2013

# Supplemental Information

Fourth Quarter and Full Year

December 31

Brookfield

**Brookfield Asset Management Inc.** A Global Alternative Asset Management Company Focused on Real Estate, Renewable Energy, Infrastructure and Private Equity

## Major Highlights

- Record level of Net Income and Funds from Operations
- Major expansion of asset management activities
- Simplified our balance sheet and organization structure

## Contents



## Financial Performance[1]

| AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS) | | **2013** | | 2012 |
|---|---|---|---|---|
| Attributable to Brookfield shareholders | | | | |
| Funds from operations | **$** | **3,376** | $ | 1,356 |
| Net income | | **2,120** | | 1,380 |
| Per share | | | | |
| Funds from operations | | **5.14** | | 1.94 |
| Net income | | **3.12** | | 1.97 |
| Market trading price - NYSE | **$** | **38.83** | $ | 36.65 |
| Diluted shares outstanding | | **651.1** | | 658.0 |

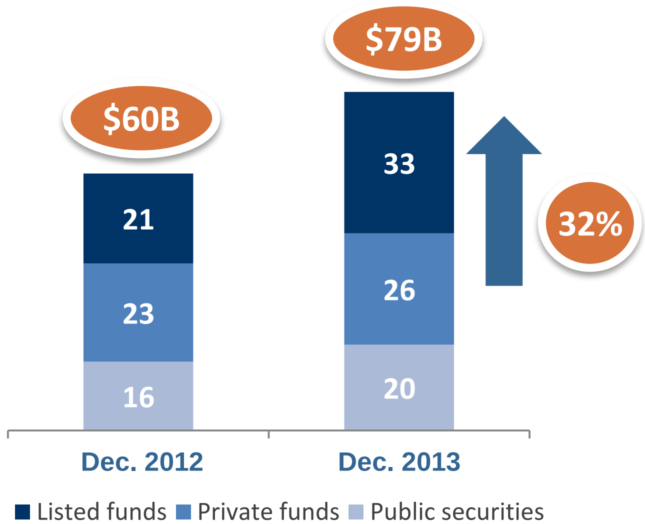
1. *See operating and performance measures on slide 42*

## Operating Metrics

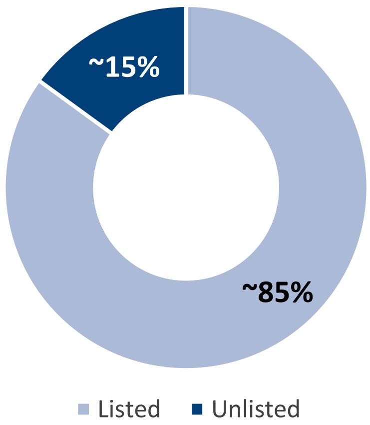
| AS AT DEC. 31 (MILLIONS) | | **2013** | | 2012 |
|---|---|---|---|---|
| Assets under management | **$** | **187,105** | $ | 181,400 |
| Fee bearing capital | | **79,293** | | 60,069 |
| Annualized fees and carry | | **1,006** | | 750 |
| Core liquidity | | **6,336** | | 4,148 |
| Undrawn fund capital | | **9,032** | | 5,158 |
| Available liquidity | | **15,368** | | 9,306 |
| Capitalization (corporate) | | **15%** | | 17% |

# We achieved two major strategic objectives during 2013, which increased the value of our franchise and simplified our business

- **Significantly expanded our asset management activities**
  - Fee bearing capital increased by $19 billion to $79 billion
  - Annualized fees and carry now stand at over $1 billion, a 34% increase from 2012




- **Completed the launch of Brookfield Property Partners**
  - We have now established a flagship listed fund in each of our property, renewable energy and infrastructure businesses
  - Greatly simplifies our balance sheet and increases our liquidity and flexibility to reallocate capital
  - Approximately 85% of our invested capital is in listed investments



- **Increased fee bearing capital by $19 billion (+32%)**
  - Raised $8 billion of fee bearing capital commitments for our private funds
  - Increased the capitalization of our listed funds by $12 billion, aided by the formation of Brookfield Property Partners
  - Inflows of $7 billion to our public securities portfolio
- **Invested or committed $12 billion of capital**
  - Invested or committed $8 billion of private fund capital
  - Our flagship property fund, closed in July 2013, is already 50% invested
- **Monetized $12 billion of net capital through asset sales**
  - Returned $9 billion of capital and gains from our private funds
  - Generated over $4 billion of investment gains and crystallized $558 million of carried interests on the reorganization of our consortium that acquired our U.S. shopping mall business
- **Continued to build out our global capabilities**
  - Completed transactions in China, India, Ireland and Europe

## Operational Highlights

- Brookfield achieved record financial results
  - FFO up 149% to $3.4 billion
  - Net income to shareholders increased 54% to $2.1 billion
- Improved performance in all operating groups

**Asset Management**

- Increased fee bearing capital by 32% to $79 billion
- Generated $300 million in fee related earnings, 67% higher than 2012
- Realized $565 million of carried interest, net of associated costs
- Flagship listed entities increased cash distributions, increasing incentive distributions by 60%

**Property**

- Launched BPY, creating our global property listed issuer
- Same store rental income increased 1% and 6% in our office and retail operations, respectively, prior to foreign exchange

**Renewable Energy**

- FFO[1] up 174% on expanded operations, improved hydrology and rising prices for uncontracted power

**Infrastructure**

- FFO[1] increased 24% on organic growth initiatives
- Increased traffic on rail and toll road networks
- Commissioned Texas electrical transmission network

**Private Equity**

- FFO increased 152% on realizations from U.S. housing-related investments

1. *FFO from operating activities (excluding disposition gains)*

## Business Development

**Asset Management**

- Fund raising continues on four funds with a target of over $2 billion of third party capital
- Dry powder of $9.0 billion
- Assumed management of $300 million India property fund

**Property**

- Advanced merger of Brookfield Property Partners and Brookfield Office Properties
- Committed $750 million to portfolio in Shanghai, China
- Broke ground on office properties in London, New York, Toronto, Calgary and Perth after pre-leasing to tenants

**Renewable Energy**

- Announced plans to acquire wind farms in Ireland
- Expanded hydro and wind portfolio with acquisitions in Pennsylvania, California and Maine

**Infrastructure**

- Investing $850 million in Brazilian port and rail assets
- Acquiring ports in California
- Expanded Brazilian toll road portfolio

**Private Equity**

- Acquired energy assets that benefit from rising natural gas prices

# SUMMARY OF RESULTS
## Funds from Operations and Net Income

| | Three Months | | | | Full Year | | | |
|---|---|---|---|---|---|---|---|---|
| | Funds from Operations | | Net Income | | Funds from Operations | | Net Income | |
| FOR THE PERIODS ENDED DEC. 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS) | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| Operating activities | **$ 969** | $ 311 | **$ 969** | $ 311 | **$ 2,081** | $ 1,073 | **$ 2,081** | $ 1,073 |
| Disposition gains[1] | **61** | 148 | **4** | 77 | **1,295** | 283 | **861** | 100 |
| Valuation items[2] | | | | | | | | |
| Fair value changes | **-** | - | **(100)** | 359 | **-** | - | **383** | 1,108 |
| Depreciation and amortization | **-** | - | **(183)** | (162) | **-** | - | **(720)** | (635) |
| Deferred income taxes | **-** | - | **27** | (93) | **-** | - | **(485)** | (266) |
| | **$ 1,030** | $ 459 | **$ 717** | $ 492 | **$ 3,376** | $ 1,356 | **$ 2,120** | $ 1,380 |
| Per share | **$ 1.59** | $ 0.67 | **$ 1.08** | $ 0.72 | **$ 5.14** | $ 1.94 | **$ 3.12** | $ 1.97 |

1. *FFO includes gains recorded directly in equity as well as the realization of appraisal gains recorded in prior years*
2. *Valuation items included within net income*

- FFO from **operating activities** for the fourth quarter of 2013 increased three fold compared to the prior year, primarily from the recognition of $565 million of carried interests arising from asset monetizations in our private funds, a return to long-term average generation within our renewable energy operations and favourable investment returns on financial assets. Full year results nearly doubled the 2012 results and reflected similar variances, as well as increased fee related earnings, driven by higher levels of fee bearing capital, and the contribution from capital deployed.

- **Disposition gains** during the quarter arose on the sale of non-core property assets and a regulated distribution business. The prior quarter gains included a $70 million gain realized on the merger of our U.S residential brokerage operations recorded in investment income. Full year gains of $1.3 billion also reflected sales of timberlands, private equity investments, and the settlement of a long-dated swap contract.

- **Valuation items:** Fair value changes decreased primarily from a lower level of appraisal gains within our commercial office and retail portfolios for both the fourth quarter and full year, as well as the inclusion in the fourth quarter of a valuation charge on a North American gas pipeline operation. Depreciation relates primarily to our power generating stations and fixed assets within our infrastructure and private equity operations. The prior year included a larger amount of appraisal gains, particularly within our U.S. retail property portfolio.

- The **deferred income tax** recovery in the fourth quarter reflects the reduction of depreciation and fair value losses, whereas the full year provision reflects disposition gains recorded during the first three quarters.

## Funds from Operations – Operating Activities (Excludes Disposition Gains)



| FOR THE PERIODS ENDED DEC. 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS) | Three Months | | | Full Year | | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | Variance | **2013** | 2012 | Variance |
| **Asset management and services** | **$ 678** | $ 114 | $ 564 | **$ 1,022** | $ 353 | $ 669 |
| **Invested capital** | | | | | | |
| Property | **127** | 159 | (32) | **526** | 644 | (118) |
| Renewable energy | **59** | 27 | 32 | **271** | 99 | 172 |
| Infrastructure | **51** | 40 | 11 | **222** | 179 | 43 |
| Private equity | **69** | 94 | (25) | **342** | 230 | 112 |
| Investment income | **77** | 14 | 63 | **159** | 96 | 63 |
| | **1,061** | 448 | 613 | **2,542** | 1,601 | 941 |
| **Unallocated** | | | | | | |
| Interest expenses | **(61)** | (89) | 28 | **(304)** | (357) | 53 |
| Corporate costs and taxes | **(31)** | (48) | 17 | **(157)** | (171) | 14 |
| **FFO - operating activities** | **$ 969** | $ 311 | $ 658 | **$ 2,081** | $ 1,073 | $ 1,008 |
| **Per share** | **$ 1.49** | $ 0.44 | $ 1.05 | **$ 3.08** | $ 1.50 | $ 1.58 |

### Fourth Quarter Highlights:

- **Asset management:** 2013 includes $563 million of realized carried interest, as well as a 20% increase in fee related earnings (+$12 million), driven by higher levels of fee bearing capital.
- **Property:** U.S. retail FFO increased by $13 million, primarily as a result of our increased ownership interest in GGP and 6% same store NOI growth. Office FFO included a $14 million dividend from Canary Wharf in 2013, offset by additional costs and a reduced overall ownership interest following the spin-off of a 7.6% interest in BPY, which reduced FFO by $25 million, as well lower occupancy levels in our U.S. office portfolio (-$19 million).
- **Renewable energy:** Long-term average hydroelectric and wind generation levels increased FFO by $26 million on a same store basis (2012 was 12% below long-term average) and the contribution from newly acquired and commissioned assets contributed $6 million of additional FFO.
- **Infrastructure:** Benefitted from a full quarter's contribution from our Australian rail expansion and the contribution from our recently acquired toll roads, offset by the removal of FFO from timberlands sold earlier in 2013.
- **Private equity:** Prices and volumes in our panel board operations were lower and we no longer recorded FFO from businesses that were sold or partially sold since the prior quarter, offset by increased FFO from North American residential operations.
- **Investment income and unallocated:** Financial assets benefitted from favourable capital market performance and we incurred lower corporate interest expense primarily from decreased levels of borrowings and lower interest rates.

