

Letter to Shareholders

Overview

Net income for the third quarter was \$845 million or \$0.26 per share and Funds from Operations (FFO) was \$501 million or \$0.48 per share.

Operating results were strong across virtually all our businesses in the quarter. Our property group achieved rising occupancy and lease rates in our retail and office portfolios; generation levels increased in our renewable power business; our infrastructure group benefitted from new investments; and our private equity group benefitted from continued increases in U.S. housing starts.

We continue to see opportunities to recycle capital by selling mature assets at excellent valuations, while utilizing our competitive advantages to put money to work at attractive returns. Public markets have been volatile, and the ongoing weakness in prices for most commodities mean these are challenging markets for those in energy and mining. We are continuing to find opportunities to be helpful to commodity companies as they consider sales of non-core infrastructure to fund their business needs.

Investors continue to increase allocations to real assets as a dependable way of generating income and long-term growth. Our global capabilities as a manager of real assets are allowing us to continue expanding our assets under management to serve this growth in allocations. Assets under management increased in the quarter and are now approximately \$225 billion. Fee-bearing capital rose \$10 billion from the same period a year ago, to approximately \$100 billion. Our fee-bearing capital represents long-term or perpetual commitments from our clients, and this provides stability in our fee-related earnings and the opportunity to compound capital over time.

We are raising a number of private funds, with an overall fundraising target of \$23 billion. This capital, combined with the liquidity at our flagship listed partnerships, provides us with significant financial flexibility as we consider opportunities. As our business evolves, we are increasingly becoming a one-stop shop for investors who want exposure to real assets. Many of our clients now invest in a number of different products with us, and we are seeing this trend grow. As our scale and global presence grows, these are increasingly becoming competitive advantages to our franchise.

Emerging markets such as Brazil and China have also faced headwinds, as economic growth slowed after many years of double-digit annual increases in GDP. Brazil is under added duress as it is dealing with significant political issues. As investors, we have seen this movie before, and as a result, believe these are only growing pains in otherwise solid markets. We are particularly well positioned in Brazil having operated there for many decades. Our long-term thesis is that China, Brazil and other countries that are home to an emerging middle class and competitive industrial companies remain compelling markets for real asset investors. As a result, we continue to invest in value opportunities which are not available in scale in many other places in the world today.

Investor Event

We recently held our annual Investor Day in New York. This included an overall session for Brookfield, and a separate session for each of our listed business units. All of the materials presented are available on our website. Thank you to those of you who attended the event or participated via webcast. To those of you who could not attend, we encourage you to review the materials as they include the most detailed plans for our company that we generate for investors.

Our five year plans are focused on the build out of our businesses and continued scale up of our operations to facilitate investing the larger sums of capital being allocated to real assets by institutional investors. Not only are we continuing to see growing pools of institutional capital, but these institutions are

also increasing the percentages of their funds allocated to real assets. As a result, the backdrop for our business remains very strong.

We believe that we can continue to scale our investment capabilities to match the increased capital by focusing on our strategic advantages – size, operating capabilities and our global presence. Each of these is explained in more detail in our materials but we believe we have built the backbone of our organization to continue growth in our business.

At Investor Day, a few people asked about our recent equity issue. We acknowledged that since we seldom issue equity, it was an unusual occurrence. For greater clarity, you should know that we have not changed our view that great companies should protect their equity, and carefully weigh the decision to dilute their shareholders, as the business that one already owns cannot often be matched by new investments. Despite that, during the spring we felt that we could issue a relatively small amount of equity and that the cash could be put to work to enhance the franchise. Furthermore, given the number of transactions we had on the horizon at that time, the potential for volatility with the Federal Reserve interest rate debates, and other market uncertainties, we felt that the modest dilution was a reasonable cost in the circumstances and that it would enable us to create more value in the long term. The capital we raised enabled us to launch the acquisition of the port and rail logistics company Asciano with confidence, continue all of our investment plans, and weather the recent volatility without any disruption to our businesses.

