Pattern

Transitioning the World to Renewable Energy

Q2 Earnings Presentation | August 2019

*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 acquisitions of power projects; the Company’s 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 operating performance and its ability to meet dividend expectations. 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 measure, net (loss) income. See pages 15-16 of this presentation, Item 2 in the Company’s quarterly report on Form 10-Q for the three and six months ended June 30 2019, titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Key Performance Metrics”, for a reconciliation of net (loss) income to adjusted EBITDA and cash available for distribution (“CAFD”). 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 income as the most directly comparable GAAP financial measure without unreasonable effort primarily because of the uncertainties involved in estimating forward-looking mark-to-market changes in derivatives and our proportionate share of earnings from unconsolidated investments to arrive at net (loss) income and which are subtracted therefrom to arrive at cash available for distribution. A description of the adjustments to determine CAFD can be found within Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations - Key Performance Metrics, of Pattern Energy's 2019 Quarterly Report on Form 10-Q for the three and six months ended June 30, 2019.
- 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 2018 annual report on Form 10-K for the period ended December 31, 2018 and the 2019 quarterly report on Form 10-Q for the three and six months ended June 30, 2019.
- **(All currencies are U.S. dollars unless specified otherwise.)**

Second Quarter 2019 Performance Highlights

Consolidated (USD millions, except segmented Pattern Development Investment)	Q2 2019
CAFD[1]	$53
Adjusted EBITDA[1]	$102
Pattern Development Investment[1]	$(5)
Revenue	$140

Business environment attractive

- Favorable macro conditions
- Strong outlook in development business

Mid-year results remain on track for $160M-$190M CAFD guidance for FY 2019

- $53M in CAFD
- $102M in Adjusted EBITDA with segmented Pattern Development Investment contribution of $(5)M

Acquiring two facilities

- 200 MW operating capacity and 57 MW owned capacity

Expanded capital access

- $250M bank loan raised

MID-YEAR RESULTS REMAIN ON TRACK FOR FY 2019 GUIDANCE RANGE

(1) See pages 15-16 for a reconciliation of Q2 2019 net loss to Q2 2019 adjusted EBITDA, cash available for distribution and segment reporting.

Q2 2019: Production Performance

Region	LTA (GWh)	Production (GWh)	Actual Results (% of LTA)	Resource Index (% of LTA)[1]
Eastern U.S.	1,064	898	84%	87%
Western U.S.	697	697	100%	98%
Canada	475	425	89%	87%
Other	85	94	111%	111%
Total	**2,321**	**2,114**	**91%**	**91%**

2,114 GWh – Q2 2019 PRODUCTION: 91% OF LTA

Q2 2019 CAFD Drivers to Guidance

- ↓ Production to LTA
- ↓ JV Cash Distributions
- ↑ Average Price
- ↑ Summertime Hedge
- ↑ Expenses/Other
- → CAFD

(1) Resource Index is defined as GWh that could have been produced from actual wind or solar during the period, divided by GWh that could have been produced from expected long term average resource.

Acquisition Highlights

Acquisition of two facilities for a total of $44M from Pattern Energy Group LP

10x multiple of the five-year average CAFD[1]

High-quality facilities with 17-year PPA life remaining and strong credit profile

- Identified ROFO projects: Belle River and North Kent
- $97M[2] of fully amortizing owned proportionate interest in long-term non-recourse debt
- Both facilities closed simultaneous with execution

(1) The forward looking measure of cash available for distribution (CAFD) multiple is a non-GAAP measures that cannot be reconciled to net income as the most directly comparable GAAP financial measure without unreasonable effort primarily because of the uncertainties involved in estimating forward-looking mark-to-market changes in derivatives and proportionate share of earnings from unconsolidated investments to arrive at net income and which are subtracted therefrom to arrive at CAFD. A description of the adjustments to determine CAFD can be found within Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations - Key Performance Metrics, of Pattern Energy's 2019 quarterly report on Form 10-Q for the period ended June 30, 2019.