### Full Year Highlights:

- Variances reflect the fourth quarter items noted above, as well as increased levels of fee related earnings on higher amounts of fee bearing capital, long-term average hydrology levels throughout 2013, compared to significantly below average levels in 2012 and the impact of the U.S. housing recovery on our North American residential and related businesses, increasing the contribution from our private equity operations.

# SUMMARY OF RESULTS
## Disposition Gains – Brookfield Share, Net of Non-Controlling Interests

| FOR THE PERIODS ENDED DEC. 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS) | Three Months | | | | Full Year | | | |
|---|---|---|---|---|---|---|---|---|
| | Funds from Operations[1,2,3] | | Net Income[1,3] | | Funds from Operations[1,2,3] | | Net Income[1,3] | |
| Operating Segment | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| Property | **$ 26** | $ 5 | **$ 4** | $ - | **$ 28** | $ (107) | **$ (2)** | $ - |
| Renewable energy | **-** | - | **-** | - | **176** | 214 | **-** | - |
| Infrastructure | **37** | 34 | **10** | - | **250** | 45 | **10** | - |
| Private equity | **(2)** | 32 | **(10)** | - | **316** | 31 | **251** | - |
| Corporate | **-** | 77 | **-** | 77 | **525** | 100 | **602** | 100 |
| | **$ 61** | $ 148 | **$ 4** | $ 77 | **$ 1,295** | $ 283 | **$ 861** | $ 100 |
| Per share | **$ 0.10** | $ 0.23 | **$ 0.01** | $ 0.11 | **$ 2.06** | $ 0.44 | **$ 1.34** | $ 0.16 |

1. *Net of non-controlling interests*
2. *FFO gains include fair value changes recorded in prior periods and gains not recorded in net income under IFRS*
3. *See slide 37 for a reconciliation of disposition gains included in FFO compared to those included in net income*

### Fourth Quarter (Brookfield Share, Net of Non-Controlling Interests)

**Property**
- We sold 23 properties within our office, retail and other portfolios ($26 million)

**Infrastructure**
- We sold our regulated New Zealand distribution business ($37 million)

**Private Equity**
- 2012 gains included the sell down of residential operations in North America ($15 million) and Brazil ($15 million).

**Corporate**
- 2012 gains included a $70 million gain on the merger of our real estate U.S. real estate brokerage operations

### Full Year disposition gains include the above as well as the following:

- **2013:** BREP unit sale ($172 million); Pacific Northwest timberlands ($163 million); UK regulated distribution business and non-core infrastructure assets ($250 million); a pulp and paper business ($200 million); shares of Norbord ($73 million), Western Forest Products shares ($47 million) and a $525 million gain on the settlement of a long-dated interest rate contract.

- **2012:** property dispositions ($107 million loss); BREP selldown ($214 million); Western Canadian timberlands ($34 million); Brazilian agricultural land ($11 million); Western Forest Products selldown ($15 million) and residential operations ($30 million).

# ASSET MANAGEMENT
## Summarized Results

**$79 billion**
Fee Bearing Capital
(+32% since Q4 – 2012)

**49%**
Gross Profit Margin
(2013)

**$1,006 million**
Annualized Fees and Carry
(+34% since Q4 – 2012)

### Financial Performance

| FOR THE PERIODS ENDED DEC. 31 (MILLIONS) | Three Months 2013 | Three Months 2012 | Full Year 2013 | Full Year 2012 |
|---|---|---|---|---|
| Asset management | | | | |
| Fee related earnings | **$ 71** | $ 59 | **$ 300** | $ 180 |
| Carried interest, net | **563** | 14 | **565** | 14 |
| | **634** | 73 | **865** | 194 |
| Construction and property services | **44** | 41 | **157** | 159 |
| | **$ 678** | $ 114 | **$ 1,022** | $ 353 |

### Terminology

- **Fee Related Earnings** represent base management fees earned from our listed issuers, private funds and public securities, incentive distributions, transaction and advisory fees, and performance fees earned from our public securities business, net of direct costs.
- **Fee Bearing Capital** represents the capital committed, pledged or invested in our private funds, listed issuers and public securities and other investments that we manage which entitle us to earn fee related earnings, and/or carried interest.
- **Incentive Distribution Rights ("IDRs")** entitle us to earn a percentage of increases in distributions paid by our managed listed entities above a predetermined threshold.
- **Carried Interests (or "carry")** represents our participation in the net profits of our private funds. Recognition of carried interest in FFO is deferred until it is no longer subject to clawback.

### Fee Bearing Capital

| AS AT DEC. 31 (MILLIONS) | 2013 | 2012 |
|---|---|---|
| Listed issuers | **$ 32,997** | $ 21,301 |
| Private funds | **25,625** | 23,244 |
| Public securities | **20,671** | 15,524 |
| | **$ 79,293** | $ 60,069 |

### Overview of Fee Bearing Capital

- Fee bearing capital includes 6 listed issuers, 30 private funds and 125 funds and managed accounts within our public securities operations.
- Private funds investor base increased to 220 investors with an average investment of $90 million; 30% of investors invest in multiple funds.
- Four private funds in market seeking over $2 billion of third party capital.
- Third party committed undrawn capital ("dry powder") of $9.0 billion for the following investment strategies: $2.8 billion property, $5.3 billion infrastructure and timber and $0.9 billion private equity.
- Public securities includes $13.1 billion of fixed income and $7.6 billion of equity securities.

# Fee Related Earnings



| FOR THE PERIODS ENDED DEC. 31 (MILLIONS) | Three Months | | Full Year | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| Base management fees | | | | |
| Listed issuers | **$ 53** | $ 42 | **$ 202** | $ 145 |
| Private funds | **61** | 53 | **230** | 162 |
| Public securities | **20** | 12 | **70** | 45 |
| | **134** | 107 | **502** | 352 |
| Incentive distributions (IDRs) | **8** | 4 | **32** | 15 |
| Performance fees - public securities | **14** | 15 | **30** | 17 |
| Transaction and advisory fees | **8** | 17 | **53** | 53 |
| | **164** | 143 | **617** | 437 |
| Direct costs | **(93)** | (84) | **(317)** | (257) |
| **Fee related earnings** | **$ 71** | $ 59 | **$ 300** | $ 180 |

**Fourth Quarter:**

- Fee revenues increased 15% over the prior year due to higher amounts of fee bearing capital.
- Base management fees increased by 25% to $134 million, representing substantial growth in listed issuers, private funds and public securities.
- Gross profit margins were 43% (2012 – 41%).

**Full Year:**

- Incentive distributions from our listed issuers doubled in 2013 as distributions paid by our managed listed entities continue to grow.
- Realized performance fees of $30 million within our public securities operations based on exceeding performance thresholds in a number of our mandates.
- Gross profit margins were 49% for the year (2012 – 41%), fee revenues grew significantly and more than offset the increase in direct costs.
- Base fees included approximately $15 million of “catch-up” fees arising from the final close of our real estate private fund.
- Fee revenues for the year include $172 million (2012 – $119 million) of base management fees on Brookfield capital. This includes $101 million on listed issuers, $65 million on private funds and $6 million on public securities.

| FOR THE PERIODS ENDED DEC. 31 (MILLIONS) | Three Months 2013 | Three Months 2012 | Full Year 2013 | Full Year 2012 |
|---|---|---|---|---|
| Generated[1] | **$ 81** | $ 66 | **$ 237** | $ 327 |
| Recognition of prior period accumulated carry[1] | **558** | 17 | **524** | 17 |
| | **639** | 83 | **761** | 344 |
| Less: deferred carried interest[1,2] | **(76)** | (66) | **(195)** | (327) |
| Recognized in period[1] | **563** | 17 | **566** | 17 |
| Less: direct costs | **-** | (3) | **(1)** | (3) |
| Carried interest, net | **$ 563** | $ 14 | **$ 565** | $ 14 |

1. *Carried interest in respect of third party capital*
2. *Carried interest subject to clawback*

- We generated $81 million of carried interest in the fourth quarter based on investment performance of which $76 million was deferred for FFO recognition ($237 million and $195 million respectively, for the full year).
  - We continue to benefit from favourable investment performance and realizations within our private funds.
- We completed the sale of our U.S. shopping mall business from our private fund consortium and realized $558 million of carried interest in the fourth quarter which was previously excluded from FFO, as it was subject to clawback.
  - We invested alongside our partners in the business in 2010, and over the last four years we generated a 38% gross IRR for our clients and ourselves and a 2.6x gross multiple of invested capital.

## Deferred Carried Interest Continuity

| AS AT DECEMBER 31 (MILLIONS) | **2013** Unrealized Carried Interest | **2013** Direct Costs | **2013** Net | 2012 Unrealized Carried Interest | 2012 Direct Costs | 2012 Net |
|---|---|---|---|---|---|---|
| Unrealized balance, beginning of year | **$ 689** | **$ (57)** | **$ 632** | $ 379 | $ (51) | $ 328 |
| In period change | | | | | | |
| Generated | **195** | **(62)** | **133** | 327 | (9) | 318 |
| Less: realized | **(566)** | **1** | **(565)** | (17) | 3 | (14) |
| Unrealized balance, end of year | **$ 318** | **$ (118)** | **$ 200** | $ 689 | $ (57) | $ 632 |

| AS AT (MILLIONS) | Dec. 31, 2013 Listed Issuers[1] | Dec. 31, 2013 Private Funds[1] | Dec. 31, 2013 Public Securities | Dec. 31, 2013 Total | Sep. 30, 2013 | Dec. 31, 2012 |
|---|---|---|---|---|---|---|
| Property | $ 15,396 | $ 12,185 | $ 2,732 | **$ 30,313** | $ 31,460 | $ 18,133 |
| Renewable energy | 9,325 | 2,169 | - | **11,494** | 11,559 | 10,559 |
| Infrastructure | 8,276 | 8,588 | 4,853 | **21,717** | 20,907 | 16,497 |
| Private equity | - | 2,683 | 13,086 | **15,769** | 16,527 | 14,880 |
| | **$ 32,997** | **$ 25,625** | **$ 20,671** | **$ 79,293** | $ 80,453 | $ 60,069 |

*1. Fee bearing capital includes Brookfield capital of $19.7 billion in listed issuers (Dec. 31, 2012 – $10.3 billion) and $6.0 billion in private funds (Dec. 31, 2012 – $8.4 billion)*

## Fourth Quarter:

- Fee bearing capital decreased by $1.2 billion.
  - Listed issuer capital increased by $1.4 billion due to the issuance of BPY units and increases in unit values, offset by unit distributions and downward currency revaluation.
  - Private fund capital declined by $3.1 billion primarily from the return of capital to investors in our GGP consortium.
  - Public securities capital increased by $0.5 billion on portfolio valuation gains, as inflows matched outflows.

## Full Year:

- Fee bearing capital increased to $79.3 billion, a 32% increase on a year-to-date basis.
  - We launched Brookfield Property Partners L.P. (BPY), our flagship listed property entity on April 15, 2013 adding $11.5 billion of fee bearing capital and $50 million of annualized base fees. Listed capital also increased with the issuance of additional BPY units in the fourth quarter and BIP units in the second quarter, and declined due to repayment of corporate leverage and downward currency valuation.
  - We closed on a number of Private Fund strategies during the year, adding $8 billion in fee bearing commitments including two flagship funds, Brookfield Infrastructure Fund II and Brookfield Strategic Real Estate Partners Fund. During the year we also raised approximately $1 billion of capital for other real estate mandates and closed on our global Timberlands Fund V and Brazil Timber Fund II.
  - We distributed $5.3 billion dollars of private fund capital mainly from the conclusion of our Brookfield Global Timber Fund and capital distributions to investors in our GGP consortium.
  - We increased our Public Securities business with capital inflows exceeding distributions as a result of launches of new closed ended funds and contributions from new and existing clients.

