



# PATTERN ENERGY GROUP INC.

Investor presentation | May 2016

# SAFE HARBOR STATEMENT

The following information contains, or may be deemed to contain, “forward-looking statements” (as defined in the U.S. Private Securities Litigation Reform Act of 1995 and “forward-looking information” as defined in Canadian securities laws). The words “may,” “plan,” “forecast,” “seek,” “target,” “goal,” “believe,” “expect,” “anticipate,” “intend,” “estimate” and other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters identify forward-looking statements. You should not place undue reliance on these forward-looking statements about Pattern Energy Group Inc. (the “Company”). By their nature, forward-looking statements are not statements of historical facts and involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future, many of which are outside the Company’s control. Such risks and uncertainties could cause the actual results, performance or achievements of the Company to be materially different from its current expectations and include, but are not limited to: the Company’s ability to complete construction of any construction projects and transition them into financially successful operating projects; the Company’s ability to complete acquisition of power projects; fluctuations in supply, demand, prices and other conditions for electricity; the Company’s electricity generation, projections thereof and factors affecting production including wind and other conditions, other weather conditions, availability and curtailment; changes in law; and the Company’s ability to keep pace with and take advantage of new technologies.

In particular, this presentation contains the Company’s adjusted EBITDA and cash available for distribution, which are not measures under generally accepted accounting principles in the United States (“U.S. GAAP”). Adjusted EBITDA and cash available for distribution have been disclosed because the Company believes that these measures may assist investors in evaluating its financial performance and its ability to pay dividends. Neither adjusted EBITDA nor cash available for distribution should be considered the sole measure of the Company’s performance and should not be considered in isolation from, or as a substitute for, the Company’s U.S. GAAP measures, including, but not limited to, the most directly comparable U.S. GAAP measures, net (loss) income and net cash provided by operating activities, respectively. See pages 21-23 of this presentation, Item 7 in the Company’s annual report on Form 10-K and for the year ended December 31, 2015, and Item 2 in the 2016 quarterly report on Form 10-Q for the period ended March 31, 2016, titled Management’s Discussion and Analysis of Financial Condition and Results of Operations – Key Metrics, for a reconciliation of net cash provided by operating activities to cash available for distribution and net (loss) income to adjusted EBITDA. Forward looking measures of CAFD, run-rate CAFD and CAFD per share growth are non U.S. GAAP measures that cannot be reconciled to net cash provided by operating activities as the most directly comparable non U.S. GAAP financial measure without unreasonable effort. A description of the adjustments to determine CAFD can be found in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations – Key Metrics of the Company’s 2015 Annual Report on Form 10-K and the 2016 Quarterly Report on Form 10-Q.

All forward-looking statements speak only as of the date made, and the Company expressly disclaims any intention or obligation to revise or publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise except as may be required by applicable law. For additional information regarding known material risks that could cause the Company’s actual results to differ from its projected results please read “Risk Factors” in the Company’s 2015 annual report on Form 10-K and the 2016 quarterly report on Form 10-Q.

**(All currencies are U.S. dollars unless specified otherwise.)**

# HIGHLIGHTS

**ALL  
16  
PROJECTS FULLY  
OPERATIONAL**

**ARMOW  
KANAGI SOLAR  
FUTTSU SOLAR  
PROJECTS COMMENCED  
COMMERCIAL OPERATIONS  
SINCE DECEMBER FROM IDENTIFIED ROFO LIST**

