

Brookfield Corporation Letter to Shareholders

Overview

Our financial results in the second quarter were strong. Each of our businesses continued to execute on their strategic plans and delivered growth in cash earnings. We expect this momentum to continue for the balance of the year and beyond, supported by the tailwinds benefiting many of our businesses. We completed \$800 million of share buybacks to date this year and will continue to allocate capital to share repurchases to further enhance the value of each remaining share.

Leveraging our global presence and access to large-scale capital, we completed several important transactions and financings to date. During the quarter, we agreed to acquire a majority stake of Neoen, a leading global renewables platform located in Europe and Australia. We also successfully financed approximately \$75 billion of debt and realized \$15 billion from monetizations across a number of assets globally to date in 2024.

Central banks have made steady progress towards a better balance of solid growth and modest inflation. Short-term interest rates have begun to decline in certain major economies, amidst declining price pressures and the normalization of very tight labor markets. Growth is moving towards trend rates in major economies and will be underpinned by the further reductions in short-term interest rates that are expected over the next year. Although equity markets have been more volatile in recent weeks, risk appetite in the capital markets remains strong. Given this backdrop, liquidity continues to return to the private markets, positioning us well to execute on the robust pipeline of growth opportunities, monetize mature assets and deliver strong returns.

Our Operating Results Were Strong

Financial Results

During the quarter, we generated strong cash flows across the business, supported by good underlying performance. Distributable earnings (“DE”) before realizations were \$1.1 billion or \$0.71 per share in the quarter and \$4.4 billion or \$2.77 per share for the last twelve months. These quarterly earnings represent an increase of 11% on a per share basis over the prior year. DE in total was \$2.1 billion for the quarter, up 80% from the prior year, as transaction activity continues to pick up.

Assets under management in our asset management business are now at approximately \$1 trillion. This reflects the dedication and talent of our over 2,400 investment and asset management professionals and nearly a quarter-million operating employees around the world, and is a testament to our commitment to serving our clients and delivering attractive, consistent risk-adjusted returns over the long term.

Asset Management – Our asset management business generated distributable earnings of \$636 million in the quarter and \$2.5 billion over the last twelve months, as fundraising continues to build across our diversified fund offerings. Fee-bearing capital at quarter end was \$514 billion, an increase of 17% over the last twelve months. As a result, annualized fee-related earnings grew by 11% compared to the prior year quarter. We expect fundraising to ramp up in the second half of the year with closes anticipated for our latest flagship transition, opportunistic real estate, and opportunistic credit funds, which should result in further earnings growth. We are currently in the market with our Catalytic Transition Fund that has an anchor commitment from ALTERRA, targeting to raise up

to \$5 billion to invest in the energy transition in emerging markets. This fund will complement our existing transition fund strategy, capturing the increased demand for clean energy and transition investments.

Wealth Solutions – Our wealth solutions business generated distributable operating earnings of \$292 million in the quarter and \$1 billion over the last twelve months, benefiting from the reallocation of cash to investments and strong investment performance. We closed the acquisition of American Equity Life (“AEL”), and our combined platform originated \$3.5 billion of annuity sales during the quarter, increasing our insurance assets to over \$110 billion. Through our broadening investment origination platform, we were able to generate an average investment portfolio yield on our existing insurance assets of 5.8%, approximately 2% higher than our average cost of capital. Inclusive of AEL, the average earnings spread was 1.7% in the quarter. As we rotate the AEL investment portfolio into higher yielding assets, we continue to see a path to growing our annualized earnings from \$1.4 billion to \$2 billion. Through our combined wealth solutions platforms, we are raising close to \$2 billion of retail capital per month, which now includes approximately \$400 million a month from retail products for high net worth clients.