We also had some queries about the valuation of Brookfield Property Partners in the stock market. Most importantly, the underlying operations are very robust and execution of our business plans is on target. We are also in the final phases of cleaning up the balance sheet after our two major acquisitions. We have been selling select assets to repay acquisition debt at excellent valuations. We also expect the cash flows to grow close to 20% annually in both 2016 and 2017 due to completed leases and developments coming on stream. As a result, we believe the units will trade closer to their true value as investors trust that this will be achieved. In the event that the valuation is not achieved in the market, we will capitalize on this situation by continuing to monetize partial interests in properties at premiums to IFRS values and repurchase units at discounts, adding further to the per unit value of the company. We are confident that unitholders will see the benefits of this great company in the stock market over the longer term.

We look forward to our investor event next year. In the interim, should you have questions on this material or suggestions for the future, please feel free to contact us.

Brookfield Business Partners

We recently announced the anticipated spin-off to shareholders of a portion of a listed issuer called Brookfield Business Partners (BBP). This will be the primary vehicle through which we will own and operate the business services and industrial operations of our private equity platform. BBP will be very similar in structure to our other specialty listed issuers (Property Partners, Renewable Energy Partners and Infrastructure Partners). However, unlike our other listed entities, BBP will focus more on generating long-term capital appreciation than growing dividends.

Given both the substantial growth in our private equity platform over the last five years and the increased level of opportunities we are seeing, we think it is the right time for us to create this entity. We believe BBP will benefit our business and you as shareholders in a number of ways.

First, BBP will provide us with access to permanent capital to fund our operations outside of property, renewable energy and infrastructure. As our transactions get larger, this capital requirement increases. Second, BBP will broaden the spectrum of opportunities available to BAM, as BBP will not need to sell its companies within a period of time in order to generate liquidity for its investors. BBP can be a long-term home to companies whose management teams are seeking additional sources of capital but prefer not to be public as a stand-alone business. Third, BBP unitholders will participate directly in the business services and industrial operations of our private equity platform, which has been expanding rapidly. Last, we will generate management fees for BAM, which have the potential to grow significantly over time.

For those investors that do not require substantial dividends, BBP should be an attractive investment. BBP's initial business platforms will be business services and industrial companies. Our business services division will initially include substantially all of our services companies, including all of our real estate and construction services businesses. Our industrials division will initially include most of our industrial and energy businesses, including our privately held consumer businesses and our oil and gas companies. In aggregate these businesses generated approximately \$200 million of FFO last year, at BAM's proportionate interest.

BBP will have the ultimate in flexibility to invest by industry and form. This is extremely important, as it broadens our investible universe substantially and has been one of the core components of success in our private equity platform.

In order to launch BBP, we intend to seed it with approximately \$2 billion of capital invested in existing businesses which are owned entirely by us or in partnership with institutional clients. We will then capitalize BBP with preferred shares held by us and spin-off BBP partnership units to shareholders by way of a special dividend next year. We expect the dividend will be approximately \$500 million, or approximately \$0.50 per BAM common share. This will leave us owning approximately 65% of BBP at the outset, and to the extent BBP issues equity to fund its growth, our ownership may be diluted over time.

Value Investing

Value investing has been refined over the years by many of the great investors. Each investor brings nuances to the art of value investing, but they all are based on the same general principles. We believe that these principles are more important today than ever before because of the evolution of the financial markets. Our slight nuance to value investing is that we are global with our approach. Most value investors pick between industries when one is out of favour. Our approach has been to stick to the few businesses we know well, expanding our platform globally so we can allocate capital to the regional markets that offer value at a particular point in time.

Value investing was born when there was no internet, social media, or 24 hour broadcasting. At that time, value investing focused primarily on finding information about a company which was not known by others, enabling one to buy a fraction of a business cheaply in the stock market. Today, with instant information available to all investors on their smartphone, the advantage one investor can have versus another is the ability to interpret that information better. What is dramatically different today is the volatility of the market, which often is caused by information that is totally irrelevant to a business.