**9<sup>th</sup>  
CONSECUTIVE  
DIVIDEND  
INCREASE**

**\$1.56  
ANNUALIZED  
DIVIDEND  
PER SHARE**

**\$41M  
IN CAFD BEAT  
EXPECTATIONS**

**340%  
INCREASE  
VS Q1 2015**

# WHAT IS PATTERN

## OWNER & OPERATOR



PEGI : NASDAQ

PEG : TSX

## DEVELOPER



Privately owned

Owns ~23% of PEGI

wind

solar

transmission



United States

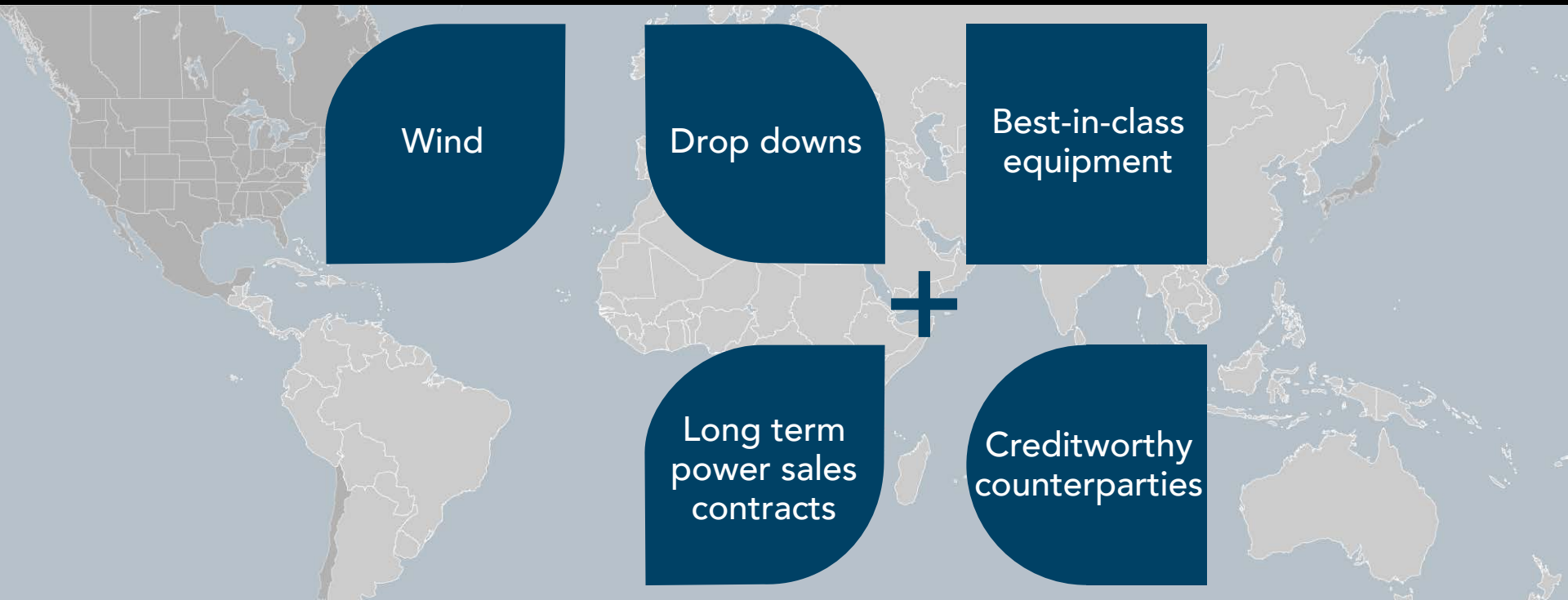
Canada

Chile

Japan

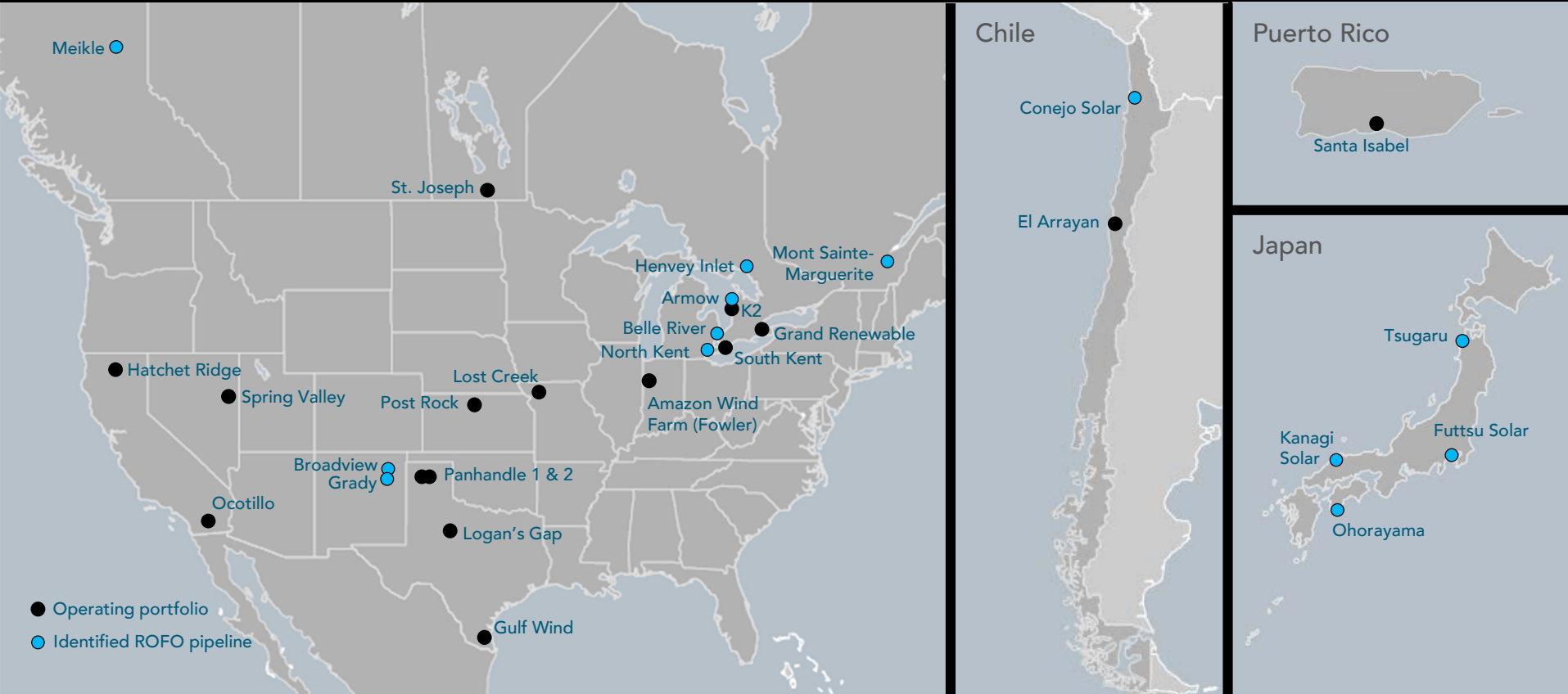
Mexico

# INTEGRATED OPERATOR OF HIGH QUALITY ASSETS



OUR STRATEGY FOR STABLE, GROWING RETURNS

# GEOGRAPHICALLY DIVERSIFIED PORTFOLIO



# PATTERN OUTLOOK

## BEST-IN-CLASS BUSINESS

### Built in CAFD Growth

- Growing to \$156M from \$92M (FY 2015)
- 9 consecutive dividend increases (25% increase since IPO)

### Wind Resources

- ~7 years of on site data
- Quarterly forecasting

### Best Equipment

- Siemens/GE
- <3 year average age
- ~98% turbine availability

### Long-term Contracts

- A weighted average credit rating of off-takers
- 89% of volume under long-term contract

### Project Debt

- Amortizing less than PPA term
- <5% long-term fixed interest on project debt

