Brookfield
Supplemental 2009

BASIS OF PRESENTATION

Use of Non-GAAP Accounting Measures

This Supplemental Information ("Supplemental") makes reference to cash flow from operations on a total and per share basis. Management uses cash flow from operations as a key measure to evaluate performance and to determine the underlying value of its businesses. Brookfield's consolidated statements of cash flow from operations provides a full reconciliation between this measure and net income so that readers are able to consider both measures in assessing Brookfield's results. Operating cash flow is not a generally accepted accounting principle measure and differs from net income, and may differ from definitions of operating cash flow used by other companies. We define operating cash flow as net income prior to such items as depreciation and amortization, future income tax expense and certain non-cash items that in our view are not reflective of the underlying operations.

Information Regarding the Supplemental

Unless the context indicates otherwise, references in this Supplemental to the "Corporation" refer to Brookfield Asset Management Inc., and references to "Brookfield" or "the company" refer to the Corporation and its direct and indirect subsidiaries and consolidated entities.

We utilize operating cash flow and underlying values in the Supplemental when assessing our operating results and financial position, and do this on a deconsolidated basis organized by operating platform. Operating cash flow is derived from the information contained in our consolidated financial statements, which are prepared in accordance with Canadian generally accepted accounting principles, and is reconciled to net income within the Supplemental. This is consistent with how we review performance internally and, in our view, represents the most straightforward approach.

This year we have measured invested capital based on underlying value unless otherwise stated, using the procedures and assumptions that we intend to follow in preparing our financial statements under International Financial Reporting Standards ("IFRS"), which we believe provides a much better representation of our financial position than historical book values. These values are reported on a pre-tax basis, meaning that we have not reflected adjustments that we expect to make in our IFRS financial statements to reflect the difference between carrying values of assets and their tax basis. We do this because we do not expect to liquidate the business and, until any such taxes become payable, we have the ability to invest this capital to generate cash flow and value for shareholders.

The IFRS related disclosures and values in this document have been prepared using the standards and interpretations currently issued and expected to be effective at the end of our first annual IFRS reporting period, which we intend to be December 31, 2010. Certain accounting policies expected to be adopted under IFRS may not be adopted and the application of such policies to certain transactions or circumstances may be modified and as a result the December 31, 2009 and December 31, 2008 underlying values prepared on a basis consistent with IFRS are subject to change. The amounts have not been audited or subject to review by our external auditor.

The U.S. dollar is our functional and reporting currency for purposes of preparing our consolidated financial statements, given that we conduct more of our operations in that currency than any other single currency. Accordingly, all figures are presented in U.S. dollars, unless otherwise noted.

The information in this Supplemental should be read in conjunction with the Corporation's most recently issued Annual Report. The Annual Report and additional information, including the Corporation's Annual Information Form, is available on the Corporation's web site at www.brookfield.com and on SEDAR's web site at www.sedar.com.

CONTENTS

PART 1 SUMMARY 3

PART 2 REVIEW OF OPERATIONS 12

PART 3 SUPPLEMENTAL INFORMATION 45

PART 1
SUMMARY

OUR BUSINESS

Brookfield is a global asset management company with over $100 billion of assets under management.

Our business strategy is to provide world-class asset management services on a global basis, focused on real assets such as property, renewable power and infrastructure assets. Our business model is simple: utilize our global reach to identify and acquire high quality assets at favorable valuations, finance them effectively, and then enhance the cash flows and values of these assets through our leading operating platforms to achieve reliable attractive long-term total returns for the benefit of our partners and ourselves.

We focus on assets and businesses that form part of the critical backbone of economic activity, whether they generate reliable clean electricity, provide high quality office space in major urban markets, or transport goods and resources to or from key locations. These assets and businesses typically benefit from some form of barrier to entry, regulatory regime or other competitive advantage that provides stability in cash flows, strong operating margins and value appreciation over the longer term.

The majority of our assets are invested in high quality commercial office properties, hydroelectric power generating facilities and infrastructure assets. We also develop commercial and residential properties, conduct restructuring, real estate finance and other investment activities through our special situations group; and manage fixed income and equity securities through our public securities operations.

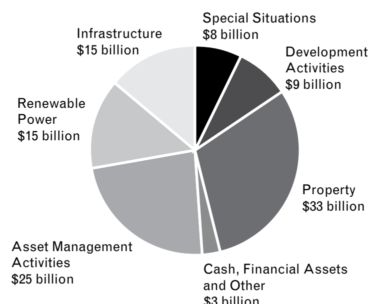
Our business is organized into a number of leading operating groups that we have established over many years, and is comprised of more than 14,000 employees. These groups, with their broad operating capabilities and expertise, enable us to maximize the value of our operating assets, businesses and investments.

We have established a number of private and public entities to enable our clients and other investors to participate with us in the ownership of these assets. Our clients are sovereign wealth funds, pension funds, insurance companies, high net worth individual investors and retail customers on a global basis. This provides us with an important source of additional cash flow and other opportunities to create value that we believe will enable us to increase operating cash flow per share at a faster rate than if we relied solely on deploying our own capital. These activities also provide us with additional capital to pursue a broader range of transactions and expand our operating base without straining our own resources, as well as establishing important relationships with many of the world's premier global investors.

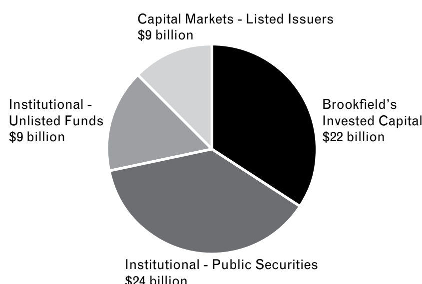
We have two principal financial performance metrics: operating cash flow and total return, both measured on a per share basis. We define total return as the change in underlying value together with distributions to shareholders. Our goal is to achieve cash flow growth and total return over the longer term of between 12% and 15%.

Total assets under management at year-end were $108 billion and were underpinned by $64 billion of capital. We provided approximately $22 billion of this capital from our balance sheet. Institutions have invested $24 billion in our public securities portfolios and $9 billion in our unlisted funds and $9 billion is represented by the equity of various publicly listed issuers that we own and manage. The following charts illustrate the allocation of our assets under management and the related sources of capital:

ASSETS UNDER MANAGEMENT
Total - $108 billion



SOURCES OF CAPITAL
Total - $64 billion



We differ from most other asset management companies in three important ways. The first is the industry leading operating platforms we have built up over many years. Our commitment to maintaining these platforms has enabled us to attract and retain best-in-class people and gives us the capability to maximize the long-term cash flows and values of our assets.

The second difference is our substantial capital base and the significant amount of capital we have committed to the same investment strategies alongside our clients. This invested capital aligns our interests with our clients, generates substantial cash flows to reinvest and provides a solid capitalization to further enhance our role as a reliable sponsor of investment transactions.

The third difference is how we seek to benefit from managing assets for our clients and investment partners. The cash flow that we receive from our capital, and the breadth of our operations allow us to fund our activities without being overly dependent on large base management fee streams to cover the operating costs that we incur. This enables us to seek returns in the form of equity participations or other long-term interests which typically align well with our clients and co-investors.

The following are some of the ways we benefit from our asset management activities:

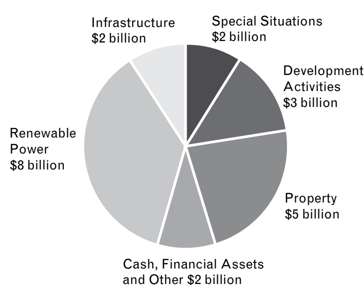
- In many cases, we are compensated in a traditional manner, which includes a base management fee and some form of incentive return that is based on performance. As noted above, our strong cash flow position allows us to skew our returns towards performance based compensation if we choose.
- In the case of our 50%-owned Canadian Renewable Power Fund, we purchase almost all of the electricity generated by it at a fixed rate. This provides the other investors in the Fund with cash flow stability to support a reliable high payout distribution policy, consistent with the profile of the Fund, and also provides us with additional electricity and an increased opportunity to participate in future increases (or decreases) in electricity prices.
- We list some of our business units on public stock exchanges. For example, we took our Brazil residential business public in 2006 and since then have completed two mergers and two further equity financings. While we earned no direct compensation in respect of the capital provided by other shareholders in the business, these financings enabled us to expand the business into new geographic markets and the important middle-income segment without committing additional capital resources from our own balance sheet. The company had a record year in 2009 and we have benefitted from our participation in these increased returns as an investor. We further augmented the returns of this business for the benefit of all shareholders by utilizing our global franchise to assist it to earn higher returns than otherwise available to another local entity.

Principal Business Activities and Sources of Operating Cash Flows

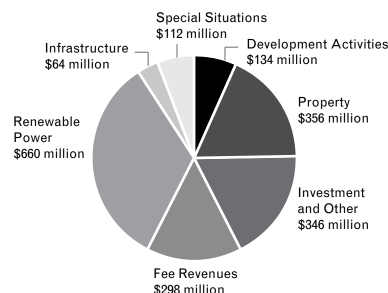
As at year-end, we had invested approximately $22 billion alongside our clients and co-investors. This capital generated $2.0 billion of operating cash flow and gains during 2009, prior to interest and operating costs.

Our capital is invested primarily in renewable hydroelectric power plants, commercial office properties in central business districts of major international centres and regulated infrastructure assets. These segments, together with cash and financial assets, represent over 70% of our invested capital and contribute to the strength and stability of our capitalization and underlying values.

BROOKFIELD'S INVESTED CAPITAL[1]
Total - $22 billion



OPERATING CASH FLOW[2]
Total - $2.0 billion



1. Prior to corporate liabilities
2. Prior to interest and operating costs

Asset Management and Other Service Revenues

Asset management revenues include the fees and performance returns that we earn for managing capital on behalf of investment clients. As noted above, we also receive other benefits that are reflected in our operating returns from our various platforms. We also include a broad range of property services, investment banking and construction services which we provide to customers.

Renewable Power Generation

We have one of the largest privately owned hydroelectric power generating portfolios in the world, located on river systems in the U.S., Canada and Brazil. We have chosen to focus on hydroelectric generation because of the long life, exceptional reliability and low operating costs of these facilities. As at December 31, 2009, we owned and managed 164 hydroelectric generating stations which generate on average approximately 16,000 gigawatt hours of electricity each year. We also own and operate a 189 megawatt wind energy project as well as two natural gas-fired plants. Overall, our assets have 4,198 megawatts of generating capacity.

Commercial Properties

We own and manage one of the highest quality commercial office portfolios in the world located in major financial, energy and government centre cities in North America, Australasia and Europe. Our strategy is to concentrate our operations in high growth, supply-constrained markets that have high barriers to entry and attractive tenant bases. Our goal is to maintain a meaningful presence in each of our primary markets in order to maximize the value of our tenant relationships. At December 31, 2009 our portfolio consisted of 166 properties containing approximately 95 million square feet of commercial space, which includes a number of high quality shopping centres in Brazil, the United Kingdom and Australia.

Infrastructure
During 2009, we completed a transaction that significantly expanded the scale of our infrastructure operations. Our infrastructure group now manages approximately $15 billion of total assets in the following sectors: transportation (ports, rail lines); utilities (electrical and natural gas transmission) and timberlands. Our strategy is to acquire and operate high quality assets and operations that provide essential services or products and which generate cash flows that are supported by regulatory regimes or some form of barrier to entry.

Development Activities
We develop commercial properties on a selective basis, and are active in residential development throughout North America, Australasia, Brazil and the United Kingdom. We also develop agricultural lands in Brazil and provide construction services to third-party clients as well as to our own development operations. These activities encompass 41 million square feet of developable commercial space, 61 million square feet of residential condominiums, 123,000 lots for residential land and 370,000 acres of agricultural land. We also conduct development activities within our renewable power generation and timberland activities.

Special Situations
We conduct a wide range of restructuring, real estate finance and bridge lending activities through investment funds with total committed capital of $5.0 billion. Total invested capital at year end was $5.0 billion of which our share was $1.6 billion. We also hold a number of investments that are mostly temporary in nature and will be sold once value is maximized or integrated into our core operations or new fund strategies.

Public Securities and Advisory Services
We manage fixed income and equity securities for institutional clients with a focus on the real estate and infrastructure asset classes. Assets under management in this segment totalled $24 billion at year end. We also provide specialized investment banking and transaction advisory services in North America, the United Kingdom and Brazil. The associated revenues are included in asset management revenues and we have capital invested in these activities.

OPERATING PERFORMANCE

Summary

We recorded solid financial and operational performance during 2009, and achieved many of our objectives. We undertook a number of initiatives to protect and enhance the long-term value of our existing businesses and to better position the company to capitalize on opportunities that we expect will arise in the coming years. We invested $2.4 billion of equity capital in undervalued opportunities which, together with the $1.7 billion invested in similar opportunities in 2008, should provide very favourable returns over the longer term.

Operating cash flow was $2.43 per share. We were pleased with the resiliency of our two largest businesses, renewable power generation and commercial office properties, and the excellent performance of our Brazil residential business. Several of our smaller, more economically sensitive businesses, such as timberlands and our U.S. residential operations, continue to report low levels of cash flow although we believe that they will benefit as the economic recovery continues to take hold. As a result, the increase in cash flow per share was only 4.3%, below our long-term target. We have achieved a 19% growth in cash flow per share, over the past five years, which is a more appropriate time frame for measuring performance in a business such as ours.

Total return during 2009 was $2.49 per share, or 9.4%. Total return consists of our operating cash flows and the impact of unrealized valuation changes on the underlying value of our common equity. We distributed $0.52 of this return to shareholders as common share dividends and the remaining $1.97 is represented by the increase in underlying values from $26.56 per share at the beginning of the year to $28.53 at year-end. We do not have historical information to calculate a long-term growth rate for total return, but will continue to report to you on this basis in the future.

The following table summarizes the underlying values of our invested capital and our share of net operating cash flows generated by our operations over the past two years on a deconsolidated basis:

AS AT AND FOR THE YEAR ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	Assets Under Management[1]		Brookfield's Invested Capital[1]		Net Operating Cash Flow	
	2009	2008	**2009**	2008	**2009**	2008
Asset management and other services	**$ 25,386**	$ 19,460	**$ 803**	$ 534	**$ 298**	$ 289
Operating platforms						
Renewable power generation	**15,280**	13,793	**8,318**	8,478	**660**	466
Commercial properties	**32,433**	31,790	**4,841**	4,702	**356**	297
Infrastructure	**15,388**	7,322	**1,546**	1,174	**64**	141
Development activities	**9,010**	6,973	**2,403**	1,426	**134**	60
Special situations	**7,730**	7,162	**1,631**	1,622	**112**	283
Cash and financial assets	**1,996**	2,185	**1,645**	1,903	**346**	425
Other assets	**1,119**	1,068	**945**	771	**—**	—
	$ 108,342	$ 89,753	**22,132**	20,610	**1,970**	1,961
Less: Corporate borrowings/interest			**(2,593)**	(2,284)	**(151)**	(163)
Contingent swap accruals			**(779)**	(675)	**(84)**	(72)
Accounts payable and other/expenses			**(2,028)**	(2,239)	**(253)**	(272)
Capital securities/interest			**(632)**	(543)	**(32)**	(31)
Shareholders' equity – IFRS basis			**16,100**	14,869	**1,450**	1,423
Unrecognized value under IFRS			**1,750**	1,500	**—**	—
Shareholders' equity – underlying value			**$ 17,850**	$ 16,369	**$ 1,450**	$ 1,423
Per share			**$ 28.53**	$ 26.56	**$ 2.43**	$ 2.33

1. At underlying value, excludes accounting provisions for future tax liabilities

Operating Cash Flow

Operating cash flow totalled $1.45 billion for the year compared to a similar result in 2008 and $1.9 billion in 2007. The 2007 results included a particularly large number of disposition gains.

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	**2009**	2008	2007
Operating cash flow			
Total	**$ 1,450**	$ 1,423	$ 1,907
– Per share	**2.43**	2.33	3.11

Power generating operations produced net operating cash flow of $660 million, a significant increase over the $466 million generated in 2008. This increase reflects $369 million in gains realized on the sale of 50% of renewable assets in Ontario, offset by the impact of lower generation and spot electricity prices. Operating results in 2009 were lower than 2008, which was an exceptional year in terms of both pricing and hydro generation. Short-term electricity prices, which impacted approximately 20% of long-term average generation in 2009, were lower in part because the downturn in the economy led to decreased energy demand. We were able to secure a 20-year power sales agreement in the fourth quarter of 2009 for all of the previously uncontracted output of our Ontario operations on favourable terms, which reduces our reliance on the short-term market. Longer term, we continue to believe that demand and pricing for renewable energy will rise.

Commercial properties produced solid results during 2009. Operating cash flow increased to $356 million from $297 million. The increased contribution reflects a 2% increase in the cash flows from existing properties in local currency terms, reflecting the stability of our leasing profile, as well as the impact of lower interest rates on floating rate debt and improved results from our retail properties. The 2008 results included a higher level of realization and disposition gains as well as a dividend from our interest in Canary Wharf that did not recur in 2009. The overall occupancy level of our properties was 95.3% at year end, with an average lease term of seven years with high quality tenants and average in-place rents that are below comparable average market rents.