Operating Businesses – Our operating businesses continue to deliver resilient and growing cash flows, generating distributable earnings of \$371 million in the quarter and \$1.5 billion over the last twelve months. Cash distributions from our renewable power and transition, infrastructure and private equity businesses are underpinned by their high-quality earnings. Our core real estate portfolio continues to achieve strong performance with 3% growth in same-store net operating income over the last twelve months. During the quarter, we signed nearly 5 million square feet of office and retail leases, and rents on newly signed leases in our office assets increased by 23% compared to those leases expiring. In our renewable power and transition business, we diversified into a number of high-growth renewables markets. We signed an agreement to acquire a majority stake in Neoen at an equity value of \$6.7 billion and will shortly launch a tender offer for the rest. Neoen is a leading global renewables platform with best-in-class management and is located in strategic markets, specifically in Australia, France and the Nordics. Backed by our expertise and reputation as the largest provider of renewable power and data centers, our combined 230+ gigawatts is by far the largest operating and development pipeline supporting the AI revolution taking hold.

Monetizations – We advanced or completed a number of monetizations at strong investment returns, benefiting from the global diversity of our portfolio. In our real estate portfolio, we agreed to sell a luxury hotel at our landmark mixed-use complex in Seoul, South Korea at attractive returns, demonstrating the strong and enduring demand for best-in-class real estate around the world. We also agreed to sell an office asset in Washington, DC and a U.S. manufactured housing portfolio. In our renewable power and transition business, we progressed several sales processes and expect to generate record proceeds in 2024. In our private equity business, we closed the sale of an aggregates production operation in Canada and a road fuels operation across North America and Europe. At the end of the quarter, accumulated unrealized carried interest was \$10.7 billion, representing a 13% increase over the last twelve months. We recognized \$234 million of net realized carried interest into income to date this year, and we expect to realize additional carried interest through the end of the year.

Balance Sheet and Liquidity

Our conservative balance sheet and strong liquidity position continue to differentiate our franchise. We have a large perpetual capital base and approximately \$150 billion of deployable capital at quarter end. This includes \$62 billion of cash and liquid assets at the Corporation, our affiliates, and our wealth solutions business. Given this access to large-scale capital, we are well positioned to capitalize on attractive growth opportunities.

The continued improvement in the capital markets this year has led to strong demand for new issuances, resulting in attractive pricing. To date this year, we have executed on approximately \$75 billion of financings and taken advantage of the narrowing credit spreads across the group, with a few recent notable examples:

- Issuance of \$650 million of 10-year and 30-year bonds at the Corporation, tightening credit spreads by 55 bps and 10 bps, respectively, relative to the most recent comparable issuances.
- Completion of C\$300 million of 10-year bonds and C\$100 million of 30-year bonds at Brookfield Renewable Partners, successfully compressing the credit spreads by an average of 65 bps, as well as closing approximately \$160 million of 60-year subordinated notes at Brookfield Infrastructure Partners. These financings demonstrate the very strong interest in businesses aligned with global secular trends.
- Execution of a \$2 billion refinancing of our landmark mixed-use complex in South Korea and a £680 million refinancing for our U.K. hospitality portfolio.
- Refinanced an approximately \$800 million New York office loan, with a new five-year loan at a spread of 225 bps, a strong signal of the significantly improved financing markets for real estate.
- In addition, the repricing of approximately \$11 billion of financings across 6 portfolio companies, reducing the credit spreads by 55 bps on average.

During the quarter, we reinvested our excess cash flow back into our business and returned \$408 million to shareholders through regular dividends and share repurchases. To date this year, we repurchased over \$800 million of shares in the open market and, based on our plan values we show you quarterly, added approximately 55 cents of value to each remaining share. We expect to continue to allocate capital to share repurchases over the rest of 2024.

Investment Performance is the Lifeblood of an Investment Firm

The growth and success of our business is underpinned by consistently generating strong investment returns over the long term. This has enabled us to compound our own capital, build a large perpetual capital base, and establish ourselves as one of the leading global alternative asset managers.

The growth plans we have for all of our businesses—our asset manager, our wealth solutions platform, and our operating businesses—are all predicated on our proven ability to be good investors. What has made us successful over the last many decades will continue to drive our success for decades to come.

Our investment philosophy has been and continues to be built on the following key principles:

- Acquire high-quality assets and businesses.
- Invest on a value basis, with the goal of growing cash flows and compounding capital.
- Enhance the value of investments through our operating expertise.
- Build sustainable cash flows to provide certainty, reduce risk, and lower our cost of capital.