## SOUND STRATEGY

### Driving Value Over 5 Years

- Reducing operating costs by \$10,000 – \$20,000/turbine
- Increasing production 3 – 5%
- Increasing corporate efficiencies

### Patient Capital Needs

- No equity required for current business
- \$100-150M in capital available for drop downs

### Growing Responsibly

- Strong 1.3 GW identified ROFO
- Expanded Pattern Development capital

### Expanding Business Opportunities

- 5,000 MW by end of 2019
- Development

### Lasting Capital Structure

- Project debt
- 3X corporate debt cash flow coverage

# PATTERN: A UNIQUE YELDCO

	PATTERN ENERGY	TYPICAL YELDCO
Sponsor flexibility	<b>private: high degree</b>	public: lower degree
Approach	<b>operating company</b>	financial structure
Management	<b>internal</b>	external
IDRs	<b>none</b>	most have IDRs
Growth strategies	<b>develop &amp; drop opportunistic 3<sup>rd</sup> party</b>	3 <sup>rd</sup> party acquisitions, some drops
Growth approach	<b>CAFD multiple + intrinsic / strategic</b>	primarily CAFD multiple

## CLEAN & TRANSPARENT RELATIONSHIPS

- No IDRs
- No undisclosed commitments to sponsor
- No cross defaults on any loans
- No undisclosed 3<sup>rd</sup> party commitments

