Brookfield

BROOKFIELD RENEWABLE POWER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS
DECEMBER 31, 2009


Attached is Management's Discussion and Analysis of Financial Results of
Brookfield Renewable Power Inc.
Brookfield Renewable Power Inc. is a subsidiary of Brookfield Asset Management Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

FEBRUARY 24, 2010

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, 2009 and 2008, 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, 2009. 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.".

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 as presented in our financial statements is presented in the "2009 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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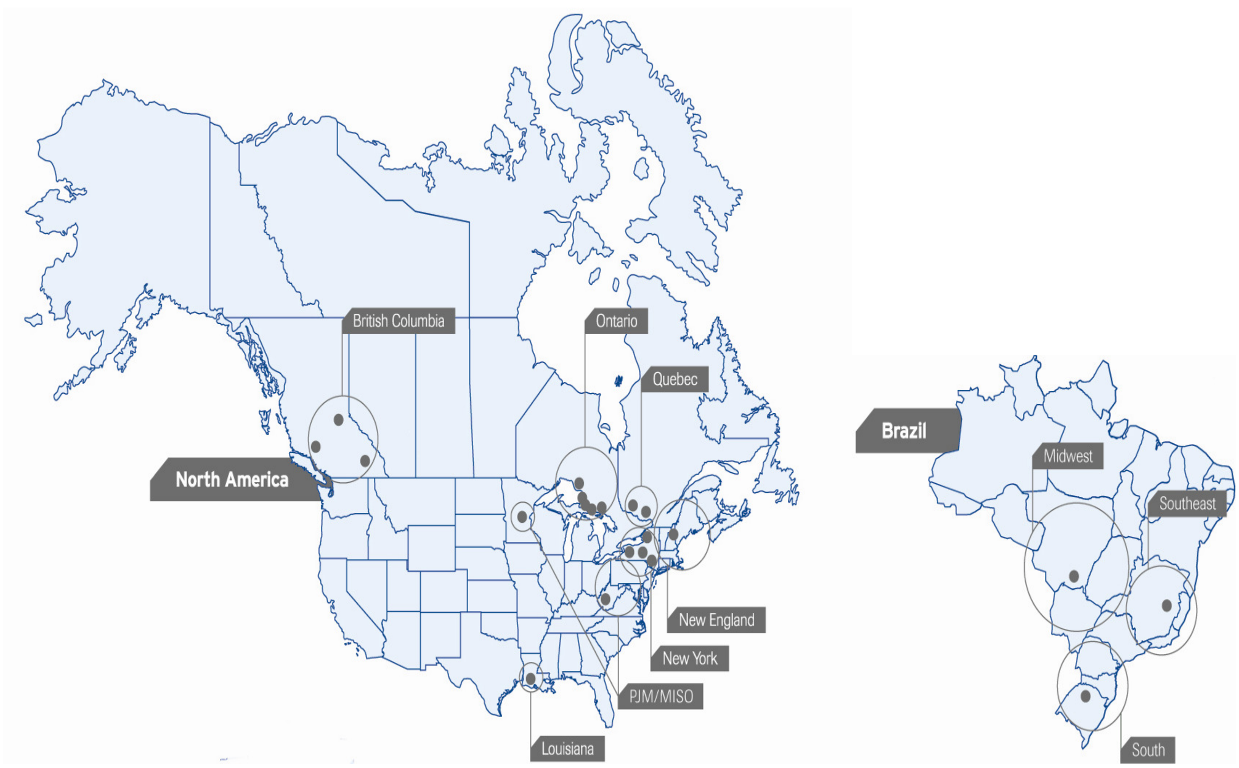
OVERVIEW OF THE BUSINESS

In business for over 100 years, Brookfield Renewable owns and manages one of the largest privately owned renewable power generation portfolios. We produce and sell electricity generated primarily from hydro assets with an underlying value of approximately $14 billion. Hydroelectric generating assets are a unique asset class in the power industry, rely on simple, proven technology, and are considered to be a low cost, long life, flexible and environmentally preferred form of electric power generation. Brookfield Renewable also owns an approximate 40% interest in Brookfield Infrastructure, Brookfield Asset Management Inc.'s ("Brookfield") principal infrastructure entity established to own and operate certain infrastructure assets on a global basis, and a 10% interest in Transelec Chile SA, Chile's national transmission grid. Our objective is to deliver long-term sustainable cash flows and create value over time by maximizing the productivity of our operations and through disciplined project development and acquisitions.

The Company is a wholly owned subsidiary of Brookfield, a global asset management company focused on property, power and infrastructure assets. Brookfield manages assets worth approximately $108 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 Brookfield Renewable Power Fund (the "Fund"), formerly Great Lakes Hydro Income Fund, a publicly traded reporting issuer listed on the Toronto Stock Exchange (symbol: BRC.UN) that we manage and in which we own a 50.01% interest, on a fully-exchanged basis.



OPERATING PLATFORM

The Company owns a portfolio of 3,983 megawatts ("MW") of renewable power generation comprised of 3,794 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. In addition to its operating assets, Brookfield Renewable has a significant diversified pipeline of development projects, including 781 MW of projects that are either in construction or advanced development.

Operating Assets
(as at December 31, 2009)

Markets	Rivers	Generating Stations	Generating Units	Capacity MW	LTA [(1)] GWh	Storage and MRE[(2)] GWh
Hydroelectric						
Conventional						
Canada	18	32	72	1,324	5,077	1,261
United States	23	98	263	1,300	6,073	1,047
Brazil	21	33	73	570	3,145	3,062
	62	**163**	**408**	**3,194**	**14,295**	**5,370**
Pumped Storage	1	1	2	600	384	1,095
Total Hydroelectric	**63**	**164**	**410**	**3,794**	**14,679**	**6,465**
Wind	–	1	126	189	506	–
Thermal	–	2	6	215	402	–
Power generating assets	**63**	**167**	**542**	**4,198**	**15,587**	**6,465**

(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 mitigates hydrology risk by guaranteeing that all participants receive their assured energy. See below for more detail.

BUSINESS STRATEGY AND COMPETITIVE ADVANTAGES

Our overall growth strategy is based on solid, long-term value-creating principles. We are patient and strongly believe in ensuring that any additional investment must provide rates of return that are proportionate to their respective risk level.

We own and invest in high quality long-life assets that generate sustainable cash flows from renewable resources and tend to appreciate in value over the course of time. We focus our efforts in areas where barriers to entry are typically high, and in which we believe we have a competitive advantage.

While current financial market conditions have made it challenging for most businesses to access capital, 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, we are well positioned to increase the underlying value of our business by maintaining a prudent approach to investing 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 quality 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. The core of our power marketing philosophy is the generation of strong returns from our portfolio while preserving our ability to capture higher 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 sustain the value and useful lives 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

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.

Invest 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 will 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 wholly-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.

Leverage 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 and Risk Management

Our centralized power marketing and sales group in North America and Brazil work 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 regimes and market participants, which serves to support our growth strategy. We use risk management strategies to ensure the organization 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 United States and Canada. The New York, New England, Pennsylvania, Jersey, and Maryland, 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. 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 favourable. 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 favours 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 63 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.