## Fee Bearing Capital and Annualized Base Fees Roll Forward – Three Months

| THREE MONTHS ENDED DEC. 31, 2013 (MILLIONS) | Listed Issuers[1] | Private Funds | Public Securities | **Total Fee Bearing** | **Annualized Base Fees** |
|---|---|---|---|---|---|
| Balance, beginning of quarter | $ 31,600 | $ 28,739 | $ 20,114 | **$ 80,453** | **$ 530** |
| Inflows | 1,431 | 97 | 1,281 | **2,809** | **6** |
| Outflows | (333) | (3,163) | (1,243) | **(4,739)** | **(8)** |
| Market activity | 673 | - | 519 | **1,192** | **3** |
| Other[2] | (374) | (48) | - | **(422)** | **(1)** |
| Change | 1,397 | (3,114) | 557 | **(1,160)** | - |
| Balance, end of year | **$ 32,997** | **$ 25,625** | **$ 20,671** | **$ 79,293** | **$ 530** |

## Fee Bearing Capital and Annualized Base Fees Roll Forward – Full Year

| FOR THE YEAR ENDED DEC. 31, 2013 (MILLIONS) | Listed Issuers[1] | Private Funds | Public Securities | **Total Fee Bearing** | **Annualized Base Fees** |
|---|---|---|---|---|---|
| Balance, beginning of year | $ 21,301 | $ 23,244 | $ 15,524 | **$ 60,069** | **$ 385** |
| Launch of BPY | 11,518 | - | - | **11,518** | **50** |
| Inflows | 2,100 | 7,922 | 7,056 | **17,078** | **118** |
| Outflows | (926) | (5,332) | (3,090) | **(9,348)** | **(32)** |
| Market activity | 235 | - | 1,181 | **1,416** | **14** |
| Other[2] | (1,231) | (209) | - | **(1,440)** | **(5)** |
| Change | 11,696 | 2,381 | 5,147 | **19,224** | **145** |
| Balance, end of year | **$ 32,997** | **$ 25,625** | **$ 20,671** | **$ 79,293** | **$ 530** |

1. *Brookfield Property Partners and Brookfield Renewable Energy Partners' initial capitalization for determining equity enhancement fees is $11.5 billion and $8.1 billion, respectively*
2. *Includes non-recourse leverage included in the determination of listed issuer capitalization and foreign exchange on non-U.S. dollar commitments*

# Annualized Fees and Carry



| AS AT (MILLIONS) | Dec. 31, 2013 | Sep. 30, 2013 | Dec. 31, 2012 |
|---|---|---|---|
| Base management fees[1,2] | | | |
| Listed issuers | **$ 220** | $ 220 | $ 160 |
| Private funds | **240** | 240 | 183 |
| Public securities | **70** | 70 | 42 |
| | **530** | 530 | 385 |
| Incentive distributions | **48** | 32 | 30 |
| Transaction and advisory[3] | **53** | 55 | 55 |
| Target performance income[3] | **25** | 15 | 10 |
| Fee revenues | **656** | 632 | 480 |
| Target carried interest[4] | **350** | 375 | 270 |
| | **$ 1,006** | $ 1,007 | $ 750 |

1. *Based on capital committed or invested and contractual arrangements*
2. *Base management fees include $186 million of annualized base fees on Brookfield capital*
3. *Equal to simple average of the last two years. Includes only third party capital*
4. *Based on prescribed carried interest for private funds and target gross return. Includes only third party capital*

- Annualized base management fees and incentive distributions totalled $578 million at December 31, 2013 representing a 39% increase since the prior year.
- Annualized base fees from our listed issuers generally include base fees on initial capitalization and equity enhancement fees of 125 bps on further appreciation of capital.
  - Brookfield Property Partners’ equity enhancement fees are subject to a credit mechanism, which offsets future equity enhancement fees with base fees paid on capital commitments from BPY to our private funds. There are currently $20 million of base fees being paid on private fund commitments, which will reduce future equity enhancement fees.
- We estimate that private fund annualized base management fees will increase by approximately $18 million upon calling the $9.0 billion of third party dry powder, as base management fees increase for certain funds when capital is called.
- We include base fees on the capital invested by us in our funds in order to present operating margins and investment returns on a consistent basis (see note 2).

# Annualized Incentive Distributions and Target Carried Interest



## Annualized Incentive Distributions

| AS AT DEC. 31, 2013 (MILLIONS, EXCEPT PER UNIT AMOUNTS) | Annualized Distribution (Per Unit)[1] | Distribution Hurdles (Per Unit) | Incentive Distribution (Per Unit)[2] | Units Outstanding | IDR Per Unit First Hurdle | IDR Per Unit Second Hurdle | Annualized Incentive Distribution |
|---|---|---|---|---|---|---|---|
| Brookfield Infrastructure Partners | $ 1.92 | $1.22 / $1.32 | 15% / 25% | 210.1 | $ 0.02 | $ 0.20 | $ 46 |
| Brookfield Renewable Energy Partners | 1.55 | 1.50 / 1.69 | 15% / 25% | 265.3 | 0.01 | - | 2 |
| Brookfield Property Partners | 1.00 | 1.10 / 1.20 | 15% / 25% | 540.1 | - | - | - |
| | | | | | | | $ 48 |

1. *Based on most recent quarterly distributions declared*
2. *Incentive distributions equate to 18% and 33% of limited partner distribution increases over the first and second hurdles, respectively*

## Annualized Target Carried Interest

| AS AT DEC. 31, 2013 (MILLIONS) | Private Funds Fee Bearing Capital | Third Party Capital Subject to Carried Interest[1] | Target Return | Carried Interest | Average Investment Period[2] | Annualized Target Carried Interest[1] |
|---|---|---|---|---|---|---|
| Core and Value Add | $ 17,308 | $ 11,600 | 10% to 15% | ~18% | 85% | $ 195 |
| Opportunistic and Private E | 8,317 | 5,500 | 18% to 25% | ~20% | 75% | 155 |
| | $ 25,625 | $ 17,100 | | | | $ 350 |

1. *Excludes Brookfield capital of $6.0 billion and $2.5 billion of capital that does not earn carried interest or is credited against fees earned on other funds*
2. *Average investment period based on percentage of life of fund*

- Carried interest generated currently lags targeted carry, as a large portion of third party private fund capital subject to carry was raised within the past year and is not yet invested.

## Construction and Property Services

| AS AT AND FOR THE PERIODS ENDED DEC. 31 (MILLIONS) | Invested Capital | | Funds from Operations – Three Months | | Funds from Operations – Full Year | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| Construction | **$ 938** | $ 1,029 | **$ 43** | $ 37 | **$ 118** | $ 113 |
| Property services | **348** | 296 | **1** | 4 | **39** | 46 |
| | **$ 1,286** | $ 1,325 | **$ 44** | $ 41 | **$ 157** | $ 159 |

## Funds from Operations

| FOR THE PERIODS ENDED DEC. 31 (MILLIONS) | Three Months – Construction | | Three Months – Property Services | | Three Months – Total | | Full Year | |
|---|---|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| Revenues | **$ 886** | $ 950 | **$ 151** | $ 257 | **$ 1,037** | $ 1,207 | **$ 3,817** | $ 4,070 |
| Direct costs | **(843)** | (913) | **(156)** | (253) | **(999)** | (1,166) | **(3,687)** | (3,911) |
| Equity accounted income | **-** | - | **6** | - | **6** | - | **27** | - |
| Funds from operations | **$ 43** | $ 37 | **$ 1** | $ 4 | **$ 44** | $ 41 | **$ 157** | $ 159 |

## Construction

- FFO increased over the prior year as increased project volumes more than offset decreasing operating margins.
- Work-in-hand remains strong at $3.4 billion, representing one year of scheduled activity, with the following breakdown by geography:

| AS AT DEC. 31 ($ MILLIONS) | **2013** | 2012 |
|---|---|---|
| Australasia | **$ 1,962** | $ 2,626 |
| Middle East | **825** | 1,047 |
| United Kingdom | **393** | 606 |
| Canada | **215** | 44 |
| | **$ 3,395** | $ 4,323 |
| Scheduled activity (yrs) | **1.3** | 1.1 |

## Property Services

- Decrease in fourth quarter and full year FFO is the result of a reduced ownership in our U.S. brokerage operations, following the 2012 merger with HomeServices Relocation offset by the expansion of our commercial operations.

# FINANCIAL PROFILE
## Segment Equity – Comparison to Prior Periods

### Segment Equity

| AS AT (MILLIONS) | Total Dec. 2013 | Total Sep. 2013 | Total Dec. 2012 | Variance Dec. vs. Sep. | Variance 2013 vs. 2012 |
|---|---|---|---|---|---|
| **Asset management** | **$ 1,502** | $ 1,530 | $ 1,570 | $ (28) | $ (68) |
| **Invested capital** | | | | | |
| Property | **13,339** | 12,374 | 12,958 | 965 | 381 |
| Renewable energy | **4,428** | 4,575 | 4,976 | (147) | (548) |
| Infrastructure | **2,171** | 2,001 | 2,571 | 170 | (400) |
| Private equity | **2,540** | 2,665 | 2,574 | (125) | (34) |
| Cash and financial assets | **814** | 990 | 1,133 | (176) | (319) |
| | **23,292** | 22,605 | 24,212 | 687 | (920) |
| **Capitalization** | | | | | |
| Borrowings | **(3,975)** | (3,848) | (4,656) | (127) | 681 |
| Net working capital | **223** | 352 | 250 | (129) | (27) |
| Preferred shares[1] | **(3,261)** | (3,266) | (3,226) | 5 | (35) |
| | **(7,013)** | (6,762) | (7,632) | (251) | 619 |
| **Common equity** | **$ 17,781** | $ 17,373 | $ 18,150 | $ 408 | $ (369) |

*1. Includes preferred shares and capital securities*

### Common Equity Roll

| FOR THE PERIODS ENDED DEC. 31, 2013 (MILLIONS) | Three Months | Full Year |
|---|---|---|
| Opening | $ 17,373 | $ 18,150 |
| Net Income | 717 | 2,120 |
| Other comprehensive income | | |
| Fair value changes | 262 | 456 |
| Foreign currency | (326) | (1,183) |
| Common and preferred dividends | (161) | (541) |
| Common share repurchases | - | (307) |
| BPY special distribution | - | (906) |
| Other[1] | (84) | (8) |
| | $ 17,781 | $ 17,781 |

*1. Includes deferred income taxes within other comprehensive income and ownership changes*

- Significant changes in segment equity include:
  - We acquired an additional 51 million units of BPY for $995 million in the fourth quarter, offsetting the impact of the spin-off of a 7.6% interest in BPY in April 2013 within our **property operations**.
  - We disposed of 8.1 million BREP units for proceeds of $233 million in the first quarter of 2013, decreasing our **renewable energy** invested capital.
  - We sold our Pacific Northwest timberlands during the third quarter decreasing **infrastructure** invested capital by $600 million.
  - We settled a long-dated interest rate contract in the third quarter, reducing our corporate **capitalization** by $525 million and repaid corporate borrowings with the proceeds generated from asset dispositions.
- Common equity decreased from the prior year by $0.4 billion to $17.8 billion, primarily due to:
  - $2,120 million of net income attributable to shareholders;
  - Special distribution of a $906 million, 7.6% interest in Brookfield Property Partners in April 2013;
  - $1,183 million negative foreign currency revaluation of non-U.S. dollar investments; and
  - The repurchase of 8.5 million shares for $307 million.