These two businesses continue to provide significant stability to our results as they are underpinned by high quality contractual cash flows. This stability has allowed us to grow the business over the last two years. In particular, we expanded our infrastructure operations during the year and meaningfully increased the level of third-party capital allocated to our various fund initiatives, positioning us well for growth as the economy recovers.

Infrastructure operations contributed $64 million in 2009 compared to $141 million in 2008. Timberlands results were $49 million lower as we elected to let our trees grow (and essentially build inventory for future sales at higher prices) rather than selling them at low prices. Transmission results were higher in 2008 due to favourable operating results and the monetization of Brazilian transmission interests. We expect the contribution from this sector to increase meaningfully in 2010 following our acquisition of an $8 billion diversified infrastructure business in late 2009.

Development cash flows increased substantially, to $134 million from $60 million, due to the increased activity and expansion of our Brazilian residential operations as well as the stabilization of asset values in our U.S. residential business.

Special situations cash flows were higher in 2008 than in 2009 as we recorded a number of investment gains during 2008. In addition, we recorded losses from investments in industrial businesses that faced an extremely challenging operating environment during 2009.

The contribution from cash and financial assets in 2008 reflected gains from investment strategies initiated to protect our business from adverse economic circumstances such as widening credit spreads. We eliminated most of these strategies during 2009 as capital markets recovered and, accordingly, did not benefit from gains of this nature in 2009.

Corporate expenses did not change significantly in the year and include the costs associated with running our business, including our asset management activities and carrying charges on corporate financial obligations.

Underlying Values

We are adopting IFRS as our primary basis of presentation in 2010 and, as a result, the carrying values of most of our tangible assets will be revalued periodically based on fair market values. We believe this will be an important indicator of the underlying values of the company and will enable us to report to you on our progress in building value on a total return basis over a very long period of time.

Our invested equity capital was $28.53 per share at year end on an underlying value basis. Underlying values increased by $1.97 per share during 2009, which together with $0.52 of common share dividends paid to shareholders, represents a total return of $2.49, or 9.4%.

The following table presents the changes in underlying value of our common equity (i.e., shareholders' equity excluding preferred shares) during 2009:

AS AT AND FOR THE YEAR ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	Total	Per Share
Underlying value, IFRS basis – beginning of year	$ 13,999	$ 24.06
Unrecognized value – beginning of year	1,500	2.50
Underlying value – beginning of year	15,499	26.56
Operating cash flow	1,450	2.43
Less: realization gains	(413)	(0.68)
Dividends paid	(341)	(0.56)
Unrealized valuation changes	(1,319)	(2.17)
Foreign currency changes	1,614	2.66
Other	(34)	(0.09)
Changes in unrecognized value during the year	250	0.38
Total changes	1,207	1.97
Underlying value, IFRS basis – end of year	14,956	25.65
Unrecognized value – end of year	1,750	2.88
Underlying value – end of year	$ 16,706	$ 28.53
Impact of a 100 bps change in discount rates on commercial office and renewable power generation values	+/- $3,700	+/- $ 6.09

The principal contributors to unrealized valuation changes were increases in the discount rates applicable to our commercial office and renewable power operations, as well as the impact of lower office rents on projected renewals and energy prices on uncontracted power sales. We provide further details on the changes in underlying values within each of our major operating platforms in the relevant platform review section.

Unrecognized values under IFRS include the value relating to assets that cannot be recognized under IFRS, such as land inventory positions that have been held for many years. We estimate these to total $1.75 billion at year end, or $2.88 per share.

Foreign currency changes relate to revaluation of our net capital invested in non-U.S. dollar terms. For example, our renewable power, commercial properties and infrastructure operating platforms manage a substantial amount of capital invested in Canada, Australia and Brazil, and each currency has appreciated against the U.S. dollar during the year by 16%, 27% and 33%, respectively.

The assumptions used in valuing our tangible assets are based on market conditions during 2009 and at year end. We believe that these values would be lower on a liquidation basis (which we have no intention of undertaking) and higher if assessed in the context of normalized economic circumstances.

We provide more details on the assumptions utilized in valuing each of our major asset classes in each of the operating segment reviews. In aggregate, however, we believe that a 100-basis point decrease in the discount rates used to value our two largest asset classes, commercial office properties and renewable power generating facilities, would increase share values by $3.7 billion, or $6.09 per share, for a total value of $34.62 per share. A corresponding 100-basis point increase would have the opposite effect on share values.

Balance Sheet, Liquidity and Capitalization

Our conservative approach to financing enables us to concentrate on running our businesses and executing our strategies. We maintain substantial financial liquidity and finance our operations primarily at the asset level on a long-term, investment grade, non-recourse basis.

We continued to strengthen our balance sheet, liquidity and capitalization during 2009. We completed $4.8 billion of financings, including $700 million at the corporate level, to supplement our liquidity and extend our maturity profile. We also invested $2.4 billion in our business to provide for further growth and value enhancement.

The following table presents a number of the key metrics we consider in assessing our financial position:

AS AT DECEMBER 31 (MILLIONS)	2009	2008
Assets under management	**$ 108,342**	$ 89,753
Invested capital [1]	**22,132**	20,610
Corporate debt [2]	**3,372**	2,959
Core liquidity	**4,048**	3,779
Equity capital [1]	**16,100**	14,869
– Per share	**28.53**	26.56
Debt-to-capitalization		
– Deconsolidated	**15%**	14%
– Proportionately consolidated	**44%**	44%

1. Based on pre-tax underlying values
2. Includes subsidiary obligations guaranteed by the Corporation

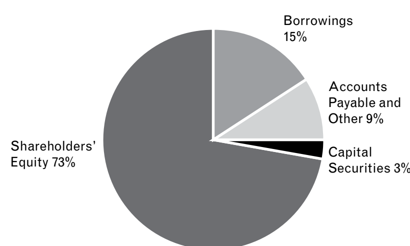
Assets under management measured at underlying values totalled $108 billion at year end, compared to $90 billion at the end of 2008. Assets under management reflect the scale of our operations and the total assets we have working for us and our clients to generate cash flows, operating cash flows and management income.

Invested capital increased by approximately $1.5 billion, or 7%, to $22.1 billion reflecting the increase in our underlying values. The increase in corporate debt principally reflects the impact of a higher Canadian dollar on borrowings denominated in that currency, as well as long-term debt issued during the year.

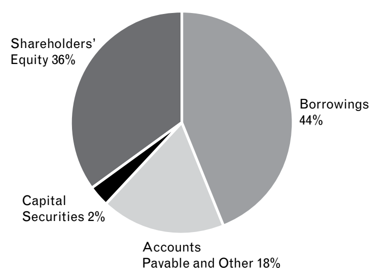
Core liquidity, which represents cash and financial assets and undrawn credit facilities at the Corporation and our principal operating subsidiaries, was approximately $4.0 billion at year end, compared to $3.8 billion at the beginning of 2009. This includes $2.6 billion at the corporate level and $1.4 billion at our principal operating units. We continued to maintain a higher level than prior years as we continue to pursue a number of investment initiatives, notwithstanding the capital deployed during the year.

Deconsolidated and proportionately consolidated debt-to-total capitalization ratios were relatively unchanged year-over-year at 15% and 44%, respectively. The average term of our corporate debt is eight years.

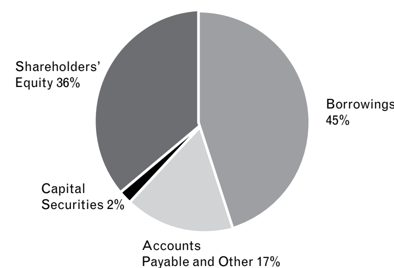
DECONSOLIDATED



PROPORTIONATE CONSOLIDATION



FULL CONSOLIDATION



Fee Revenues and Asset Management Activities

We continued to expand our asset management activities during the year, increasing the number of funds, third-party capital under management and associated revenues. The following table presents key metrics relating to our asset management activities over the past three years:

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2009	2008	2007
Fee and other revenues			
Base management	$ 131	$ 134	$ 104
Performance returns and transaction fees	78	38	155
	209	172	259
Property and construction services	89	117	43
	$ 298	$ 289	$ 302
Third-party capital allocations			
Unlisted fund and specialty issuers	$ 14,848	$ 8,843	$ 7,666
Fixed income and real estate securities	23,787	18,040	26,237
Listed entities	8,552	5,046	5,285
	$ 47,187	$ 31,929	$ 39,188

The contribution from fees increased by $9 million during the year. Performance returns and transaction fees increased by $40 million which was offset by one-time costs incurred in relation to the expansion of our property services business.

Capital managed for others increased to $47 billion from $32 billion. Capital allocated by third-party clients to our unlisted funds and specialty issuers increased by $6.0 billion, reflecting new mandates in property, infrastructure and restructuring.

Capital in our listed entities totalled $8.6 billion at year end including the capital from co-investors in partially-owned public companies at underlying value. The increase of $3.5 billion was primarily the result of public offerings by our North American and Brazilian property companies and the expansion of our listed infrastructure businesses.

Net Income

The following table presents net income for the past three years determined in accordance with Canadian GAAP. We do not utilize net income as a key metric in assessing the performance of our business because, in our view, it contains measures that may distort the ongoing performance and intrinsic value of the underlying operations. Nevertheless we recognize the importance of net income as a key measure for many users and provide a discussion of net income and a reconciliation to operating cash flow on page 48 of this Supplemental.

The following table reconciles operating cash flow and gains to net income for the past three years:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	2009	2008	2007
Operating cash flow and gains	$ 1,450	$ 1,423	$ 1,576
Depreciation and other non-cash provisions, net of non-controlling interests	(996)	(774)	(789)
Net income	$ 454	$ 649	$ 787
– Per share (diluted)	$ 0.71	$ 1.02	$ 1.24

Items not included in operating cash flow include non-cash items such as depreciation and amortization, accounting provisions in respect of future tax liabilities and other revaluation items that we do not consider appropriate to include in operating cash flow. These items are presented net of interests of others in partially owned business units.

OPERATING PLATFORMS

Renewable Power Generation

Highlights:

- Generated cash flow of $660 million, including $369 million of realization gains, compared to $466 million in 2008;
- Merged remaining directly-held Canadian renewable facilities into 50%-owned Brookfield Renewable Power Fund, establishing premier listed renewable energy company and generating $525 million of liquidity;
- Secured 20-year contract for all previously uncontracted Ontario generation with attractive, fixed rate indexed pricing to increase stability of cash flows;
- Invested $120 million to expand our operating base through development activities;
- Completed approximately $1.0 billion of unsecured and project financings to extend maturity profile and optimize returns for shareholders.

The following table presents certain key metrics that we consider in assessing the performance of our power business:

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2009	
Realized price	**$ 70 Per MWh**
Annual generation	**15,819 GWh**
Long-term average generation	**15,599 GWh**
% of contracted (2010) revenue	
– Total	**84%**
– Long-term contracts	**70%**
Duration of long-term contracts	**14 years**
Debt to capitalization	**38%**

Business Development

During the year we transferred the remainder of our directly held Canadian operations to 50%-owned Brookfield Renewable Power Fund in two separate transactions. The fund in turn raised C$760 million in two equity issues, of which we purchased C$380 million to maintain our 50% ownership interest in the fund. As a result, all of our Canadian renewable energy facilities are now owned by this company and we generated $525 million of liquidity. At year-end, the fund had an equity market capitalization, including our 50% interest, of approximately $1.9 billion, making it the premier Canadian listed renewable energy company. This resulted in $369 million of realization gains, representing 50% of the difference between the transaction value and our historical book values.

During the fourth quarter we entered into a 20-year power sales agreement with the Ontario Power Authority for the previously uncontracted output of our Ontario operations, which is approximately 2,300 gigawatt hours annually. The contract has a base price plus an additional amount in respect of on-peak production, both of which escalate annually on a predetermined basis. We are entitled to retain any ancillary revenues such as capacity payments and carbon credits. This agreement increased the amount of generation currently under long-term contract from 51% to approximately 70% and reduces our reliance on shorter-term contracts, consistent with our objectives that we set a few years ago.

We invested $120 million during the year to expand our operating base through a number of development initiatives including two facilities commissioned in Brazil with total capacity of 59 megawatts, and the expected commissioning of another 26 megawatt facility in Brazil in the first half of 2010. We also continued to advance development of a 50 megawatt wind energy project in Ontario and have now secured all of the necessary construction, credit and energy sales agreements to proceed to completion, which is expected at the end of 2010.

Summarized Financial Results

The following table summarizes our capital invested in our renewable power operations during 2009 and 2008 and our share of the operating cash flows:

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Assets Under Management		Underlying Value		Operating Cash Flow	
	2009	2008	**2009**	2008	**2009**	2008
Hydroelectric generation	**$ 13,222**	$ 11,839	**$ 13,222**	$ 11,839	**$ 705**	$ 796
Other forms of generation	**412**	346	**412**	346	**64**	90
Facilities under development	**230**	253	**230**	253	**—**	—
Realization gains	**—**	—	**—**	—	**369**	—
	13,864	12,438	**13,864**	12,438	**1,138**	886
Other assets, net	**1,416**	1,355	**577**	785	**(25)**	(21)
Financial leverage	**—**	—	**(5,275)**	(4,240)	**(342)**	(313)
Co-investor interests	**—**	—	**(848)**	(505)	**(111)**	(86)
Brookfield's net interest	**$ 15,280**	$ 13,793	**$ 8,318**	$ 8,478	**$ 660**	$ 466

Operating Results

Variances in our cash flows are primarily the result of changes in the prices that we realize for our power and the level of water flows, which determines the amount of electricity that we can generate from our hydroelectric facilities.

The following table presents operating cash flows by principal region during 2009 and 2008:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2009**				**2008**			
	Total	**Interest Expense**	**Co-investor Interests**	**Net**	Total	Interest Expense	Co-investor Interests	Net
Hydroelectric								
United States	**$ 362**	**$ 145**	**$ 33**	**$ 184**	$ 397	$ 151	$ 29	$ 217
Canada	**184**	**68**	**69**	**47**	271	72	49	150
Brazil	**159**	**53**	**9**	**97**	128	36	8	84
	705	**266**	**111**	**328**	796	259	86	451
Other generation	**64**	**16**	**—**	**48**	90	14	—	76
Realization gains	**369**	**—**	**—**	**369**	—	—	—	—
	1,138	**282**	**111**	**745**	886	273	86	527
Other	**(25)**	**60**	**—**	**(85)**	(21)	40	—	(61)
	$ 1,113	**$ 342**	**$ 111**	**$ 660**	$ 865	$ 313	$ 86	$ 466

The results from our Canadian operations declined by $103 million due to lower generation, lower spot electricity prices and a lower average currency during the year. In the United States, lower prices were offset by higher generation levels while Brazil reflects expanded capacity.

Realized Prices – Hydroelectric Generation

The following table illustrates revenues and operating costs for our hydroelectric facilities:

FOR THE YEARS ENDED DECEMBER 31 (GIGAWATT HOURS AND $ MILLIONS)	2009 Production (GWh)	2009 Realized Revenues	2009 Operating Costs	2009 Operating Cash Flows	2008 Production (GWh)	2008 Realized Revenues	2008 Operating Costs	2008 Operating Cash Flows
United States	**6,881**	**$ 494**	**$ 132**	**$ 362**	6,681	$ 551	$ 154	$ 397
Canada	**4,723**	**289**	**105**	**184**	5,277	360	89	271
Brazil	**2,860**	**227**	**68**	**159**	2,267	182	54	128
Total	**14,464**	**$ 1,010**	**$ 305**	**$ 705**	14,225	$ 1,093	$ 297	$ 796
Per MWh		**$ 70**	**$ 21**	**$ 49**		$ 77	$ 21	$ 56

The average realized price per unit of electricity sold in 2009 declined to $70 per megawatt hour ("MWh") from $77 per MWh in 2008 due to the impact of lower spot prices on the portion of generation that we leave unhedged so as to manage variability in water flows. In addition, the above average water flows resulted in a larger amount of unhedged generation which reduced the average realized price, although it did result in additional revenues overall. This had the opposite effect in 2008 because excess generation was sold at prices higher than previously contracted sales which increased the average realized price.

Realized prices also include ancillary revenues from selling capacity reserves and from re-contracting power sales into higher priced markets. Lower realized prices contributed $102 million to the overall negative variance in the contribution from hydroelectric facilities, of which $28 million was due to a lower level of ancillary revenues and other power sales initiatives, $34 million of which reflected the impact of lower spot prices on unhedged electricity sales and the remaining $40 million reflected the impact of foreign currency fluctuation relative to the U.S. dollar. Operating costs were unchanged on a per unit basis.

Generation

The following table summarizes generation over the past two years:

FOR THE YEARS ENDED DECEMBER 31 (GIGAWATT HOURS)	Actual Production 2009	Actual Production 2008	Long-Term Average 2009	Long-Term Average 2008	Variance of Results vs. Long-term Average 2009	Variance of Results vs. Long-term Average 2008	Variance of Results Actual vs. Prior Year 2009
Existing capacity	**13,128**	13,532	**12,438**	12,465	**690**	1,067	**(404)**
Acquisitions – during 2008 and 2009	**1,336**	693	**1,391**	730	**(55)**	(37)	**643**
Total hydroelectric operations	**14,464**	14,225	**13,829**	13,195	**635**	1,030	**239**
Wind energy	**433**	456	**506**	534	**(73)**	(78)	**(23)**
Co-generation and pump storage	**922**	1,249	**1,264**	1,264	**(342)**	(15)	**(327)**
Total generation	**15,819**	15,930	**15,599**	14,993	**220**	937	**(111)**

Hydroelectric generation was 239 gigawatt hours above the production levels of 2008 as the overall base of generation grew in the year through acquisition and development. Generation in 2008 exceeded long-term average by 8% compared to 5% in 2009, although storage levels were 13% above usual levels at year end. The increased storage levels reflect our decision to shift production into the first quarter of 2010 in anticipation of higher prices. The higher generation levels impacted operating cash flows by $11 million over the year, compared to 2008.