(2) Canadian exchange rate of $0.7574

Facilities Overview

ASSET	**Belle River**	**North Kent**
LOCATION	Ontario	Ontario
TOTAL CAPACITY	100 MW	100 MW
OWNED CAPACITY	22 MW	35 MW
STATUS / STAGE	Operating	Operating
PARTNERS	Samsung, First Nations, PSP	Samsung, First Nations, Entegrus
EST. INVESTMENT AMOUNT	$18M	$26M
CONTRACT LIFE REMAINING	17 years	17 years
OFFTAKER	IESO of Ontario	IESO of Ontario
OFFTAKER CREDIT RATING	Aa3 / A+	Aa3 / A+
TURBINE TECHNOLOGY	Siemens	Siemens
CLOSED	Q3 2019	Q3 2019

Acquisition Funding Secured & Liquidity Expanded

$250M raised in bank loan

- Libor + 117.5 – 142.5 bps
- Non amortizing three-year loan

$331M in post-acquisition liquidity available

- Sufficient liquidity to fund existing project obligations though 2020, including Tsugaru and Gulf Wind repowering

Ample capital access to address convertible debt maturity and Tsugaru earn-out payment

- Company pursuing corporate capital and project financing alternatives

Visibility on Dropdown Acquisitions

Pattern Energy Group LP	Status	Nameplate MW (gross/owned)	Est. Commercial Operations Date
Henvey Inlet	In construction	300/150	2019
Pattern Development			
Grady	In construction	220/188	2019
Corona	Late stage development	400/340	2021
Sumita	Late stage development	100/55	2022
Ishikari	Late stage development	112/112	2022
Total		**1,132 / 845**	

30% **Potential increase to owned capacity from iROFO list**

Additional iROFO projects expected to be added in 2019

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Financials

Q2 2019: Financial Highlights

Consolidated (except production and segmented) (USD millions, except production)	Q2 2019	YTD 2019
Production (GWh)	2,114	4,229
Revenue	$140	$275
Net (loss) income	$(30)	$(76)
Adjusted EBITDA[1]	$102	$200
Pattern Development Investment[1]	$(5)	$(19)
CAFD[1]	$53	$105

- Higher averages power prices mitigated LTA shortfall
- Activities at Pattern Development reflect ongoing activities from investment previously funded into Pattern Development
- Improved performance in financing activities such as debt payment, hedging activities and reserves
- New facilities partially mitigate impact of facilities sold
- Declared third quarter dividend of $0.4220, unchanged from prior period

RE-CONFIRMING 2019 FY CAFD OF $160M TO $190M

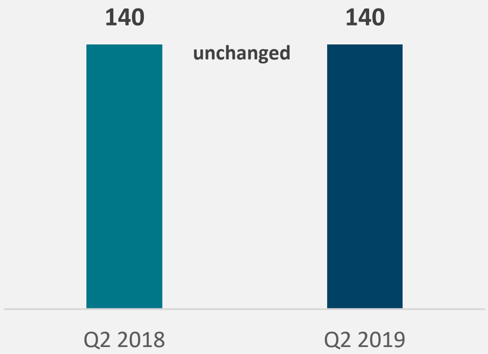
(1) See pages 15-16 for a reconciliation of Q2 2019 net loss to Q2 2019 adjusted EBITDA, cash available for distribution and segment reporting.

Financial Performance

(USD millions)

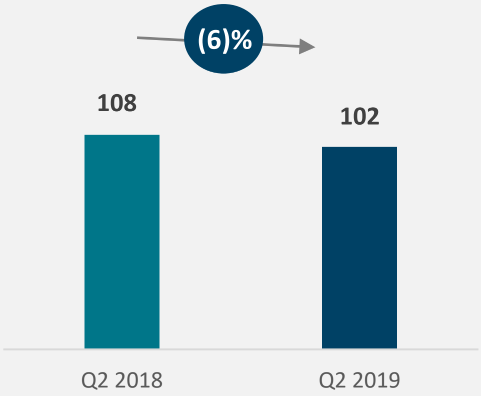
Revenue

- $1M decrease in Existing Operations
- $2M lower unrealized loss on energy hedges
- $8M increase from acquisitions of MSM and Stillwater
- $8M offset from sale of El Arráyan