## STRONG ALIGNMENT BETWEEN INVESTORS AND MANAGEMENT

## CONSISTENTLY DELIVERED RESULTS

- Forecasting strength
- Managing costs



# CONTRACTS DESIGNED FOR CASH FLOW STABILITY

Long-term, fixed-price PPA contracts

Stable operational cost profile

Fixed-price, amortizing project financing

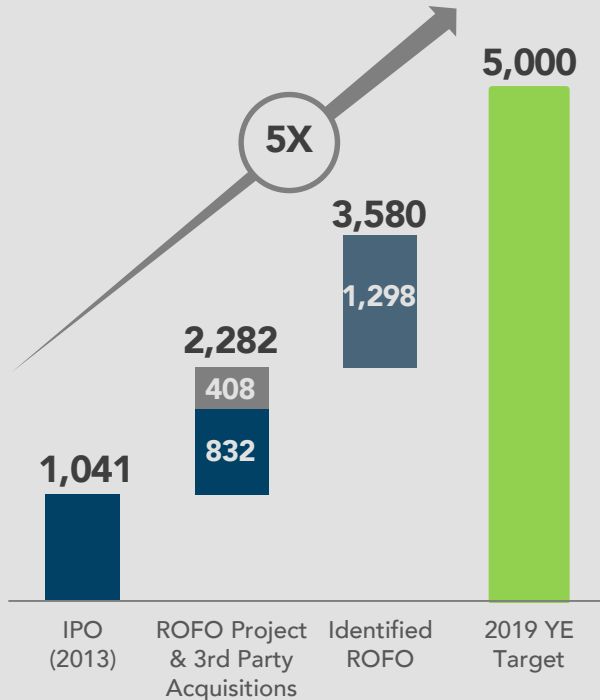
Tax and PPA term offset by  
debt term and tax equity flip

**25 YEARS  
CAFD & EBITDA  
STABILITY**

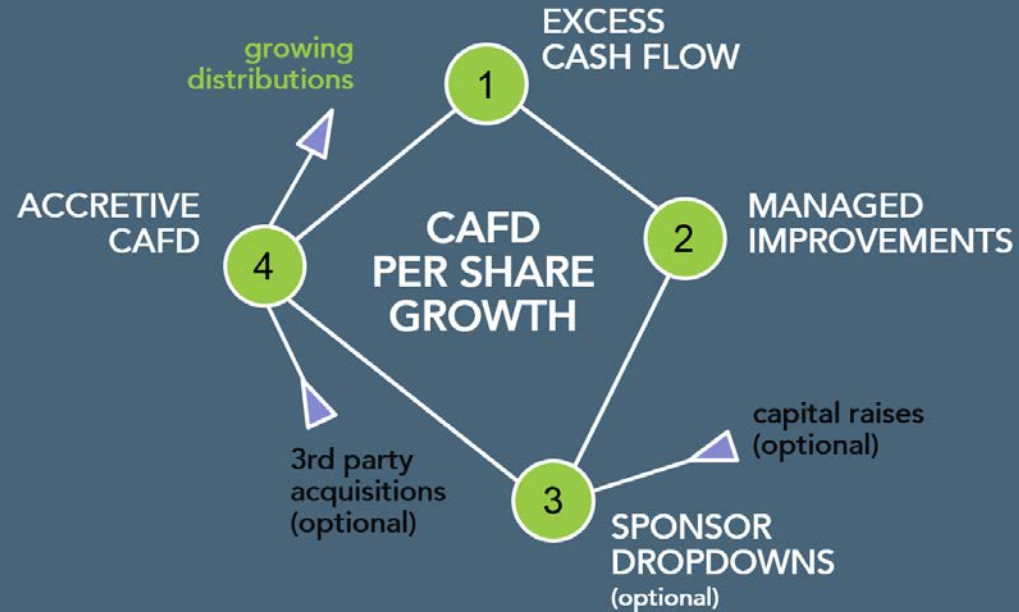
Assumes zero residual value with spot market pricing at approximately today's values

# EXPANDING OUR OUTLOOK TO 5,000 MW BY END OF 2019

## OWNED CAPACITY GROWTH (MW)



## PATTERN'S VIRTUOUS CYCLE



# IDENTIFIED ROFO LIST

Near-term opportunities through Pattern Development purchase rights

	Net owned capacity (MW)	Revenue	Est. Commercial Operations Date
Armow	90	20 year PPA	2015 A
Kanagi Solar	6	20 year PPA	2016 A
Futtsu Solar	19	20 year PPA	2016 A
Meikle	180	25 year PPA	2016
Conejo Solar	84	22 year PPA	2016
Belle River	50	20 year PPA	2017
Broadview projects	259	25 year PPA	2017
Grady	176	20 year PPA	2017
Henvey Inlet	150	20 year PPA	2017
North Kent	43	20 year PPA	2017
Mont Sainte-Marguerite	147	25 year PPA	2017
Ohorayama	31	20 year PPA	2017
Tsugaru	63	20 year PPA	2018
<b>Total</b>	<b>1,298</b>		