FINANCIAL HIGHLIGHTS

The following table summarizes our financial highlights for the last three years:

($US millions, except generation)	**2009**	2008	2007
Generation (GWh)	**15,818**	14,434	11,536
Power generating assets	**4,979**	4,498	4,053
Total assets	**8,860**	8,033	6,891
Long-term debt	**4,936**	4,300	4,376
Revenue	**1,167**	1,184	904
Operating cash flow	**769**	807	574
Net income (loss)	**424**	277	(19)

PORTFOLIO ACTIVITIES DURING 2009

REPOSITIONING OF THE FUND AND TRANSFER OF OUR CANADIAN RENEWABLE PORTFOLIO

In 2009, in two separate transactions, we sold substantially all of our Canadian portfolio to the Fund for a total consideration of CDN$1.1 billion. Total consideration for the two transactions was satisfied by way of CDN$430 million in cash, a CDN$200 million senior secured note issued by the Fund to the Company and the issuance of 25.6 million units of the Fund, and 4.1 million shares of a subsidiary of the Fund, exchangeable into the same amount of units of the Fund.

As part of the transactions, we entered into two new power guarantee agreements with the Fund to guarantee to the Fund a fixed price per MWh of energy produced and delivered by the Great Lakes Power Limited facilities, and by the Hydro-Pontiac facilities for an initial term of 20 years with successive 20 year renewal periods, the latter following the expiry in 2019 and 2020 of the existing power purchase agreements ("PPAs") with Hydro-Quebec. We also agreed with the Fund, for a period of 10 years, to mitigate any shortfall in generation for the Prince Wind farm below 506 GWh, while the Fund will pay to the Company any windfall for generation above the same threshold.

In addition, we amended two PPAs with the Fund, effective August 31, 2009, to increase the price that we currently pay for power generation from the Fund's existing Lièvre and Mississagi power generating assets to CDN$68 per MWh reflecting increases in power prices since the original signing of the contracts.

The cash portion of both transactions was funded by the Fund by the issuance of trust units through two public offerings and a private placement to some institutional investors. After completion of the transactions, we continue to own 50.01% of the Fund, on a fully-exchanged basis. We recorded a pre-tax gain of $388 million as a result of the transactions, which included a $223 million gain on sale of the assets, included in investment and other income, and $165 million on the amended power guarantee agreements, included as a reduction to non-controlling interest.

The Fund is Brookfield's exclusive platform for investments in contracted wind and hydro power generation in Canada.

ACQUISITION OF BROOKFIELD'S INFRASTRUCTURE INVESTMENTS

On November 13, 2009, we acquired infrastructure assets from Brookfield, including an approximate 40% interest in Brookfield Infrastructure L.P. ("BILP"), and a 10% interest in Transelec Chile SA for total consideration of approximately $554 million. On November 17, 2009, we further subscribed for approximately 20.7 million redeemable partnership units in BILP, for an aggregate amount of $283 million. All of the units in BILP can be redeemed by the Company for either an approximate 40% interest in the publicly-traded Brookfield Infrastructure Partners L.P. ("BIP") or the cash equivalent, at the option of BIP. We are accounting for these investments using the equity method.

The acquisition and subsequent subscription were funded by $435 million in cash, of which $283 million was provided by advances from Brookfield, the issuance of 1,409,662 Class B preferred shares and a reduction of deposits with Brookfield.

GOSFIELD WIND PROJECT

We commenced the construction of the 50 MW Gosfield Wind farm, in Southern Ontario, in September of 2009. The project is expected to produce an average of approximately 150 GWh of power annually and to be operational by the fall of 2010. Final design, permitting and procurement activities are well underway with site construction activity having commenced in January 2010. Capital spending as of December 31, 2009 totaled CDN$15 million, with the balance of CDN$132 million to be spent in 2010. A non-revolving credit facility of up to approximately CDN$100 million from two banks for the construction and the first three years for the project was secured.

All power produced from Gosfield Wind will be sold at a fixed price to the Ontario Power Authority ("OPA") under a 20-year PPA and has qualified for the Canadian Federal Government's ecoEnergy Program for Renewable Energy.

COMMISSIONING OF NEW HYDROELECTRIC FACILITIES

On January 31, 2009, we commenced operation of our newly constructed 20 MW Linha Emilia hydroelectric generating facility located in Brazil. The Linha Emilia facility is part of a larger construction project, which also includes the Caçador and Cotiporã generating facilities. The 22 MW Caçador generating station commenced operations in October 2008 while the 20 MW Cotiporã generating station commenced operations in December 2008. The construction of the project was funded by a R$65 million (US$37 million) loan from the Brazilian National Bank for Economic Development ("BNDES") that will mature in September 2023 and bears interest at a rate of TJLP (BNDES long-term interest rate) plus a spread. Total construction cost of the project was R$117 million.

During December 2009, we began operations at our Barra do Brauna facility in Brazil. The facility is a 39 MW hydro facility that can generate 193 GWh annually, with all generation sold under a concession agreement expiring in March 2036. Total construction cost of the Barra do Brauna facility was R$227 million. Commencement of operations of our Angelina facility is expected to occur in the first half of 2010. The facility is a 26 MW hydro facility that will be able to generate 146 GWh annually.

PREFERRED SHARES AND ONE-TIME DIVIDEND

On February 25, 2009, we declared and paid a $1,100 million dividend to Brookfield. Payment of the dividend was effected by reducing the amount receivable from Brookfield. At the same time, we issued 54,705,200 Class A preferred shares to Brookfield valued at $1,100 million in exchange for a reduction in the balance owing to Brookfield.

On September 1, 2009, we redeemed 40,000,000 Class A preferred shares in exchange for CDN$1,000 million in convertible debentures owed to Brookfield. On November 13, 2009, we exchanged the remaining 71,782,312 Class A preferred shares for the same number of Class B preferred shares. The new Class B preferred shares have all of the same terms and characteristics of the Class A preferred shares.

HYDRO KENNEBEC

On February 28, 2009, our lease for the Hydro Kennebec generating station expired and was not renewed. On August 27, 2009, we signed an agreement to purchase the Hydro Kennebec generating station for cash consideration. The transaction is subject to regulatory and other closing conditions and is expected to close by the end of the first quarter of 2010. Hydro Kennebec, a 15 MW facility, located in the state of Maine, can generate 86 GWh annually, which represents less than 1% of our conventional hydroelectric capacity and LTA. The rights and obligations under the agreement can be assigned to any of our affiliates.

SALE OF ELECTRICITY DISTRIBUTION BUSINESS

On October 8, 2009, we sold our electricity distribution business, which provided electricity distribution service to approximately 12,000 customers in the Algoma district in Northern Ontario for consideration of CDN$75 million, subject to certain closing adjustments. A loss of $6 million was recognized on the disposal, mainly due to the write-off of amounts previously recorded in respect of our distribution rate mitigation plan and associated revenue deferrals.

ENERGY MARKETING

We continued our strategy of locking in long-term contracts with solid counterparties by entering into two large sales agreements in North America that increased our generation under long-term contracts from approximately 50% to 70%.

In June 2009, we signed a 10-year PPA to supply Long Island Power Authority ("LIPA") with 300 GWh annually of clean renewable power.

In November 2009, we signed a 20-year power sale agreement with the OPA for the previously uncontracted output from our Ontario hydroelectric generating assets, representing approximately 2,300 GWh per year. The contract has a base price plus additional payments in respect of on-peak generation, both of which escalate annually at a predetermined rate. In addition, we are entitled to retain any ancillary revenues generated by the facilities.

TREASURY

During 2009, we completed the offerings of a total of CDN$700 million of unsecured corporate notes in two series. The CDN$400 million Series 5 notes mature in February 2012 and bear interest at a rate of 8.75% per annum, while the Series 6 notes in the amount of CDN$300 million mature in November 2016 and bear interest at a rate of 6.132% per annum. The proceeds were used to fully repay CDN$450 million of Series 1 unsecured notes that matured in December 2009 and for general corporate purposes.