The following table presents the capital invested in our hydroelectric facilities by major geographic region based on underlying values:

AS AT DECEMBER 31, 2009 (MILLIONS)	2009 Consolidated Assets	2009 Consolidated Liabilities	2009 Co-investor Interests	2009 Net Invested Capital	2008 Consolidated Assets	2008 Consolidated Liabilities	2008 Co-investor Interests	2008 Net Invested Capital
Hydroelectric								
United States	**$ 6,044**	**$ 2,035**	**$ 158**	**$ 3,851**	$ 6,286	$ 2,056	$ 163	$ 4,067
Canada	**5,069**	**1,475**	**630**	**2,964**	4,248	1,150	297	2,801
Brazil	**2,109**	**621**	**60**	**1,428**	1,305	379	45	881
	$ 13,222	**$ 4,131**	**$ 848**	**$ 8,243**	$ 11,839	$ 3,585	$ 505	$ 7,749

Non-hydroelectric Generation

Cash flows from our non-hydro facilities, as shown in the following table, decreased due to lower generation levels at our pump storage and gas fired facilities which was in response to lower price differentials between peak and off-peak pricing and the expiry of favourable gas supply contracts.

FOR THE YEARS ENDED DECEMBER 31 (GIGAWATT HOURS AND $ MILLIONS)	2009				2008			
	Actual Production	**Realized Revenues**	**Operating Costs**	**Operating Cash Flows**	Actual Production	Realized Revenues	Operating Costs	Operating Cash Flows
Co-generation and pump storage	**922**	**$ 110**	**$ 76**	**$ 34**	1,249	$ 156	$ 98	$ 58
Wind energy	**433**	**36**	**6**	**30**	456	40	8	32
Total	**1,355**	**$ 146**	**$ 82**	**$ 64**	1,705	$ 196	$ 106	$ 90
Per MWh		**$ 108**	**$ 61**	**$ 47**		$ 115	$ 62	$ 53

Underlying Value

The underlying value of our power generation operations was $8.3 billion as at December 31, 2009 after deducting borrowings and minority interests. The following table presents the major changes in underlying value during 2009:

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2009 (MILLIONS)	
Underlying value – beginning of year	**$ 8,478**
Operating cash flow	**660**
Less: realization gains	**(369)**
Unrealized valuation change	**(188)**
Capital distributed	**(962)**
Foreign exchange	**795**
Working capital and other	**(96)**
Underlying value – end of year	**$ 8,318**

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

AS AT DECEMBER 31	United States		Canada		Brazil	
	2009	2008	**2009**	2008	**2009**	2008
Discount rate	**8.2%**	8.0%	**7.3%**	7.7%	**11.0%**	10.4%
Terminal capitalization rate	**8.4%**	8.2%	**7.9%**	8.1%	**11.0%**	10.4%
Exit date	**2029**	2028	**2029**	2028	**2029**	2028

The valuations are impacted primarily by the discount rate and long-term power prices. A 100-basis point change in the discount and terminal capitalization rates and a $10.00 change in long-term power prices will impact the value of our net invested capital by $2.2 billion and $0.7 billion, respectively.

Contract Profile

Approximately 84% of our 2010 long-term average generation is hedged from fluctuating energy prices which provides us with significant certainty in respect of energy revenues, notwithstanding variable water levels.

The following table sets out the profile of our contracts over the next five years from our existing facilities, assuming long-term average hydrology:

	Years ended December 31				
	2010	2011	2012	2013	2014
Generation (GWh)					
Contracted					
Power sales agreements					
Hydro	9,967	9,599	8,839	8,604	8,603
Wind	535	685	685	685	685
Gas and other	397	396	398	398	134
	10,899	10,680	9,922	9,687	9,422
Financial contracts	2,216	—	—	—	—
Total contracted	13,115	10,680	9,922	9,687	9,422
Uncontracted	2,490	5,213	5,999	6,225	6,245
Long-term average generation	15,605	15,893	15,921	15,912	15,667
Contracted generation – as at December 31, 2009					
% of total generation	84%	67%	62%	61%	60%
Revenue ($millions)	1,075	887	852	845	820
Price ($/MWh)	82	83	86	87	87

We increased the percentage of expected power generation sold under contract in 2010 from 70% to 84% and by approximately 15% in the years 2011 through 2014. This was due primarily to the OPA sales agreement, which covers approximately 2,300 GWh of expected annual production from our Ontario facilities and represents 15% of our expected overall generation. The average selling price for contracted power increases to $87 per megawatt hour from $82 per megawatt hour over the next five years, reflecting contractual step-ups in long duration contracts with locked-in prices and the expiry of lower priced contracts during the period as well as the new long-term contract with Ontario Power.

Financing

We completed $1.3 billion of financings during the year, including $663 million of corporate unsecured financings with terms of three to seven years and $490 million of project level financings. These extended the average term of financing to ten years. The debt to capitalization based on underlying values was 38%. The corporate unsecured notes bear interest at an average rate of 6.3%, have an average term of seven years and are rated BBB by S&P, BBB (high) by DBRS and BBB by Fitch.

Our average cost of debt was 7.2% at year-end, compared to 6.9% at the end of 2008. With the exception of bank borrowings and a $125 million project level financing, all of our North American financings are fixed rate. Interest rates on our Brazilian financings are all at floating rates.

The maturity profile of borrowings within our power operations on a proportionate basis is set out in the following table:

	Proportionate					Consolidated
AS AT DECEMBER 31, 2009 (MILLIONS)	2010	2011	2012	2013 & After	Total	Total
Unsecured						
Bank facilities	$ 28	$ 122	$ —	$ —	$ 150	$ 150
Term debt	—	—	380	614	994	994
Project specific						
Canada	201	18	122	515	856	1,475
United States	125	34	319	1,242	1,720	2,035
Brazil	41	43	58	461	603	621
	$ 395	$ 217	$ 879	$ 2,832	$ 4,323	$ 5,275
% of total outstanding	9%	5%	20%	66%	100%	100%

The 2010 project maturities include a $95 million first mortgage on a New England facility put in place three years ago, and $200 million backed by our Canadian facilities which we refinanced in early 2010 with a C$250 million perpetual preferred share issue. Maturities in 2012 include a C$400 million public bond that we expect to refinance in the normal course given the cash flows and ratings profile of the business.

Commercial Properties

Highlights:

- Generated cash flow of $356 million versus $297 million in 2008;
- Leased 4.6 million square feet in North America in 2009, approximately twice the amount scheduled to expire at an average rate of $21 per square feet, replacing expiring leases with an average rate of $17 per square foot;
- Global occupancy level of 95.3% (2008 – 96.9%);
- Completed $2.8 billion of financings, including common and preferred equity, corporate debt and mortgages;
- Disposed of non-core properties for proceeds of $272 million to provide capital for redeployment; and
- Established $5 billion investment consortium to invest in turnaround real estate investments.

The following table presents certain key metrics that we consider important in assessing the performance of our commercial properties operations:

AS AT DECEMBER 31, 2009	
Occupancy	**95%**
Average lease term	**7.2 years**
Average "in-place" rental rate	**$ 27 / sq. ft.**
Average "market" rental rate	**$ 30 / sq. ft.**
Average financing term	**4 years**
Debt to capitalization	**57%**

Business Development

We leased 4.6 million square feet in our core North American portfolio during 2009 at an average net rent of $21.41 per square foot, representing a 24% premium over the expiring leases, leading to increased in-place rent. We continue to manage our portfolios and tenant relationships on a proactive basis which can lead to opportunities to re-lease space for increased yields while minimizing vacancies.

In our commercial office development activities, we concentrated our efforts and capital on properties that were well leased and well advanced in the development process. We completed seven properties in Australia, United States and Canada at a total cost of $755 million. We have one building under construction in Perth that is 82% pre-leased to BHP Billiton, the world's largest mining company. Overall, we added 2.1 million square feet to our portfolio and the occupancy of these properties upon completion totalled 92%. On a full year basis, these buildings should add $53 million of operating income to our earnings.

We recapitalized a portfolio of Australian office properties owned within a managed fund and increased our interest from 22% to 68%. This portfolio, which encompasses approximately one million square feet and is 99% leased, is now included in our operating portfolio.

Financings completed during the year totalled $2.8 billion, including $785 million of common and preferred equity raised from minority shareholders in our North American operations. These actions significantly strengthened the capitalization and liquidity of these operations and position us well to pursue investment opportunities and manage forthcoming debt maturities.

Summarized Financial Results

The following table summarizes the capital invested by us in our commercial properties operations based on underlying values and our share of the operating cash flows:

	Assets Under Management		Underlying Value		Net Operating Cash Flow	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2009**	2008	**2009**	2008	**2009**	2008
Office properties						
North America	**$ 19,477**	$ 20,479	**$ 16,932**	$ 19,124	**$ 1,332**	$ 1,334
Australia	**3,845**	3,889	**2,699**	1,418	**186**	170
Europe	**1,062**	919	**1,062**	919	**31**	69
Realization gains	**—**	—	**—**	—	**89**	151
	24,384	25,287	**20,693**	21,461	**1,638**	1,724
Working capital	**2,336**	1,702	**1,105**	418	**(71)**	(23)
Mortgage debt	**—**	—	**(13,169)**	(12,122)	**(651)**	(793)
Subsidiary debt	**—**	—	**(259)**	(267)	**(35)**	(62)
Capital securities	**—**	—	**(1,009)**	(882)	**(53)**	(57)
Co-investor interests	**—**	—	**(3,857)**[1]	(4,937)[1]	**(496)**[2]	(485)[2]
	26,720	26,989	**3,504**	3,671	**332**	304
Development properties	**2,489**	2,092	**791**	470	**—**	—
Retail properties	**3,224**	2,709	**546**	561	**24**	(7)
Brookfield's net interest	**$ 32,433**	$ 31,790	**$ 4,841**	$ 4,702	**$ 356**	$ 297

1. Includes $415 million (2008 – $711 million) of co-investor interests that are classified as liabilities for accounting purposes
2. Includes $47 million (2008 – $23 million) attributable to co-investor interests classified as interest expense for accounting purposes

Commercial Office Properties

Operating Cash Flows

Variances in our cash flows are primarily the result of changes in contracted rental rates, occupancy levels and financing costs, each of which is described in more detail below.

The following table sets out the variances in operating cash flows:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2009**	2008	Variance
Existing properties (assuming no change in foreign exchange rates)			
United States	**$ 1,130**	$ 1,114	$ 16
Canada	**216**	208	8
Australasia	**189**	170	19
United Kingdom	**37**	38	(1)
	1,572	1,530	42
Developed or sold properties	**18**	12	6
Dividend from Canary Wharf	**—**	31	(31)
Realization gains and other	**125**	237	(112)
Impact of current year change in foreign exchange rates	**(33)**	—	(33)
Total operating cash flow	**1,682**	1,810	(128)
Interest expense and other	**(923)**	(1,044)	121
Co-investor interests	**(449)**	(462)	13
Impact of current year change in foreign exchange rates	**22**	—	22
Net operating cash flow	**$ 332**	$ 304	$ 28

Cash flow from existing properties prior to changes in foreign exchange rates and asset additions and dispositions increased by $35 million or 2% during the year which is to be expected given the stable nature of our long-term lease portfolio and the high credit quality of our tenants.

Disposition gains occurred largely in our North American portfolio. In 2009, we sold two properties in Washington D.C. in the fourth quarter realizing $50 million in gains ($25 million net of co-investor interests) and in 2008 we realized a $164 million ($80 million net of co-investor interests) gain from the sale of a partial interest in the Canada Trust office property in Toronto.

Interest expense decreased by $121 million over 2008 due largely to the impact of lower interest rates on floating rate debt in both North America and Australia. We continue to look for opportunities to lock in lower short-term rates in respect of future financings.

The following table shows the sources of operating cash flow by geographic region:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2009 Total	2009 Interest Expense	2009 Co-investor Interests	2009 Net	2008 Total	2008 Interest Expense	2008 Co-investor Interests	2008 Net
North America	$ 757	$ 384	$ 176	$ 197	$ 781	$ 420	$ 182	$ 179
U.S. Core office fund	575	221	280[1]	74	553	310	182[1]	61
Realization gains	89	—	45	44	151	—	76	75
Australasia	193	95	19	79	164	148	41	(25)
Europe	32	38	—	(6)	38	34	—	4
Dividend from Canary Wharf	—	—	—	—	31	—	—	31
Unallocated costs	36	115	(23)	(56)	92	109	4	(21)
	$ 1,682	$ 853	$ 497	$ 332	$ 1,810	$ 1,021	$ 485	$ 304

1. Includes $47 million (2008 – $23 million) attributable to co-investor interests that are classified as interest expense for accounting purposes

Financial Profile

The following table presents capital invested in our office properties by region:

AS AT DECEMBER 31 (MILLIONS)	2009 Consolidated Assets	2009 Consolidated Liabilities	2009 Co-Investor Interests	2009 Net Invested Capital	2008 Consolidated Assets	2008 Consolidated Liabilities	2008 Co-Investor Interests	2008 Net Invested Capital
Office properties								
North America	$ 11,553	$ 7,438	$ 2,150	$ 1,965	$ 11,565	$ 7,447	$ 2,073	$ 2,045
U.S. Core Office Fund	7,147	5,457	1,244[1]	446	8,234	5,494	2,200[1]	540
Australasia	3,770	2,653	463	654	2,534	1,518	424	592
Europe	1,103	664	—	439	932	438	—	494
	$ 23,573	$ 16,212	$ 3,857	$ 3,504	$ 23,265	$ 14,897	$ 4,697	$ 3,671

1. Includes $415 million (2008 – $711 million) of co-investor interests that are classified as liabilities for accounting purposes

Consolidated office property assets increased to $23.6 billion from $23.3 billion. Consolidated assets and liabilities within our Canadian and Australian operations increased due to higher currency exchange rates and the addition of four properties in Australia previously included in commercial developments that reached practical completion during the year. In addition, net invested capital increased in Australia due to reduced debt levels. This was offset by a reduction in capital in North America due to the monetization of two Washington properties in the fourth quarter of 2009.

During the year we completed $2.1 billion of financings to refinance existing properties. In North America, core office property debt at December 31, 2009 had an average interest rate of 4.8% (December 31, 2008 – 5.1%) and an average term to maturity of four years. In Australia, core office property debt had an average interest rate of 5.6% (December 31, 2008 – 6.5%) and an average term of two years.

Underlying Value

The following table illustrates the changes in underlying value of our commercial office interests during the year:

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2009 (MILLIONS)	Total
Underlying value – beginning of year	$ 3,671
Operating cash flow	332
Less: realization gains	(44)
Unrealized valuation change	(1,073)
Capital (distributed)/contributed	184
Foreign exchange	367
Working capital and other	67
Underlying value – end of year	$ 3,504

The key valuation metrics of our commercial office properties at the end of 2009 and 2008 are set out as follows:

AS AT DECEMBER 31	United States		Canada		Australia		United Kingdom	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Discount rate	**8.8%**	8.6%	**7.4%**	7.3%	**9.3%**	8.4%	**9.6%**	9.6%
Terminal capitalization rate	**6.9%**	7.0%	**6.7%**	6.6%	**7.8%**	6.8%	**n/a**	n/a
Exit date	**2019**	2018	**2019**	2018	**2019**	2018	**n/a**	n/a

The valuations are most sensitive to changes in the discount rate. A 100-basis point change in the discount rate and terminal capitalization rate results in an aggregate $1.5 billion change in our common equity value after reflecting the interests of minority shareholders.

Leasing Profile

Our total portfolio worldwide occupancy rate in our office properties at the end of 2009 decreased to 95.3% compared to 96.9% at December 31, 2008. The average term of the leases was seven years, unchanged from the prior year.

AS AT DECEMBER 31, 2009	% Leased	Average Term	Net Rental Area	Currently Available	Expiring Leases (000's sq. ft.) 2010	2011	2012	2013	2014	2015	2016+
North American markets											
United States	94%	7.1	42,765	2,766	1,394	2,723	3,546	7,145	2,913	4,034	18,244
Canada	99%	6.8	16,561	229	851	1,284	1,154	3,425	512	2,617	6,489
Australia	97%	7.5	8,882	248	344	567	361	327	708	820	5,507
United Kingdom	100%	17.1	556	—	—	—	—	—	—	—	556
Total/Average	95%	7.2	68,764	3,243	2,589	4,574	5,061	10,897	4,133	7,471	30,796
Percentage of Total			100%	5%	4%	6%	7%	16%	6%	11%	45%

As at December 31, 2009, the average term of our in-place leases in North America was seven years. Annual lease expiries average 9% over the next four years with only 4% expiring in 2010. Average in-place net rents across the North American portfolio have increased to $24 per square foot from $23 at the end of last year, and represent a discount of approximately 15% to the average market rent of $27 per square foot. This discount provides greater assurance that we will be able to maintain or increase our net rental income in the coming years as we did in the current year.