## 1,298 MW

identified ROFO list  
owned interest

## 57%

increase to  
existing portfolio

## 832 MW

assets dropped  
down since IPO

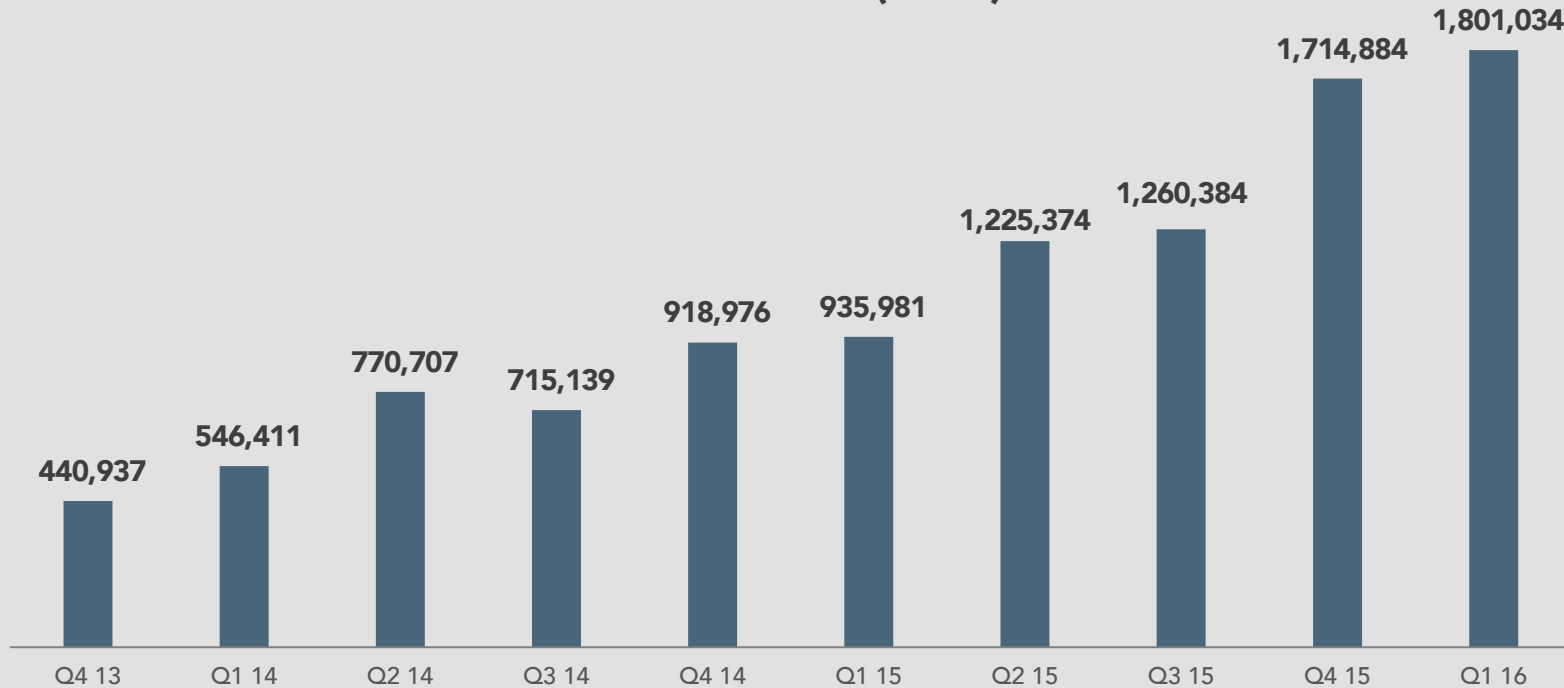


**FINANCIALS**



# DIVERSIFIED AND INCREASING ASSET BASE

## QUARTERLY PROPORTIONAL PRODUCTION (MWh)



# Q1 FINANCIAL SUMMARY

*USD millions  
(except GWh)*

Q1 2016

Q1 2015

change

GWh

**1,801**

**936**

**92%**

Revenue

**\$87.6**

**\$64.9**

**35%**

Adjusted EBITDA<sup>1</sup>

**\$78.1**

**\$46.7**

**67%**

Cash Available  
for Distribution<sup>1</sup>

**\$41.0**

**\$9.3**

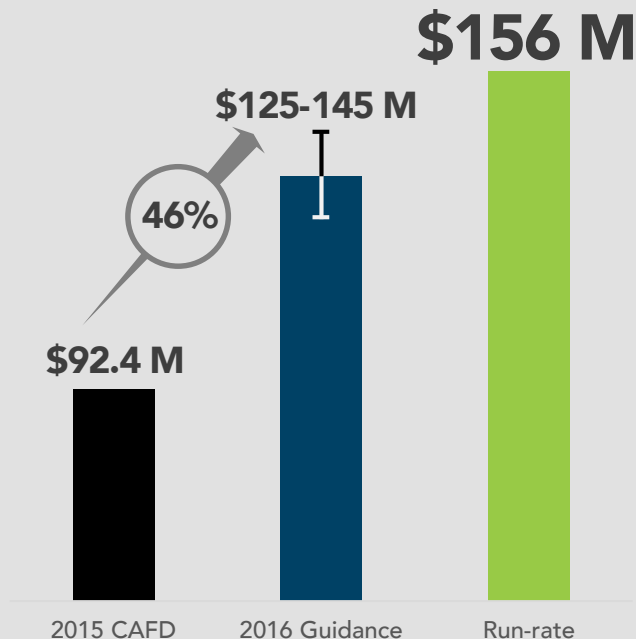
**340%**

**\$41.0 M Q1 CAFD: ON TRACK TO ACHIEVE \$125-145 M FY 2016 GUIDANCE**

1) See pages 21-23 for a reconciliation of Q1 2016/2015 net cash provided by operating activities to Q1 2016/2015 cash available for distribution and net (loss) income to adjusted EBITDA

# NO NEW EQUITY REQUIRED TO ACHIEVE BOTH GUIDANCE AND RUN RATE

## 2016 CAFD GUIDANCE \$125-145 M



## EXISTING ASSETS AND CAPITAL STRUCTURE ALLOW FOR CONTINUED GROWTH

# NINE DIVIDEND INCREASES

Period	Dividend per Class A share	% increase