We completed separate financings of our Angelina and Barra do Brauna generating facilities in Brazil for a total amount of R$202 million, at an interest rate of TJLP plus a spread during the year. The loans will be amortized over ten and sixteen years, respectively, commencing in 2010. An amount of R$84 million was drawn in 2009.

We also completed financing of our Itiquira facility in Brazil in December 2009 for a total amount of R$370 million. The debt will mature in December 2013 and bears an interest rate of CDI (Brazil's interbank lending rate) plus a spread. The proceeds were used to repay in full indebtedness incurred to acquire the assets in 2008.

We also completed the refinancing of a CDN$75 million debt maturity secured by our Powell River generating station with the proceeds of CDN$95 million seven-year first mortgage bonds in July 2009. The new bonds bear a fixed interest rate of 6.45%, payable semi-annually.

In December 2009, Gosfield Wind Financial Corporation, a subsidiary of the Fund, obtained a senior secured non-revolving credit facility for up to CDN$100 million to fund the construction, commissioning and initial operations of the Gosfield wind farm. The first drawdown is expected to occur in the second quarter of 2010.

Finally, we completed a three-month non-revolving loan of CDN$200 million with a Canadian bank in December 2009. The loan is secured by the promissory note received from the Fund when we sold our Canadian assets in August 2009, and can be extended for an additional three months.

2009 FULL YEAR PERFORMANCE REVIEW

SUMMARY

Despite the full contribution from assets acquired or commissioned in Brazil in 2008 or early 2009, lower market prices on our uncontracted generation, lower generation from our Canadian portfolio, and the weaker Canadian dollar resulted in operating cash flow decreasing by $38 million from $807 million in 2008 to $769 million in 2009. Our strategy of using long-term PPAs and shorter-term financial contracts to mitigate exposure to volatility served us well in 2009 with wholesale power prices being 30-50% lower than last year.

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

($US millions)	Invested Capital [1] As at Dec. 31, 2009	Invested Capital [1] As at Dec. 31, 2008	Year ended December 31, 2009	Year ended December 31, 2008
Conventional hydroelectric generation				
Canada	**$ 1,406**	$ 1,260	**$ 184**	$ 271
United States	**1,898**	1,920	**363**	397
Brazil	**1,321**	797	**158**	33
Pumped storage				
United States	**98**	100	**35**	37
Total hydroelectric generation	**4,723**	4,077	**740**	738
Wind generation	**319**	290	**29**	32
Other operations	**314**	386	**-**	37
Total Invested capital / operating cash flow	**5,356**	4,753	**769**	807
Interest and financing fees			**(359)**	(316)
Unrealized derivative (loss) gain			**(39)**	96
Depreciation and amortization			**(201)**	(169)
Non-controlling interests			**55**	(77)
Recovery of (provision for) income taxes			**6**	(53)
Investment and other income			**237**	20
Net income before interest on convertible debentures and capital securities			**468**	308
Interest on convertible debentures			**(44)**	-
Interest on capital securities			**-**	(31)
Net income			**$ 424**	$ 277

(1) Invested capital for the various operating segments includes power generating assets, PPAs, FERC licences, and other depreciable assets.

Net income was $424 million in 2009 compared to $277 million in 2008, an increase of $147 million due to a pre-tax gain of $388 million, resulting from the transaction of selling assets to the Fund and renegotiating the contract price of existing contracts.

Interest and financing fee expense was $43 million higher than last year due to the increased amount of unsecured corporate notes and additional debt relating to Brazil facilities added in late 2008.

Net income also includes a $39 million net unrealized loss as a result of changes in the value of our commodity derivatives, compared to a $96 million net unrealized gain during 2008.

Unrealized commodity derivative (loss) gain includes:

($US millions)	Year ended December 31, 2009	2008
(Loss) gain related to the LIPA contracts	**$ (38)**	$ 62
(Loss) gain on commodity derivatives not qualifying for hedge accounting	**(16)**	35
Gain related to the long-term PPA with an industrial company owned by Brookfield	**16**	1
Loss related to hedge ineffectiveness on derivatives qualifying for hedge accounting	**(1)**	(2)
	$ (39)	$ 96

At times when electricity prices are rising, which is positive for our business, we will generally record mark-to-market losses in our net income on certain financial contracts. These losses do not mean that we are selling electricity at a negative profit margin, but rather they are a measure of the opportunity that we have lost because we agreed to sell the electricity that we will generate in the future at a lower price than the current market price. Conversely, if market prices fall significantly, 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. During 2009, wholesale market prices have risen from the low price levels observed at the end of 2008, creating an unrealized mark-to-market loss on our commodity derivatives. This is compared to a mark-to-market gain recorded in 2008, due to the sharp decline in wholesale market prices that occurred during that year.

Depreciation and amortization expense of $201 million during 2009, increased $32 million compared to 2008 due to a full year's depreciation on assets acquired in 2008 in Brazil.

Non-controlling interest expense decreased by $132 million during 2009 compared to 2008 primarily due to the impact in the Fund of expensing the one-time contract amendment payment of CDN$349 million. The Company shares the Fund's loss with the non-controlling interests and the impact on our non-controlling interest expense was $165 million.

During 2009, we recorded an income tax recovery of $6 million, comprised of current tax expense of $29 million and future tax recovery of $35 million. The $59 million decrease compared to 2008 income tax expense of $53 million was due to non-taxable gains on the sale of assets to the Fund, and a lower tax rate from taxable income generated in Brazil.

Investment and other income of $237 million in 2009, $217 million higher than the amount recorded in 2008, included a $223 million gain on sales of Canadian renewable generating assets to the Fund during February and August of 2009. We also received $12 million in income from our equity investments in BILP and ETC since their acquisition.

SEGMENTED OPERATING RESULTS

(GWh)	Long-term Average[1] Year ended December 31, 2009	2008	Actual Production[1] Year ended December 31, 2009	2008
Conventional hydroelectric generation				
Canada	**5,003**	4,971	**4,723**	5,278
United States	**6,034**	6,072	**6,881**	6,681
Brazil	**2,792**	781	**2,860**	770
Total conventional hydroelectric generation	**13,829**	11,824	**14,464**	12,729
Pumped Storage	**384**	384	**432**	426
Wind generation	**506**	534	**433**	456
Thermal generation	**880**	880	**489**	823
Total generation	**15,599**	13,622	**15,818**	14,434

(1) LTA and actual production included as of the date of acquisition.

CONVENTIONAL HYDROELECTRIC GENERATION

	Year ended December 31,			
	2009		2008	
($US millions)	**Revenues**	**Operating cash flow**	Revenues	Operating cash flow
Canada	**$ 288**	**$ 184**	$ 361	$ 271
United States	**494**	**363**	551	397
Brazil	**227**	**158**	51	33
Total	**$ 1,009**	**$ 705**	$ 963	$ 701
Per MWh	**$ 70**	**$ 49**	$ 76	$ 55

During 2009, operating cash flows from our conventional hydroelectric generating assets were in line with those of 2008.

Our conventional hydroelectric portfolio generated 14,464 GWh during 2009, which was 4% higher than LTA. Last year generation exceeded our LTA by 8%. Favourable hydrological conditions throughout most of 2009 positively impacted generation volumes in the United States. An increase in generation of 1,700 GWh compared to last year is attributable to generation from assets we added in Brazil in late 2008 and early 2009. Lower generation in Canada partly offset this increase. Despite being significantly lower than last year, generation in Canada was 95% of its LTA.