# Our entity basis profile is organized according to the nature of the investment (i.e., listed vs. unlisted) as opposed to business segment

| AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS) | Invested Capital | | Funds From Operations | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| **Asset management** | | | | |
| Fee related earnings | **$ 216** | $ 245 | **$ 300** | $ 180 |
| Carried interests, net | **-** | - | **565** | 14 |
| | **216** | 245 | **865** | 194 |
| **Invested capital** | | | | |
| Listed investments | | | | |
| Brookfield Property Partners[1] | **12,180** | 13,163 | **492** | 587 |
| Brookfield Renewable Energy Partners | **3,534** | 4,272 | **390** | 236 |
| Brookfield Infrastructure Partners | **1,478** | 1,432 | **185** | 127 |
| Other | **4,188** | 3,424 | **503** | 270 |
| | **21,380** | 22,291 | **1,570** | 1,359 |
| Unlisted investments | **3,198** | 3,246 | **107** | 187 |
| Disposition gains | **-** | - | **1,295** | 283 |
| | **24,578** | 25,537 | **2,972** | 1,690 |
| **Capitalization** | | | | |
| Borrowings | **(3,975)** | (4,656) | **(291)** | (332) |
| Net working capital | **223** | 250 | **(157)** | (171) |
| Preferred shares[2] | **(3,261)** | (3,226) | **(13)** | (25) |
| | **(7,013)** | (7,632) | **(461)** | (528) |
| **Common equity** | **$ 17,781** | $ 18,150 | **$ 3,376** | $ 1,356 |
| **Per share** | **$ 28.70** | $ 28.97 | **$ 5.14** | $ 1.94 |

1. *BPY 2012 results include assets contributed to BPY, including BPO, GGP and Canary Wharf Group*
2. *Includes preferred shares and capital securities. FFO excludes $145 million of preferred share distributions (2012 – $129 million)*

# FINANCIAL PROFILE
## Invested Capital – Entity Basis: Additional Information

| AS AT AND FOR THE YEAR ENDED DEC. 31, 2013 (MILLIONS) | Ownership # Units | Ownership % | IFRS | FFO[1] | Distributed Cash Flow (Annualized)[1] |
|---|---|---|---|---|---|
| Listed Investments | | | | | |
| Brookfield Property Partners | 482.8 | 89 | $ 12,180 | $ 492 | $ 483 |
| Brookfield Renewable Energy Partners | 172.3 | 65 | 3,534 | 390 | 267 |
| Brookfield Infrastructure Partners | 59.8 | 28 | 1,478 | 185 | 115 |
| Other listed | | | | | |
| BPY Preferred Shares | n/a | n/a | 1,275 | 56 | 76 |
| Brookfield Residential Properties | 81.5 | 68 | 960 | 117 | - |
| Norbord | 27.8 | 52 | 246 | 120 | 60 |
| Western Forest Products | 201.6 | 52 | 187 | 76 | 15 |
| Ainsworth Lumber | 53.7 | 22 | 96 | 19 | - |
| Acadian Timber | 7.5 | 45 | 67 | 8 | 6 |
| Other | Various | Various | 543 | (52) | - |
| Financial assets | Various | Various | 814 | 159 | 65[2] |
| | | | 21,380 | 1,570 | 1,087 |
| Unlisted | | | | | |
| Private funds | | | 508 | 72 | 72 |
| Directly held assets | | | 510 | (3) | (3) |
| Energy marketing | | | 894 | (119) | (119) |
| Construction and property services | | | 1,286 | 157 | 157 |
| | | | 3,198 | 107 | 107 |
| | | | $ 24,578 | $ 1,677 | $ 1,194 |

1. *Excludes disposition gains*
2. *Estimated 8% annualized cash yield*

- Annualized distributed cash flow is based on dividend payouts as of December 31, 2013 for listed investments and 2013 FFO for unlisted investments, excluding disposition gains

# Corporate Capitalization



| AS AT AND FOR THE PERIODS ENDED DEC. 31 (MILLIONS) | Average Yield | | Invested Capital | | Funds from Operations: Three Months | | Funds from Operations: Full Year | |
|---|---|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| Corporate borrowings | **4.9%** | 5.8% | **$ 3,975** | $ 4,656 | **$ 58** | $ 84 | **$ 291** | $ 332 |
| Capital securities | **5.4%** | 5.2% | **163** | 325 | **3** | 5 | **13** | 25 |
| Preferred shares[1] | **4.5%** | 4.5% | **3,098** | 2,901 | **-** | - | **-** | - |
| Net working capital[2] | **n/a** | n/a | **(223)** | (250) | **-** | - | **-** | - |
| Corporate costs | **n/a** | n/a | **-** | - | **30** | 40 | **146** | 158 |
| Cash income taxes | **n/a** | n/a | **-** | - | **1** | 8 | **11** | 13 |
| | | | **$ 7,013** | $ 7,632 | **$ 92** | $ 137 | **$ 461** | $ 528 |

1. *Excludes preferred shares distributions of $145 million (2012 – $129 million) for the full year, and $36 million (2012 – $35 million) for the three months*
2. *Includes $625 million deferred income tax asset (2012 - $773 million)*

## Maturity Profile

| ($ MILLIONS) | Average Term (Years) | | Proforma | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2013** | **2012** | **Dec. 31, 2013[2]** | **2014** | **2015** | **2016** | **2017** | **2018+** |
| Corporate borrowings | | | | | | | | |
| Revolving facilities[1,2] | **5** | 4 | $ 191 | $ - | $ - | $ - | $ - | $ [2] 191 |
| Term debt[2] | **10** | 9 | 3,784 | - | - | 282 | 475 | 3,027 |
| | | | 3,975 | - | - | 282 | 475 | 3,218 |
| Capital securities | **5** | 3 | 163 | - | - | - | - | 163 |
| Preferred shares | **perp.** | perp. | 3,098 | - | - | - | - | n/a |
| | | | $ 7,236 | $ - | $ - | $ 282 | $ 475 | $ 3,381 |

1. *Revaluing credit facilities of $2.2 billion to support commercial paper issuances (20 bps spread) or bankers acceptances/LIBOR loans (100 bps spread)*
2. *Reflects C$500 million of borrowings under revolving facility refinanced in January 2014 with 4.82% notes due 2026*

# Liquidity



Core liquidity and undrawn fund capital totalled $15.4 billion at December 31, 2013[1] and is available for investments.

| AS AT DEC. 31 (MILLIONS) | Corporate | Property[2] | Renewable Energy | Infrastructure | Private Equity | **Total 2013** | Total 2012 |
|---|---|---|---|---|---|---|---|
| Cash and financial assets, net | $ 814 | $ 191 | $ 200 | $ 522 | $ - | **$ 1,727** | $ 1,630 |
| Undrawn committed credit facilities | 1,876 | 671 | 757 | 1,305 | - | **4,609** | 2,518 |
| Core liquidity | 2,690 | 862 | 957 | 1,827 | - | **6,336** | 4,148 |
| Undrawn fund capital[3] | - | 2,762 | 1,412[4] | 3,947[5] | 911 | **9,032** | 5,158 |
| Total liquidity | $ 2,690 | $ 3,624 | $ 2,369 | $ 5,774 | $ 911 | **$ 15,368** | $ 9,306 |

- At December 31, 2013, corporate facilities totalled $2.2 billion, of which $0.2 billion was utilized for short-term bank or commercial paper borrowings and $0.1 billion for letters for credit to support various business initiatives.
- Total liquidity of $15.4 billion at December 31, 2013[1], includes core liquidity of $6.4 billion and third party dry powder of $9.0 billion.

1. *Reflects C$500 million of borrowings under revolving facility refinanced in January 2014 with 4.82% notes due 2026*
2. *Brookfield Property Partners and Brookfield Office Properties and private funds*
3. *Private fund commitments*
4. *Brookfield Renewable Energy Partners and 35% allocation of available private fund commitments*
5. *Brookfield Infrastructure Partners and allocation of available private fund commitments*

# Additional Information – Invested Capital




# We hold the vast majority of the capital invested in our property business through our 89% interest in Brookfield Property Partners

## Financial Position and Performance

| AS AT AND FOR THE PERIODS ENDED DEC. 31 (MILLIONS) | Invested Capital | | Funds from Operations – Three Months | | Funds from Operations – Full Year | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| Investment in Brookfield Property Partners | | | | | | |
| LP Units[1,2] | **$ 12,180** | $ 13,163 | **$ 117** | $ 155 | **$ 492** | $ 587 |
| Preferred shares | **1,275** | - | **19** | - | **56** | - |
| Directly held, net[3] | **(116)** | (205) | **(9)** | 4 | **(22)** | 57 |
| | **13,339** | 12,958 | **127** | 159 | **526** | 644 |
| Disposition gains | **-** | - | **26** | 5 | **28** | (107) |
| | **$ 13,339** | $ 12,958 | **$ 153** | $ 164 | **$ 554** | $ 537 |

1. *Represents BPY's FFO for the fourth quarter of $142 million (2012 – $134 million) and for the full year of $542 million (2012 – $504 million), adjusted to exclude depreciation, property services and fee related earnings and includes current taxes*
2. *BPY 2012 results include assets contributed to BPY, including BPO, GGP and Canary Wharf Group*
3. *Consists of $469 million (2012 – $434 million) of property assets less $585 million (2012 – $639 million) of associated borrowings and preferred share obligations*

## Operational Measures

- We manage a global portfolio of premier properties with over 330 million square feet ("msf") focused on:
  - Office: 164 properties, 93 msf and 19 msf development pipeline.
  - Retail: 165 high quality regional malls, 153 msf predominately based in the U.S. with average sales per sq ft of $522.
  - Multifamily, Industrial and Other: 25,500 multifamily units, 68 msf of industrial space, 79 msf of future industrial development, and 8 hotels with 7,500 rooms.

## Financial Performance

- Property FFO excluding gains decreased by $32 million to $127 million compared to 2012, primarily from the formation and spin-off of BPY.
- We disposed of 23 properties and investments during the quarter for proceeds of $438 million net of associated liabilities, recognizing $26 million of disposition gains.
- BPY completed a $1.4 billion secondary offering in November 2013, of which we acquired $995 million (51 million units) and our institutional partners acquired the remaining portion, decreasing our ownership in BPY from 93% to 89%.
  - BPY utilized the net proceeds from the offering to acquire additional General Growth Properties ("GGP") and Rouse Properties Inc. ("Rouse") shares and warrants, increasing its fully diluted interest in GGP and Rouse to 32% and 39%, respectively.

**Brookfield Property Partners L.P. ("BPY")**

($13.6 billion[1] market capitalization)

NYSE: BPY, TSX: BPY.UN

**$1.00** annual distribution per unit

**5.3%** Yield[2]

**3% – 5%** Target distribution growth

## Financial Position and Performance – BPY

| AS AT AND FOR THE PERIODS ENDED DEC. 31 (MILLIONS) | Invested Capital | | Funds from Operations[3] Three Months | | Funds from Operations[3] Full Year | |
|---|---|---|---|---|---|---|
| | **2013** | 2012[4] | **2013** | 2012[4] | **2013** | 2012[4] |
| Office | **$ 7,201** | $ 7,020 | **$ 70** | $ 73 | **$ 312** | $ 318 |
| Retail | **7,704** | 5,505 | **102** | 89 | **298** | 259 |
| Multifamily, Industrial & Other | **1,042** | 638 | **5** | (7) | **61** | 10 |
| Corporate / unallocated | **(2,323)** | - | **(48)** | - | **(148)** | - |
| Attributable to unitholders | **13,624** | 13,163 | **129** | 155 | **523** | 587 |
| Non-controlling interest | **(1,444)** | - | **(12)** | - | **(31)** | - |
| Brookfield's interest | **$ 12,180** | $ 13,163 | **$ 117** | $ 155 | **$ 492** | $ 587 |

1. *Based on IFRS values*
2. *Based on recent unit price of $18.90*
3. *Represents BPY's FFO for the fourth quarter of $142 million (2012 – $134 million) and for the full year of $543 million (2012 – $504 million), adjusted to exclude depreciation, property services and fee related earnings and includes current taxes*
4. *BPY 2012 results include assets contributed to BPY, including BPO, GGP and Canary Wharf Group*

- BPY's fourth quarter FFO was $129 million, representing a decrease of $26 million from 2012, primarily the result of additional charges incurred through the formation of BPY ($32 million), offset by FFO contribution from capital deployed.
  - Occupancy levels in our office portfolio decreased to 88.0%, largely due to a lease expiry in New York, decreasing FFO by $21 million ($19 million net to BAM). This was partially offset by a $14 million ($13 million net to BAM) distribution from Canary Wharf in the current quarter.
  - Our average in-place office rent is $30.15 psf, representing a discount of 15% to market rent, and has an average term of 7.3 years. Occupancy decreased by 310 bps from year end due to acquisitions of assets with lower occupancy rates in addition to lease expiries in New York, partially offset by large leases secured in Houston, Denver and London.
- Our share of GGP's reported FFO for the fourth quarter was $94 million ($85 million net to BAM), which represents an 11% increase over the prior year, primarily from our increased ownership in GGP, a 6% increase in same store NOI and a significant reduction in interest expense on existing borrowings from favourable refinancings.
  - The average in-place retail rent of $53.39 psf represents a discount of 15% to market rents, and has a 5.8 year average term to maturity. Occupancy increased by 80 bps compared to year end to 95.9%.
  - Suite-to-suite initial rents for leases commencing in 2013 increased 10% to $57.89 psf, compared to rental rate for expiring leases.
- Corporate charges consist primarily of dividends paid on preferred shares, base management fees incurred and other expenses, following the formation and spin-off of BPY.