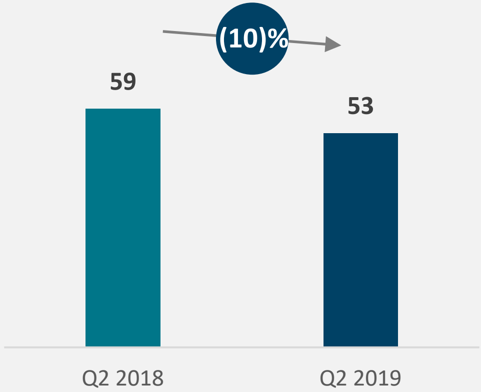
Adjusted EBITDA[1]

- $3M decrease in Existing Operations
- $11M decrease from divestitures
- $5M in new acquisitions
- $3M increase from equity earnings at Pattern Development



CAFD[1]

- $2M decrease from Existing Operations from margin and distributions from unconsolidated investments offset by debt payment, hedging activities and reserves
- $4M decrease from divestitures
- $1M in new acquisitions



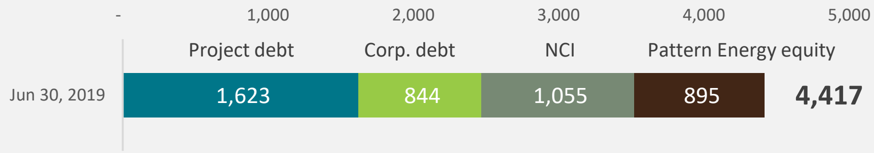
QUARTERLY CAFD VARIANCE DRIVEN BY PORTFOLIO CHANGES: ANNUAL CAFD GROWTH TARGET INLINE WITH PLAN

(1) See pages 15-16 for a reconciliation of Q2 2019 net loss to Q2 2019 adjusted EBITDA and cash available for distribution.

Liquidity and Capital Outlook

Liquidity ($ millions)	Jun 30, 3019	Adjustment	Pro Forma
Unrestricted cash	$124		$124
Restricted cash	$12		$12
Revolver availability	$125	$250	$375
Project facilities – post construction use	$157		$157
Project facilities – construction facilities and loans	$197		$197
Acquisitions	--	$(44)	$(44)
Total	**$615**	**$206**	**$821**

Leverage Metrics (as of Jun 30, 2019)	
Corporate Debt to LTM CAFD[1] + Corporate Interest	3.9x



Strong Capital Outlook

- Raise $200-$300M in corporate debt or convert, while maintaining our debt metrics
- $300-$500M in new capital expected from other financings and monetizations

Limited Project Obligations

- Capex for Gulf Wind repowering to be financed with non-recourse debt and tax equity; remaining Pattern Energy corporate funding obligations estimated at up to $40M, starting in Q3 2019
- Capex for Tsugaru construction fully funded with non-recourse debt in place; Earn-out payment of ~$103M due in Q1 2020

(1) See pages 15-16 for a reconciliation of Q2 2019 and 2018 net loss to Q2 2019 and 2018 adjusted EBITDA and cash available for distribution, and LTM net loss to LTM cash available for distribution.

Attractive Bank Loan Financing

Key Terms	
Co-Borrowers:	U.S. Borrower and Canada Borrower
Size:	$250MM
Facility:	Senior Secured Term Loan
Tenor:	3 years
Amortization	None
Pricing:	Libor plus margin range of 117.5 – 142.5 bps
Use of Proceeds:	Fund acquisitions, partially repay borrowings under the Revolving Credit Facility and pay related fees and expenses
Security:	Pari passu with Revolving Credit Facility
Prepayment:	Pre-payable without penalty
Covenants:	Same as existing Revolving Credit Facility
Lenders:	4 banks in existing Revolving Credit Facility

- Flexible financing on attractive terms with commercial banks
- Low cost, non amortizing bank loan
- Covenants consistent with corporate revolver
- Provides a 3-year window to place term capital, with no prepayment penalties