Revenues from hydroelectric generation increased $46 million to slightly above $1 billion, a record level for the Company. Revenue from assets added in 2008 and 2009, contributed an increase of $113 million. This was partly offset by lower than last year generation in Canada and lower realized prices.

Realized prices during 2009 averaging $70 per MWh were lower than those realized in 2008 of $76 per MWh. A weaker price environment on the portion of generation that we are not selling forward and the stronger US dollar negatively impacted our revenue in 2009. This was partly offset by higher than last year prices on power sold under financial contracts.

PUMPED STORAGE HYDROELECTRIC GENERATION

	Year ended December 31			
	2009		2008	
(US$ millions)	**Revenues**	**Operating cash flow**	Revenues	Operating cash flow
United States	**$ 66**	**$ 35**	$ 86	$ 37

Operating cash flow from our pumped storage facility was not affected materially by the weaker price environment in 2009. Lower revenues were fully offset by lower energy purchases, and resulted from our decision to be more active in the forward reserve market instead of the energy market.

WIND GENERATION

	Year ended December 31			
	2009		2008	
($US millions)	**Revenues**	**Operating cash flow**	Revenues	Operating cash flow
Wind power	**$ 35**	**$ 29**	$ 40	$ 32

During 2009, our wind facility generated 433 GWh, representing a 5% decrease compared to 2008 generation. Operating cash flow during 2009 was lower than 2008 due to the decrease in generation and the strengthening of the US dollar versus the Canadian dollar.

COMBINED CYCLE NATURAL GAS-FIRED GENERATION

	Year ended December 31			
	2009		2008	
($US millions)	**Revenues**	**Operating cash flow**	Revenues	Operating cash flow
Thermal power[(1)]	**$ 46**	**$ -**	$ 71	$ 21

(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 in 2009 is attributable to the expiry, in late 2008, of a below market gas contract to supply our Ontario facility. Gas required to operate this facility is now subject to wholesale market prices. In 2008, we entered into financial contracts to hedge this position and locked in the margin. All power generated from our Ontario facility is sold to the Ontario Electricity Financial Corporation under a fixed price contract.

DISTRIBUTION

Prior to being sold, Distribution had revenue of $11 million during 2009 (2008 - $17 million). Net income for the same period in 2009 was $1 million (2008 - $3 million). We do not expect this disposition to materially impact our future results given that the operating cash flows from Distribution in 2008 represented less than 2% of our consolidated operating cash flow.

2009 FOURTH QUARTER PERFORMANCE REVIEW

SUMMARY

($US millions)	Three months ended December 31, **2009**	2008
Conventional hydroelectric generation		
Canada	**$ 41**	$ 37
United States	**83**	70
Brazil	**43**	13
Pumped storage		
United States	**7**	10
Total hydroelectric generation	**174**	130
Wind generation	**10**	11
Other operations	**1**	7
Total Invested capital / operating cash flow	**185**	148
Interest and financing fees	**(96)**	(80)
Unrealized derivative (loss) gain	**(75)**	46
Depreciation and amortization	**(50)**	(42)
Non-controlling interests	**(13)**	(12)
Recovery of (provision for) income taxes	**43**	(11)
Investment and other income	**5**	10
Net (loss) income before interest on convertible debentures and capital securities	**(1)**	59
Interest on convertible debentures	**(33)**	-
Net (loss) income	**$ (34)**	$ 59

Net loss was $34 million during the fourth quarter of 2009 compared to net income of $59 million in the same period of 2008, mostly as a result of a mark-to-market loss of $75 million on derivative contracts compared to a gain of $46 million last year. This loss resulted from an increase in our price curve for electricity in the last quarter of 2009 compared to decreases in the same curve in the last quarter of 2008.

Interest and financing fee expense was $16 million higher in the fourth quarter of 2009 than the same period in 2008 due to the additional unsecured corporate notes and additional financing relating to Brazil facilities added in late 2008.

Unrealized commodity derivative (loss) gain includes:

($US millions)	Three months ended December 31, 2009	2008
(Loss) gain related to the LIPA contracts	**$ (59)**	$ 29
(Loss) gain on commodity derivatives not qualifying for hedge accounting	**(20)**	16
Gain related to the long-term PPA with an industrial company owned by Brookfield	**5**	4
Loss related to hedge ineffectiveness on derivatives qualifying for hedge accounting	**(1)**	(3)
	$ (75)	$ 46

Depreciation and amortization expense of $50 million during the fourth quarter of 2009 was $8 million higher than the amount recorded in the same quarter of 2008 due to full quarter's depreciation on assets acquired in 2008 in Brazil.

Non-controlling interest expense of $13 million during the fourth quarter of 2009 was in line with the fourth quarter of 2008.

Income tax recovery of $43 million during the fourth quarter of 2009 was comprised of current tax expense of $nil and future tax recovery of $43 million. The $54 million decrease compared to income tax expense of $11 million during the fourth quarter of 2008 was primarily due to a future tax recovery related to changes during the quarter in mark-to-market derivative balances.

Investment and other income of $5 million in the fourth quarter of 2009 was $5 million lower than the amount recorded in the fourth quarter of 2008. Foreign exchange losses recognized in the quarter of $7 million, was offset by income from our equity investments in BILP and ETC of $12 million since acquired in November.

SEGMENTED OPERATING RESULTS

(GWh)	Long-term Average[1] Three months ended December 31, 2009	2008	Actual Production[1] Three months ended December 31, 2009	2008
Conventional hydroelectric generation				
Canada	**1,199**	1,157	**958**	951
United States	**1,445**	1,461	**1,699**	1,487
Brazil	**704**	388	**741**	388
Total conventional hydroelectric generation	**3,348**	3,006	**3,398**	2,826
Pumped Storage	**96**	96	**138**	86
Wind generation	**134**	156	**129**	143
Thermal generation	**224**	224	**155**	148
Total generation	**3,802**	3,482	**3,820**	3,203

(1) LTA and actual production included as of the date of acquisition.

CONVENTIONAL HYDROELECTRIC GENERATION

	Three months ended December 31,			
	2009		2008	
($US millions)	**Revenues**	**Operating cash flow**	Revenues	Operating cash flow
Canada	**$ 69**	**$ 41**	$ 56	$ 37
United States	**116**	**83**	114	70
Brazil	**66**	**43**	23	13
Total	**$ 251**	**$ 167**	$ 193	$ 120
Per MWh	**$ 74**	**$ 49**	$ 68	$ 43

During the fourth quarter of 2009, operating cash flows from our conventional hydroelectric generating assets were $47 million higher than those from the same quarter of 2008.

Our conventional hydroelectric portfolio generated 3,398 GWh during the fourth quarter of 2009, which was slightly higher than LTA and 20% higher than the fourth quarter of 2008. The increase in generation of approximately 300 GWh compared to last year is attributable to generation from assets we added in Brazil in late 2008 and early 2009. The remaining increase in generation during the fourth quarter of 2009 was due to increased generation in the United States.

Revenue for the quarter totaled more than $250 million, $57 million higher than last year, as a result of the contribution from assets added in 2008 and 2009.

Realized prices during the fourth quarter of 2009 were higher than those realized in the fourth quarter of 2008 due to the improving price environment when compared to the fourth quarter of 2008 and the positive impact of higher prices on generation that was not sold forward.

PUMPED STORAGE HYDROELECTRIC GENERATION

	Three months ended December 31			
	2009		2008	
(US$ millions)	**Revenues**	**Operating cash flow**	Revenues	Operating cash flow
United States	**$ 18**	**$ 7**	$ 19	$ 10

Operating cash flows of $7 million from our pumped storage facility during the fourth quarter of 2009 represented a $3 million decrease compared to operating cash flows generated during the fourth quarter of 2008.