### Valuation Items

| FOR THE THREE MONTHS ENDED DEC. 31 (MILLIONS) | Brookfield Property Partners | | Directly held | | Total[1] | Net[1,2] | |
|---|---|---|---|---|---|---|---|
| | Net Income | OCI | Net Income | OCI | **2013** | **2013** | 2012 |
| Appraisal gains | $ 313 | $ 197 | $ 37 | $ - | **$ 547** | **$ 216** | $ 320 |
| Depreciation and amortization | (58) | - | (2) | - | **(60)** | **(20)** | (30) |
| Interest rate contracts | - | 82 | - | 9 | **91** | **44** | 33 |
| Other fair value changes | (3) | 3 | 1 | 5 | **6** | **11** | (2) |
| | 252 | 282 | 36 | 14 | **584** | **251** | 321 |
| Non-controlling interests | (126) | (194) | (12) | (1) | **(333)** | **-** | - |
| **Valuation items** | $ 126 | $ 88 | $ 24 | $ 13 | **$ 251** | **$ 251** | $ 321 |

1. *Includes valuation items in net income and other comprehensive income*
2. *Net of non-controlling interests*

### Key Valuation Metrics

| AS AT DEC. 31, 2013 | Discount Rate | Terminal Capitalization Rate | Investment Horizon (yrs) |
|---|---|---|---|
| Office | | | |
| United States | 7.4% | 6.2% | 11 |
| Canada | 6.4% | 5.7% | 11 |
| Australia | 8.5% | 7.2% | 10 |
| Europe | 6.7% | 5.3% | 10 |
| Retail | | | |
| United States[1] | 7.6% | 5.8% | 10 |
| Australia | 10.3% | 9.5% | 10 |
| Europe | 9.0% | 7.2% | 10 |
| Multifamily, Industrial and Other | | | |
| North America | 7.5% | 6.6% | 9 |
| Europe | 9.9% | 8.2% | 10 |
| Australia | 10.3% | 8.1% | 10 |

1. *Approximately 5% of our U.S. portfolio uses the direct capitalization method, which has implied overall capitalization rate of 7.7%*

### Appraisal Gains

| FOR THE THREE MONTHS ENDED DEC. 31 (MILLIONS) | 2013 | | 2012 |
|---|---|---|---|
| | **Total** | **Net** | Net |
| BPY | | | |
| Office | **$ 101** | **$ 26** | $ 89 |
| Retail | **152** | **95** | 222 |
| Multifamily, Industrial & Other | **257** | **70** | 16 |
| Directly held | **37** | **25** | (7) |
| | **$ 547** | **$ 216** | $ 320 |

- Approximately half of the appraisal gains are due to improved cash flows and positive leasing and the other half from lower discount rates.

## We hold our invested capital in renewable energy operations primarily through our 65% interest in Brookfield Renewable Energy Partners ("BREP"). We also conduct energy marketing initiatives on behalf of BREP.

### Financial Position and Performance

| AS AT AND FOR THE PERIODS ENDED DEC. 31 (MILLIONS) | Invested Capital | | Funds from Operations – Three Months | | Funds from Operations – Full Year | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| Investment in BREP L.P. units | **$ 3,534** | $ 4,272 | **$ 89** | $ 50 | **$ 390** | $ 236 |
| Brookfield Energy Marketing | **894** | 704 | **(30)** | (23) | **(119)** | (137) |
| | **4,428** | 4,976 | **59** | 27 | **271** | 99 |
| Disposition gains | **-** | - | **-** | - | **176** | 214 |
| | **$ 4,428** | $ 4,976 | **$ 59** | $ 27 | **$ 447** | $ 313 |

Note – we recover 65% of the FFO deficiency from our energy marketing operations through our ownership of BREP, therefore the net impact from the contracts for the quarter is $11 million (2012 – $7 million), with a corresponding reduction in FFO from BREP.

### Operational Measures

- We have 206 generating facilities that provide 5,849 MWh of generating capacity.
  - 84% of our generation is hydroelectric, based on long-term average generation.
  - We generate 21,556 GWh per year based on long-term average hydrology and wind conditions, of which 75% of is contracted at an average price of $79 per MWh.

### Financial Performance

- Renewable Energy FFO increased by $32 million to $59 million in the fourth quarter, due primarily to a return to long-term average generation and increased pricing.
- We sold a 3% interest in BREP during the first quarter of 2013, generating proceeds of $233 million and recognized a gain of $176 million.

**Brookfield Renewable Energy Partners L.P. ("BREP")**
($6.9 billion market capitalization)
NYSE: BEP, TSX: BEP.UN

**$1.55** annual distribution per unit
**5.6%** Current Yield[1]
**3% – 5%** Target distribution growth

1. *Based on recent unit price of $27.65*

## Financial Position and Performance – BREP

| AS AT AND FOR THE PERIODS ENDED DEC. 31 (MILLIONS) | Invested Capital | | Funds from Operations – Three Months | | Funds from Operations – Full Year | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| Hydroelectric generation | **$ 7,025** | $ 7,790 | **$ 161** | $ 99 | **$ 709** | $ 447 |
| Wind energy | **590** | 581 | **23** | 22 | **90** | 71 |
| Facilities under development | **276** | 147 | **-** | - | **-** | - |
| Corporate/unallocated | **(2,454)** | (2,216) | **(47)** | (47) | **(205)** | (171) |
| Attributable to unitholders | **5,437** | 6,302 | **137** | 74 | **594** | 347 |
| Non-controlling interest | **(1,903)** | (2,030) | **(48)** | (24) | **(204)** | (111) |
| Brookfield's interest | **$ 3,534** | $ 4,272 | **$ 89** | $ 50 | **$ 390** | $ 236 |

- BREP's FFO for the quarter increased by $63 million (85%) over the prior year primarily due to a return to long-term average hydrology and wind conditions and the contribution from assets acquired within the last year. Total generation was 5,268 GWh for the quarter, 2% under the long-term average of 5,380 GWh and representing a 30% increase over the 4,053 GWh generated in the same period in the prior year, which was 27% below average generation levels.
  - Generation from existing hydroelectric assets increased 17% to 3,895 GWh (2012 – 3,325 GWh) while contributions from recent acquisitions and assets reaching commercial operations within the last year resulted in 655 GWh of generation.
  - Generation from existing wind facilities was 455 GWh (2012 – 483 GWh) while contributions from facilities recently acquired in California resulted in 48 GWh of generation.
- Our share of BREP's FFO was $89 million, representing a $39 million increase from the prior year. Our share of FFO variances include: long-term average hydrology from existing facilities (+$36 million), higher spot pricing on uncontracted generation (+$4 million) the contribution from newly acquired assets (+$6 million) offset by increased levels of corporate costs, unfavourable foreign exchange and reduced ownership of BREP.
- We estimate that full year revenues and FFO would have been $1,688 million (2012 – $1,520 million) and $582 million (2012 – $532 million), respectively, if generation was at long-term averages for both the current and prior year, assuming no change in other factors.

- We have agreements to purchase approximately 8,500 GWh from BREP on an annual basis, based on long-term averages. Approximately 38% of the acquired power was sold under long-term contracts with high credit quality counterparties. We sell the remaining generation at spot prices and from time to time secure these prices with short-term financial contracts.

  The following table presents the portion of power purchased from BREP by our energy marketing operations and resold:

| | Three Months | | | | | | | | Full Year | |
|---|---|---|---|---|---|---|---|---|---|---|
| FOR THE PERIODS ENDED DEC. 31 (GIGAWATT HOURS AND $ MILLIONS) | Production (GWh) | | Sales | | Purchases from BREP | | FFO | | FFO | |
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| Contracted | **933** | 605 | **$ 79** | $ 49 | **$ (75)** | $ (45) | **$ 4** | $ 4 | **$ 13** | $ 12 |
| Uncontracted and financial contracts | **1,258** | 1,132 | **56** | 53 | **(90)** | (80) | **(34)** | (27) | **(132)** | (149) |
| | **2,191** | 1,737 | **$ 135** | $ 102 | **$ (165)** | $ (125) | **$ (30)** | $ (23) | **$ (119)** | $ (137) |
| - Per megawatt hour (MWh) | | | | | | | | | | |
| - Total generation | | | **$ 62** | $ 59 | **$ (75)** | $ (72) | **$ (13)** | $ (13) | **$ (14)** | $ (20) |
| - Uncontracted and financial contracts only | | | **$ 45** | $ 47 | **$ (72)** | $ (71) | **$ (27)** | $ (24) | **$ (25)** | $ (33) |

- Realized prices per MWh for uncontracted power decreased to $45, representing a 4% decrease and includes enhanced pricing and ancillary revenues that we receive as a result of our marketing initiatives.

## BEMI Contract Profile

| FOR THE YEARS ENDED DEC. 31 GENERATION (GWh) | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Contracted | | | | | |
| Power sales agreements[1] | | | | | |
| Canada | 2,381 | 2,381 | 2,381 | 2,381 | 2,381 |
| United States | 871 | 871 | 871 | 847 | 809 |
| | 3,252 | 3,252 | 3,252 | 3,228 | 3,190 |
| Financial contracts | 2,394 | 2,847 | - | - | - |
| Uncontracted[1] | 2,835 | 2,382 | 5,229 | 5,253 | 5,291 |
| Expected power purchases from BREP[1] | 8,481 | 8,481 | 8,481 | 8,481 | 8,481 |

- We estimate that a $10 per MWh negative margin results in an approximate $18 million decrease in annualized FFO based on our 65% ownership of BREP as we recover our proportionate share of any negative variance through our ownership interest of BREP. On the other hand, we will record annual FFO increases of $50 million for every $10 per MWh of positive variance above the average contracted price of $75 per megawatt hour.