Q1 2014	\$0.3125	--
Q2 2014	\$0.322	3.0%
Q3 2014	\$0.328	1.9%
Q4 2014	\$0.335	2.1%
Q1 2015	\$0.342	2.1%
Q2 2015	\$0.352	2.9%
Q3 2015	\$0.363	3.1%
Q4 2015	\$0.372	2.5%
Q1 2016	\$0.381	2.4%
Q2 2016	\$0.390	2.4%
<b>TOTAL SINCE IPO</b>		<b>24.8%</b>

## LIQUIDITY (as of March 31, 2016, \$ millions)

Unrestricted cash	\$91
Restricted cash	\$27
Revolver availability	\$113
Undrawn capacity under certain project debt facilities	\$104
<b>Total</b>	<b>\$335</b>

## MANAGING LIQUIDITY

80% target payout ratio of CAFD run rate

Reserving cash in strong cash flow periods

Repricing and modifying project debt

Increase project output via improvements and availability



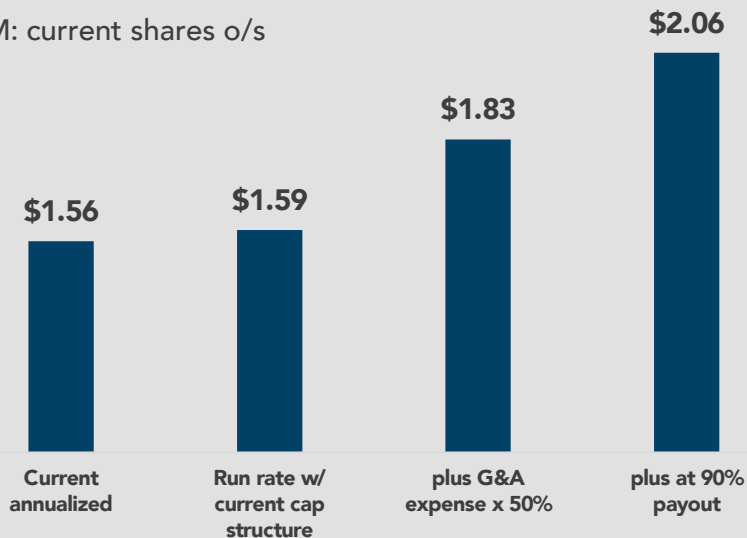
# STRONG GROWTH WITH EXISTING ASSETS

## DIVIDENDS PER SHARE

\$125-145 M: 2016 estimated CAFD

\$156 M: Run-rate CAFD

75 M: current shares o/s



## DIVIDEND YIELD

Share price	\$20.30 5/6/16	\$23.00 Jul offering	\$29.25 Feb offering
Current	7.7%	6.8%	5.3%
Run-rate	7.8%	6.9%	5.4%
plus			
G&A x 50%	9.0%	8.0%	6.3%
plus			
At 90% payout	10.1%	9.0%	7.0%