WIND GENERATION

	Three months ended December 31			
	2009		2008	
($US millions)	**Revenues**	**Operating cash flow**	Revenues	Operating cash flow
Wind power	**$ 11**	**$ 10**	$ 11	$ 11

Operating cash flow during the fourth quarter of 2009 was $1 million lower than the same period of 2008. The fourth quarter of 2008 was favourably impacted by a one-time recovery of capital taxes.

COMBINED CYCLE NATURAL GAS-FIRED GENERATION

	Three months ended December 31			
	2009		2008	
($US millions)	**Revenues**	**Operating cash flow**	Revenues	Operating cash flow
Thermal power[(1)]	**$ 15**	**$ 1**	$ 11	$ 4

(1) Includes gas resale power equivalent.

The decrease in operating cash flows for the fourth quarter of 2009, compared to the fourth quarter of 2008, is primarily attributable to the expiry of a below market gas contract in late 2008, to supply our Ontario facility.

OUTLOOK

The recent global economic recession decreased the demand for all types of energy. Lower demand for energy translated to lower energy prices. The strategy of selling our electricity forward provides us with stable and predictable revenue during periods of low energy prices. Realized revenue from conventional hydro was $70 per MWh in 2009, while the average wholesale market price ranged from $30 to $40 per MWh. The electricity we have sold forward in 2010, roughly 84% of our generation, averages a price of $82 per MWh. For 2011, 67% of our expected generation will be sold at an average price of $83 per MWh. The balance of our generation will be sold into wholesale electricity markets when certainty of generation is higher. Having some generation not sold forward allows us to capitalize upon favourable market prices when available. Our substantial reservoirs, which represent 40% of our long-term average generation, also assist us in generating and selling power during higher-priced peak periods. We constantly monitor the electricity markets for opportunities to lock-in favourable pricing either through shorter-term financial contracts or long-term bilateral power sales agreements. This strategy of forward selling generation supports our investment grade credit rating and allows us to leverage our assets at a reasonable cost.

Our long-term sales contracts have an average term of 15 years. The following table sets forth our contract profile over the next five years, assuming long-term average generation:

Years ended December 31	2010	2011	2012	2013	2014
Generation (GWh)					
Contracted:					
Hydroelectric generation	9,967	9,536	8,776	8,541	8,540
Wind generation	506	506	506	506	506
Other	398	396	398	398	134
Power sales agreements	10,871	10,438	9,680	9,445	9,180
Financial contracts	2,216	-	-	-	-
Uncontracted	2,490	5,213	5,999	6,225	6,245
	15,577	15,651	15,679	15,670	15,425
Contracted generation % of total	84%	67%	62%	60%	60%
Contracted revenue ($US millions)	$ 1,073	$ 862	$ 827	$ 821	$ 795
Price ($/MWh)	$ 82	$ 83	$ 85	$ 87	$ 87

The current period of low natural gas prices is resulting in a reduction of natural gas supply, which supports our expectation that natural gas and electricity prices should recover and converge back to our expected long term levels in the next few years, creating an opportunity for us to capture additional revenue.

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 costs near zero, the risk of not being dispatched in any market is very low. As a low cost producer of electricity, we are able to sell electricity at a favourable margin under almost all market conditions.

Our strong balance sheet is solid at year-end, with $1.4 billion of cash, cash equivalents and due from related parties, and a portfolio of operating assets that have the ability to generate solid operating cash flows, as evidenced by the $769 million that was provided during 2009. The only debt maturing in 2010 is our $95 million Rumford Falls property specific debt.

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 781 MW of projects that are either in construction or advanced development, with capabilities in conventional hydro and wind that will position us for future growth.

UNDERLYING VALUES

We are adopting International Financial Reporting Standards ("IFRS") as our primary basis of presentation in 2010 and, as a result, the carrying values of most of our tangible assets will be revalued periodically based on fair market values. We believe this will be an important indicator of the underlying values of the Company and will enable us to report to you on our progress in building value on a total return basis. We do not believe that these metrics are particularly meaningful in measuring short-term performance because we execute our business plans over a long term.

The following table presents our invested capital by major geographic region, prepared on a fully consolidated basis reflecting underlying values:

	2009				2008			
	Consolidated Assets	Consolidated Liabilities	Co-investor Interests	Net Invested Capital	Consolidated Assets	Consolidated Liabilities	Co-investor Interests	Net Invested Capital
Hydroelectric								
United States	$ 6,075	$ 2,017	$ 226	$ 3,832	$ 6,403	$ 2,042	$ 268	$ 4,093
Canada	4,987	1,050	984 [1]	2,953	4,478	999	347 [1]	3,132
Brazil	2,186	611	109	1,466	1,553	464	103	986
	13,248	3,678	1,319	8,251	12,434	3,505	718	8,211
Other generation	413	265	-	148	345	243	-	102
Development	314	-	-	314	253	-	-	253
Unsecured borrowings	-	1,332	-	(1,332)	-	653	-	(653)
	13,975	5,275	1,319	7,381	13,032	4,401	718	7,913
Other assets and liabilities	1,545	1,043	-	502	872	450	-	422
	$ 15,520	$ 6,318	$ 1,319	$ 7,883	$ 13,904	$ 4,851	$ 718	$ 8,335

1. Includes $616 million (December 31, 2008 - $284 million) of co-investor interests classified as liabilities under IFRS.

The underlying value of our power generating operations was $7,883 million as at December 31, 2009 after deducting borrowings and minority interests.

The valuations are impacted primarily by the discount rate and long-term power prices. A 100-basis point change in the discount and terminal capitalization rates and a $7.00 change in long-term power prices will impact the value of our net invested capital by $2.2 billion and $0.6 billion, respectively.

The key valuation metrics of our hydro and wind generating facilities at the end of 2009 and 2008 are set out in the following tables:

As at December 31, 2009

	United States			Canada			Brazil		
	Minimum	Maximum	Average	Minimum	Maximum	Average	Minimum	Maximum	Average
Discount rate [1]	6.9%	8.4%	8.2%	6.4%	7.9%	7.3%	10.6%	11.6%	11.0%
Terminal capitalization rate	8.4%	8.4%	8.4%	7.9%	7.9%	7.9%	10.6%	11.6%	11.0%
Exit date	2029	2029	2029	2029	2029	2029	2024	2036	2030

(1) After-tax discount rate.

As at December 31, 2008

	United States			Canada			Brazil		
	Minimum	Maximum	Average	Minimum	Maximum	Average	Minimum	Maximum	Average
Discount rate (1)	6.7%	8.2%	8.0%	6.6%	8.1%	7.7%	9.9%	10.9%	10.4%
Terminal capitalization rate	8.2%	8.2%	8.2%	8.1%	8.1%	8.1%	10.6%	11.6%	11.0%
Exit date	2028	2028	2028	2028	2028	2028	2024	2033	2030

(1) After-tax discount rate.

FINANCIAL POSITION

We continue to have a strong balance sheet with cash and cash equivalents in the amount of $149 million, $138 million in liquidity from our securities in related parties and $1,099 million in short and long-term funds on deposit with Brookfield. We also have access to a further $79 million in undrawn credit facilities. Based on our experience and ability to generate operating cash flows, we believe that current resources are more than adequate to meet requirements for working capital and capital expenditures through the foreseeable future.