For over 100 years, we have applied these principles while investing our own capital. Over the last 25 years, we used those skills to build one of the largest global asset managers, with approximately \$1 trillion in assets under management and over 2,300 clients. These same principles apply as we now grow our wealth solutions platform. After three years, the returns we have generated at ~20%, give us the confidence to further scale the platform, with assets currently exceeding \$110 billion and heading towards \$250 billion.

Within our asset management business, we have a very strong investment track record across our business groups, with virtually all our funds having met or exceeded their long-term return targets since inception, as evidenced in the chart below that summarizes the returns of our flagship funds.

Fund ¹	Compound Returns (IRR)	
	Gross	Net
Private Equity	27%	21%
Real Estate	21%	17%
Infrastructure/Renewable Power	15%	12%
Opportunistic Credit	22%	16%

Most importantly, our strong investment performance enables our clients—pension funds, governments and others—to meet their financial objectives and build long-term wealth for their stakeholders. For our asset management operation, it has the effect of further deepening client relationships, often leading to larger successor funds and broader client interest in our product offerings. For our own invested capital, it results in gains which have enabled us to compound our balance sheet capital at 20%± for the past 30 years. Lastly, it leads to the realization of carried interest (our share of the profits we deliver for our clients), which can be reinvested back into the business or returned to shareholders.

Our ability to innovate and evolve in line with both the investment landscape and our clients' needs also distinguishes our business. The diversity of our product offerings and the asset classes we invest in is consistent with our key principles and has evolved along with the evolution of the backbone of the global economy. This has enabled us to have a truly differentiated platform from which to continue compounding capital and delivering strong returns on a per share basis to our shareholders over the long term.

Share Repurchases

As important as investing well is the allocation of the capital that is generated in a business. Sometimes this goes to expansion, sometimes to debt repayment, and where a business is undervalued, to share repurchases. Since the start of this year, we repurchased over \$800 million of shares of the Corporation in the open market. We acquired these shares at an average Price of \$40 per share and, as a result, reduced the number of shares outstanding by approximately 20 million. This represented over 1% of the shares of the company and, while that does not sound like much, this added very meaningfully to the Value of our company.

The Value of our business based on our estimates is currently \$84 per share, and this Value does not take into account the franchise we have, which generates transactions year in and year out by allocating capital effectively. For example, it does not take into account any Value for new businesses we are building, or the option we have to repurchase further shares at a discount to their intrinsic value, thereby adding further Value to each share.

Stepping back, the act of repurchasing shares is often misunderstood by investors, and even some management teams. It is not, as some think, a method to “boost the share price.” In fact, one should hope to make these purchases at a lower price as repurchases made at lower prices incrementally and very meaningfully add Value to the remaining shares outstanding.

In simple terms, we acquired 20 million shares this year, and the Value of those shares was \$1.68 billion. Due to market trading conditions, we were able to acquire them for \$800 million. This means that the selling shareholders left behind \$880 million of excess Value. Said another way, for the ability to get liquidity of \$800 million, the selling shareholders turned over \$1.68 billion of Value to the remaining shareholders, reallocating \$880 million of Value to the remaining shareholders. Even on this relatively modest amount of share repurchases, this added approximately \$0.55 to each remaining share of the company. That is a lot of Value added for not a lot of work.

Share repurchases at too high a price can equally destroy enormous Value in a business, as the above calculation can work in reverse. This is why ensuring management is aware of the Value of their company and is completing share repurchases for the right reason is extremely important. Of course, also important is ensuring that at all times cash remains available to take advantage of opportunities to allocate capital to growing the business.

We intend to continue to allocate capital to share repurchases when the share price is meaningfully below our estimated Value, as these repurchases will be highly productive for the remaining shareholders. Of course, from time to time we have significant demands on our capital, so we are always prudent in terms of when and how we make these purchases. However, rest assured we will continue to allocate a portion of our available cash in this manner to enhance the underlying value of the business for each share you own.