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Appendix

Non-GAAP Reconciliation: Adjusted EBITDA and Cash Available for Distribution

	Three months ended June 30,		Six months ended June 30,		Twelve months ended December 31,		Twelve months ended June 30,
	2019	2018	2019	2018	2018	2017	2019
Net (Loss) Income	**$(30)**	**$(2)**	**$(76)**	**$(15)**	**$(69)**	**$(82)**	**$(130)**
Plus:							
Interest expense, net of interest income	25	27	50	52	107	101	105
Tax provision (benefits)	4	4	8	11	32	12	29
Depreciation, amortization, and accretion	82	63	171	125	280	215	326
EBITDA	$81	$92	$153	$173	$350	$246	$330
Unrealized (Gain) Loss on derivatives	6	(5)	10		5	18	15
Early extinguishment of debt	-	-	-	-	6	9	6
Impairment expense	-	4	-	4	7	-	3
(Gain) Loss on asset sales	-	-	-	-	(71)	-	(71)
Adjustments for Unconsolidated Investments	(2)	-	(2)	-	-	-	(2)
Other	-	(1)	2	2	2	6	2
Plus, proportionate share from unconsolidated investments:							
Interest expense, net of interest income	6	10	12	19	38	39	31
Tax provision (benefits)	-				1	-	1
Depreciation, amortization and accretion	7	9	13	18	35	35	30
(Gain) loss on derivatives	4	(1)	12	(3)	(1)	(9)	14
Adjusted EBITDA[1]	**$102**	**$108**	**$200**	**$213**	**$372**	**$344**	**$359**
Plus:							
Distributions from unconsolidated investments	12	18	26	37	58	67	47
Network upgrade reimbursement	-	-	1	1	1	9	1
Release of restricted cash	6	-	6	3	4	7	7
Stock based compensation	1	1	2	2	5	5	5
Pay-go contribution	-	-	-	-	4	-	4
Other	1	3	2	4	1	(5)	(1)
Less:							
Unconsolidated investment earnings and proportionate shares for EBITDA	(17)	(19)	(32)	(56)	(85)	(118)	(61)
Interest expense, less non-cash items and interest income	(23)	(25)	(46)	(49)	(99)	(91)	(96)
Income taxes	(1)	-	(3)	(3)	(4)	-	(4)
Non-Expansionary capital expenditures	-	-	-	-	-	(1)	-
Distributions to noncontrolling interests	(9)	(12)	(21)	(21)	(38)	(20)	(38)
Principal payments paid from operating cash flows	(19)	(15)	(30)	(29)	(52)	(51)	(53)
Cash available for distribution	**$53**	**$59**	**$105**	**$102**	**$167**	**$146**	**$170**
[1] **Components of Adjusted EBITDA**							
Operating Business Adjusted EBITDA	$112	$115	$225	$208	$391	n/a	$407
Development Investment Adjusted EBITDA	$(5)	$(8)	$(19)	$(12)	$(22)	n/a	$(29)
Corporate, Other and Eliminations Adjusted EBITDA	$(10)	$(7)	$(25)	$5	$(19)	n/a	$(49)
Reconciling Amounts Adjusted EBITDA	$5	$8	$19	$12	$22	n/a	$29

*Summary Non-GAAP Financial Measures

We define Adjusted EBITDA as net income (loss) before net interest expense, income taxes, and depreciation, amortization and accretion, including our proportionate share of net income (loss) before interest expense, income taxes, and depreciation, amortization and accretion of unconsolidated investments. Adjusted EBITDA also excludes the effect of certain mark-to-market adjustments, gain or loss related to acquisitions, divestitures, or refinancing transactions, adjustments from unconsolidated investments, and infrequent items not related to normal or ongoing operations. In calculating Adjusted EBITDA, we exclude mark-to-market adjustments to the value of our derivatives because we believe that it is useful for investors to understand, as a supplement to net income (loss) and other traditional measures of operating results, the results of our operations without regard to periodic, and sometimes material, fluctuations in the market value of such assets or liabilities.