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

CASH AND CASH EQUIVALENTS

($US millions)	Year ended December 31 **2009**	2008
Cash flow provided by operating activities	**$ 532**	$ 560
Cash flow provided by financing activities	**616**	248
Cash flow used in investing activities	**(1,175)**	(717)
Impact of foreign exchange on cash	**32**	(8)
Net cash inflow	**$ 5**	$ 83

Cash and cash equivalents at the end of the year amounted to $149 million, representing a $5 million increase since December 31, 2008.

Operating Activities

During the year, we generated $532 million from operating activities, representing a $28 million decrease over the prior year. The decrease in cash from operating activities was primarily due to a decrease in operating cash flow of $55 million, net of interest and financing fees. Offsetting this decrease was changes in non-cash working capital items totaling $27 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 $616 million from financing activities. Cash inflow was sourced from the $375 million unit issuance to external unitholders of the Fund, and net additional property specific and corporate borrowings totalling $417 million. These cash inflows were partially offset by repayments of principal to a related party in the amount of $36 million, and distributions to non-controlling interests and common shareholder in the amounts of $81 million and $56 million, respectively.

Investing Activities

During the year, we redeployed cash of $1,175 million through various investing activities, including a $574 million increase in amounts placed on deposit with Brookfield and $435 million for the acquisition of Brookfield's investment in infrastructure assets. Additionally, we invested $165 million in capital asset additions, including the construction of projects in our development pipeline for $120 million, and increased funds held in escrow by $74 million during the year in our Brazil and Louisiana facilities. The sale of our Distribution business in 2009 generated an additional $71 million.

POWER GENERATING AND OTHER ASSETS

The book value of our power generating assets and other assets increased to $6,210 million as at December 31, 2009. The increase of $679 million was due to the favourable impact of foreign exchange on our Canadian and Brazilian assets compared to December 31, 2008, as well as the day one value of our contract signed with LIPA during the second quarter of 2009 and the recognition of an asset relating to the usage of public assets within two of the Company's Brazil subsidiaries. Partially offsetting these increases was the disposal of our Distribution business.

($US millions)	**December 31 2009**	December 31 2008	Change
Power generating assets	**$ 4,979**	$ 4,498	$ 481
Other assets	**1,231**	1,033	198
	$ 6,210	$ 5,531	$ 679

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 income.

($US millions)	**December 31 2009**	December 31 2008	Change
Short-term derivative assets	**$ 104**	$ 62	$ 42
Long-term derivative assets	**161**	88	73
Short-term derivative liabilities	**(29)**	(11)	(18)
Long-term derivative liabilities	**(132)**	(81)	(51)
	$ 104	$ 58	$ 46

Long-term derivative assets and liabilities are included in other assets and other long-term liabilities on our balance sheet. The impact of the net change in value of the derivative assets and liabilities negatively affected our net income during 2009 by $39 million, while $38 million positively impacted our other comprehensive income. The new LIPA II contract, with a fair value at inception of $97 million, included in derivative assets, is offset by a deferred liability of approximately the same amount. The remaining difference represents the impact of foreign exchange and certain other derivative balances that have been offset by deferred amounts as we await final settlement of the underlying transactions. At December 31, 2009, $2 million is held as net collateral in respect of our total mark-to-market position compared to $31 million held as net collateral at December 31, 2008.

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 should they present themselves.

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

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

($US millions)	**December 31 2009**	December 31 2008	Increase (decrease)
Credit facilities	**$ 339**	$ 101	$ 238
Long-term debt	**4,936**	4,300	636
Convertible debentures due to Brookfield	**951**	-	951
Promissory notes due to Brookfield	**133**	1,234	(1,101)
Non-controlling interests	**208**	239	(31)
Shareholder's equity			
Preferred shares	**1,633**	1,391	242
Common shares	**622**	622	-
Other components of shareholder's equity	**(1,078)**	(640)	(438)
Total	**$ 7,744**	$ 7,247	$ 497

Total capitalization increased by $497 million since December 31, 2008 as a result of net income during the year, increased borrowings, and contributed surplus relating to the investment in infrastructure assets.

As part of our financing strategy, we raise the majority of our debt capital in the form of property specific borrowings. These borrowings are generally secured only by the assets of the related property and, have limited recourse to the Company. We provide covenants to certain of our lenders, as do most borrowers. As at December 31, 2009, we were in compliance with all covenants related to our property specific borrowings and corporate debt.

During 2009, we repaid CDN$450 million of Series 1 unsecured corporate notes using part of the proceeds from the issuance of a total of CDN$700 million of Series 5 and 6 unsecured corporate notes.

The authorized capital of the Company consists of an unlimited number of common shares and an unlimited number of Class A, Class B and Class C preferred shares. At December 31, 2009 and the date of this MD&A, there were 2,488,278 common shares of the Company issued and outstanding (December 31, 2008 – 2,488,278) and 73,191,974 Class B preferred shares issued and outstanding (December 31, 2008 – 57,077,112 Class A preferred shares). There were no Class C preferred shares issued and outstanding at December 31, 2009 (December 31, 2008 – nil).

	Common Shares	**Class A Preferred Shares**	**Class B Preferred Shares**
Shares outstanding, beginning of year	**2,488,278**	**57,077,112**	**-**
Share issuance, February 2009	**-**	**54,705,200**	**-**
Share redemption, September 2009	**-**	**(40,000,000)**	**-**
Share exchange, November 2009	**-**	**(71,782,312)**	**71,782,312**
Share issuance, November 2009	**-**	**-**	**1,409,662**
Shares outstanding, end of year	**2,488,278**	**-**	**73,191,974**

During February 2009, we issued 54,705,200 Class A preferred shares to Brookfield with a value of $1,100 million in return for a $1,100 million reduction of the balance of promissory notes due to Brookfield. On September 1, 2009, we redeemed from Brookfield 40,000,000 Class A preferred shares in exchange for CDN$1,000 million of convertible debentures. During November 2009, we further exchanged the remaining 71,782,312 Class A preferred shares for the same number of Class B preferred shares. Additionally, another 1,409,662 Class B preferred shares were issued as partial payment of our acquisition of Brookfield's infrastructure assets, as discussed under 'Portfolio Activities for 2009'.

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. Both Fitch and Standard and Poor's have a negative outlook as a result of the current pricing environment. The long-life nature of our assets has allowed us to finance with non-recourse debt and manageable near-term maturities, minimizing risks associated with liquidity and refinancing. We manage our capital in order to maintain a debt to capitalization ratio below 75%. The debt to capitalization ratio was below the maximum threshold at December 31, 2009 and December 31, 2008 (68% and 61%, respectively).

SUPPLEMENTAL INFORMATION

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

FINANCIAL INSTRUMENTS

The Company has exposure to the following risks from its use of financial instruments: market risk, credit risk and liquidity risk. The Company's management is responsible for determining the acceptable level of risk and only uses derivative financial instruments to manage existing and anticipated risks, and commitments or obligations based on its past experience.

Market Risk
Market risk, the risk that the fair value of future cash flows of financial assets or liabilities will fluctuate due to movements in market prices, is comprised of commodity price risk, interest rate risk, and foreign exchange risk.

Commodity Price Risk
Commodity price risk is managed through PPAs and energy contracts. As at December 31, 2009, approximately 70% of the Company's generation is sold pursuant to PPAs with an average remaining duration of 15 years. The Company's generation not sold under PPAs is delivered to wholesale power markets at the prevailing market price. The Company enters into energy derivative contracts to manage the price risk associated with these transactions. The use of such contracts is governed by an established risk management policy that, among other things, sets specific transaction limits. At a hedge's inception and on an ongoing basis, the Company formally assesses whether the derivatives that are used in hedging transactions are effective in offsetting changes in cash flows of the hedged items. In addition to financial contracts, the Company's commodity derivatives also include two long-term PPAs with LIPA, known as the LIPA I and LIPA II contracts, and a long-term power guarantee agreement with the Fund, which were all determined to be non-financial derivatives.