To make this point, in mid-August the Dow traded at around 17,500. Six trading days later, after the Chinese government devalued the RMB by an irrelevant 4%, the Dow dropped to 15,500. Most stocks dropped by 10% to 20% during this period. Leaving aside whether 17,500 or 15,500 on the Dow was the correct value for stocks, an unsuspecting investor who was in the market lost 10% to 20% of their capital within a week if they sold their shares as a result of this information. Since most of this drop was caused by emotion rather than fact, you can see why stock prices are not always representative of fundamental business value. Investors should always remember that when they buy a stock, they are buying a portion of a business. Said inversely, a business shouldn't be valued minute by minute; rather, its value is built over decades.

Today, we own some incredible businesses. Each of these will continue to grow and compound wealth for you for many decades to come. We run our businesses so that we rarely have to issue equity, and while it is always good for shareholders to have their company fairly valued in the market, the share price is otherwise irrelevant to a well-financed company. Each share represents ownership of a fraction of each of our assets and doesn't change with stock market movements. Over time, if we do our jobs well, that value will continue to increase. If we each owned these assets privately in a partnership together, we would not really care about the stock market or what the news reported. Over time we would meet and talk about how we were doing and measure the cash flows in our business, but we wouldn't attempt to value the business on an hourly, daily, monthly or even an annual basis.

We make all of our decisions with a mindset that we are working for you running our jointly owned private business. The financial results we present to you quarterly are merely the summation of the outputs of

these decisions, and while flawed in many ways as they focus on the short term, at least they let you see some trends. Furthermore, we also always try to explain the “real story” behind the numbers for the longer term, to enable you to understand the business like a private owner.

Operations

Total assets under management increased to approximately \$225 billion, with fee-bearing assets increasing by \$10 billion year over year, to approximately \$100 billion. This growth reflects new commitments to our private funds, growth in the funds managed by our public markets group and increased capitalization of our flagship listed entities.

We continue to see institutional investors increase their allocations to real asset strategies. Over the last twelve months, real asset strategies were the top sector for institutional investors, attracting 35% of all commitments to new funds.

We have a number of private funds in the market, with an overall fundraising target of \$23 billion, and we have raised approximately \$8 billion since the beginning of the year. Over the next year, we expect to launch three additional private funds. Our new offerings include specialized funds that will invest in debt backed by real assets.

Our public securities business is building assets under management and now invests \$18 billion on behalf of institutions and individuals. We are increasing the profitability of our public securities business by shifting our focus to funds with higher profit margins, such as global real estate and infrastructure hedge funds, while exiting strategies that are not focused on our specialties.

Brookfield Property Group

Our property business generated total FFO of \$294 million. Our share was \$214 million, a 46% year-over-year increase. This reflects solid results from all our operations, including strong leasing activity from our office and retail businesses and contributions from newly acquired hospitality and multifamily properties.

We continue to recycle capital by selling mature properties. We recorded gains on our share of asset sales in the quarter which included the sale of an office property in Shanghai and one in Toronto. Subsequent to quarter end, we agreed to sell a part of our \$8.6 billion Manhattan West project to the Qatar Investment Authority. We also finalized the sale of an interest in a London office building, and we expect to sell more properties by the end of the year, with the proceeds earmarked for repaying acquisition debt and aligning the BPY balance sheet for growth initiatives.

Highlights from the quarter include a strong performance from our London operations, where we own a well-leased portfolio and are moving forward with a number of residential and office property developments. We completed new office leases at rates 26% above expiring rents, and recently signed a leading global bank as an anchor tenant on a major City of London office development. Our industrial property portfolio contributed twice the FFO from the same quarter last year and our newly acquired UK resort property operator also started to contribute to results. In our retail portfolio, we moved forward with the re-leasing of many of the urban retail properties recently acquired, largely in Manhattan. During the nine months of the year in our overall retail business, we signed 4.7 million square feet of leases that were 11% above expiring rents.

Recent growth initiatives include the acquisition of a major portfolio of office and retail properties in Berlin with an enterprise value of €1.3 billion. We also acquired a portfolio of logistics warehouses in the Netherlands. In New York, we acquired two multifamily properties for a total of \$180 million. We also agreed to acquire a North American self-storage company with 90 locations and an enterprise value of \$800 million, and hope this can be a cornerstone investment for growth of a larger national business.