The AI Revolution is Increasingly a Renewable Power Story

The foundation for the revolution going on with increasing computing capacity and AI comes down to four things: renewable power, data centers, design and fabrication of chips, and computing capacity. Each of these forms part of the backbone of this AI revolution, and we are fortunate to be at the center of most of these. Combined, we have by far the largest development pipeline of anyone globally.

The next 20 years will be an unprecedented period for electricity build-out. The electrification of industrial capacity, automobiles, heating for houses, and other uses is driving unprecedented growth in the demand for electricity. On top of that, the world is adding data centers for AI and cloud computing at a stunning pace.

To put this in perspective, the global installed capacity for electricity is approximately 8,000 gigawatts. To meet expected demand, this installed capacity will need to expand to more than 20,000 gigawatts in the next 20 years. In addition, nearly half of what exists today will need to be retired, as it is very carbon-intensive. Said differently, we need to more than double the current capacity (which was largely built over the past 50 years) while also replacing approximately 50% of what we have. Nothing like this has ever been attempted, but it is essential in order to reach the world's net-zero goals and drive the AI revolution.

The increase in demand for power to run data centers used in computing capacity for AI is only starting to be understood and is largely excluded in the above calculations. The computing capacity required for algorithms to advance medical discovery and industrial productivity is large. The amount needed to power computing capacity to train robotics towards intelligence nearer to humans is vast. But, when we reach that goal, productivity advances in many businesses will be very significant.

As the largest builder of renewables and data centers in the world – with over 230 gigawatts of projects owned or in various stages of development – this is very exciting for us. But given the above demands, our scale must increase dramatically to meet the needs of our customers. In this regard, we have acquired more than ten renewable operating and development platforms and three data center businesses over the past few years to scale up our capabilities. There are several factors, however, that must evolve at the same time to grow even larger. We need better regulatory permitting; chips and servers must be designed to consume less power; greater amounts of transmission infrastructure must be built; further advances in batteries for storage of power must be made; and more capital from our global clients to drive these investments must be invested.

Our recent agreement with Microsoft was a landmark deal in corporate power contracting. At over 10.5 gigawatts, it is nearly eight times larger than any other deal ever signed. But, for perspective, this is just 10.5 of the more than 16,000 gigawatts required in the next 20 years. This is a \$10 billion plus deal, which indicates the scale of the total capital required to meet power demand and decarbonize—hundreds of trillions.

Ultimately, we believe the above will not be accomplished without nuclear capacity coming back in a major way, as it is the only baseload carbon-free power at scale that exists with current proven technologies. And, while it is possible there could be a scale breakthrough on fusion or something else, we do not believe it can be commercialized in the next 15 years.

We are therefore highly focused on advancing micro and small-sized nuclear batteries (5 megawatts to 300 megawatts) through our Westinghouse business for delivery later this decade, and the success of this effort may solve the final push to carbon-free power into the second leg of the global net-zero plan. Our micro and small-sized units are the most advanced of any, with our small-sized units based on the same technology as our AP1000 large-plant technology, which is safely in operation globally. As a result, we have an enormous head start and are working hard to achieve commercialization of these units. This will be the real game changer when we get there.

Planning for the Future takes Effort

Long-term planning of people is one of the most important factors marking the difference between good and great companies. The great companies have succession planning embedded in their culture, which means it becomes an integral part of the business. At Brookfield, we have had a longstanding goal of generational succession planning, and it is therefore an important part of our culture. This has many facets to it, but generally means that:

- We largely promote from within.
- We operate as a Partnership, and while the CEO may be the most senior Partner, there is a group of long-standing Partners who rank somewhat equal in standing and compensation.
- The CEO has the final say in the Partnership but leads through respect, and not the power of the position.
- We expect senior Partners to promote younger Partners into stretch roles. This leads to opportunities for new Partners to emerge and ensures the introduction of fresh ideas—both of which are vital for consistent long-term success.
- Lastly, we as Partners are all meaningful investors in the business and therefore always consider, first and foremost, what is best for the advancement of the business over the day-to-day politics or our specific roles.

I have had the good fortune of having been the CEO of Brookfield for 22 years so far. I was identified as the next CEO in 1999 and assumed the role in 2002. Over time, I also assumed the most senior Partner role from the previous generation, who for the most part continue to assist Brookfield in some capacity and who retain large investments in the business.