1. *Purchases based on long-term average generation*

### Valuation Items

| FOR THE THREE MONTHS ENDED DEC. 31 (MILLIONS) | BREP | | Energy Marketing | | Total[1] | Net[1,2] | |
|---|---|---|---|---|---|---|---|
| | Net Income | OCI | Net Income | OCI | 2013 | 2013 | 2012 |
| Appraisal gains | $ (14) | $ (211) | $ (1) | $ 60 | **$ (166)** | **$ (164)** | $ 547 |
| Power sale agreements | | | | | | | |
| Long-term contracts | - | - | (5) | 50 | **45** | **45** | 57 |
| Financial contracts | 5 | (4) | (44) | (31) | **(74)** | **(76)** | - |
| Depreciation and amortization | (140) | - | (6) | - | **(146)** | **(84)** | (79) |
| Interest rate contracts and other | (8) | 21 | (1) | - | **12** | **8** | 2 |
| | (157) | (194) | (57) | 79 | **(329)** | **(271)** | 527 |
| Non-controlling interests | 70 | (12) | - | - | **58** | **-** | - |
| **Valuation items** | $ (87) | $ (206) | $ (57) | $ 79 | **$ (271)** | **$ (271)** | $ 527 |

1. *Includes valuation items in net income and other comprehensive income*
2. *Net of non-controlling interests*

### Valuation Metrics

| AS AT DEC. 31, 2013 | United States | Canada | Brazil |
|---|---|---|---|
| Discount rates | 7.0% | 5.7% | 9.9% |
| Terminal capitalization rate | 7.1% | 6.4% | n/a |
| Exit date | 2033 | 2033 | 2029 |

| AS AT DEC. 31, 2012 | United States | Canada | Brazil |
|---|---|---|---|
| Discount rates | 6.4% | 5.3% | 9.3% |
| Terminal capitalization rate | 7.0% | 6.5% | n/a |
| Exit date | 2032 | 2032 | 2029 |

### Appraisal Gains

| FOR THE THREE MONTHS ENDED DEC. 31 (MILLIONS) | 2013 | | 2012 |
|---|---|---|---|
| | Total | Net | Net |
| BREP | | | |
| United States | **$ (106)** | **$ (186)** | $ 280 |
| Canada | **(118)** | **(38)** | 332 |
| Brazil | **(1)** | **1** | 98 |
| Energy Marketing | **59** | **59** | (163) |
| | **$ (166)** | **$ (164)** | $ 547 |

- Appraisal losses on our portfolio of $164 million consisted of the following:
  - $394 million decrease from higher discount rates
  - $230 million increase from favourable short-term pricing and other market assumptions

# Invested capital in our infrastructure operations is held primarily through our 28% interest in Brookfield Infrastructure Partners as well as interests in our sustainable resources.

## Financial Position and Performance

| AS AT AND FOR THE PERIODS ENDED DEC. 31 (MILLIONS) | Invested Capital | | Funds from Operations – Three Months | | Funds from Operations – Full Year | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| Investment in BIP L.P. units | **$ 1,478** | $ 1,432 | **$ 48** | $ 36 | **$ 185** | $ 127 |
| Directly held | | | | | | |
| Acadian Timber Corporation | **67** | 83 | **2** | 2 | **8** | 8 |
| Brazil Agriculture | **393** | 410 | **-** | - | **5** | 6 |
| Other assets | **233** | 646 | **1** | 2 | **24** | 38 |
| | **2,171** | 2,571 | **51** | 40 | **222** | 179 |
| Disposition gains | **-** | - | **37** | 34 | **250** | 45 |
| | **$ 2,171** | $ 2,571 | **$ 88** | $ 74 | **$ 472** | $ 224 |

## Operational Measures

- We own high quality, long-life assets:
  - Utilities: Networks in North and South America, Europe and Australasia, including 9,900 km of transmission lines and 2.1 million connections
  - Transport: 28 ports, 3,200 km of toll roads and 5,100 km of rail operations
  - Energy transmission, distribution and storage: 15,500 km of transmission pipelines, over 50,000 gas distribution customers and 300 billion cubic feet of natural gas storage capacity in the U.S. and Canada.

## Financial Performance

- Infrastructure FFO prior to disposition gains increased by $11 million to $51 million in the current quarter, representing a 28% increase over the prior year.
- Invested capital decreased by $400 million following the sale of our directly held timberlands for $600 million. We invested $95 million in BIP during the second quarter of 2013, representing our 28% share of a $330 million BIP equity issue.

**Brookfield Infrastructure Partners L.P. ("BIP")**
($8.2 billion market capitalization)
NYSE: BIP, TSX: BIP.UN

**$1.92** annual distribution per unit
**5.2%** Yield[1]
**5% – 9%** Target distribution growth

1. *Based on recent unit price of $36.92*

## Financial Position and Performance – BIP

| AS AT AND FOR THE PERIODS ENDED DEC. 31 (MILLIONS) | Invested Capital | | Funds from Operations – Three Months | | Funds from Operations – Full Year | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| Utilities | **$ 1,928** | $ 2,218 | **$ 92** | $ 85 | **$ 377** | $ 308 |
| Transport and energy | **3,158** | 3,273 | **110** | 75 | **396** | 244 |
| Corporate and other | **100** | (467) | **(27)** | (30) | **(91)** | (90) |
| Attributable to unitholders | **5,186** | 5,024 | **175** | 130 | **682** | 462 |
| Non-controlling interest | **(3,708)** | (3,592) | **(127)** | (94) | **(497)** | (335) |
| Brookfield's interest | **$ 1,478** | $ 1,432 | **$ 48** | $ 36 | **$ 185** | $ 127 |

- BIP's FFO prior to disposition gains was $175 million for the quarter of which our share was $48 million, an increase of 33% over the $36 million recorded in the 2012 quarter, primarily due to the contribution from newly acquired and commissioned assets.
  - **Utilities** FFO increased to $92 million, reflecting the expansion of our UK regulated distribution business and increased interest in our Chilean electricity transmission system.
  - **Transport and energy** results include the contribution of our recently acquired Brazilian toll roads (+$26 million or $7 million at share) and the completion of our Australian rail expansion project (+$11 million or $3 million at share), which is now fully operational. These amounts were partially offset by weak market fundamentals within our North American gas transmission operations.

## Valuation Items

| FOR THE THREE MONTHS ENDED DEC. 31 (MILLIONS) | BIP | | | | Directly held | | | | Total[1] | | Net[1,2] | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Net Income | | OCI | | Net Income | | OCI | | 2013 | | 2013 | | 2012 |
| Appraisal gains[3] | $ | (470) | $ | 830 | $ | - | $ | 168 | **$** | **528** | **$** | **129** | $ | 279 |
| Depreciation and amortization | | (119) | | - | | (14) | | - | | **(133)** | | **(29)** | | (17) |
| Interest rate and currency contracts | | 1 | | 9 | | - | | 8 | | **18** | | **1** | | (1) |
| Other fair value changes | | (32) | | 2 | | (28) | | - | | **(58)** | | **(2)** | | (11) |
| | | (620) | | 841 | | (42) | | 176 | | **355** | | **99** | | 250 |
| Non-controlling interests | | 453 | | (647) | | 39 | | (101) | | **(256)** | | **-** | | - |
| **Valuation items** | $ | (167) | $ | 194 | $ | (3) | $ | 75 | **$** | **99** | **$** | **99** | $ | 250 |

1. *Includes valuation items in net income and other comprehensive income*
2. *Net of non-controlling interests*
3. *Most property, plant and equipment revalued through equity at year end*

## Valuation Metrics

| AS AT DEC. 31, 2013 | Utilities | Transport & Energy | Directly Held |
|---|---|---|---|
| Discount rates | 8% - 11% | 10% - 12% | 8% |
| Terminal value multiple | 9x - 16x | 8x - 12x | 9x |

| AS AT DEC. 31, 2012 | Utilities | Transport & Energy | Directly Held |
|---|---|---|---|
| Discount rates | 9% - 11% | 10% - 12% | 8% |
| Terminal value multiple | 9x - 16x | 8x - 12x | 8x |

## Appraisal Gains

| FOR THE THREE MONTHS ENDED DEC. 31 (MILLIONS) | **2013** | | | | 2012 | |
|---|---|---|---|---|---|---|
| | **Total** | | **Net** | | Net | |
| BIP | | | | | | |
| Utilities | **$** | **470** | **$** | **92** | $ | 72 |
| Transport & Energy | | **(79)** | | **(33)** | | 86 |
| Corporate / Unallocated | | **11** | | **3** | | 1 |
| Directly held | | **126** | | **67** | | 120 |
| | **$** | **528** | **$** | **129** | $ | 279 |

Appraisal gains relates to:

- Our share of net gains (after non-controlling interests) in OCI totalled $259 million and primarily related to increases in the appraised value of our Australian railway and UK distribution businesses.
- Appraisal changes in net income include a net charge of $87 million reflecting the impact of lower gas prices on a North American pipeline operation (after non-controlling interest and deferred taxes).

| **$26 billion** AUM | Private Equity: **Brookfield Capital Partners** (Series of private equity funds with **$3.1 billion** of commitments) | Residential: **Brookfield Residential Properties Inc.** **Brookfield Incorporações S.A.** |
|---|---|---|

## Financial Position and Performance

| AS AT AND FOR THE PERIODS ENDED DEC. 31 (MILLIONS) | Invested Capital | | Funds from Operations – Three Months | | Funds from Operations – Full Year | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| Private equity | **$ 1,105** | $ 957 | **$ 32** | $ 75 | **$ 296** | $ 212 |
| Residential | **1,435** | 1,617 | **37** | 19 | **46** | 18 |
| | **2,540** | 2,574 | **69** | 94 | **342** | 230 |
| Disposition gains | **-** | - | **(2)** | 32 | **316** | 31 |
| | **$ 2,540** | $ 2,574 | **$ 67** | $ 126 | **$ 658** | $ 261 |

## Performance Highlights

- FFO prior to disposition gains decreased by $25 million to $69 million in the fourth quarter, reflecting the impact of the ongoing U.S. housing market recovery on our operations, offset by the elimination of earnings from businesses sold since the comparative quarter.
  - Private equity FFO from businesses owned throughout both quarters decreased by $43 million, lower contributions from our panel board businesses reflecting lower North American panel board prices and higher costs relative to the same period of 2012 contributed $32 million to the decline, although sales volumes continued to be strong. The impact of a reduced ownership level in our investments decreased FFO by $11 million.
  - Residential FFO increased by $18 million, from increased land and housing sales as well as stronger pricing in our North American operations. Our Brazilian operations FFO was reduced by non-core asset dispositions, as we exited lower performing markets, and increases in construction costs.
- Invested capital remained consistent at $2.5 billion at the end of the year, as earnings and capital deployed from our direct investment in our private funds businesses, offset the impact of lower currency values for the Canadian Dollar and Brazilian Real.