Average in-place rents in our Australian portfolio are A$47 per square foot, approximately 13% below market rents, and 12% higher than the average in-place rent of A$42 per square foot at the end of 2008. During the year we leased 0.2 million square feet of space at higher rates than the expiring leases. The occupancy rate across the portfolio remains high at 97% and the weighted average lease term is approximately eight years. Our fifteen largest tenants have a weighted average lease life of nine years and account for approximately 70% of our leaseable area. These tenants have an average rating profile of A+.

The high quality of our properties has enabled us to sign long-term leases with high quality tenants that have strong credit profiles. The contractual terms of these leases provide a high level of assurance that rents will be paid as expected unless a bankruptcy event occurs. Notwithstanding the recent economic turmoil, only 700,000 square feet, representing approximately 1% of our net rentable area, were returned to us as a result of credit events, and we subsequently re-leased approximately 90% of this space at equivalent or better rents. Furthermore, the competitive positions of our properties in their respective markets enable us to attract new tenants from lower quality buildings to fill any excess in vacant space and we are in active negotiations to lease the remainder of the space returned.

With the exception of 2013, where we have a large lease maturity with Bank of America/Merrill Lynch, no more than 7% of our total net rental area expires in any year prior to 2015 and we expect to roll over most of this space with the existing tenants and do not anticipate undue difficulty locating replacement tenants for the balance. The high quality and location of our buildings give us a high degree of confidence in this regard. Our net exposure to Bank of America/Merrill Lynch space is 1.6 million square feet, or 0.8 million square feet when reflecting our 50% ownership interest in our North American property operations. We are engaged in active discussion with Bank of America/Merrill Lynch and the sub-lease tenants to secure new leasing arrangements for this space well in advance of the 2013 maturity.

Financing

We raised a total of $2.8 billion in financings and property dispositions during 2009, including extensions and renewals and excluding capital contributed by the Corporation:

FOR THE YEAR ENDED DECEMBER 31, 2009 (MILLIONS)	
Corporate bank facilities	**$ 751**
Mortgages	**1,273**
Preferred shares	**265**
Common shares	**520**
	$ 2,809

We hold substantial liquidity within these operations, principally at our North American property subsidiary.

We finance our commercial office operations primarily with non-recourse mortgages and equity from our co-investors. We supplement this with appropriate levels of subsidiary borrowings and capital securities (which are preferred shares classified as liabilities for accounting purposes) in order to create a levelized capitalization profile to offset mortgage amortization.

The weighted average rates on our borrowings, inclusive of capital securities, by principal operating region are as follows:

	2009			2008		
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**Average Borrowings**	**Interest Expense**	**Yield**	Average Borrowings	Interest Expense	Yield
North America	**$ 12,179**	**$ 605**	**5%**	$ 12,931	$ 730	6%
Australia	**1,614**	**95**	**6%**	1,635	148	6%
United Kingdom	**672**	**38**	**6%**	583	34	6%
	$ 14,465	**$ 738**	**5%**	$ 15,149	$ 912	6%

Excluding our U.S. Core Fund, fixed rate financings comprise approximately 53% of our North American borrowings. The Australian financing market consists primarily of shorter-dated floating rate mortgages, however we are exploring ways to lock in interest costs at attractive prices.

The following table presents the maturity profile of our commercial office portfolio on a proportionate basis:

	Proportionate					Consolidated
AS AT DECEMBER 31, 2009 (MILLIONS)	2010	2011	2012	2013 & After	Total	Total
Subsidiary level						
North America	$ 49	$ —	$ —	$ —	$ 49	$ 100
United Kingdom	—	159	—	—	159	159
	49	159	—	—	208	259
Asset specific						
North America	41	1,146	151	2,470	3,808	11,167[1]
Australia	566	405	678	309	1,958	1,958
United Kingdom	—	—	—	459	459	459
	607	1,551	829	3,238	6,225	13,584
	$ 656	$ 1,710	$ 829	$ 3,238	$ 6,433	$ 13,843
% of total outstanding	10%	27%	13%	50%	100%	100%

1. Includes $415 million of liabilities that are classified as co-investor interests in our segmented disclosures.

Commercial property financings are secured by high quality office buildings on an individual or, in certain circumstances, pooled basis. Many of the financings which mature in the next three years were arranged a number of years ago and, accordingly, represent a low loan-to-value. As a result, we continue to refinance most of these maturities in the normal course at similar or higher levels.

We have minimal financing requirements in North America, Europe and Brazil in 2010. We have very few maturities in our North American operations over the next three years relative to the scale of our business, with the exception of $3.7 billion of aggregate maturities within our U.S. Core Fund that mature in October 2011. Our proportionate share of these borrowings is $855 million, taking into consideration the interests of our investment partners, and consists of $648 million of property-specific mortgages and $210 million secured by a pool of commercial properties. Operating cash flows from the assets managed by us within the portfolio have improved by 37% based on in-place leases since acquiring the portfolio, which have improved the credit metrics of the portfolio. Nevertheless, our business plans permit us to deleverage the portfolio between now and maturity and we raised considerable equity capital with this in mind.

In Australia, we have three asset-specific financings coming due in 2010 which are all backed by high quality buildings which have an average lease duration of eight years and 99% occupancy levels. Accordingly, although the Australian property market typically utilizes shorter duration financing, we are comfortable that we can roll over all the debt in the normal course and on a long-term basis where possible. We also have a subsidiary borrowing of $588 million that matures in 2010 within our Australian operations which we are in the process of refinancing at a reduced level as part of establishing a long-term capitalization for this business.

Commercial Office Development Properties

The following table presents capital invested in our commercial office development activities by region based on underlying values:

	2009				2008			
AS AT DECEMBER 31	**Consolidated Assets**	**Consolidated Liabilities**	**Co-investor interests**	**Net Invested Capital**	Consolidated Assets	Consolidated Liabilities	Co-investor Interests	Net Invested Capital
North America								
Bay Adelaide Centre, Toronto	**$ 692**	**$ 367**	**$ 163**	**$ 162**	$ 510	$ 226	$ 142	$ 142
Ninth Avenue, New York	**286**	**227**	**30**	**29**	269	227	21	21
Other	**487**	**—**	**244**	**243**	295	60	118	117
Australia								
Macquarie Tower	**—**	**—**	**—**	**—**	230	173	—	57
City Square	**247**	**186**	**—**	**61**	94	75	—	19
Other	**777**	**481**	**—**	**296**	694	580	—	114
	$ 2,489	**$ 1,261**	**$ 437**	**$ 791**	$ 2,092	$ 1,341	$ 281	$ 470

We opened Bay Adelaide Centre for occupancy during the year and it is currently 74% leased. All major construction work has been completed ahead of schedule and under budget and the property will be transferred into our operating portfolio in the first quarter of 2010.

We own development rights on Ninth Avenue between 31st Street and 33rd Street in New York City which is entitled for 5.4 million square feet of commercial office space. We will commence construction of this property once the necessary pre-leasing has occurred, similar to our strategy with other commercial developments.

In Australia, we completed the Macquarie Tower and three other properties during the year and transferred them to our operating portfolios. The buildings are 100% leased in aggregate. We continue development of the City Square project in Perth, which has a total projected construction cost of A$864 million, is 82% pre-leased to BHP Billiton and is scheduled for completion in August 2012.

Property-specific financing includes debt secured by Bay Adelaide Centre in North America as well as debt associated with developments in Australia and the United Kingdom, all of which we expect to refinance on a long-term basis once the properties are fully completed.

Retail Operations

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Invested Capital 2009	Invested Capital 2008	Operating Cash Flow 2009	Operating Cash Flow 2008
Retail properties	**$ 2,774**	$ 2,329	**$ 172**	$ 152
Working capital/operating costs	**11**	(177)	**(19)**	(15)
Borrowings/interest expense	**(1,580)**	(1,186)	**(104)**	(155)
Co-investor interests	**(659)**	(405)	**(25)**	11
	$ 546	$ 561	**$ 24**	$ (7)

Operating cash flows prior to debt service and co-investor interests increased to $172 million in 2009 from $152 million in 2008. We benefitted from reduced debt levels, lower short-term interest rates and currency appreciation. Many of the properties continue to undergo significant redevelopment, which continued to reduce net rent and increased costs during the year, but positions the portfolio well for cash flow growth going forward.

The following table presents the capital we have invested in our retail operations based on underlying values:

	2009				2008			
AS AT DECEMBER 31 (MILLIONS)	**Consolidated Assets**	**Consolidated Liabilities**	**Co-Investor Interests**	**Net Invested Capital**	Consolidated Assets	Consolidated Liabilities	Co-Investor Interests	Net Invested Capital
Brazil	**$ 2,275**	**$ 1,406**	**$ 659**	**$ 210**	$ 1,713	$ 1,168	$ 405	$ 140
United Kingdom	**305**	**256**	**—**	**49**	389	257	—	132
Australia	**644**	**357**	**—**	**287**	607	318	—	289
	$ 3,224	**$ 2,019**	**$ 659**	**$ 546**	$ 2,709	$ 1,743	$ 405	$ 561

Consolidated assets and net invested capital increased during the year due to higher currency rates across all jurisdictions. We also invested an additional $43 million of capital in our Brazilian business. The average duration of financing on our properties is 5 years and $383 million as a proportionate share matures in 2010 and 2011.

Infrastructure

Highlights:

- Acquired $8 billion of global infrastructure assets focused on the utility and transportation sectors;
- Funded the acquisition with $1.8 billion of equity capital, of which Brookfield's share totalled approximately $400 million;
- Established three private infrastructure funds with $1.9 billion of total commitments;
- Completed sale of Brazil transmission interests for $275 million and a 32% return;
- Secured mandate to build $500 million transmission project in Texas;
- Completed $0.5 billion of debt financings; and
- Produced $64 million of operating cash flow despite challenging conditions in our timber operations.

Business Development

We acquired an $8 billion portfolio of global infrastructure assets consisting primarily of utility and transportation businesses which significantly expanded the breadth of our operations and assets under management in this segment (the "Prime Acquisition"). The acquisition was completed by our principal infrastructure entity, Brookfield Infrastructure, and consists of a 40% interest in the restructured Australian listed entity named Prime Infrastructure that owns most of the acquired portfolio, as well as a direct 49% interest in a major Australian coal terminal and a 100% interest in a UK port business. We funded the acquisition with $1.8 billion of equity, of which $0.8 billion was funded by other shareholders of Prime, $0.6 billion was funded by other investors in Brookfield Infrastructure, and $0.4 billion was funded by us in the form of additional investment in Brookfield Infrastructure.

This increases our net investment in infrastructure by $0.4 billion, increases the co-investor equity in Brookfield Infrastructure on which we earn management fees, and expands our operating base significantly. The transaction closed in mid-November therefore the contribution to cash flows in 2009 was modest. The acquired businesses are largely regulated, with the effect that approximately 80% of our operating cash flows are now generated from businesses that are regulated or underpinned by long-term contracts.

We were awarded a major contract to construct a $500 million transmission project in Texas, together with our joint venture partner. Construction is scheduled to commence in late 2010 and the project is expected to start contributing to cash flow in early 2013.

We established three unlisted infrastructure funds during 2009 with total capital commitments of $1.9 billion, including $0.5 billion from Brookfield. They include a $400 million fund focused on Colombia and our $460 million Brazil Agriland fund, as well as a larger fund focused more broadly on the Americas.

Summarized Financial Results

The following table summarizes the capital we have invested in our infrastructure operations as well as our share of the operating cash flows:

	Assets Under Management		Underlying Value		Net Operating Cash Flow	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2009**	2008	**2009**	2008	**2009**	2008
Utilities	**$ 7,097**	$ 3,083	**$ 443**	$ 449	**$ 47**	$ 80
Transportation	**4,027**	—	**290**	—	**5**	—
Timber	**4,264**	4,239	**813**	725	**12**	61
	$ 15,388	$ 7,322	**$ 1,546**	$ 1,174	**$ 64**	$ 141

The consolidated debt to capitalization of this business is approximately 70% and the average term to maturity is seven years. Our proportionate share of maturities over the next three years is $36 million.

Utilities

The following table presents the capital invested by us in our utility operations based on underlying values:

	2009				2008			
AS AT DECEMBER 31 (MILLIONS)	**Consolidated Assets**	**Consolidated Liabilities**	**Co-investor Interests**	**Net Invested Capital**	Consolidated Assets	Consolidated Liabilities	Co-investor Interests	Net Invested Capital
North America	**$ 413**	**$ 123**	**$ 155**	**$ 135**	$ 382	$ 256	$ (3)	$ 129
South America	**360**	**—**	**140**	**220**	610	22	268	320
Australasia/Europe	**219**	**—**	**131**	**88**	—	—	—	—
	$ 992	**$ 123**	**$ 426**	**$ 443**	$ 992	$ 278	$ 265	$ 449

Consolidated assets and net invested capital held within our utilities operations increased during the year as the sale of our Brazilian transmission lines was offset by the acquisition of interests in the following two operations through the Prime acquisition. Co-investor interests represent the interests of others in Brookfield Infrastructure, through which most of these businesses are owned.

Natural Gas Pipeline Company of America ("NGPL"): A natural gas transmission pipeline and storage system in the United States, with over 15,500 kilometres of pipeline and approximately 270 billion cubic feet of storage capacity. The system provides gas transportation and storage to approximately 60% of the Chicago and Northern Indiana market.

Powerco: New Zealand's second largest provider of regulated electricity and gas distribution services. Powerco accounts for approximately 40% of the gas and approximately 16% of the electricity connections throughout New Zealand.

International Energy Group ("IEG"): The second largest independent provider of "last-mile" gas and electricity connection services in the UK and the sole provider of natural gas and liquid propane gas in the Channel Islands and the Isle of Man.

Tasmania Gas Network ("TGN"): The sole provider of gas distribution services in Tasmania, Australia. TGN owns approximately 730 kilometres of distribution pipeline and services approximately 6,500 customers throughout Tasmania.

We continue to hold 100% of our North American transmission business, although we sold the distribution business during 2009. We also continue to hold our 28% interest in our Chilean transmission business, of which 18% is held by Brookfield Infrastructure.

The following table presents operating cash flows for our utilities business:

	2009				2008			
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**Net Operating Income**	**Interest Expense**	**Co-investor Interests**	**Net Operating Cash Flow**	Net Operating Income	Interest Expense	Co-investor Interests	Net Operating Cash Flow
North America	**$ 32**	**$ 18**	**$ 5**	**$ 9**	$ 38	$ 28	$ —	$ 10
South America	**55**	**—**	**21**	**34**	56	—	19	37
Australasia/Europe	**7**	**—**	**5**	**2**	—	—	—	—
	94	**18**	**31**	**45**	94	28	19	47
South America – sold in 2009	**15**	**11**	**2**	**2**	91	8	50	33
	$ 109	**$ 29**	**$ 33**	**$ 47**	$ 185	$ 36	$ 69	$ 80

Our utilities operations generate stable revenues that are largely governed by regulated frameworks and long-term contracts. Accordingly, we expect this segment to produce consistent revenue and margins that should increase with inflation and other factors such as operational improvements. We also expect to achieve continued growth in revenues and income by investing additional capital into our existing operations.

Utilities operations, excluding the results of Brazil transmission interests sold at the beginning of 2009, contributed $45 million of net operating cash flow, after deducting carrying charges and co-investor interests, compared with $47 million during 2008. We exercised our rights to sell the Brazilian transmission interests in 2008 pursuant to our original purchase agreement for an inflation adjusted return of 14.8%, and completed the transaction in mid 2009 for total proceeds of approximately $275 million.

The contribution from our Chilean transmission operations was $34 million in 2009 and $37 million in 2008. The decrease reflects $5 million of non-recurring revenue in 2008 resulting from a retroactive rate base increase, offset by the ongoing benefit of inflation indexation and growth capital expenditures which earn regulated returns. After adjusting for non-recurring items, the operating margins were 81% which is in line with historical levels.

Net operating cash flows in our North America operations declined as we sold our distribution business in the third quarter of 2009. The transmission business performed as expected.

North American and Australasia results reflect only six weeks' contribution from NGPL and Powerco.

The valuation of our transmission operations is based on an independent valuation of our Chilean transmission business and an internal valuation of our Northern Ontario operations based on the regulated rate base. In valuing our Chilean transmission business, key assumptions included a weighted average real discount rate and terminal capitalization rates of 8.1% and a terminal valuation date of 2023. The valuation of interests in NGPL and Powerco are based on their November 2009 acquisition price.

Transportation

The following table presents the capital invested by us in our transportation operations, based on underlying values:

	2009				2008			
AS AT DECEMBER 31 (MILLIONS)	**Consolidated Assets**	**Consolidated Liabilities**	**Co-investor Interests**	**Net Invested Capital**	Consolidated Assets	Consolidated Liabilities	Co-investor Interests	Net Invested Capital
Australasia	**$ 469**	**$ 1**	**$ 251**	**$ 217**	$ —	$ —	$ —	$ —
Europe	**849**	**593**	**183**	**73**	—	—	—	—
	$ 1,318	**$ 594**	**$ 434**	**$ 290**	$ —	$ —	$ —	$ —

Our transportation segment was established in November 2009 as part of the previously described Prime Acquisition and is held through 40% owned Brookfield Infrastructure. Co-investor interests in the foregoing table represent the 60% interest in these businesses held by our co-investors in Brookfield Infrastructure. It is comprised of the following investments:

Australasia:

Dalrymple Bay Coal Terminal (DBCT"): One of the world's largest coal terminals, accounting for 21% of global metallurgical seaborne coal exports. DBCT provides access to the export market for the Bowen Basin in Queensland, Australia, which is one of the lowest cost sources of coal in the world. DBCT is owned up to 49% by Brookfield Infrastructure and 51% by Prime. Consolidated assets includes our proportionate interest in this investment, which is equity accounted.