Interest Rate Risk
Fluctuations in interest rates could impact the Company's cash flows, primarily with respect to the interest payable on the Company's variable rate debt, which is limited to certain property specific borrowings and long-term debt with a total principal value of $1,076 million. As such, the Company and its subsidiaries will, from time to time, enter into agreements designed to minimize the exposure to interest rate fluctuations on these debts.

Foreign Exchange Risk
The Company, as a US dollar functional currency entity, is exposed to foreign exchange risk on the translation of the accounts of its Canadian and Brazilian self-sustaining operations. In order to mitigate this risk, the Company designates certain monetary liabilities as hedges against its investment in self-sustaining Canadian operations. In addition, the Company monitors the risk associated with foreign exchange rate fluctuations and, from time to time, may enter into forward foreign exchange contracts or employ other hedging strategies. Derivatives that are not designated as part of an eligible hedge relationship are carried at fair value with changes in fair value recorded in net income in the period in which they occur.

Credit Risk
Credit risk is the risk that the counterparty to a financial asset will default resulting in the Company incurring a financial loss. The Company's cash flows could be negatively impacted in the event of non-performance by counterparties to its financial and physical electricity and gas contracts, as well at its foreign exchange and interest rate swap contracts. The Company minimizes credit risk with counterparties to financial instruments and physical electricity and gas transactions through the selection, monitoring and diversification of counterparties, and the use of standard trading contracts, collateral and other credit risk mitigation techniques. In addition, the Company's PPAs are reviewed regularly and are

almost exclusively with customers having long standing credit histories or investment grade ratings, which limit the risk of non-collection.

Liquidity Risk
Liquidity risk is the risk the Company cannot meet a demand for cash or fund an obligation when due. Liquidity risk is mitigated by the Company's cash and cash equivalent balances, its access to un-drawn credit facilities and through the use and management of short-term investments and amounts due from related party. Accounts payable and interest expense are paid with cash flows from operations. The Company believes that its current resources are adequate to meet its requirements for working capital.

CONTRACTUAL OBLIGATIONS

The following table summarizes our significant contractual obligations as of December 31, 2009:

($US millions)	2010	2011	2012	2013	2014	Thereafter	Total
Long-term debt							
Property specific borrowings	$ 162	$ 84	$ 654	$ 254	$ 198	$ 1,824	$ 3,176
Finance debt obligation	38	42	47	51	40	531	749
Corporate and other debt	-	-	380	-	36	638	1,054
Credit facilities	339	-	-	-	-	-	339
Promissory notes	-	-	-	-	-	133	133
Capital projects (1)	161	-	-	-	-	-	161
	700	126	1,081	305	274	3,126	5,612
Interest Expense (2)							
Property specific borrowings	210	207	199	169	137	951	1,873
Finance debt obligation	77	73	69	64	59	491	833
Corporate and other debt	75	73	56	40	39	273	556
	362	353	324	273	235	1,715	3,262
Total	$ 1,062	$ 479	$ 1,405	$ 578	$ 509	$ 4,841	$ 8,874

(1) In the normal course of operations, the Company has committed as at December 31, 2009 to spend approximately $161 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 28 to the 2009 audited consolidated financial statements. There have been no material changes for the year ended December 31, 2009 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 sold significant assets to the Fund during 2009 and acquired Brookfield's infrastructure investments. Both transactions are described in the 'Portfolio Activities' section of this MD&A. The Company also holds short and long-term investments in Brookfield and its subsidiaries that generate interest income.

The following table summarizes the income statement impact of related party transactions for the year:

($US millions)	Year ended December 31 2009	2008
Revenues		
Sale of power	**$ 24**	$ 28
Receipt of insurance claims from Riskcorp Inc.	**3**	-
Investment and other income		
Interest earned on demand deposits, promissory notes, and securities with affiliated companies	**13**	12
Gain (loss) on forward exchange contracts with parent	**7**	(6)
Expenses		
Interest expense on convertible debentures	**44**	-
Interest expense on capital securities	**-**	31
Interest expense on note payable	**7**	9
Insurance services from Riskcorp Inc.	**11**	11

The following table summarizes the balances receivable from and payable to related parties as at December 31:

$US millions	**2009**	2008
Due from related parties – short-term		
Demand deposits with Brookfield	**$ 485**	$ 346
Promissory notes with Brookfield	**29**	25
	$ 514	$ 371
Securities in related parties	**$ 138**	$ 121
Due from related parties		
Notes receivable from Brookfield and wholly-owned subsidiary of Brookfield	**$ 578**	$ 1,556
Due from other owners of jointly controlled subsidiaries	**7**	8
	$ 585	$ 1,564
Due to related party – short-term		
Note payable to wholly-owned subsidiary of Brookfield	**$ 32**	$ -
Due to related parties		
Note payable to Brookfield	**$ 133**	$ 1,234
Note payable to wholly-owned subsidiary of Brookfield	**63**	95
	$ 196	$ 1,329
Convertible debentures	**$ 951**	$ -

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:

($US millions, except generation)	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Power generated (GWh)	**3,820**	3,720	4,243	4,035	3,203	3,399	4,039	3,792
Revenues	**$ 296**	$ 263	$ 308	$ 300	$ 238	$ 289	$ 336	$ 321
Operating cash flow	**185**	162	211	211	148	185	237	237
Net (loss) income	**(34)**	214	144	100	59	148	23	47

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 2009 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, 2009, we adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, *Goodwill and Intangible Assets*, replacing Handbook Sections 3062, *Goodwill and Other Intangible Assets* and 3450, *Research and Development Costs*. Handbook Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangibles by profit-oriented enterprises. Implementation of Handbook Section 3064 did not have a material impact on our financial position or results of operations.

In January 2009, the Emerging Issues Committee of the CICA issued Abstract No. 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* ("EIC-173"). EIC-173 requires an entity to take into account its own credit risk and that of the relevant counterparties when determining the fair value of financial assets and financial liabilities, including derivative instruments. This EIC, which was effective for us on January 1, 2009, had no impact on our financial position or results of operations because we had been incorporating the aforementioned credit risks into our valuation methodology before the EIC was issued.

In June 2009, the CICA amended Handbook Section 3862, *Financial Instruments – Disclosures*, to enhance disclosure requirements about the liquidity risk of financial instruments, to include new disclosure requirements about fair value measurements of financial instruments, and to include implementation guidance about fair value measurement disclosures to assist in applying the Handbook Section. Handbook Section 3862 now requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of inputs used to measure the fair value of assets and liabilities:

i. Level 1 – inputs are based on unadjusted quoted prices in active markets for identical assets and liabilities;
ii. Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly;

iii. Level 3 – inputs for the asset or liability that are not based on observable market data.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The amendments to Handbook Section 3862 had no impact on our financial position or results of operations.

Future Accounting Policy Changes

IFRS

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that IFRS will replace GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The Canadian Securities Administrators has granted us exemptive relief to prepare our financial statements in accordance with IFRS earlier than on January 1, 2011. We intend to transition to IFRS on January 1, 2010 and our first financial statements prepared in accordance with IFRS will be as at and for the three-month period ending March 31, 2010. These financial statements will include comparative results for the period commencing January 1, 2009.