**NO NEW LIQUIDITY REQUIRED TO ACHIEVE RUN-RATE CAFD**

# STRONG POSITION FOR 2016

**CERTAINTY  
OF PTC**

**HIGHER  
DEMAND  
FROM EXPANDING  
RPSs & CPP**

**LOWER  
kWh COSTS**

**GROWTH  
WITH NO NEW EQUITY**

**ONLY  
ACCRETIVE  
DROP DOWNS**

**GROWING  
ROFO  
LIST**

**CONSISTENTLY  
DELIVERED  
SINCE IPO**

**PATIENT, YET ACTIVE APPROACH**



# PATTERN ENERGY GROUP INC.

Appendix | May 2016

# HIGH-QUALITY PORTFOLIO OF POWER PROJECTS

	Project size	Owned %	Owned MW	Revenue	Off-Taker	COD	Turbines	Contract Tenor	% Under Contract
<b>Gulf Wind, TX</b>	283	100%	283	Hedge	Morgan Stanley	Q3 2009	Mitsubishi	2019	~58%
<b>Hatchet Ridge, CA</b>	101	100%	101	PPA	PG&E	Q4 2010	Siemens	2025	100%
<b>St. Joseph, MB</b>	138	100%	138	PPA	Manitoba Hydro	Q2 2011	Siemens	2039	100%
<b>Spring Valley, NV</b>	152	100%	152	PPA	NV Energy	Q3 2012	Siemens	2032	100%
<b>Santa Isabel, Puerto Rico</b>	101	100%	101	PPA	PREPA	Q4 2012	Siemens	2037	100%
<b>Ocotillo, CA</b>	265	100%	265	PPA	SDG&E	Q4 2012/ Q2 2013	Siemens	2033	100%
<b>South Kent, ON</b>	270	50%	135	PPA	IESO	Q2 2014	Siemens	2034	100%
<b>El Arrayán, Chile</b>	115	70%	81	Hedge	Minera Los Pelambres	Q2 2014	Siemens	2034	~74%
<b>Panhandle 1, TX</b>	218	79%	172	Hedge	Citigroup Energy	Q2 2014	GE	2027	~80%
<b>Panhandle 2, TX</b>	182	81%	147	Hedge	Morgan Stanley	Q4 2014	Siemens	2027	~80%
<b>Grand, ON</b>	149	45%	67	PPA	IESO	Q4 2014	Siemens	2034	100%
<b>Post Rock, KS</b>	201	60%	120	PPA	Westar	Q4 2012	GE	2032	100%
<b>Lost Creek, MO</b>	150	100%	150	PPA	Associated Electric Cooperative	Q2 2010	GE	2030	100%
<b>K2, ON</b>	270	33%	90	PPA	IESO	Q2 2015	Siemens	2035	100%
<b>Logan's Gap, TX</b>	200	82%	164	PPA / Hedge	Wal-mart Stores Inc. / Financial institution	Q3 2015	Siemens	2025/28	~75%
<b>Amazon Wind Farm (F), IN</b>	150	77%	116	PPA	Amazon.com	Q4 2015	Siemens	2028	100%
<b>Total Combined</b>	<b>2,945</b>		<b>2,282</b>					<b>14 years</b>	<b>89%</b>

# CASH AVAILABLE FOR DISTRIBUTION\*

(NON-GAAP RECONCILIATION)

	Three Months Ended March 31,	
	2016	2015
<b>Net cash provided by operating activities</b>	<b>\$14,721</b>	<b>\$16,239</b>
Changes in operating assets and liabilities	18,967	(4,657)
Network upgrade reimbursement	—	618
Release of restricted cash to fund project and general and administrative costs	590	—
Operations and maintenance capital expenditures	(230)	(38)
Transaction costs for acquisitions	13	420
Distributions from unconsolidated investments	19,814	6,076
Other	—	(144)
Less:		
Distributions to noncontrolling interests	(3,917)	(748)
Principal payments paid from operating cash flows	(8,943)	(8,435)
<b>Cash available for distribution</b>	<b>\$41,015</b>	<b>\$9,331</b>