WestNet Rail: Leases and operates approximately 5,100 kilometres of network track and related infrastructure in South Western Australia. WestNet Rail provides exclusive rail access to market for minerals and grain businesses that underpin Western Australia's economy. Prime owns 100% of WestNet which we have included in our proportionate interest in this investment in consolidated assets.

Europe:

PD Ports: The third largest port operator in the UK by volume. Mainly operating as the statutory harbour authority out of the Port of Tees and Hartlepool in the north of the UK. We acquired 100% of PD Ports and therefore include the associated balances and results on a consolidated basis.

Euroports: A portfolio of seven port concession businesses in key strategic locations throughout Europe and in China, handling over 70 million tonnes per year. We own 24% interest in Euroports through Prime. Accordingly, assets include our pro-rata interest in the investment, which is equity accounted.

Underlying values for this segment are based on the November 2009 acquisition prices.

Timber

The following table sets out the assets and liabilities deployed in our Timber segment based on underlying values:

AS AT DECEMBER 31 (MILLIONS)	2009				2008			
	Consolidated Assets	**Consolidated Liabilities**	**Co-investor Interests**	**Net Invested Capital**	Consolidated Assets	Consolidated Liabilities	Co-investor Interests	Net Invested Capital
North America								
Western	**$ 3,092**	**$ 1,477**	**$ 1,010**	**$ 605**	$ 3,187	$ 1,478	$ 1,195	$ 514
Eastern	**295**	**78**	**72**	**145**	202	66	61	75
Brazil	**161**	**7**	**122**	**32**	103	6	—	97
Working capital	**716**	**685**	**—**	**31**	747	708	—	39
	$ 4,264	**$ 2,247**	**$ 1,204**	**$ 813**	$ 4,239	$ 2,258	$ 1,256	$ 725

Consolidated assets held within our timber operations and related borrowing levels were relatively unchanged during the year. We consolidated the results of all these businesses. Net invested capital rose as we increased our ownership in the U.S. Pacific Northwest operations in the first quarter of 2009. This was offset by the sale of a portion of our interest in Brazil timberlands in the second quarter of 2009 to our newly established Brazil Timber Fund. Co-investor interests reflect direct interests of others in our timber operations as well as in Brookfield Infrastructure, through which most of these businesses are held.

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2009				2008			
	Net Operating Income	**Interest Expense**	**Co-investor Interests**	**Net Operating Cash Flow**	Net Operating Income	Interest Expense	Co-investor Interests	Net Operating Cash Flow
North America								
Western	**$ 67**	**$ 85**	**$ (15)**	**$ (3)**	$ 141	$ 86	$ 11	$ 44
Eastern	**13**	**3**	**4**	**6**	15	3	3	9
Brazil	**9**	**—**	**—**	**9**	8	—	—	8
	$ 89	**$ 88**	**$ (11)**	**$ 12**	$ 164	$ 89	$ 14	$ 61

Net operating cash flow decreased from $61 million to $12 million in 2009 due to weak pricing and reduced harvest levels. The current pricing environment is related to the slowdown in the U.S. homebuilding industry, which has resulted in lower demand for premium species such as high quality Douglas-fir. Realized prices across our operations declined by approximately 17% while operating costs per unit were higher due to product mix and to a lesser extent, higher fuel costs. The average realized price for Douglas-fir decreased by 11% compared to the prior year.

We continue to exploit the flexibility inherent in timber management which allows us to defer harvesting until prices recover and also allows the trees to continue to grow. Our Western North American operations were able to increase exports to Asia, which provides higher margins. We sold 5.8 million cubic metres of timber during 2009, compared to 6.8 million cubic metres in 2008, with all of the decrease occurring in Western North America, primarily reflecting reduced harvest levels to preserve value.

Interest costs were in line with the prior year while co-investor interests represented a recovery due to lower cash flows. The average interest rate on Timber borrowings is 5% and the overall duration of borrowings is seven years.

We are beginning to see some positive signs of recovery. Prices have improved from the lows experienced in the second quarter of 2009 as strong supply management has resulted in very low inventories of saw logs and finished wood products. In addition, the decline in U.S. housing stocks appears to have slowed down in pace as the inventory of new and foreclosed homes continues to decline.

The valuation of our timberlands is based on independent appraisals. Key assumptions include a weighted average discount and terminal capitalization rate of 6.5% and an average terminal valuation date of 72 years. Timber prices were based on a combination of forward prices available in the market and the price forecasts of each appraisal firm.

Development Activities

Development activities include the following:

- "Residential Development" activities, which involve the development and sale of residential properties.
- "Opportunity Investment" activities throughout, which we acquire undervalued properties with the objective of increasing their value over a three to four year horizon through leasing, re-development or other activities.
- "Development Lands" which represent land positions, air rights and other entitlements for development activities in the future, typically three years or longer. In addition, we also develop agricultural lands in Brazil.

We also develop power generation facilities, commercial office and retail properties and ancillary land holdings within our timber operations, the results of which are included in the analysis of each respective operating platform.

Highlights:

- Significantly expanded our Brazilian residential business through acquisitions and equity issues and achieved record sales and operating cash flows;
- Achieved strong sales in our Alberta residential business; and
- Acquired a 16 property portfolio in North America for repositioning in our Opportunity Fund.

Business Development

We significantly expanded our Brazilian residential development business over the past eighteen months through two merger transactions and two equity issues. This enabled us to expand into new geographic markets and added greater scale in the middle income market. The combined businesses generated record sales and cash flows during 2009 as a result of these initiatives as well as the continued strength of the Brazilian economy.

Summarized Financial Results

	Assets Under Management		Net Invested Capital		Operating Cash Flow	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2009**	2008	**2009**	2008	**2009**	2008
Residential	**$ 5,320**	$ 3,678	**$ 1,117**	$ 418	**$ 90**	$ 35
Opportunity investments	**1,413**	1,308	**262**	267	**32**	45
Development land	**2,277**	1,987	**1,024**	741	**12**	(20)
	$ 9,010	$ 6,973	**$ 2,403**	$ 1,426	**$ 134**	$ 60

Capital invested in development activities increased by $1.0 billion during the year, due primarily to equity invested into our U.S. residential business, profits retained in our Brazilian residential business, and the repayment of shorter term revolving credit facilities in our Canadian residential business with surplus cash. We completed a number of properties under development for our own use and transferred the invested capital to our commercial office portfolio.

The increase in operating cash flows is due primarily to the record results in our Brazilian operations and reduced impairment charges within our U.S. operations. We typically do not generate any operating cash flow from development lands, other than our agricultural business, until they are transferred into third-party development activities or operating portfolios.

Residential Development

AS AT DECEMBER 31 (MILLIONS)	2009 Consolidated Assets	2009 Consolidated Liabilities	2009 Co-investor Interests	2009 Net Invested Capital	2008 Consolidated Assets	2008 Consolidated Liabilities	2008 Co-investor Interests	2008 Net Invested Capital
Brazil	**$ 2,897**	**$ 2,224**	**$ 473**	**$ 200**	$ 1,413	$ 1,106	$ 222	$ 85
Canada	**814**	**325**	**247**	**242**	720	573	76	71
Australia	**491**	**264**	**—**	**227**	504	381	—	123
United States	**926**	**415**	**145**	**366**	939	653	164	122
United Kingdom	**192**	**110**	**—**	**82**	102	85	—	17
	$ 5,320	**$ 3,338**	**$ 865**	**$ 1,117**	$ 3,678	$ 2,798	$ 462	$ 418

Total assets, which include property assets as well as housing inventory, cash and cash equivalents and other working capital balances, increased since 2008 reflecting expansion within our Brazil operations and the impact of higher currency revaluation in Canada, Australia and Brazil. Subsidiary borrowings consist primarily of construction financings which are repaid with the proceeds received from sales of building lots, single-family houses and condominiums, and are generally renewed on a rolling basis as new construction commences. Borrowings in our Canadian operations decreased in 2009 as proceeds from asset sales and various equity offerings by our subsidiary Brookfield Properties were used to reduce working capital debt.

The net operating cash flows attributable to each of these business units are as follows:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2009 Total	2009 Interest Expense	2009 Co-investor Interests	2009 Net	2008 Total	2008 Interest Expense	2008 Co-investor Interests	2008 Net
Operating margins								
Brazil	**$ 153**	**$ 48**	**$ 63**	**$ 42**	$ 87	$ 26	$ 29	$ 32
Canada	**114**	**—**	**57**	**57**	144	—	72	72
Australia	**2**	**20**	**—**	**(18)**	4	—	—	4
United States	**(12)**	**(33)**	**(1)**	**22**	(15)	(93)	33	45
Revaluation items	**(28)**	**—**	**(15)**	**(13)**	(182)	—	(64)	(118)
	$ 229	**$ 35**	**$ 104**	**$ 90**	$ 38	$ (67)	$ 70	$ 35

Brazil

We have expanded our Brazilian residential business significantly over the last three years through acquisition and organic growth. This growth has increased our market position in São Paulo and Rio de Janeiro and also established a major presence in the mid-west region of Brazil, focused on Brasilia and Goiânia. We have also extended our product offerings into the important middle income segment, thereby providing a strong complement to our traditional focus on the higher income segment. We also develop mixed use projects that include commissioned developments for sale to others.

Contracted sales during 2009 totalled R$2.3 billion ($1.3 billion) (2008 – R$1.1 billion and $600 million) representing gross sales revenues to be earned in current and future periods. The net operating cash flow from the business during 2009 was $42 million compared with $32 million during 2008. The increase is due to a higher level of construction, which increased the amount of income recognized under the percentage-of-completion basis. Combined launches of new projects totalled R$2.7 billion ($1.5 billion) (2008 – R$2.7 billion and $1.4 billion) of sales value, which positions this business well into 2010.

Canada

The Canadian operations contributed $57 million of net operating cash flow for the year, compared to $72 million in 2008. The decrease in cash flows is due primarily to lower pricing and product may offset by increased lot sales, which increased from 1,399 in 2008 to 1,756 in 2009 and by the impact of the strengthened Canadian dollar. Operating margins remained stable at 25% (29% in 2008).

We continue to benefit from our strong market position and low-cost land bank, particularly in Alberta where we hold a 27% market share in Calgary. We own approximately 15,016 acres (December 31, 2008 – 15,538 acres) of which approximately 693 acres (December 31, 2008 – 901 acres) were under active development at year end. The balance of 14,323 acres (December 31, 2008 – 14,637 acres) is included in "Held for Development" because of the length of time that will likely pass before they are actively developed.

Australia

Our Australian operations generated $2 million of operating cash flow in 2009 compared with $4 million in 2008; however the 2009 and 2008 results were offset by an impairment charge of $18 million and $11 million, respectively. The carrying values of projects reflect our acquisition of this business in 2007 and therefore already much of the expected development profits were capitalized into the carrying values at that time. Accordingly, margins are expected to be lower in the first few years of ownership and interest costs are more likely to be expensed than capitalized.

United States

Our U.S. operations incurred $12 million of cash outflows before interest, taxes and non-controlling interests during 2009 as demand for new homes remained low. This was a modest improvement over the $15 million of cash outflows recorded during 2008. Our share of the net operating income, after taking into consideration interest, taxes and non-controlling interests was $nil, compared with a net operating loss of $44 million during 2008. The gross margin from housing sales was approximately 13%, unchanged from last year. We closed on 703 units during the year (2008 – 750 units) at an average selling price of $488,000 (2008 – $562,000). We are encouraged by the increase in the backlog, which at the end of 2009 was 187 units compared to 134 units in 2008. In aggregate, we own or control 24,245 lots through direct ownership, options and joint ventures.

Revaluation Items

During 2009 we recorded a net charge of $13 million (2008 – $118 million) in respect of revaluation items. These included a gain of $27 million on the dilution of our interests in our Brazilian operations arising from an equity offering (2008 – $18 million charge on dilutions arising from a merger). This was offset by our share of impairment charges in respect of higher cost land positions, including options, recorded in our U.S. and Australian operations of $22 million (2008 – $89 million net charge) and $18 million (2008 – $11 million net charge), respectively.

Opportunity Investments

We operate two niche real estate opportunity funds with $515 million of invested capital. Our current investment in the funds is $262 million and our share of the underlying cash flow during 2009 was $32 million (2008 – $45 million). In February 2010, we acquired a 2.9 million square foot portfolio from a major financial institution which has in turn leased the majority of the space. This is the third such transaction we have completed in the past two years comprised of 16 properties throughout the United States.

Development Land

The following table presents the capital invested by us in longer term development land. The values of residential lots in this table are based on historical book values consistent with both IFRS and Canadian GAAP whereas rural development lands, are carried at underlying values under IFRS.

	2009				2008			
AS AT DECEMBER 31 (MILLIONS)	Consolidated Assets	Consolidated Liabilities	Co-investor Interests	Net Invested Capital	Consolidated Assets	Consolidated Liabilities	Co-investor Interests	Net Invested Capital
Residential lots								
North America	$ 797	$ —	$ 399	$ 398	$ 718	$ —	$ 359	$ 359
Brazil	691	129	320	242	660	367	167	126
Australia and UK	398	396	—	2	353	344	—	9
Rural development lands								
Brazil	391	9	—	382	256	7	2	247
	$ 2,277	$ 534	$ 719	$ 1,024	$ 1,987	$ 718	$ 528	$ 741

1. Includes rural development lands based on IFRS underlying values and residential lots based on management prepared estimates

Residential Lots

Residential development properties include land, both owned and optioned, which is in the process of being developed for sale as residential lots, but not expected to enter the homebuilding process for more than three years. We utilize options to control lots for future years in our higher land cost markets in order to reduce risk. To that end, we hold options on approximately 11,500 lots which are located predominantly in California and Virginia. We invested additional capital into development land in Alberta to maintain our market position and hold 14,323 acres in total. We also hold approximately 16,000 residential lots, homes and condominium units in our markets in Australia and New Zealand, which will provide the basis for continued growth. We increased our holdings in Brazil through a corporate acquisition and a merger during the year.

Rural Development Lands

We own approximately 370,000 acres of prime agricultural development land in the Brazilian States of São Paulo, Minas Gerais, Mato Grosso do Sul and Mato Grosso. These properties are being used for agricultural purposes, including the harvest of sugar cane for its use in the production of ethanol, which is used largely as a gasoline and additive substitute. We also hold 32,800 acres of potentially higher and better use land adjacent to our Western North American timberlands, included within our Timberlands segment, which we intend to convert into residential and other purpose land over time. The increase in carrying values during 2009 reflects an increase in the annual revaluation of the land and the impact of higher currency exchange rates during the year.

Underlying Value

The historical book value of our development assets after deducting borrowings and minority interests was $2.4 billion as at December 31, 2009 equal to our invested capital.

The valuation of residential development assets and residential lots within the Development Land segment, are considered inventory for these purposes, and are recorded at the lower of the existing carrying value discounted and their expected net realizable value. Net realizable value is determined as the value at the anticipated time of sale less costs to complete. Many of our land holdings were acquired many years ago and we believe the underlying value of these lands exceeds the carrying values for IFRS purposes by approximately $0.6 billion, net of minority interests. Accordingly, we reflect this excess value as "unrecognized value under IFRS" in determining the underlying value of our shareholders' equity.

Rural development lands for agricultural purposes are carried at fair value under IFRS.

Special Situations

Special Situations include our restructuring, real estate finance, bridge lending activities, which are conducted primarily through funds that we manage, and other investments that fall outside of our main strategies and operating platforms.

Highlights:

- Operating cash flow of $112 million compared to $283 million in 2008;
- Arranged the sale of Concert Industries ("Concert"), a restructuring investment, for C$247 million, representing a total return of 20% over a five and a half year period (representing an approximate $30 million gain to Brookfield) and net proceeds to us of $83 million. This transaction closed in February 2010;
- Acquired interests in three groups of properties within our real estate finance operations through foreclosures and consensual restructurings;
- Collected $297 million of bridge loans, providing liquidity for new initiatives; and
- Invested $120 million in Norbord Inc. as part of a rights offering to reduce leverage in the company, increasing our fully diluted interest from 62% to 79%.

Summarized Financial Results

The following table presents the underlying value of the capital invested in our Special Situations activities, together with our share of the operating cash flows:

	Assets Under Management		Underlying Value		Net Operating Cash Flow	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2009**	2008	**2009**	2008	**2009**	2008
Restructuring	**$ 2,050**	$ 1,759	**$ 613**	$ 426	**$ 36**	$ 13
Real estate finance	**3,170**	2,497	**336**	299	**20**	26
Bridge lending	**585**	695	**100**	188	**13**	39
– Disposition gain	**—**	—	**—**	—	**—**	48
	5,805	4,951	**1,049**	913	**69**	126
Other investments	**1,925**	2,211	**582**	709	**43**	157
	$ 7,730	$ 7,162	**$ 1,631**	$ 1,622	**$ 112**	$ 283

Operating cash flow in 2009 was $112 million, which included a $69 million contribution from our specialty funds and $43 million from our portfolio of other investments. The 2008 results reflected $126 million from our specialty fund operations, including a $48 million gain on convertible debentures acquired as part of a bridge financing, and $157 million from our other investments, which included a number of disposition gains.

