely affect our ability to develop projects as well as their future profitability. In the event of delays in constructing a project, we may face penalties or the threat of termination of a project's PPAs.

Relationships with Partners
We enter into various types of arrangements with communities and joint venture partners for the development of projects. Certain of these communities and partners may have or develop interests or objectives which are different from or even in conflict with our objectives. Any such differences could have a negative impact on the success of our projects. We are sometimes required through the permitting and approval process to notify and consult with various stakeholder groups, including private landowners, First Nations and other aboriginal groups, and municipalities. Any unforeseen delays in this process may negatively impact our ability to complete any given project on time or at all.

When we conduct business in cooperation with a local partner, the local partner may perform the functions of identifying new projects and carrying out those projects that proceed to the development stage, including relations with local authorities. In cases where these partnerships are implemented through the establishment of a joint venture, we do not necessarily exercise full legal or economic control.

We may also join forces with one or more co-investors in order to derive maximum benefit from the tax incentives on its renewable energy investments. The organization of these structures is negotiated on a case-by-case basis.

If a disagreement with our partners or with tax authorities were to occur, or if one or more of these partnerships were to be terminated, we could be deprived of a significant part of our development program, which could have a material adverse effect on our assets, liabilities, business, financial condition, results of operations and cash flow.

Risks Associated with Future Acquisitions
Our strategy is to continue to expand our business through acquisitions. Integrating acquired companies involves a number of risks that could materially and adversely affect our business, including: failure of the acquired companies or assets to achieve the results we expect; risks related to the integration of the businesses and personnel acquired and the inability to retain key personnel of the acquired companies; and inability to achieve projected synergies.

In addition, liabilities may exist that we do not discover in our due diligence prior to the consummation of an acquisition or circumstances may exist with respect to the entity or assets acquired that could lead to future liabilities and, in each case, we may not be entitled to any recourse against the counterparty to the agreement. The discovery of any material liabilities subsequent to an acquisition could have a material adverse effect on our assets, liabilities, business, financial condition, results of operations and cash flow.

Capital Markets Risk
Future development and construction of new facilities and other capital expenditures will be financed out of cash generated from our operations, borrowings and possible future sales of equity. As such, in order to finance our growth, it may depend on raising additional equity and debt capital. Our ability to do so is dependent on, among other factors, the overall state of capital markets and investor appetite for investments in renewable energy assets in general and our securities in particular. We are also dependent upon the availability of credit from corporate banks.

To the extent that external sources of capital become limited or unavailable or available on onerous terms, Brookfield Renewable's ability to make necessary capital investments to construct new or maintain

existing facilities will be impaired, and its assets, liabilities, business, financial condition, results of operations and cash flow may be materially and adversely affected as a result.

General Indebtedness

We are subject to operating and financial restrictions through covenants in certain loan and security agreements. These restrictions prohibit or limit our ability, and the ability of our subsidiaries, to, among other things incur additional debt, provide guarantees for indebtedness, create liens, dispose of assets, liquidate, dissolve, amalgamate, consolidate or effect any corporate or capital reorganization, declare dividends, issue any equity interests and create subsidiaries. Financial covenants in our corporate bank credit facility as well as in our corporate unsecured debentures limit our overall indebtedness to a percentage of our total capitalization or restrict our ability to incur indebtedness if we exceed the ratios. These restrictions may limit our ability to obtain additional financing, withstand downturns in our business and take advantage of business and development opportunities. If we breach such covenants our credit facilities may be terminated or come due or the maturity date of our unsecured debentures may be accelerated. Such events may cause our credit rating to deteriorate and we may be subject to higher interest and financing costs as a result. We may also be required to seek additional debt financing on terms that include more restrictive covenants, require repayment on an accelerated schedule or impose other obligations that limit our ability to grow the business, acquire needed assets or take other actions that we might otherwise consider appropriate or desirable.

In addition, we issue guarantees or post collateral in respect of our power marketing positions. Should our credit rating be downgraded we may be required to post cash collateral where our counterparties have historically accepted a corporate guarantee or post increased collateral in support of outstanding financial contract obligations. If this was to occur, our financial position would be materially and adversely affected.

Project Financing

We rely on limited-recourse project financing structures to finance a significant portion of our operations. Such financings generally require us to grant a first-priority security interest in underlying project assets in favor of third party lenders. In addition, our ability to withdraw cash flow from our subsidiaries financed on a limited-recourse basis is usually dependent upon the maintenance of minimum cash flow coverage ratios as well as the maintenance of certain collateral accounts. If we cannot withdraw cash flow from our subsidiaries, our financial position and cash flows could be materially and adversely affected. While our project financings are in most cases designed to permit the issue of additional debt, the ability to issue additional debt is dependent upon cash flow coverage tests as well as on maintaining a minimum credit rating. If we are unable to raise additional debt financing, our financial position could be materially and adversely affected and we may not be able to pursue growth opportunities.

Interest Rate and Refinancing Risk

Many of our project financings consist of interest-only or limited amortization financings. As such, a significant portion of outstanding indebtedness must be refinanced at maturity. Furthermore, our financings may contain conditions that limit our ability to repay indebtedness prior to maturity without incurring penalties, which may limit our capital markets flexibility. Refinancing risk includes among other factors, dependence on continued operating performance of our assets, future electricity market prices, future capital markets conditions, the level of future interest rates and investors' assessment of our credit risk at such time.

Certain of our financings are, and future financings may be, exposed to floating interest rate risk. If interest rates increase, an increased proportion of our cash flow may be required to service indebtedness. In particular, we may face interest rate risk on future floating-rate construction financings.

CERTIFICATION OF ANNUAL FILINGS

In conjunction with these financial 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 annual 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 year ended December 31, 2008.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements concerning our 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", "pending", "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. For further information on these known and unknown risks, please see "Business Risks" on page 24.

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 but are not limited to: changes in hydrology and wind conditions; fluctuations in energy prices; failure by the Company to manage transaction risks associated with energy marketing and sales; failure by the Company to maintain equipment; failure by counterparties to fulfill contractual obligations and failure by the Company to replace contracts; general risks faced by the industry; changes in the general economy; failure of transmission systems on land or adequate transmission capacity; increases in water rental costs or similar fees; changes in foreign currency exchange rates; changes to regulations, increases in regulatory costs and changes in wholesale market rules; failure by the Company to renew, maintain or obtain necessary governmental permits; changes in technology; inability to generate or sell electricity; failure by the Company to maintain dam safety; inadequate insurance; failure by the Company to comply with public safety and health, safety and environmental regulations; threat of legal action and claims against the Company; failure by the Company to avoid labor disruptions; changes in power markets; changes in the Brazilian economic, political or social climate; changes in support for renewable power; inability of the Company to develop greenfield projects; delays in construction and increased construction costs; failure of the Company to adapt to new technologies and failure of new technologies to perform; failure of the Company to maintain relationships with partners; inability of the Company to successfully integrate acquisitions; failure of the Company to enforce legal rights in new markets; inability of the Company to access capital on desirable terms; failure of the Company to comply with covenants in loan agreements; inability of the Company to withdraw cash from subsidiaries; changes in interest rates and downgrading of credit ratings; inability to secure attractive project level financing; and changes in tax laws. 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. While we anticipate that subsequent events and developments may cause its views to change, we disclaim any obligation to update these forward-looking statements, other than as required by applicable law. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to February 24, 2009, the date of this MD&A.

/s/ Donald Tremblay

Donald Tremblay
Executive Vice President and Chief Financial Officer