In order to prepare its first financial statements in accordance with IFRS as at and for the three-month period ending March 31, 2010, the Company has made the following progress on the key elements of its changeover plan:

- Selection of IFRS accounting policies. The Company has selected accounting policies from the optional exemptions available under IFRS 1 and it has prepared a balance sheet as at January 1, 2009 that transitions the Company from GAAP to IFRS. We are currently working on finalizing our opening IFRS balance sheet and preparing model financial statements, as at and for the three month period ending March 31, 2010, with comparative amounts for the three-month period ended March 31,2009;
- Changes to information technology and data systems. A new enterprise resource planning system ("ERP") that will accommodate IFRS reporting data is planned for implementation in 2011;
- Development of IFRS expertise. A project manager dedicated to the IFRS conversion has prepared a training plan for the Company's employees. Further, the employees have undertaken individual IFRS training courses. Employees and consultants with IFRS experience have been hired to facilitate the transition. IFRS training has been provided to the members of the Company's Audit Committee;
- Changes to internal controls and disclosure controls. The impact on internal controls and disclosure controls of converting to IFRS is being assessed by knowledgeable staff on an ongoing basis; and
- Other related business matters. The impact of transitioning to IFRS is being communicated throughout the Company, as it affects planning and contractual arrangements, among other issues.

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.

IFRS is premised on a conceptual framework similar to 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 should not materially change the operating cash flow generated by the Company, it will change our consolidated balance sheet and statement of income materially.

Impact of Adoption of IFRS on the Transitional Balance Sheet

The following paragraphs quantify and describe the expected impact of significant differences between the Company's December 31, 2008 balance sheet under GAAP and its January 1, 2009 opening balance sheet under IFRS. This discussion has been prepared using the standards and interpretations currently issued and expected to be effective at the end of the Company's first annual IFRS reporting period, which the company expects will be December 31, 2010. Certain accounting policies expected to be adopted under IFRS may not be adopted and the application of such policies to certain transactions or circumstances may be modified and, as a result, the impact of the company's conversion to IFRS may be different than its current expectation. The amounts have not been audited, and are subject to review by the Company's external auditor.

Power Generating Assets Revaluation
In accordance with IAS 16 - Property, Plant and Equipment, the Company has chosen to measure certain property, plant and equipment of its power generation business at fair value. The valuations were completed by discounting the expected cash flows of each generating station primarily over a 20-year period plus a terminal value. The impact of the revaluation increased power generating assets on the transitional balance sheet from $4,498 million reported under GAAP to $12,169 million under IFRS, net of the effects of deconsolidation and certain reclassifications to other long-term assets. Depreciation expense will be significantly higher under IFRS.

Revaluation Surplus
Increases in fair value on property, plant and equipment are recorded in revaluation surplus within equity. Future increases in fair value will be recorded as revaluation surplus, while future decreases in fair value will reduce previously recorded revaluation surplus, with any excess being recognized in the statement of income.

Deconsolidation and Investments in Associates
Investments in associates at January 1, 2009 was established as $287 million under IFRS. The investments relate to entities that are consolidated, or proportionately consolidated, under GAAP that will be accounted for in accordance with the equity method under IFRS. Investments in associates will include the Company's equity interest in Bear Swamp Power Company LLC, Powell River Energy Inc., Pingston Creek Hydro Joint Venture, and Galera Centrais Életricas S.A. (Brazil).

Fund Unit Classification
Fund units classified as non-controlling interest under GAAP must be accounted for as liabilities in the Company's financial statements under IFRS, due to the redemption features included in the trust indenture. The liability is recorded at the lesser of 90% of the average closing price for the last ten days, or the closing price on the balance sheet date, multiplied by the number of minority units outstanding, with subsequent change in fair value recorded through net income. At the transition date this resulted in an increase in other long-term liabilities of $284 million with a reduction in shareholder's equity of $151 million and non-controlling interest of $133 million.

Other IFRS Adjustments

Derecognition of Assets and Liabilities
Certain assets and liabilities previously recognized under GAAP are not eligible for recognition under IFRS. These assets and liabilities relate to the use of levelized accounting by a subsidiary of the Company, and certain regulatory balances. This has resulted in reductions of accounts receivable and other, other long-term assets, other long-term liabilities and common equity of $6 million, $532 million, $82 million and $209 million, respectively, with a corresponding future income tax liability decrease of $132 million.

Balance Payable to Related Party
Brookfield Renewable has a long-term, non-interest bearing, promissory note payable to Brookfield. IFRS requires that the note be measured at fair value at inception; resulting in a calculation for the imputed interest portion as if the loan had commercial terms. This resulted in an increase of a due to related

party payable of $122 million with a corresponding adjustment to retained earnings of $87 million for the amount of interest that would have been paid had the loan been based on market rates, and a reduction in the future income tax liability of $35 million.

Adjustments relating to IFRS 1, First-Time Adoption of IFRS ("IFRS 1")
As outlined above, the Company has applied optional exemptions available under IFRS 1, which will result in opening balance sheet adjustments. The Company has elected to reset cumulative translation differences to zero upon transition to IFRS, with a $125 million adjustment from accumulated other comprehensive income to retained earnings. The Company has also elected to recognize an actuarial pension loss upon transition to IFRS. The recognition of the actuarial pension loss will result in a decrease to retained earnings of $7 million with an increase in pension obligations of $11 million. By recognizing the past service pension cost, the future income tax liability is reduced by $4 million.

Future Income Tax Liability
The Company expects its future income tax liability at January 1, 2009 to increase by approximately $2,553 million under IFRS compared to its future income tax liability determined in accordance with GAAP. This change primarily relates to an increase in future income tax liabilities associated with the increased carrying values of the Company's power generating assets.

Shareholder's Equity
The net impact of the above mentioned adjustments will increase shareholder's equity to $6,074 million from the $1,373 million recorded under GAAP, an increase of $4,701 million.

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, labour relations, litigation, 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 licence 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 our 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 is 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 to 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, licences 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, labour disruptions and inclement weather.

The demand for power generation equipment such as wind and hydro turbines is increasing 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 labour 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.

Decreases in the Value of and Distributions from Infrastructure Assets
Unfavourable economic conditions could have a significant impact on the value and liquidity of our infrastructure investments and the level of investment income. Market values of our infrastructure investments as well as income from such investments may decline for a number of reasons, including changes in local, regional, national and international economic conditions and other events and occurrences that affect the markets and industries in which our investments operate; changes in our investments or their asset composition; variations in their operating results and financial condition; changes in distribution policies of our investments; changes in laws and government regulations affecting their business; regulatory non-compliance; legal actions; investment restrictions; levels of indebtedness; availability of credit and capital; changes in currency rates, interest rates, commodity prices and other financial exposures; changes in tax laws; write-downs or perceived credit or liquidity issues (including ratings changes) affecting our investments; changes in strategic direction of our investments; achievement of strategic goals of our investments; mergers, acquisitions and divestitures affecting our investments; and other risks specific to the business operations in our investments.

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 were to occur, our financial position would be materially and adversely affected.

Credit Ratings
There is no assurance that any credit rating assigned to us, or to our or any of our subsidiaries' debt securities will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating agency. A lowering or withdrawal of such ratings may have an adverse effect on our financial position.

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 favour 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 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, 2009.

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 27.

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; changes in policies and assumptions in determining IFRS valuations; 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, 2010, the date of this MD&A.

/s/ Donald Tremblay

Donald Tremblay
Executive Vice President and Chief Financial Officer