## Listed Entity Reconciliation

| AS AT DEC. 31, 2013 (MILLIONS, EXCEPT PER SHARE AMOUNTS) | Number of Shares | Price per Share[1] | Invested Capital | Market Value[1] | Variance |
|---|---|---|---|---|---|
| Listed | | | | | |
| Norbord Inc. | 27.8 | $31.86 | $ 246 | $ 886 | $ 640 |
| Western Forest Products Inc. | 201.6 | 1.81 | 187 | 365 | 178 |
| Ainsworth Lumber Co. Ltd.[2] | 53.7 | 3.92 | 96 | 211 | 115 |
| Brookfield Residential Properties Inc. | 81.5 | 24.19 | 960 | 1,971 | 1,011 |
| Brookfield Incorporações S.A. | 258.9 | R$1.15 | 421 | 125 | (296) |
| Other[2] | Various | Various | 122 | 136 | 14 |
| | | | 2,032 | 3,694 | 1,662 |
| Privately held[2,3] | | | 508 | 625 | 117 |
| | | | $ 2,540 | $ 4,319 | $ 1,779 |

1. *Listed values based on December 31 stock market prices (US$ unless otherwise stated)*
2. *Held through private funds*
3. *Fair value determined for private fund financial statements which are audited on an annual basis, used in the determination of performance-based income, and provided to our institutional clients quarterly*

## Valuation Items

| FOR THE THREE MONTHS ENDED DEC. 31 (MILLIONS) | Recognized through | | **Total[1]** | **Net[1,2]** | |
|---|---|---|---|---|---|
| | Net Income | OCI | **2013** | **2013** | 2012 |
| Depreciation and amortization | $ (55) | $ - | **$ (55)** | **$ (26)** | $ (34) |
| Capital markets | - | 8 | **8** | **2** | (4) |
| Appraisal gains | (32) | - | **(32)** | **(50)** | 1 |
| Other fair value changes | (15) | 8 | **(7)** | **(4)** | 7 |
| | (102) | 16 | **(86)** | **(78)** | (30) |
| Non-controlling interests | 21 | (13) | **8** | **-** | - |
| **Valuation items** | $ (81) | $ 3 | **$ (78)** | **$ (78)** | $ (30) |

1. *Includes valuation items in net income and other comprehensive income*
2. *Net of non-controlling interests*

# INVESTED CAPITAL – PRIVATE EQUITY
## Financial Position

### Private Equity – Financial Position and Performance

| AS AT AND FOR THE PERIODS ENDED DEC. 31 (MILLIONS) | Invested Capital | | Funds from Operations: Three Months | | Funds from Operations: Full Year | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| Industrial and wood products | **$ 597** | $ 591 | **$ 20** | $ 44 | **$ 221** | $ 123 |
| Energy and related services | **406** | 224 | **6** | 9 | **26** | 38 |
| Business services and other | **102** | 142 | **6** | 11 | **24** | 17 |
| | **1,105** | 957 | **32** | 64 | **271** | 178 |
| Investments no longer held | **-** | - | **-** | 11 | **25** | 34 |
| Disposition gains | **-** | - | **(2)** | 15 | **316** | 15 |
| | **$ 1,105** | $ 957 | **$ 30** | $ 90 | **$ 612** | $ 227 |

- Industrial and wood products FFO on a same store basis decreased by $24 million in the fourth quarter, however it has increased by $98 million compared to the prior year. OSB prices decreased to $245/msf, approximately 26% lower than the same quarter in 2012. FFO for the year benefited from increased volumes and lumber sales which more than offset price decreases.

### Residential – Financial Position and Performance

| AS AT AND FOR THE PERIODS ENDED DEC. 31 (MILLIONS) | Invested Capital | | Funds from Operations: Three Months | | Funds from Operations: Full Year | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| Brookfield Residential Properties Inc. | **$ 960** | $ 913 | **$ 61** | $ 50 | **$ 117** | $ 64 |
| Brookfield Incorporações S.A. and directly held | **475** | 704 | **(24)** | (31) | **(71)** | (46) |
| | **1,435** | 1,617 | **37** | 19 | **46** | 18 |
| Disposition gains | - | - | - | 17 | - | 16 |
| | **$ 1,435** | $ 1,617 | **$ 37** | $ 36 | **$ 46** | $ 34 |

- We continue to benefit from strong operational performance in our North American residential operations and our backlog of net new home orders increased by 23% to $448 million compared to the prior year.
- We are experiencing lower levels of sales and project launches compared to the prior year, reflecting reduced levels of permitting throughout our principal development areas.

Brookfield

## Additional Information – Other Items

# SUMMARY OF VALUATION ITEMS BY BUSINESS SEGMENT

| FOR THE THREE MONTHS ENDED DEC. 31 (MILLIONS) | Asset Management | Property | Renewable Energy | Infrastructure | Private Equity | Corporate / Unallocated | Total[1] 2013 | Net[1,2] 2013 | Net[1,2] 2012 |
|---|---|---|---|---|---|---|---|---|---|
| Recorded in net income | | | | | | | | | |
| Appraisal gains | $ - | $ 350 | $ (15) | $ (470) | $ (32) | $ - | **$ (167)** | **$ (32)** | $ 352 |
| Interest rate and currency contracts | - | - | (9) | 1 | - | (1) | **(9)** | **(7)** | 30 |
| Power sale agreements | - | - | (44) | - | - | - | **(44)** | **(46)** | 9 |
| Other fair value changes | (2) | (2) | - | (60) | (15) | (15) | **(94)** | **(15)** | (32) |
| | (2) | 348 | (68) | (529) | (47) | (16) | **(314)** | **(100)** | 359 |
| Depreciation and amortization | (12) | (60) | (146) | (133) | (55) | (10) | **(416)** | **(183)** | (162) |
| | (14) | 288 | (214) | (662) | (102) | (26) | **(730)** | **(283)** | 197 |
| Non-controlling interests in net income | - | (138) | 70 | 492 | 21 | 2 | **447** | **-** | - |
| | (14) | 150 | (144) | (170) | (81) | (24) | **(283)** | **(283)** | 197 |
| Recorded in OCI | | | | | | | | | |
| Appraisal gains | - | 197 | (151) | 998 | - | - | **1,044** | **151** | 725 |
| Capital markets | - | 8 | - | 12 | 8 | (4) | **24** | **14** | (3) |
| Interest rate and currency contracts | - | 91 | 21 | 17 | - | 23 | **152** | **80** | 42 |
| Power sale agreements | - | - | 15 | - | - | - | **15** | **16** | 57 |
| Other fair value changes | - | - | - | (10) | 8 | - | **(2)** | **1** | 37 |
| | - | 296 | (115) | 1,017 | 16 | 19 | **1,233** | **262** | 858 |
| Non-controlling interests in OCI | - | (195) | (12) | (748) | (13) | (3) | **(971)** | **-** | - |
| | - | 101 | (127) | 269 | 3 | 16 | **262** | **262** | 858 |
| **Valuation items** | $ (14) | $ 251 | $ (271) | $ 99 | $ (78) | $ (8) | **$ (21)** | **$ (21)** | $ 1,055 |

1. *Includes valuation items within equity accounted investments*
2. *Net of non-controlling interests*

- **Valuation Items** in our IFRS financial statements include fair value changes and depreciation and amortization, recorded within **net income**, and valuation items included in **other comprehensive income**, such as revaluation surplus, cash flow hedges and available-for-sale securities. Equity accounted valuation items are also included.
- We revalue the majority of our renewable energy, infrastructure and resort properties on an annual basis under IFRS; however, these assets are depreciated quarterly.

## Disposition Gains Reconciliation to IFRS Financial Statements

| FOR THE THREE MONTHS ENDED DEC. 31, 2013 (MILLIONS) | Operating Segment | FFO | IFRS Recognition[1] Net Income[2] | Equity[3] | Prior Periods[4] | Total |
|---|---|---|---|---|---|---|
| New Zealand regulated distribution | Infrastructure | $ 37 | $ 10 | $ - | $ 27 | **$ 37** |
| Property dispositions | Property | 26 | 4 | - | 22 | **26** |
| Other | Private Equity | (2) | (10) | 8 | - | **(2)** |
| | | **$ 61** | **$ 4** | **$ 8** | **$ 49** | **$ 61** |

| FOR THE YEAR ENDED DEC. 31, 2013 (MILLIONS) | Operating Segment | FFO | IFRS Recognition Net Income[1] | Equity[2] | Prior Periods[3] | Total |
|---|---|---|---|---|---|---|
| Long-dated interest rate contract | Corporate | $ 525 | $ 525 | $ - | $ - | **$ 525** |
| BREP sell-down | Renewable Energy | 176 | - | 4 | 172 | **176** |
| Pacific Northwest timberlands | Infrastructure | 163 | (5) | - | 168 | **163** |
| United Kingdom connections business | Infrastructure | 30 | - | 30 | - | **30** |
| New Zealand regulated distribution | Infrastructure | 37 | 10 | - | 27 | **37** |
| Canadian timberlands and other | Infrastructure | 20 | 5 | - | 15 | **20** |
| Pulp and paper business | Private Equity | 200 | 261 | - | (61) | **200**[5] |
| Norbord Inc. sell-down | Private Equity | 73 | - | 73 | - | **73** |
| Western Forest Products sell-down | Private Equity | 47 | - | 47 | - | **47** |
| Other | Private Equity | (4) | (10) | 6 | - | **(4)** |
| Property dispositions | Property | 28 | (2) | - | 30 | **28** |
| Portfolio gains | Corporate | - | 77 | - | (77) | **-** |
| | | **$ 1,295** | **$ 861** | **$ 160** | **$ 274** | **$ 1,295** |

1. *Net of non-controlling interests*
2. *Prior to the impact of deferred taxes*
3. *Gains or losses on changes in ownership of consolidated subsidiaries are recorded directly in equity under IFRS*
4. *Realization of prior period fair value changes or revaluation surplus are recognized in FFO on crystallization of value; however no impact to current period IFRS results*
5. *Net income includes a $61 million recapitalization gain recorded in FFO in prior periods that was not recognized under IFRS until the sale of this business in the current quarter*

# Debt to Capitalization and Corporate Maturity Profile

## Capitalization

| AS AT DEC. 31 (MILLIONS) | Corporate | | Proportionate | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| Corporate borrowings | **$ 3,975** | $ 3,526 | **$ 3,975** | $ 3,526 | **$ 3,975** | $ 3,526 |
| Non-recourse borrowings | | | | | | |
| Property-specific mortgages | **-** | - | **20,319** | 21,794 | **35,495** | 33,720 |
| Subsidiary borrowings[1] | **-** | 1,130 | **3,998** | 4,928 | **7,392** | 7,585 |
| | **3,975** | 4,656 | **28,292** | 30,248 | **46,862** | 44,831 |
| Accounts payable and other | **978** | 1,199 | **6,041** | 7,175 | **10,316** | 11,652 |
| Deferred tax liabilities | **24** | - | **3,737** | 3,753 | **6,164** | 6,425 |
| Capital securities | **163** | 325 | **655** | 758 | **1,282** | 1,191 |
| Interests of others in consolidated funds | **-** | - | **-** | - | **595** | 425 |
| Equity | | | | | | |
| Non-controlling interests | **-** | - | **-** | - | **26,647** | 23,287 |
| Preferred equity | **3,098** | 2,901 | **3,098** | 2,901 | **3,098** | 2,901 |
| Common equity | **17,781** | 18,150 | **17,781** | 18,150 | **17,781** | 18,150 |
| | **20,879** | 21,051 | **20,879** | 21,051 | **47,526** | 44,338 |
| Total capitalization | **$ 26,019** | $ 27,231 | **$ 59,604** | $ 62,985 | **$ 112,745** | $ 108,862 |
| Debt to capitalization[2] | **15%** | 17% | **47%** | 48% | **42%** | 41% |

1. *Interest rate swap contract settled in the third quarter of 2013*
2. *Determined as the aggregate of corporate borrowings and non-recourse borrowings divided by total capitalization*

## Condensed Statements of Operations

| FOR THE THREE MONTHS ENDED DEC. 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS) | 2013 | 2012 | Change |
|---|---|---|---|
| Total revenues and other gains | **$ 5,537** | $ 5,641 | $ (104) |
| Direct costs | **(3,672)** | (4,393) | 721 |
| | **1,865** | 1,248 | 617 |
| Equity accounted income | **75** | 338 | (263) |
| | **1,940** | 1,586 | 354 |
| Expenses | | | |
| Interest | **(613)** | (638) | 25 |
| Corporate costs | **(36)** | (40) | 4 |
| Valuation items | | | |
| Fair value changes | **33** | 415 | (382) |
| Depreciation and amortization | **(360)** | (352) | (8) |
| Income tax | **(114)** | (192) | 78 |
| **Net income** | **850** | 779 | 71 |
| Non-controlling interests | **(133)** | (287) | 154 |
| **Net Income attributable to shareholders** | **$ 717** | $ 492 | $ 225 |
| **Net income per share** | **$ 1.08** | $ 0.72 | $ 0.36 |

## Financial highlights

- **Total revenues and other gains** less **direct costs** increased by $617 million, due primarily to the recognition of $563 million of carried interest. Excluding the aforementioned carried interest, revenues and costs decreased by $667 million and $721 million, respectively, primarily due to the elimination of revenues and costs on assets sold and deconsolidated in the year. This was partially offset by increased generation levels in our renewable energy operations.
- **Equity accounted income** decreased by $263 million, due primarily to lower levels of appraisal gains at GGP and a valuation loss at our North American natural gas pipeline investment.
- We recorded a lower level of **fair value changes,** primarily due to lower amount property appraisal gains reduced by unrealized losses recorded on electricity forward contracts in our renewable energy operations and an impairment of gas reserves at an energy sector investee company in our private equity operations.
- **Income tax** expense as a percentage of net income before tax has decreased to 12% from 20%. The decrease is primarily attributable to a portion of the $563 million of carried interest being subject to a reduced tax rate.
- **Net income attributable to shareholders** increased by $225 million primarily due to the carried interest recognition and improved operating results at our renewable energy business which were partially offset by decreased equity accounted income and levels of fair value changes, when compared to the prior year.