Since my appointment in 2002, a small group of new senior Partners have assumed new responsibilities and led the organization with me. Over time, as the business expanded, we also continually promoted new Partners to our ranks. This has led not only to continuity but also to fresh ideas, new perspectives, and all the energy the younger Partners possess.

In 2019, a next-generation review and planning process was undertaken with senior Partners and Brookfield's Board members, looking ahead to the next 20 years. This process culminated in 2023 with a new group of younger Partners being identified to assume more senior roles over the coming years.

Connor Teskey was identified as the next CEO of Brookfield Asset Management at that time—and this change will happen when we feel the time is right for all our stakeholders. In addition to Connor's many exceptional skills and talents, he has the advantage of being 36 years old today, which gives him the opportunity to lead the organization for 20 plus years through the next phase of our growth. Anuj Ranjan, Sachin Shah, Nick Goodman and others have also been assigned very senior "CEO" roles across Brookfield and will continue to have crucial responsibilities as the organization evolves further over time.

The other longstanding senior Partners of mine remain integrally involved with Brookfield's day-to-day decisions; naturally, over time, they will hand over many of their day-to-day responsibilities as they turn them over to their successors. From that time on, they will focus on business development and strategic initiatives for Brookfield.

With respect to me, I have never been so enthused about the prospects for our business as I am now. I intend to help the team out in any way I can and stay fully invested in Brookfield. However, at the right time for clients, investors, our business partners, and our own people, I will hand over the Brookfield Asset Management CEO role to Connor, while assisting him with clients and business relationships and remaining the CEO of Brookfield Corporation.

Closing

We remain committed to investing capital for you in high-quality assets that earn solid cash returns on equity, while emphasizing downside protection for the capital employed. The primary objective of the company 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.

We look forward to seeing you on September 10th in Manhattan at our Investor Day. If you cannot attend in person, our presentation will be webcast live on our website, and also available for replay.

Thank you for your interest in Brookfield, and please do not hesitate to contact any of us should you have suggestions, questions, comments, or ideas you wish to share.

Sincerely,



Bruce Flatt
Chief Executive Officer

August 8, 2024

Cautionary Statement Regarding Forward-Looking Statements and Information

All references to “\$” or “Dollars” are to U.S. Dollars. This letter to shareholders contains “forward-looking information” within the meaning of Canadian provincial securities laws and “forward-looking statements” within the meaning of the U.S. Securities Act of 1933, the U.S. Securities Exchange Act of 1934, “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations (collectively, “forward-looking statements”). Forward-looking statements include statements that are predictive in nature, depend upon or refer to future results, events or conditions, and include, but are not limited to, statements which reflect management’s current estimates, beliefs and assumptions regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies, capital management and outlook of Brookfield Corporation and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, and which in turn are based on our experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. The estimates, beliefs and assumptions of Brookfield Corporation are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. Forward-looking statements are typically identified by words such as “expect,” “anticipate,” “believe,” “foresee,” “could,” “estimate,” “goal,” “intend,” “plan,” “seek,” “strive,” “will,” “may” and “should” and similar expressions. In particular, the forward-looking statements contained in this letter include statements referring to the impact of current market or economic conditions on our business, the future state of the economy or the securities market, the anticipated allocation and deployment of our capital, our liquidity and ability to access and raise capital, our fundraising targets, our target growth objectives, and our target carried interest.