Capital invested in these activities was largely unchanged year over year. We increased the amount of capital deployed in our restructuring and real estate finance businesses to take advantage of investment opportunities and reduced the capital in other investments as a result of dispositions.

Restructuring

We operate two restructuring funds with total invested capital of $1.3 billion and remaining uninvested capital commitments from clients of $110 million. Our share of the invested capital is $613 million.

The portfolio consists of 10 investments in a diverse range of industries. Our average exposure to a specific company is $62 million and our largest single exposure is $213 million. We concentrate our investing activities on businesses with tangible assets and cash flow streams that protect our capital. As noted above, we sold our investment in Concert in February 2010 to a strategic purchaser, and will recognize a gain in the first quarter of 2010. The investment is included in our portfolio at year-end at its book value.

Our share of the operating cash flow produced by these businesses during the year was $36 million, compared to $13 million in 2008. The increase reflects continued improvement at Concert and our U.S. containerboard manufacturing operations, including tax credits and incentives relating to energy conservation practices. We expect that the majority of our investment returns will come in the form of disposition gains as operating cash flows during the restructuring period are typically below normalized returns.

The continued economic uncertainty and the strain on many corporate balance sheets from the recent recession continue to give rise to opportunities for us to assess.

Real Estate Finance

We operate three real estate finance funds with total committed capital of approximately $1.9 billion, of which our share is approximately $400 million. We had $336 million of capital invested in these operations at year end (2008 – $299 million). There are $211 million of uncalled capital commitments, of which our clients have committed $153 million and we have committed $58 million.

These activities contributed $20 million of net operating cash flow during 2009 compared to $26 million in 2008.

	Underlying Value		Net Operating Cash Flow	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2009**	2008	**2009**	2008
Total fund investments	**$ 2,787**	$ 2,023	**$ 67**	$ 126
Less: borrowings	**(1,699)**	(1,129)	**(25)**	(58)
Less: co-investor interests	**(755)**	(617)	**(22)**	(44)
Net investment in real estate finance funds	**333**	277	**20**	24
Securities – directly held	**3**	22	**—**	2
	$ 336	$ 299	**$ 20**	$ 26

All of our real estate securities were performing at year-end with the exception of three positions representing invested capital of $205 million (our share – $64 million). We have acquired the underlying assets in two of these situations and are in the process of restructuring the third position and expect to earn a favourable return on our original capital in each of these circumstances. This resulted in consolidation of the assets and associated initiatives.

We have been careful to structure our financing arrangements to provide sufficient duration and flexibility to manage our investments with a longer term horizon. We have matched terms in respect of asset and liability positions with an overall asset and a liability duration of three years. In addition, both our asset returns and net corresponding liabilities are subject to changes in short-term floating rates.

Notwithstanding the continued stress in the real estate debt capital markets, market values for real estate securities have strengthened considerably, which has reduced the number of acceptable investments. We believe, however, that the magnitude of commercial real estate loan maturities in the coming years will give rise to attractive investment opportunities and we are executing strategies to provide us with additional capital for this purpose.

Bridge Lending

The net capital invested by us in bridge loans declined to $100 million from $188 million due to collections and our adoption of a more cautious approach to new loan commitments. In addition to our own capital, we also manage $412 million in loan commitments on behalf of clients, which include a number of major financial institutions. During the year, we arranged $37 million in financings on their behalf and co-invested $26 million alongside them.

Our portfolio at year end was comprised of six loans, and our largest single exposure at that date was $54 million. Our share of the portfolio at year end has an average term of seven months excluding extension privileges.

Other Investments

We own a number of investments which will be sold once value has been maximized, integrated into our core operations or used to seed new funds. Although not core to our broader strategy, we expect to continue to make new investments of this nature and dispose of more mature assets.

The net operating cash flow generated by these investments declined to $43 million from $157 million in 2008. We realized a gain in each of 2009 and 2008 related to the disposition of 20 million common shares of Norbord Inc. ("Norbord") as settlement for exchangeable debentures issued in September 2004. In addition, in 2009 we concluded the sale of our U.S. insurance operations for proceeds of $130 million and a gain of $15 million.

	Underlying Value		Net Operating Cash Flow	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2009**	2008	**2009**	2008
Industrial	**$ 256**	$ 271	**$ 41**	$ 20
Infrastructure	**81**	70	**6**	6
Business services	**174**	337	**1**	131
Property and other	**71**	31	**(5)**	—
	$ 582	$ 709	**$ 43**	$ 157

Industrial

We hold a 79% fully diluted interest in Norbord, which is the second largest and lowest cost manufacturer of oriented strand board in North America. The substantial downturn in the U.S. housing market resulted in lower volumes and prices for Norbord's products, resulting in operating losses, however both prices and volumes have recovered significantly in recent months. We invested a further $200 million to increase our interest to its current level through participation in a rights offering of common shares to all shareholders, of which $120 million was funded in early 2009 and $80 million was funded in late 2008. The market value of our investment in Norbord at year end was $550 million based on the stock market prices.

Fraser Papers Inc. ("Fraser Papers") and our privately held forest products operations faced a particularly difficult environment for their products in recent years, which resulted in substantial operating losses. Fraser Papers entered bankruptcy protection during 2009. We have put forward a plan that will allow the viable portions of the business to continue, thereby providing continued employment to a number of the present employees, and expect to preserve the value of our invested capital.

Infrastructure

Our infrastructure investments represent coal rights that entitle us to royalties and net profit interests in central Alberta and British Columbia.

Business Services

Business services include the provision of property and casualty products in Canada. We are winding down our re-insurance business through an orderly runoff and completed the sale of our U.S. property and casualty operations during the year. We manage the securities portfolios of these operations, which totalled $0.8 billion and consist primarily of highly rated government and corporate bonds, through our investment management operations. These operations generated operating cash flow of $1 million in addition to a disposition gain of $15 million.

We recorded $131 million of cash flows in 2008, which included $96 million of gains on the dispositions of a medical software business, a joint venture interest in Brazil with Accor S.A., and an interest in a Brazilian panelboard manufacturer.

Underlying Value

The net asset value of our special situations operations was $1.6 billion as at December 31, 2009 for the purposes of preparing our pro forma IFRS balance sheet consistent with 2008. The values are based on publicly available share prices where available as well as comparable valuations and internal calculations. Certain investments continue to be carried at historical book value for IFRS purposes, which we estimate as having the incremental unrecognized value of approximately $0.4 billion that we include in "unrecognized value under IFRS".

ASSET MANAGEMENT AND OTHER SERVICES

We earn fees and other sources of income for providing a wide range of asset management and related services to our clients. These include fees in respect of managing private funds, listed issuers and portfolios of fixed income and equity securities, investment banking services and a broad range of property and construction services including leasing, relocation services and facilities management.

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Operating Cash Flow 2009	2008
Base management fees[1]	**$ 131**	$ 134
Performance returns[1]	**22**	6
Transaction fees[1]	**44**	15
Investment banking[1]	**12**	17
	209	172
Property services[2]	**18**	43
Construction services[2]	**71**	74
	$ 298	$ 289

1. Revenues
2. Net of direct expenses

Asset Management Fees

Base Management Fees

Base management fees remained stable as additional fees from new funds launched during the past two years and an increase in the capital committed to existing mandates, were offset by lower fees in our investment management business due to a decline in the market values of assets managed and lower average foreign exchange rates on non-U.S. funds. Fees earned within our Infrastructure activities increased due to the issuance of additional equity by Brookfield Infrastructure Partners to fund a major acquisition and increased capital commitments to private funds. As at December 31, 2009, annualized base management fees on existing funds and assets under management amounted to $140 million (2008 – $130 million).

The following table presents the base management fees earned in respect of each of our operating platforms:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Base Management Fees 2009	2008
Unlisted funds and specialty issuers		
Commercial properties	**$ 28**	$ 27
Infrastructure	**26**	21
Development activities	**5**	4
Special situations	**23**	26
Other	**6**	6
	88	84
Investment management – public securities	**43**	50
	$ 131	$ 134

Performance Returns and Transaction Fees

We earned $22 million of performance returns from clients, compared to $6 million in 2008, largely within our public securities activities, as a result of exceeding performance targets. The level of performance returns recorded in our results continues to be modest because they tend to materialize later in the life cycle of a fund and because we have elected to follow accounting guidelines that typically defer recognition in our financial statements. Accumulated performance returns, which represent amounts that we would receive from funds based on performance to date but which cannot be recognized for accounting purposes, totalled $36 million at the end of 2009, compared to $65 million at the end of 2008.

Transaction Fees

Transaction fees include investment fees earned in respect of financing activities and include commitment fees, work fees and exit fees. During the year, we earned an $11 million fee in connection with our sponsorship and recapitalization of a large infrastructure business, which we subsequently relaunched as Prime Infrastructure (see our Infrastructure segment review). In addition, we earned $25 million in fees from the expansion of our real estate brokerage network.

Investment Banking Fees

Our investment banking services are provided by teams located in Canada and Brazil and contributed $12 million of fees during 2009. The group advised on transactions totalling $9.3 billion in value during the year, and secured a number of prominent mandates.

Other Services

Property Services Income

Property services fees include property and facilities management, leasing and project management and a range of real estate services. Although revenues increased due to a higher level of activity within our facilities management operations and the expansion of our operating base in Australia and the acquisition of GMAC's North American real estate services business, the net contribution was reduced by $31 million of restructuring charges associated with the acquisitions.

Construction Services

We completed a number of major projects, recorded positive cash flow and secured a number of major contracts that added $2.4 billion to our order book and positions us for profitable growth.

The following table summarizes the operating results from our construction operations during the past two years:

	Net Operating Cash flow	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2009**	2008
Australia	**$ 18**	$ 25
Middle East	**46**	48
United Kingdom	**7**	1
	$ 71	$ 74

The revenue work book totalled $6.5 billion at the end of the year (December 31, 2008 – $4.8 billion) and represented approximately two years of scheduled activity. The increase reflects new contracts awarded totalling $2.4 billion and the impact of foreign exchange revaluation on Australian and UK revenues.

The following table summarizes the work book at the end of the year:

AS AT DECEMBER 31 (MILLIONS)	**2009**	2008
Australia	**$ 2,743**	$ 2,254
Middle East	**1,969**	1,828
United Kingdom	**1,742**	727
	$ 6,454	$ 4,809

Third-Party Capital

The following table summarizes third-party commitments at the end of the past two years:

AS AT DECEMBER 31 (MILLIONS)	2009 Core and Value Added	2009 Opportunity and Private Equity	2009 Total	2008 Core and Value Added	2008 Opportunity and Private Equity	2008 Total
Unlisted funds and specialty issuers						
Commercial properties	$ 2,380	$ 4,600	$ 6,980	$ 2,361	$ 600	$ 2,961
Infrastructure	3,818	—	3,818	2,657	—	2,657
Development	—	291	291	—	185	185
Special situations	3,098	661	3,759	2,476	564	3,040
	9,296	5,552	14,848	7,494	1,349	8,843
Public securities	—	—	23,787	—	—	18,040
Other listed entities	—	—	8,552	—	—	5,046
	$ 9,296	$ 5,552	$ 47,187	$ 7,494	$ 1,349	$ 31,929

Unlisted Funds and Specialty Issuers

This segment includes the unlisted funds and specialty listed issuers through which we own and manage a number of property, power, infrastructure and specialized investment strategies on behalf of our clients and ourselves.

Third-party capital commitments to these funds increased by $6 billion during the year. We established a $5 billion real estate turnaround consortium, with $4 billion of capital allocations from a group of major global institutions and $1 billion from ourselves. The consortium is structured in a similar manner as co-investment rights, with each investor committing capital on a transaction by transaction basis, but with the fee arrangements determined in advance.

Commitments to our infrastructure funds increased with the issuance of additional equity by Brookfield Infrastructure Partners to fund a major acquisition and additional capital commitments to unlisted funds, including funds targeted at each of Peru and Colombia. We launched a C$1 billion debtor-in-possession fund within our Special Situations group that targets Canadian companies undergoing financial restructurings.

Public Securities

We specialize in fixed income and equity securities with a particular focus on distress real estate and infrastructure. Our fixed income mandates are managed in New York and our equity mandates are managed in Chicago. Our clients are predominantly pension funds and insurance companies throughout North America and Australia.

The following table summarizes assets under management within these operations. We typically do not invest our own capital in these strategies as the assets under management tend to be securities as opposed to physical assets.

AS AT DECEMBER 31 (MILLIONS)	Total Assets Under Management 2009	Total Assets Under Management 2008	Third-Party Commitments 2009	Third-Party Commitments 2008
Real estate and fixed income securities				
Fixed income	$ 17,589	$ 15,199	$ 17,589	$ 15,078
Equity	6,218	2,962	6,198	2,962
	$ 23,807	$ 18,161	$ 23,787	$ 18,040

Co-investor commitments increased by $5.7 billion during 2009 primarily due to an increase in value of securities under management. We secured $4.0 billion of new advisory mandates during the year offset by $3.1 billion of redemptions.

Other Listed Entities

We have established a number of our business units as listed public companies to allow other investors to participate and to provide us with additional capital to expand these operations. This includes common equity held by others in Brookfield Properties, Brookfield Incorporações, Brookfield Infrastructure Partners and Brookfield Renewable Power, among others.

Unallocated Operating Costs

Operating costs include the costs of our asset management activities as well as corporate costs which are not directly attributable to specific business units.

			Net
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2009**	2008	Variance
Operating costs	**$ 250**	$ 263	$ (13)
Cash income taxes	**3**	9	(6)
	$ 253	$ 272	$ (19)

CORPORATE CAPITALIZATION, LIQUIDITY AND OPERATING COSTS

In this section, we review our corporate (i.e., deconsolidated) capitalization, liquidity profile and operating costs.

Liquidity Profile

We maintain a high level of liquidity to ensure that we are in a strong position to execute our business plans and react quickly to potential investment opportunities and adverse economic circumstances.

Our core liquidity consists primarily of cash and financial assets as well as committed lines of credit. This liquidity is regularly supplemented by the free cash flow generated within Brookfield's operations, which is typically in the range of $1.5 billion annually, and the periodic monetization of assets and financing transactions.

As at December 31, 2009, our consolidated core liquidity was approximately $4 billion, consisting of $2.6 billion at the corporate level and $1.4 billion within our principal operating subsidiaries.

We have maintained significantly higher liquidity levels over the past two years as a result of the challenging economic circumstances and increased potential for attractive investment opportunities. We increased the liquidity at our North American property company, as we expect that commercial office transactions will be a primary area of activity for us over the next 24 months.

In addition to our core liquidity, we have $6.7 billion of uninvested capital allocations from our investment partners that is available to fund qualifying investments.

Cash and Financial Assets

We hold financial assets, cash and equivalents that are available to fund operating activities and investment initiatives.

We acquire selective positions in common shares, high yield bonds and distressed debt that are supported by attractive businesses and assets when we believe they trade at meaningful discounts to their underlying value. The ownership of these investments may facilitate our participation in future restructuring or acquisition transactions.

We also establish positions in respect of broader economic and capital markets trends such as credit spreads, foreign currencies and interest rates. These positions may be established to protect our existing capital or to create additional value.

	Underlying Value		Operating Cash flow	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2009**	2008	**2009**	2008
Financial assets				
Government bonds	**$ 547**	$ 521		
Corporate bonds	**290**	411		
Other fixed income	**115**	172		
High-yield bonds and distressed debt	**694**	88		
Preferred shares	**282**	272		
Common shares	**184**	202		
Loans receivable/deposits	**(150)**	368		
Total financial assets	**1,962**	2,034	**$ 376**	$ 476
Cash and cash equivalents	**34**	151	**—**	—
Deposits and other liabilities	**(351)**	(282)	**(30)**	(51)
Net investment	**$ 1,645**	$ 1,903	**$ 346**	$ 425

Net cash and financial asset balances decreased to $1.6 billion during 2009 from $1.9 billion at the end of 2008 due to the sale of government and corporate bonds which is partially offset by the acquisition of distressed debt securities. In addition to the carrying values of financial assets, we hold common equity positions with a notional value of $75 million (2008 – $nil) through total return swaps and hold protection against widening credit spreads through credit default swaps with a total notional value of $0.4 billion

(2008 – $2.5 billion). The market value of these derivative instruments reflected in our financial statements at December 31, 2009 was $3 million (2008 – $30 million). Net invested capital includes liabilities such as broker deposits and a small number of borrowed securities that have been sold short.

The 2009 operating results include $181 million of investment gains, compared to $278 million in 2008. The balance of the income is derived primarily from dividends and interest. The gains include $62 million (2008 – $151 million gains) from foreign currency positions and $8 million of losses from our portfolio of credit default swaps (2008 – $134 million of gains).