# ADJUSTED EBITDA\*

(NON-GAAP RECONCILIATION)

	Three Months Ended March 31,	
	2016	2015
<b>Net loss</b>	<b>\$(29,048)</b>	<b>\$(22,059)</b>
<i>Plus:</i>		
Interest expense, net of interest income	20,315	17,699
Tax provision (benefit)	1,298	(746)
Depreciation, amortization and accretion	45,384	29,056
<b>EBITDA</b>	<b>\$37,949</b>	<b>\$23,950</b>
Unrealized loss (gain) on energy derivative <sup>(1)</sup>	4,825	(2,972)
Loss on undesignated derivatives, net	13,631	3,400
Net (gain) loss on transactions	(33)	1,284
Adjustments from unconsolidated investments	(1,712)	—
<i>Plus, proportionate share from unconsolidated investments:</i>		
Interest expense, net of interest income	7,219	5,438
Depreciation, amortization and accretion	6,293	4,509
Loss on undesignated derivatives, net	\$9,916	\$11,134
<b>Adjusted EBITDA</b>	<b>\$78,088</b>	<b>\$46,743</b>

(1) Amount is included in electricity sales on the consolidated statements of operations.

# \*SUMMARY NON-GAAP FINANCIAL MEASURES

Cash available for distribution represents net cash provided by operating activities as adjusted to (i) add or subtract changes in operating assets and liabilities, (ii) subtract net deposits into restricted cash accounts, which are required pursuant to the cash reserve requirements of financing agreements, to the extent they are paid from operating cash flows during a period, (iii) subtract cash distributions paid to noncontrolling interests, (iv) subtract scheduled project-level debt repayments in accordance with the related loan amortization schedule, to the extent they are paid from operating cash flows during a period, (v) subtract non-expansionary capital expenditures, to the extent they are paid from operating cash flows during a period, (vi) add cash distributions received from unconsolidated investments, to the extent such distributions were derived from operating cash flows, and (vii) add or subtract other items as necessary to present the cash flows we deem representative of our core business operations.

We disclose cash available for distribution because management recognizes that it will be used as a supplemental measure by investors and analysts to evaluate our liquidity. However, cash available for distribution has limitations as an analytical tool because it excludes depreciation, amortization, and accretion, does not capture the level of capital expenditures necessary to maintain the operating performance of our projects, is not reduced for principal payments on our project indebtedness except to the extent they are paid from operating cash flows during a period, and excludes the effect of certain other cash flow items, all of which could have a material effect on our financial condition and results from operations. Cash available for distribution is a non-U.S. GAAP measure and should not be considered an alternative to net cash provided by operating activities or any other liquidity measure determined in accordance with U.S. GAAP, nor is it indicative of funds available to fund our cash needs. In addition, our calculation of cash available for distribution is not necessarily comparable to cash available for distribution as calculated by other companies.

Adjusted EBITDA represents net (loss) income before net interest expense, income taxes, and depreciation, amortization and accretion, including our proportionate share of net interest expense, income taxes and depreciation, amortization, and accretion of unconsolidated investments. Adjusted EBITDA also excludes the effect of certain mark-to-market adjustments and infrequent items not related to normal or ongoing operations, such as early payment of debt, realized derivative gain or loss from refinancing transactions, gain or loss related to acquisitions or divestitures, and adjustments from unconsolidated investments. We disclose adjusted EBITDA, which is a non-U.S. GAAP measure, because management believes this metric assists investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that our management believes are not indicative of our core operating performance. We use adjusted EBITDA to evaluate our operating performance. You should not consider adjusted EBITDA as an alternative to net loss, determined in accordance with U.S. GAAP.

During the three months ended March 31, 2016, we suspended the equity method of accounting for our investment at South Kent as our investment was reduced to zero. Our definition of Adjusted EBITDA has accordingly been modified in the current period to include adjustments from unconsolidated investments.

Adjusted EBITDA has limitations as an analytical tool. Some of these limitations are:

- adjusted EBITDA:
  - does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
  - does not reflect changes in, or cash requirements for, our working capital needs;
  - does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
  - does not reflect our income tax expense or the cash requirement to pay our taxes; and
  - does not reflect the effect of certain mark-to-market adjustments and non-recurring items;
- although depreciation, amortization and accretion are non-cash charges, the assets being depreciated, amortized, and accreted will often have to be replaced in the future, and adjusted EBITDA does not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, adjusted EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with U.S. GAAP.