Although Brookfield Corporation believes that such forward-looking statements are based upon reasonable estimates, beliefs and assumptions, actual results may differ materially from the forward-looking statements. Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: (i) returns that are lower than target; (ii) the impact or unanticipated impact of general economic, political and market factors in the countries in which we do business; (iii) the behavior of financial markets, including fluctuations in interest and foreign exchange rates and heightened inflationary pressures; (iv) global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; (v) strategic actions including acquisitions and dispositions; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits; (vi) changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates); (vii) the ability to appropriately manage human capital; (viii) the effect of applying future accounting changes; (ix) business competition; (x) operational and reputational risks; (xi) technological change; (xii) changes in government regulation and legislation within the countries in which we operate; (xiii) governmental investigations and sanctions; (xiv) litigation; (xv) changes in tax laws; (xvi) ability to collect amounts owed; (xvii) catastrophic events, such as earthquakes, hurricanes and epidemics/pandemics; (xviii) the possible impact of international conflicts and other developments including terrorist acts and cyberterrorism; (xix) the introduction, withdrawal, success and timing of business initiatives and strategies; (xx) the failure of effective disclosure controls and procedures and internal controls over financial reporting and other risks; (xxi) health, safety and environmental risks; (xxii) the maintenance of adequate insurance coverage; (xxiii) the existence of information barriers between certain businesses within our asset management operations; (xxiv) risks specific to our business segments including asset management, wealth solutions, renewable power and transition, infrastructure, private equity, real estate and corporate activities; and (xxv) factors detailed from time to time in our documents filed with the securities regulators in Canada and the United States.

We caution that the foregoing list of important factors that may affect future results is not exhaustive and other factors could also adversely affect future results. Readers are urged to consider these risks, as well as other uncertainties, factors and assumptions carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements, which are based only on information available to us as of the date of this letter or such other date specified herein. Except as required by law, Brookfield Corporation undertakes no obligation to publicly update or revise any forward-looking statements, whether written or oral, that may be as a result of new information, future events or otherwise.

Past performance is not indicative nor a guarantee of future results. There can be no assurance that comparable results will be achieved in the future, that future investments will be similar to historic investments discussed herein, that targeted returns, growth objectives, diversification or asset allocations will be met or that an investment strategy or investment objectives will be achieved (because of economic conditions, the availability of appropriate opportunities or otherwise).

Target returns and growth objectives set forth in this letter are for illustrative and informational purposes only and have been presented based on various assumptions made by Brookfield Corporation in relation to the investment strategies being pursued, any of which may prove to be incorrect. There can be no assurance that targeted returns or growth objectives will be achieved. Due to various risks, uncertainties and changes (including changes in economic, operational, political or other circumstances) beyond Brookfield Corporation’s control, the actual performance of the business could differ materially from the target returns and growth objectives set forth herein. In addition, industry experts may disagree with the assumptions used in presenting the target returns and growth objectives. No assurance, representation or warranty is made by any person that the target returns or growth objectives will be achieved, and undue reliance should not be put on them.

Cautionary Statement Regarding the Use of Non-IFRS Measures

This letter to shareholders contains references to financial measures that are calculated and presented using methodologies other than in accordance with IFRS. These financial measures, which include Distributable Earnings (as defined below), its components and its per share equivalent, should not be considered as the sole measure of our performance and should not be considered in isolation from, or as a substitute for, similar financial measures calculated in accordance with IFRS. We caution readers that these non-IFRS financial measures or other financial metrics are not standardized under IFRS and may differ from the financial measures or other financial metrics disclosed by other businesses and, as a result, may not be comparable to similar measures presented by other issuers and entities.

We make reference to Distributable Earnings, which refers to the sum of distributable earnings from our asset management business, distributable operating earnings from our wealth solutions business, distributions received from our ownership of investments, realized carried interest and disposition gains from principal investments, net of preferred share dividends and equity-based compensation costs. We also make reference to Distributable Earnings before realizations, which refers to Distributable Earnings before realized carried interest and disposition gains from principal investments, and net operating income, which refers to the revenues from our operations less direct expenses before the impact of depreciation and amortization within our real estate business. Our outlook for growth in Distributable Earnings assumes growth in fee-related earnings and realized carried interest in line with our business plans, which assume growth in our fee bearing capital consistent with our fundraising plans, capital deployment expectations, maintaining the fee rates we earn on fee bearing capital and earning margins consistent with our current margin. Actual results may vary materially and are subject to market conditions and other factors and risks set out above. For more information on non-IFRS measures and other financial metrics, see Brookfield Corporation’s Q2 2024 Press Release, which includes reconciliations of these non-IFRS financial measures to their most directly comparable financial measures calculated and presented in accordance with IFRS.

Endnotes

1. Reflects performance of flagship funds and similar strategies.