Corporate Capitalization

Our corporate capitalization consists of financial obligations of (or guaranteed by) the Corporation as set forth in the following table:

	Underlying Value		Operating Cash Flow	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2009**	2008	**2009**	2008
Corporate borrowings				
Bank borrowing and commercial paper	**$ 388**	$ 649	**$ 21**	$ 33
Term debt	**2,205**	1,635	**130**	130
	2,593	2,284	**151**	163
Contingent swap accruals	**779**	675	**84**	72
Accounts payable and other accruals	**2,028**	2,239	**253**	272
Capital securities	**632**	543	**32**	31
Shareholders' equity				
Preferred equity	**1,144**	870	**43**	44
Common equity	**14,956**	13,999	**1,407**	1,379
	16,100	14,869	**1,450**	1,423
Total corporate capitalization	**$ 22,132**	$ 20,610	**$ 1,970**	$ 1,961
Debt to capitalization	**15%**	14%		
Interest coverage			**7x**	7x
Fixed charge coverage			**6x**	5x

Corporate Borrowings

Bank borrowing and commercial paper represent shorter term borrowings that are pursuant to or backed by $1,445 million of committed corporate revolving term credit facilities. Approximately $125 million (2008 – $104 million) of the facilities were also utilized for letters of credit issued to support various business initiatives. The facilities are periodically renewed and extended for three to four year periods at a time. Currently, $1,195 million of the facilities are scheduled to expire in 2012 and the balance in 2011.

Term debt consists of public bonds and private placements, all of which are fixed rate and have maturities ranging from 2012 until 2035. These financings provide an important source of long-term capital and an appropriate match to our long-term asset profile.

Our corporate borrowings have an average term of eight years (2008 – nine years) and over 90% of the maturities extend into 2012 and beyond. The average interest rate on our corporate borrowings was 6% at year end, compared to 5% at the end of 2008. As shown in the table below, we have a $200 million bond maturity in 2010 and borrowings under a small number of bank facilities in 2011 that expire if not renewed earlier.

AS AT DECEMBER 31, 2009 (MILLIONS)	Average Term	2010	2011	2012	2013 & After	Total
Commercial paper and bank borrowings	2	$ —	$ 18	$ 370	$ —	$ 388
Term debt	9	200	—	422	1,583	2,205
	8	$ 200	$ 18	$ 792	$ 1,583	$ 2,593

Corporate debt levels increased by $212 million during the year to fund investment activities and $97 million due to foreign exchange. We decreased our bank borrowings by $261 million and replaced the financing with the issuance of C$500 million of 8.95% publicly traded term debt due June 2014 in order to extend our maturity profile.

Contingent Swap Accruals

We entered into interest rate swap arrangements with AIG Financial Products ("AIG-FP") in 1990, which include a zero coupon swap that was originally intended to mature in 2015. Our financial statements include an accrual of $779 million in respect of these contracts which represents the compounding of amounts based on interest rates from the inception of the contracts. We have also recorded an amount of $122 million in accounts payable and other liabilities which represents the difference between the present value of any future payments under the swaps and the current accrual. We believe that the financial collapse of American International Group ("AIG") and AIG-FP triggered a default under the swap agreements, thereby terminating the contracts with the effect that we are not required to make any further payments under the agreements, including the amounts which might, depending on various events and interest rates, otherwise be payable in 2015. AIG disputes our assertions and therefore we have commenced legal proceedings seeking a declaration from the court confirming our position. We recognize this may not be determined for a considerable period of time, and consistent with the principle of conservatism will continue to account for the contracts as we have in prior years until we receive clarification.

Capital Securities

Capital securities are preferred shares that are classified as liabilities for Canadian GAAP purposes because the holders of the preferred shares have the right, after a fixed date, to convert the shares into common equity based on the market price of our common shares at that time unless previously redeemed by us. The dividends paid on these securities, are recorded as interest expense.

The carrying values of capital securities increased to $632 million from $543 million due to the higher Canadian dollar, in which most of these securities are denominated. The average distribution yield on the capital securities at December 31, 2009 was 6% (2008 – 6%) and the average term to the holders' conversion date was four years (2008 – five years).

Shareholders' Equity

	Underlying Value[1]		Book Value[2]	
AS AT DECEMBER 31 (MILLIONS)	**2009**	2008	**2009**	2008
Preferred equity	**$ 1,144**	$ 870	**$ 1,144**	$ 870
Common equity	**14,956**	13,999	**6,403**	4,911
	$ 16,100	$ 14,869	**$ 7,547**	$ 5,781

1. Based on procedures and assumptions, excluding future tax provisions and underlying values not otherwise recognized under IFRS
2. Based on Canadian GAAP financial statements

Preferred equity consists of perpetual preferred shares that represent an attractive form of leverage for common shareholders, and was unchanged during the year. The average dividend rate at December 31, 2009 was 5%. We issued C$300 million ($274 million) of perpetual preferred shares during 2009 with an initial coupon of 7% that resets every five years unless previously redeemed by the Corporation.

We repurchased 1.5 million common shares during the year at prices ranging from $11.46 per share to $16.05 per share, with an average price of $12.09 per share. Further details on the components of our equity and related distributions can be found on page 46.

The underlying value of our equity is $16.1 billion ($25.65 per share) on a pre-tax basis. The market capitalization of our equity, reflecting our share price at year end, was $12.7 billion. Our book value of $7.5 billion reflects the depreciated historical cost of many assets, such as office properties and hydroelectric facilities, which were acquired many years ago for values significantly below what they are worth today.

Interest Expenses

Interest costs include interest expense on corporate obligations and average rates are set out in the following table:

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2009			2008		
	Average Outstanding	**Interest Expense**	**Average Rate**	Average Outstanding	Interest Expense	Average Rate
Bank facilities and commercial paper	**$ 373**	**$ 21**	**6%**	$ 480	$ 33	7%
Term debt	**1,951**	**130**	**7%**	1,821	130	7%
Contingent swap accruals	**723**	**84**	**11%**	627	72	11%
Capital securities	**579**	**32**	**6%**	566	31	6%
	$ 3,626	**$ 267**	**7.4%**	$ 3,494	$ 266	7.6%

The average rate declined from 7.6% to 7.4% due to lower rates on floating rate debt.

Working Capital

Other Assets

The following is a summary of other assets:

AS AT DECEMBER 31 (MILLIONS)	Underlying Value	
	2009	2008
Accounts receivable	**$ 193**	$ 243
Restricted cash	**207**	97
Intangible assets	**43**	31
Prepaid and other assets	**502**	400
	$ 945	$ 771

Other assets include working capital balances employed in our business that are not directly attributable to specific operating units.

Other Liabilities

AS AT DECEMBER 31 (MILLIONS)	Underlying Value	
	2009	2008
Accounts payable	**$ 278**	$ 208
Insurance liabilities	**721**	991
Other liabilities	**1,029**	1,040
	$ 2,028	$ 2,239

Other liabilities include $122 million of mark-to-market adjustments in respect of contingent swap accruals (see page 41).

Group Capitalization

The following table presents the components of our capitalization on a deconsolidated, proportionately consolidated and fully consolidated basis, based on underlying values.

AS AT DECEMBER 31, 2009 (MILLIONS)	Deconsolidated		Proportionate		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
Corporate borrowings	**$ 2,593**	$ 2,284	**$ 2,593**	$ 2,284	**$ 2,593**	$ 2,284
Non-recourse borrowings						
Property-specific mortgages	**—**	—	**13,905**	12,389	**26,316**	23,687
Subsidiary borrowings[1]	**779**	675	**3,430**	3,242	**4,078**	4,304
Accounts payable and other	**2,028**	2,239	**7,931**	7,061	**10,866**	9,360
Capital securities	**632**	543	**1,136**	984	**1,641**	1,425
Non-controlling interests	**—**	—	**—**	—	**10,319**	9,082
Shareholders' equity	**16,100**	14,869	**16,100**	14,869	**16,100**	14,869
	$ 22,132	$ 20,610	**$ 45,095**	$ 40,829	**$ 71,245**	$ 65,011
Debt to capitalization	**15%**	14%	**44%**	44%	**46%**	47%

1. Includes $779 million (2008 – $675 million) of subsidiary obligations which are guaranteed by the Corporation
2. Based on fair values prepared for IFRS purposes

The ratios on a book value basis would be higher, however we do not consider as meaningful for purpose of this analysis because they reflect the impact of accounting depreciation on our long life assets as well as the relatively low acquisition prices of assets purchased on an opportunistic basis over the years.

Subsidiary Borrowings

We capitalize our subsidiary entities to enable continuous access to the debt capital markets, usually on an investment grade basis, thereby reducing the demand for capital from the Corporation and sharing the cost of financing equally among other equity holders in partly owned entities.

Subsidiary borrowings have no recourse to the Corporation with only a limited number of exceptions. As at December 31, 2009, subsidiary borrowings included $779 million (2008 – $675 million) of financial obligations that are guaranteed by the Corporation.

		Proportionate		Consolidated	
AS AT DECEMBER 31 (MILLIONS)	Average Term	**2009**	2008	**2009**	2008
Subsidiary borrowings					
Renewable power generation	7	**$ 1,144**	$ 652	**$ 1,144**	$ 652
Commercial properties	3	**208**	491	**674**	1,152
Infrastructure	1	**—**	55	**—**	140
Development activities	1	**767**	782	**767**	782
Special situations	2	**95**	113	**128**	200
Other	4	**437**	474	**586**	703
Corporate subsidiaries [1]	6	**779**	675	**779**	675
Total	4	**$ 3,430**	$ 3,242	**$ 4,078**	$ 4,304

1. Corporate subsidiary obligations are guaranteed by the Corporation

Subsidiary borrowings were largely unchanged in aggregate on both a consolidated and proportionate basis. Carrying values of non-U.S. borrowings generally increased as a result of higher currency exchange rates compared to the beginning of 2009. We also issued incremental term debt to fund growth initiatives and to reflect expansion in the borrowing base.

The following table presents our proportionate share of subsidiary borrowing maturities, based on our ownership interest in the borrowing entity:

AS AT DECEMBER 31, 2009 (MILLIONS)	2010	2011	2012	2013 & After	Proportionate Total
Renewable power generation	$ 28	$ 122	$ 380	$ 614	$ 1,144
Commercial properties	49	159	—	—	208
Development activities	588	179	—	—	767
Special situations	32	63	—	—	95
Other	70	25	180	941	1,216
	$ 767	$ 548	$ 560	$ 1,555	$ 3,430

Development includes borrowings within our Canadian and U.S. residential business. The residential and property development borrowings are largely of a working capital nature, financing the ongoing development and construction activities, and are typically repaid as the projects, lots or homes being financed are completed and sold, and then re-drawn against any new projects that we elect to pursue.

Property-Specific Borrowings

As part of our financing strategy, we raise the majority of our debt capital in the form of property-specific mortgages that have recourse only to the assets being financed and have no recourse to the Corporation.

		Proportionate		Consolidated	
AS AT DECEMBER 31 (MILLIONS)	Average Term	**2009**	2008	**2009**	2008
Commercial properties	4	**$ 7,068**	$ 6,077	**$ 14,749**	$ 13,870
Renewable power generation	10	**3,179**	3,043	**4,131**	3,588
Infrastructure	7	**879**	587	**2,066**	1,648
Development activities	2	**2,079**	2,114	**3,401**	3,128
Special situations	5	**700**	568	**1,970**	1,453
Total	5	**$ 13,905**	$ 12,389	**$ 26,317**	$ 23,687

Property-specific borrowings increased due to the impact of higher foreign currency rates on non-U.S. borrowings as well as the consolidation of investee companies within our special situations operations as a result of increased ownership levels.

The following table presents our proportionate share of property-specific borrowings maturities, based on our ownership interests in the borrowing entity, adjusted to reflect amortization and repayments to the date of this report:

AS AT DECEMBER 31, 2009 (MILLIONS)	2010	2011	2012	2013 & After	Proportionate Total
Commercial properties	$ 737	$ 1,625	$ 956	$ 3,750	$ 7,068
Renewable power generation	367	95	499	2,218	3,179
Infrastructure	3	33	—	843	879
Development activities	1,000	426	479	174	2,079
Special situations	31	97	198	374	700
	$ 2,138	$ 2,276	$ 2,132	$ 7,359	$ 13,905

Renewable power generation and Commericial properties borrowings debt are described in greater detail on pages 16 and 21, respectively. Development includes borrowings associated with our commercial office developments in North America and Australia and properties within our Opportunity fund.

RECONCILIATION OF SEGMENTED DISCLOSURE TO CONSOLIDATED FINANCIAL STATEMENTS

The information in this section enables the reader to reconcile the basis of presentation in our consolidated financial statements to the segmented basis employed in the Supplemental and, in the case of our balance sheets, to reconcile between book values prepared in accordance with Canadian GAAP to underlying values derived using assumptions and procedures we expect to follow under IFRS.

Results from Operations

FOR THE YEAR ENDED DECEMBER 31, 2009

(MILLIONS)	Asset Management	Renewable Power	Commercial Properties	Infrastructure	Development Activities	Special Situations	Investment Income / Gains	Corporate	Consolidated Financial Statements
Fees earned	$ 298	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 298
Revenues less direct operating costs									
Renewable power generation	—	1,138	—	—	—	—	—	—	1,138
Commercial properties	—	—	1,772	—	—	(2)	—	—	1,770
Infrastructure	—	—	—	109	—	—	—	—	109
Development activities	—	—	—	9	320	—	—	—	329
Special situations	—	—	—	—	—	119	—	—	119
Investment and other income	—	—	82	96	6	192	376	—	752
	298	1,138	1,854	214	326	309	376	—	4,515
Expenses									
Interest	—	342	888	98	72	85	32	267	1,784
Operating costs	—	—	120	9	—	14	—	250	393
Current income taxes	—	25	13	12	(14)	(43)	—	3	(4)
Non-controlling interests	—	111	477	31	134	141	(2)	—	892
Cash flow from operations	**$ 298**	**$ 660**	**$ 356**	**$ 64**	**$ 134**	**$ 112**	**$ 346**	**$ (520)**	**$ 1,450**

Results from Operations

FOR THE YEAR ENDED DECEMBER 31, 2008

(MILLIONS)	Asset Management	Renewable Power	Commercial Properties	Infrastructure	Development Activities	Special Situations	Investment Income / Gains	Corporate	Consolidated Financial Statements
Fees earned	$ 289	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 289
Revenues less direct operating costs									
Renewable power generation	—	886	—	—	—	—	—	—	886
Commercial properties	—	—	1,831	—	—	—	—	—	1,831
Infrastructure	—	—	—	196	—	—	—	—	196
Development activities	—	—	(1)	5	160	2	—	—	166
Special situations	—	—	—	—	—	304	—	—	304
Investment and other income	—	—	132	153	(25)	208	476	—	944
	289	886	1,962	354	135	514	476	—	4,616
Expenses									
Interest	—	313	1,090	102	50	107	56	266	1,984
Operating costs	—	—	109	15	—	19	—	263	406
Current income taxes	—	21	15	13	(73)	8	—	9	(7)
Non-controlling interests	—	86	451	83	98	97	(5)	—	810
Cash flow from operations	**$ 289**	**$ 466**	**$ 297**	**$ 141**	**$ 60**	**$ 283**	**$ 425**	**$ (538)**	**$ 1,423**

Balance Sheet

AS AT DECEMBER 31, 2009

(MILLIONS)	Renewable Power	Commercial Properties	Infrastructure	Development Activities	Special Situations	Cash and Financial Assets	Other Assets	Corporate	Consolidated Financial Statements
Assets									
Operating assets									
Property, plant and equipment									
Renewable power generation	$ 5,638	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 5,638
Commercial properties	—	21,339	—	—	924	—	—	—	22,263
Infrastructure	—	—	3,247	—	—	—	—	—	3,247
Development activities	—	2,007	256	5,961	76	—	111	—	8,411
Other plant and equipment	—	7	—	4	2,068	—	26	—	2,105
Cash and cash equivalents	155	390	58	316	324	41	91	—	1,375
Financial assets	(37)	489	10	(148)	370	1,689	—	—	2,373
Loans and notes receivable	—	—	—	—	1,639	157	—	—	1,796
Investments	—	535	1,320	28	17	24	—	—	1,924
Accounts receivable and other	1,256	1,768	184	2,845	1,314	—	1,238	—	8,605
Intangible assets	—	764	312	439	127	—	180	—	1,822
Goodwill	31	419	591	311	34	—	957	—	2,343
Total assets	**$ 7,043**	**$ 27,718**	**$ 5,978**	**$ 9,756**	**$ 6,893**	**$ 1,911**	**$ 2,603**	**$ —**	**$ 61,902**
Liabilities									
Corporate borrowings	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,593	$ 2,593
Non-recourse borrowings									
Property-specific borrowings	4,131	16,133	2,066	2,431	1,844	126	—	—	26,731
Subsidiary borrowings	1,144	551	—	475	679	33	2	779	3,663
Accounts payable and other liabilities	806	2,374	806	2,754	1,003	38	765	2,212	10,758
Capital securities	—	1,009	—	—	—	—	—	632	1,641
Non-controlling interests	147	3,386	1,882	1,867	1,630	57	—	—	8,969
Shareholders' equity									
Preferred equity	—	—	—	—	—	—	—	1,144	1,144
Common equity / net invested capital	815	4,265	1,224	2,229	1,737	1,657	1,836	(7,360)	6,403
Total liabilities and shareholders' equity	**$ 7,043**	**$ 27,718**	**$ 5,978**	**$ 9,756**	**$ 6,893**	**$ 1,911**	**$ 2,603**	**$ —**	**$ 61,902**
Net invested capital at underlying value	**$ 8,318**	**$ 4,841**	**$ 1,546**	**$ 2,403**	**$ 1,631**	**$ 1,645**	**$ 1,748**	**$ (6,032)**	**$ 16,100**