Brookfield Renewable Energy Group

Our renewable energy business generated total FFO of \$72 million. Our share was \$48 million, in line with expectations, but below historic levels, as our generation during the quarter was approximately 9% below long-term averages. We sold a wind farm in California at a strong return that we acquired as a development site and constructed over the past five years.

Water levels are improving in North and South America and we expect this will lead to results that are in line with historic levels through to the end of this year. We are locking in long-term power supply contracts in North America at rates that are significantly above levels seen a few years ago. As an increasing number of coal-fuelled power stations are closing for environmental reasons, we expect electricity prices will rise from their low levels over the last few years.

We committed \$860 million to acquire two hydro facilities on river systems in the northeastern U.S. where we already have extensive operations. These tuck-in acquisitions should be easily integrated into our existing engineering and power marketing teams.

We continue to move forward with a number of acquisition opportunities across our core markets. Our organic growth pipeline now totals 3,000 MW of hydro and wind projects, and we continue to advance all of these projects into development.

Brookfield Infrastructure Group

Our infrastructure business generated total FFO of \$224 million. Our share was \$71 million, up 29% from last year, reflecting contributions from our communications infrastructure business in France, and solid performance from our transport and utilities platforms. Organic expansion projects in our toll road and rail businesses contributed to growth in traffic. During the quarter, we sold an electrical transmission network in New England at an attractive valuation.

In August, we announced an agreement, together with our institutional partners, to acquire Asciano Limited, a high quality rail and port logistics company in Australia with an enterprise value of approximately A\$12 billion. The transaction received the unanimous support of the Asciano Board of Directors and we are in the process of seeking approval from Asciano shareholders and Australian regulators. Subsequent to quarter end, we acquired an initial interest of approximately 20% in Asciano for \$1.2 billion. We are committed to the transaction and are optimistic that we can complete the acquisition.

In South America, the Brazilian court approved our \$250 million debtor-in-possession loan to a construction company that owns a stake in São Paulo's airport and Rio de Janeiro's subway system. We are awaiting ratification of the loan from OAS's creditors and continue to work towards acquiring these assets in a very tough economic environment. We also agreed to acquire a portfolio of six toll roads in India.

Brookfield Private Equity Group

Our private equity operations generated total FFO of \$125 million. Our investments in industrial companies performed well, as many of these businesses make products for the housing sector, and sales continue to increase. Recent reports show U.S. housing starts are now back at approximately 1.2 million new home sales per year, after dropping to half that level during the financial crisis. We also believe that they should continue to head towards 1.5 million sales annually.

Our energy-related businesses also generated solid performance, despite the continued weakness in oil and gas prices. This reflects the fact that our North American coal-bed methane assets are among the lowest cost producers of gas in their sector, and when we acquired our Australian oil and gas company, we hedged our production.

Most of these industrial businesses will be spun out to shareholders as part of BBP. Our construction and real estate services businesses, which will also be part of BBP, generated excellent results in the quarter.

Furthermore, our backlog of future construction projects is at the highest level we have seen since we acquired this business close to 10 years ago.

Our North American residential property development business had good results, again reflecting increasing demand for homes in key markets such as California and Texas. In Canada, our Toronto operation has been strong and Alberta quite resilient given the state of the oil and gas markets. In Brazil, we believe there will be opportunities to add high quality land parcels to our residential portfolio, as continued economic weakness in the country has a number of developers considering property sales at distressed valuations.

Summary

We remain committed to being a world-class alternative asset manager, and investing capital for you and our investment partners in high quality assets which earn solid cash return on equity, while emphasizing downside protection for the capital employed.

Our primary objective continues to be generating increased cash flows on a per share basis, and as a result, higher intrinsic value per share over the longer term.

And, while I personally sign this letter, it is done so on behalf of all of the members of the Brookfield team, who collectively generate the results for you. Please do not hesitate to contact any of us, should you have suggestions, questions, comments, or ideas you wish to share.

J. Bruce Flatt
Chief Executive Officer

November 6, 2015