Adjustments from unconsolidated investments represent distributions received in excess of the carrying amount of our investment and suspended equity earnings or losses, during periods of suspension of recognition of equity method earnings. When we receive distributions in excess of the carrying value of its investment, and we are not liable for the obligations of the investee nor otherwise committed to provide financial support we will: 1) suspend recognition of equity method earnings (losses), 2) record such excess distributions as earnings (loss) in unconsolidated investments, net in the period the distributions occur; and 3) suspend equity in earnings (losses) or equity in other comprehensive income of unconsolidated investments, if applicable.

Management believes Adjusted EBITDA 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 and to compare our business to that of our peers. Using Adjusted EBITDA, which is a non-U.S. GAAP measure, enables our management to evaluate our operating performance, our ability to meet debt service and other capital obligations and to measure the effectiveness of our overall capital structure. The most directly comparable U.S. GAAP measure to Adjusted EBITDA is net income (loss). However, Adjusted EBITDA has limitations as an analytical tool. Some of these limitations include:

- 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, or our proportional interest in the interest expense of our unconsolidated investments or the cash requirements necessary to service interest or principal payments on the debt borne by our unconsolidated investments;
    - does not reflect our income taxes or the cash requirement to pay our taxes; or our proportional interest in income taxes of our unconsolidated investments or the cash requirements necessary to pay the taxes of our unconsolidated investments;
    - does not reflect depreciation, amortization and accretion which are non-cash charges; or our proportional interest in depreciation, amortization and accretion of our unconsolidated investments. 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
    - does not reflect the effect of certain mark-to-market adjustments and non-recurring items or our proportional interest in the mark-to-market adjustments at our unconsolidated investments.
- We do not have control, nor have any legal claim to the portion of the unconsolidated investees' revenues and expenses allocable to our joint venture partners. As we do not control, but do exercise significant influence, we account for the unconsolidated investments in accordance with the equity method of accounting. Net earnings from these investments are reflected within our consolidated statements of operations in "Earnings in unconsolidated investments, net." Adjustments related to our proportionate share from unconsolidated investments include only our proportionate amounts of interest expense, income taxes, depreciation, amortization and accretion, and mark-to-market adjustments included in "Earnings in unconsolidated investments, net;" 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. You should not consider Adjusted EBITDA as an alternative to net income (loss), as determined in accordance with U.S. GAAP.

We define cash available for distribution as Adjusted EBITDA further adjusted to (i) subtract unconsolidated investment earnings, (ii) subtract interest expense, less non-cash items, (iii) subtract distributions to noncontrolling interests, (iv) subtract principal payments paid from operating cash flows, (v) subtract current income taxes, (vi) subtract non-expansionary capital expenditures, (vii) add distributions from unconsolidated investments, (viii) add net release of restricted cash, (ix) add stock-based compensation, (x) add pay-go contributions, and (xi) add or subtract other items as necessary to present the cash flows we deem representative of our core business operations.

Management believes that cash available for distribution is indicative of our core operating performance. As a result, we changed our key metric, cash available for distribution, from a liquidity metric to a performance metric during the fourth quarter of 2018. For the periods presented, we reconcile Adjusted EBITDA and cash available for distribution to net income (loss), the most directly comparable GAAP financial measure. The change to a performance metric did not change the amount of cash available for distribution previously reported. Cash available for distribution is a supplemental performance measure used by management and external users of our financial statements to measure our performance across reporting periods on a consistent basis by excluding items that our management believes are not indicative of our core operating performance and to compare our business to that of our peers. Cash available for distribution serves as an important measure of our performance and enables our management to evaluate our ability to meet dividend expectations, the amount of internal capital available for new investment opportunities that can enhance our ability to grow our dividends over time, and the suitability of our corporate debt levels.

However, cash available for distribution has limitations as an analytical tool. Some of the limitations are:

- Cash available for distribution:
    - excludes depreciation, amortization and accretion;
    - does not capture the level of capital expenditures necessary to maintain the operating performance of our projects or complete the construction of acquired 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.
- Other companies in our industry may calculate cash available for distribution differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, cash available for distribution should not be considered in isolation or as a substitute for performance measures calculated in accordance with U.S. GAAP. You should not consider cash available for distribution as an alternative to net income (loss), determined in accordance with U.S. GAAP, nor does it represent funds actually available to fund our current dividend commitments.