Balance Sheet

AS AT DECEMBER 31, 2008

(MILLIONS)	Renewable Power	Commercial Properties	Infrastructure	Development Activities	Special Situations	Cash and Financial Assets	Other Assets	Corporate	Consolidated Financial Statements
Assets									
Operating assets									
Property, plant and equipment									
Renewable power generation	$ 4,954	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 4,954
Commercial properties	—	19,274	—	—	—	—	—	—	19,274
Infrastructure	—	—	2,879	—	—	—	—	—	2,879
Development activities	—	2,324	105	5,066	47	—	124	—	7,666
Other plant and equipment	—	27	—	—	1,933	—	32	—	1,992
Cash and cash equivalents	138	433	61	125	293	156	36	—	1,242
Financial assets	219	(71)	—	(305)	384	1,844	—	—	2,071
Loans and notes receivable	—	—	—	—	1,921	140	—	—	2,061
Investments	—	252	544	37	29	28	—	—	890
Accounts receivable and other	1,135	1,446	228	1,666	1,353	—	1,097	—	6,925
Intangible assets	—	911	5	460	125	—	131	—	1,632
Goodwill	27	321	591	234	46	—	792	—	2,011
Total assets	**$ 6,473**	**$ 24,917**	**$ 4,413**	**$ 7,283**	**$ 6,131**	**$ 2,168**	**$ 2,212**	**$ —**	**$ 53,597**
Liabilities									
Corporate borrowings	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,284	$ 2,284
Non-recourse borrowings									
Property-specific borrowings	3,588	15,219	1,648	2,490	1,298	155	—	—	24,398
Subsidiary borrowings	652	831	140	394	815	86	—	675	3,593
Accounts payable and other liabilities	826	2,556	624	1,804	937	—	754	2,294	9,795
Capital securities	—	882	—	—	—	—	—	543	1,425
Non-controlling interests	192	2,207	1,241	1,184	1,409	88	—	—	6,321
Shareholders' equity									
Preferred equity	—	—	—	—	—	—	—	870	870
Common equity / net invested capital	1,215	3,222	760	1,411	1,672	1,839	1,458	(6,666)	4,911
Total liabilities and shareholders' equity	**$ 6,473**	**$ 24,917**	**$ 4,413**	**$ 7,283**	**$ 6,131**	**$ 2,168**	**$ 2,212**	**$ —**	**$ 53,597**
Net invested capital at underlying value	**$ 8,478**	**$ 4,702**	**$ 1,174**	**$ 1,426**	**$ 1,622**	**$ 1,903**	**$ 1,305**	**$ (5,741)**	**$ 14,869**

QUARTERLY RESULTS

Net income and operating cash flows for the eight recently completed quarters are as follows:

	2009				2008			
(MILLIONS)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenues	**$3,457**	$2,996	$2,978	$2,651	$3,015	$3,226	$3,449	$3,219
Fees earned	**123**	65	58	52	66	60	90	73
Revenues less direct operating costs								
Renewable power generation	**182**	506	211	239	158	213	264	251
Commercial properties	**510**	436	424	400	388	595	427	421
Infrastructure	**25**	28	16	40	68	36	44	48
Development activities	**161**	74	83	11	(11)	47	80	50
Special situations	**24**	21	35	39	49	32	119	104
Investment and other income	**217**	144	222	169	216	252	155	321
	1,242	1,274	1,049	950	934	1,235	1,179	1,268
Expenses								
Interest	**456**	461	452	415	447	535	475	527
Operating costs	**120**	90	89	94	107	103	86	110
Current income taxes	**(44)**	(2)	31	11	(47)	2	21	17
Non-controlling interest in net income before the following	**329**	205	201	157	180	240	219	171
Net income before the following	381	520	276	273	247	355	378	443
Depreciation and amortization	**(325)**	(321)	(300)	(329)	(355)	(333)	(328)	(314)
Revaluation and other items	**(102)**	(192)	(73)	(3)	(276)	88	(70)	(84)
Future income taxes	**(75)**	(48)	97	2	545	(105)	3	18
Non-controlling interests in the foregoing items	**223**	153	147	150	10	166	127	134
Net income	**$ 102**	$ 112	$ 147	$ 93	$ 171	$ 171	$ 110	$ 197

Cash flow from operations for the last eight quarters are as follows:

	2009				2008			
(MILLIONS, EXCEPT PER SHARE AMOUNTS)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Cash flow from operations and gains	**$ 381**	$ 520	$ 276	$ 273	$ 247	$ 355	$ 378	$ 443
Preferred share dividends	**14**	12	9	8	9	11	12	12
Cash flow to common shareholders	**$ 367**	$ 508	$ 267	$ 265	$ 238	$ 344	$ 366	$ 431
Common equity – book value	**$6,403**	$6,251	$5,756	$4,976	$4,911	$5,814	$6,277	$6,133
Common shares outstanding	**572.9**	572.1	572.0	571.8	572.6	583.4	583.8	581.7
Per common share								
Cash flow from operations	**$ 0.63**	$ 0.88	$ 0.46	$ 0.46	$ 0.41	$ 0.58	$ 0.62	$ 0.72
Net income	**0.15**	0.17	0.24	0.15	0.27	0.27	0.17	0.31
Dividends	**0.13**	0.13	0.13	0.13	0.13	0.13	0.13	0.12
Book value	**11.58**	11.32	10.44	9.09	8.92	10.20	11.14	10.93
Market trading price (NYSE)	**22.18**	22.71	17.07	13.78	15.27	27.44	32.54	26.83

Commercial office property operations tend to produce consistent results throughout the year due to the long-term nature of the contractual lease arrangements subject to the intermittent recognition of disposition and lease termination gains as was the case in the fourth quarter of 2009 and the third quarter of 2008.

Quarterly seasonality does exist in our renewable power generation and residential development operations. With respect to our power generation operations, seasonality exists in water inflows and pricing. During the fall rainy season and spring thaw, water inflows tend to be the highest leading to higher generation during those periods; however prices tend not to be as strong as the summer and winter seasons due to the more moderate weather conditions during those periods and associated reductions in demand for electricity. We recorded disposition gains in our renewable power operations of $346 million and $29 million, respectively, in the third and first quarters of 2009.

With respect to our residential operations, the fourth quarter tends to be the strongest as this is the period during which most of the construction is completed and homes are delivered, although in 2008 the company recorded provisions in respect of higher priced land positions. We periodically record realization and other gains, special distributions, as well as gains and losses on unhedged financial positions throughout our operations and, while the timing of these items is difficult to predict, the dynamic nature of our asset base tends to result in these items occurring on a relatively frequent basis.

Net Income

The following table reconciles net income and operating cash flow on a total basis and also by presenting the reconciling items net of non-controlling and minority interests:

	Total		Net [1]		
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2009**	2008	**2009**	2008	Variance
Operating cash flow and gains	**$ 1,450**	$ 1,423	**$ 1,450**	$ 1,423	$ 27
Non-cash items					
Depreciation and amortization	**(1,275)**	(1,330)	**(693)**	(773)	80
Revaluation and other items	**(370)**	(342)	**(282)**	(275)	(7)
Future income taxes	**(24)**	461	**(21)**	274	(295)
Non-controlling interests	**673**	437	**—**	—	—
Net income	**$ 454**	$ 649	**$ 454**	$ 649	$ (195)

1. Net of non-controlling and minority interests

Net income decreased to $454 million from $649 million in 2008. Operating cash flows and gains were relatively unchanged, however net non-cash charges increased by $222 million. The largest variance was future income taxes, which in 2008 included a one-time tax recovery of $238 million (our share) related to the conversion of our U.S. property subsidiary into an internal REIT. Net depreciation and amortization charges declined by $80 million.

Depreciation expenses throughout most of our businesses are generally stable year-over-year except for currency fluctuations. In our timber business depreciation is based on the volume of harvest in the year, and therefore declined in line with the current slowdown. This was offset in part by the consolidation of depreciation charges relating to businesses that we acquired in our special situations group.

Revaluation and other items include mark-to-market adjustments to contracts such as power sales agreements and interest rate swaps where the change in value of the corresponding assets is not reflected in our financial statements. We also recorded revaluation charges in respect of certain commercial office developments of $146 million on a net basis (2008 – $73 million).

ADDITIONAL SHARE INFORMATION

Basic and Diluted Earnings Per Share

The components of basic and diluted earnings per share are summarized in the following table:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Operating Cash Flow		Net Income	
	2009	2008	**2009**	2008
Net income/operating cash flow	**$ 1,450**	$ 1,423	**$ 454**	$ 649
Preferred share dividends	**(43)**	(44)	**(43)**	(44)
Net income available for common shareholders	**$ 1,407**	$ 1,379	**$ 411**	$ 605
Weighted average – common shares	**572**	581	**572**	581
Dilutive effect of the conversion of options using treasury stock method	**8**	11	**8**	11
Common shares and common share equivalents	**580**	592	**580**	592

Issued and Outstanding Common Shares

The number of issued and outstanding common shares changed as follows:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2009**	2008
Outstanding at beginning of year	**572.6**	583.6
Issued (repurchased)		
Dividend reinvestment plan	**0.2**	0.2
Management share option plan	**1.6**	3.0
Issuer bid purchases	**(1.5)**	(14.2)
Outstanding at end of year	**572.9**	572.6
Unexercised options	**34.9**	27.7
Total diluted common shares at end of year	**607.8**	600.3

In calculating our book value per common share, the cash value of our unexercised options of $634 million (2008 – $446 million) is added to the book value of our common share equity prior to dividing by the total diluted common shares presented above.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Supplemental Information contains forward-looking information within the meaning of Canadian provincial securities laws and other "forward-looking statements" within the meaning of certain securities laws including Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations. We may make such statements in this Supplemental Information, in other filings with Canadian regulators or the SEC or in other communications. The words "seek," "position," "protect," "coming," "provide," "predominantly," "leading," "ensure," "increasing," "achieve," "strategy," "intend," "extend," "projected," "periodically," "enable," "enhance," "maintain," "objective," "pursue," "generate," "build," "capitalize," "create," "largely," "continue," "believe," "typically," "expect," "potential," "primarily," "generally," "anticipate," "goal," "might," "estimated," "expand," "scheduled," "tend", "opportunity," "likely," "growth," "regularly," derivations thereof and other expressions of similar import, or the negative variations thereof, and similar expressions of future or conditional verbs such as "would," "may," "will," "can," or "should" are predictions of or indicate future events, trends or prospects or identify forward-looking statements.

Forward-looking statements in this Supplemental Information include, among others, statements with respect to: procedures and assumptions that we intend to follow in preparing our pro-forma opening balance sheet for our adoption of IFRS; our beliefs about IFRS being a better representation of our financial position than historical book values; accounting policies expected to be adopted under IFRS; our goal of growing operating cash flow and total return over the longer term; our role as a reliable sponsor of investment transactions; how we differ from other asset management companies; our ability to seek returns in the form of equity participations or other long-term interests; our beliefs about our ability to increase operating cash flow per share through our asset management activities; our ability to pursue a broad range of transactions and expand our operating base; investment of our capital; investments by our Special Situations group; our ability to capitalize on opportunities; future returns on our investments in undervalued opportunities; our beliefs about recovery of cash flow in our timberlands and U.S. residential operations; future reporting on long-term growth rates for total return; our beliefs about long-term increases in demand and pricing for renewable energy; our belief that expansion of our infrastructure operations and allocation of third party capital to our various fund initiatives positions us well for growth; our expectations regarding increased contributions from the infrastructure sector following our acquisition of an infrastructure business in late 2009; periodic revaluation of the carrying values of our tangible assets based on fair market values resulting from our adoption of IFRS; our beliefs that fair market values will be an important indicator of underlying values and will enable us to report on building value on a total return basis; our beliefs about values of our asset classes and their corresponding impact on share value; investments in our business to provide for future growth and value enhancement; future investment initiatives; contributions from base management fees; expected completion of our wind energy project in Ontario; variances in cash flows due to changes in prices for power and water flows; increases in water storage levels in anticipation of future higher prices for hydroelectric power; our contracted renewable power generation; the purchase of approximately 15% of our expected power generation by the Ontario Power Authority; expected maturities of certain borrowings within our power operations; our ability to pursue investment opportunities and manage forthcoming debt maturities in our commercial properties business; our ability to manage our portfolios and tenant relationships on a proactive basis leading to opportunities to re-lease space and minimize vacancies; our ability to secure lower short-term rates for future financings; our ability to maintain or increase our net rental income in the future; our ability to attract new tenants to fill our vacant office property space; our level of assurance that rents will be paid in the future; our expectations with respect to our ability to roll our net rental area in the future; discussions with Bank of America/Merrill Lynch to secure advance leasing arrangements for a large lease maturity in 2013; our intention and ability to refinance commercial property debt and subsidiary borrowings in Australia; maturities in our North American operations; future cash flow growth in our retail operations; construction of a transmission project in Texas and its future contribution to cash flow; our expectations of our infrastructure operations to produce increasing revenue and income; debt maturities related to our infrastructure operations; deferring harvesting of our timberlands to allow the trees to continue to grow; development opportunities; objectives with respect to our opportunity investments; future profitable growth in our construction activities; future gross sales revenues in our Brazilian residential business; timing of the development of our land bank in Calgary, Alberta; the transfer of Bay Adelaide Centre to our operating portfolio; the projected construction cost of City Square in Perth, Australia and its scheduled completion; timing of the commencement of construction of our property on Ninth Avenue in New York City; property-specific financings; our use of options to control lots for future years in our residential development properties; residential property lots in Australia and New Zealand as a basis for continued growth; our intention to convert land adjacent to our Western North American timberlands into residential and other purpose land over time; our beliefs about the fair value of our land holdings; the future gain from the sale of Concert Industries; our expectation that most of our investment returns from our restructuring business will be from disposition gains; restructuring opportunities; our expected returns with respect to our real estate financing activities; the impact of potential changes in short-term floating rates on asset returns and net corresponding liabilities in our real estate financing activities; other investments that will be sold in the future once value has been maximized, integrated into our core operations or used to seed new funds, and our expectation to continue to make such investments; our plans with respect to the continuation of the viable portions of Fraser Papers Inc., continued employment of certain employees and preservation of the value of our invested capital in Fraser Papers Inc.; our entitlement to royalties and net profit interests in our infrastructure investments in coal rights in Alberta and British Columbia; our ability to execute our business plans and act on potential investment opportunities and adverse economic circumstances; the expected commissioning a of 26 megawatt facility in Brazil; our expectation that commercial office transactions will be a primary area of activity for us over the next 24 months; future use of our liquidity as well as broader capital markets trends such as credit spreads, foreign currencies and interest rates; periodic renewal and extension of our corporate borrowings and scheduled expiries; future determination of our legal proceedings with AIG Financial Products and potential future tax payments upon liquidation of the company and other statements with respect to our beliefs, outlooks, plans, expectations and intentions.

Although Brookfield believes that the anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.

Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include: economic and financial conditions in the countries in which we do business; rate of recovery of the current economic downturn; the behaviour of financial markets, including fluctuations in interest and exchange rates; availability of equity and debt financing; strategic actions including dispositions; the ability to effectively integrate acquisitions into existing operations and the ability to attain expected benefits; the company's continued ability to attract institutional partners to its specialty funds; adverse hydrology conditions; timber growth cycles; environmental matters; regulatory and political factors within the countries in which the company operates; tenant renewal rates; availability of new tenants to fill office property vacancies; tenant bankruptcies; acts of God, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments including terrorist acts; changes in accounting policies to be adopted under IFRS; and other risks and factors detailed from time to time in the company's form 40-F filed with the Securities and Exchange Commission and Management's Discussion and Analysis of Financial Results as well as other documents filed by the company 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. When relying on our forward-looking statements to make decisions with respect to Brookfield, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as may be required by law, the company undertakes no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.

CAUTIONARY STATEMENT REGARDING USE OF NON -GAAP ACCOUNTING MEASURES

This Supplemental Information makes reference to cash flow from operations on a total and per share basis. Management uses cash flow from operations as a key measure to evaluate performance and to determine the underlying value of its businesses. Brookfield's consolidated statements of cash flow from operations provides a full reconciliation between this measure and net income. Readers are encouraged to consider both measures in assessing Brookfield's results. Operating cash flow is not a generally accepted accounting principal measure and differs from net income, and may differ from definitions of operating cash flow used by other companies. We define operating cash flow as net income prior to such items as depreciation and amortization, future income tax expense and certain non-cash items that in our view are not reflective of the underlying operations.

BUSINESS ENVIRONMENT AND RISKS

Factors that impact Brookfield's financial results include: the performance of each of our operations and various external factors influencing the specific sectors and geographic locations in which we operate; macro-economic factors such as economic growth, changes in currency, inflation and interest rates; regulatory requirements and initiatives; and litigation and claims that arise in the normal course of business. These and other factors are described in Management's Discussion and Analysis of Financial Results in our most recent Annual Report which is available on our website and at www.sedar.com.