## Condensed Statements of Other Comprehensive Income

| FOR THE THREE MONTHS ENDED DEC. 31 (MILLIONS) | 2013 | 2012 | Change |
|---|---|---|---|
| Valuation items | **$ 1,226** | $ 1,669 | $ (443) |
| Foreign currency translation | **(750)** | (90) | (660) |
| Taxes on above items | **(216)** | (466) | 250 |
| Other comprehensive income (OCI) | **260** | 1,113 | (853) |
| **OCI attributable to shareholders** | **$ (106)** | $ 541 | $ (647) |

- **Valuation items** recorded in OCI decreased by $443 million, due to reduced valuations at our renewable power generation facilities offset by increases in the value of our infrastructure PP&E and higher valuations of a resort property and derivatives classified as hedges.

## Common Share Continuity

| FOR THE PERIODS ENDED DEC. 31 (MILLIONS) | Three Months | | Full Year | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| Outstanding at beginning of period | **613.3** | 618.8 | **619.6** | 619.3 |
| Issued (repurchased) | | | | |
| Repurchases | **-** | - | **(8.6)** | (2.6) |
| Exercise of share options | **2.1** | 0.8 | **4.3** | 2.7 |
| Dividend reinvestment plan | **0.1** | - | **0.2** | 0.2 |
| Outstanding at end of period | **615.5** | 619.6 | **615.5** | 619.6 |
| Unexercised options | **35.6** | 38.4 | **35.6** | 38.4 |
| Total diluted shares at end of period | **651.1** | 658.0 | **651.1** | 658.0 |
| Cash value of unexercised options | **$ 904** | $ 912 | **$ 904** | $ 912 |

## FFO and Earnings Per Share Information

| FOR THE PERIODS ENDED DEC. 31 (MILLIONS) | Three Months | | | | Full Year | | | |
|---|---|---|---|---|---|---|---|---|
| | Funds from Operations | | Net Income | | Funds from Operations | | Net Income | |
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| Funds from operations/Net income | **$ 1,030** | $ 459 | **$ 717** | $ 492 | **$ 3,376** | $ 1,356 | **$ 2,120** | $ 1,380 |
| Preferred share dividends | **(36)** | (35) | **(36)** | (35) | **(145)** | (129) | **(145)** | (129) |
| | **994** | 424 | **681** | 457 | **3,231** | 1,227 | **1,975** | 1,251 |
| Capital securities dividends | **-** | - | **2** | 4 | **-** | - | **13** | 25 |
| Funds from operations/Net income available for shareholders | **$ 994** | $ 424 | **$ 683** | $ 461 | **$ 3,231** | $ 1,227 | **$ 1,988** | $ 1,276 |
| Weighted average shares | **614.3** | 619.1 | **614.3** | 619.1 | **616.1** | 618.9 | **616.1** | 618.9 |
| Dilutive effect of the conversion of options using treasury stock method | **12.8** | 12.2 | **12.8** | 12.2 | **12.8** | 12.1 | **12.8** | 12.1 |
| Dilutive effect of the conversion of capital securities | **-** | - | **5.1** | 10.2 | **-** | - | **7.9** | 18.0 |
| Shares and share equivalents | **627.1** | 631.3 | **632.2** | 641.5 | **628.9** | 631.0 | **636.8** | 649.0 |

## Three Months Ended

| FOR THE THREE MONTHS ENDED DEC. 31 (MILLIONS) | 2013 | | | | | 2012 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Reconciling Items | | | | | Reconciling Items | | | |
| | Financial Statements | Valuation Items | Disposition Gains | Intercompany Eliminations | FFO | Financial Statements | Valuation Items | Disposition Gains | Intercompany Eliminations | FFO |
| Total revenues and other gains | $ 5,537 | $ - | $ (39) | $ 112 | $ 5,610 | $ 5,641 | $ - | $ (77) | $ 97 | $ 5,661 |
| Direct costs | (3,672) | - | - | 59 | (3,613) | (4,393) | - | - | 18 | (4,375) |
| Net operating income | | - | (39) | 171 | 1,997 | | - | (77) | 115 | 1,286 |
| Equity accounted income | 75 | 184 | - | - | 259 | 338 | (114) | - | - | 224 |
| Disposition gains | - | - | 242 | - | 242 | - | - | 175 | - | 175 |
| **Segment operating income** | | 184 | 203 | 171 | 2,498 | | (114) | 98 | 115 | 1,685 |
| Expenses | | | | | | | | | | |
| Interest | (613) | - | 19 | - | (594) | (638) | - | - | (8) | (646) |
| Corporate costs | (36) | - | - | (171) | (207) | (40) | - | - | (107) | (147) |
| Valuation items | | | | | | | | | | |
| Fair value changes | 33 | (33) | - | - | - | 415 | (415) | - | - | - |
| Depreciation and amortization | (360) | 360 | - | - | - | (352) | 352 | - | - | - |
| Income tax | (114) | 71 | - | - | (43) | (192) | 157 | - | - | (35) |
| **Net income** | 850 | - | - | - | - | 779 | - | - | - | - |
| Non-controlling interests | (133) | (326) | (165) | - | (624) | (287) | (84) | (27) | - | (398) |
| **Net income / FFO attributable to shareholders** | $ 717 | $ 256 | $ 57 | $ - | $ 1,030 | $ 492 | $ (104) | $ 71 | $ - | $ 459 |

## Full Year

| FOR THE YEARS ENDED DEC. 31 (MILLIONS) | 2013 | | | | | 2012 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Reconciling Items | | | | | Reconciling Items | | | |
| | Financial Statements | Valuation Items | Disposition Gains | Intercompany Eliminations | FFO | Financial Statements | Valuation Items | Disposition Gains | Intercompany Eliminations | FFO |
| Total revenues and other gains | $ 20,830 | $ - | $ (852) | $ 419 | $ 20,397 | $ 18,766 | $ - | $ (100) | $ 323 | $ 18,989 |
| Direct costs | (13,928) | - | - | 161 | (13,767) | (13,961) | - | - | 94 | (13,867) |
| Net operating income | | - | (852) | 580 | 6,630 | | - | (100) | 417 | 5,122 |
| Other income | 525 | - | (525) | - | - | - | - | - | - | - |
| Equity accounted income | 759 | 85 | 41 | (1) | 884 | 1,237 | (578) | - | - | 659 |
| Disposition gains | - | - | 2,142 | - | 2,142 | - | - | 359 | - | 359 |
| **Segment operating income** | | 85 | 806 | 579 | 9,656 | | (578) | 259 | 417 | 6,140 |
| Expenses | | | | | | | | | | |
| Interest | (2,553) | - | 19 | - | (2,534) | (2,500) | - | - | (35) | (2,535) |
| Corporate costs | (152) | - | - | (579) | (731) | (158) | - | - | (382) | (540) |
| Valuation items | | | | | | | | | | |
| Fair value changes | 663 | (663) | - | - | - | 1,153 | (1,153) | - | - | - |
| Depreciation and amortization | (1,455) | 1,455 | - | - | - | (1,263) | 1,263 | - | - | - |
| Income tax | (845) | 686 | 9 | - | (150) | (519) | 384 | - | - | (135) |
| **Net income** | 3,844 | - | - | - | - | 2,755 | - | - | - | - |
| Non-controlling interests | (1,724) | (741) | (400) | - | (2,865) | (1,375) | (123) | (76) | - | (1,574) |
| **Net income / FFO attributable to shareholders** | $ 2,120 | $ 822 | $ 434 | $ - | $ 3,376 | $ 1,380 | $ (207) | $ 183 | $ - | $ 1,356 |

This Supplemental Information contains key operating and performance measures that we employ in analysing and discussing our results. These measures include non-IFRS measures. We describe our key financial measures below and include a complete list of our operating and performance measures on pages 34 through 36 of our December 31, 2012 annual report.

- **Funds from Operations (FFO)** is our key measure of financial performance. FFO is defined as net income attributable to shareholders prior to valuation gains, depreciation and amortization, and deferred income taxes, and includes disposition gains that are not recorded in net income as determined under IFRS. FFO also includes the company's share of equity accounted investments' funds from operations. Brookfield uses FFO to assess its operating results and the value of its business and believes that many of its shareholders and analysts also find this measure of value to them.

  FFO and its per share equivalent are non-IFRS measures which do not have any standard meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. FFO is reconciled to net income attributable to shareholders on slide 41.

  - FFO from **Operating Activities** represents the company's share of revenues less operating costs and interest expenses; excludes disposition gains, valuation items and deferred income taxes; and includes our proportionate share of similar items recorded by equity accounted investments. We present this measure as we believe it assists in describing our results and reconciling variances within FFO.
  - **Disposition Gains** are included in FFO as the purchase and sale of assets is a normal part of the company's business. Disposition gains include gains and losses recorded directly in net income or equity in the current period, adjusted to include fair value changes and revaluation surplus balances recorded in prior periods.
- **Valuation Items** are excluded from the determination of FFO. Net income includes the following valuation items: fair value changes and depreciation and amortization. Unless otherwise noted, valuation items also include the following items in other comprehensive income: gains or losses within revaluation surplus, cash flow hedges and available-for-sale securities. Valuation items also include the company's share of equity accounted investments' valuation items. Valuation items are non-IFRS measures on an entity basis and are reconciled to our IFRS financial statements in Note 3 of our annual report.
- **Invested Capital** is the amount of common equity allocated to a business segment or business line within a segment. This measure is intended to present the net assets associated with FFO of the segment.

**Full Year** represents results for the year ended December 31.

**Use of IFRS Fair Values.** We record our commercial properties, renewable energy assets and certain of our infrastructure and financial assets at fair value in our financial results. Our commercial property assets, including our office and retail property portfolios, are revalued on a quarterly basis and the change in value is recorded in net income within fair value changes. Standing timber and agricultural assets are accounted for in a similar manner. The majority of our renewable energy, infrastructure and resort properties are revalued on an annual basis within other comprehensive income; however, these assets are depreciated quarterly. Assets held through equity accounted investments follow the company's consolidated IFRS accounting policies.

# Cautionary Note Concerning Forward-Looking Statements

Note: 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 profile, in other filings with Canadian regulators or the Securities Exchange Commission (SEC) or in other communications. These forward-looking statements include, among others, statements with respect to our financial and operating objectives and strategies to achieve those objectives, capital committed to our funds, our liquidity and ability to access and raise capital, our ability to capitalize on investment opportunities, the potential growth of our asset management business and the related revenue streams there from, the prospects for increasing our cash flow from or continued achievement of targeted returns on our investments, as well as the outlook for the Company's businesses and other statements with respect to our beliefs, outlooks, plans, expectations, and intentions.

Although Brookfield Asset Management 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; the behavior 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; adverse hydrology conditions; regulatory and political factors within the countries in which the company operates; acts of God, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments including terrorist acts; and other risks and factors detailed from time to time in the company's form 40-F filed with the Securities and Exchange Commission as well as other documents filed by the company with the securities regulators in Canada and the United States including in the Annual Information Form under the heading "Business Environment and Risks."

We caution that the forgoing 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 Asset Management, investors and others should carefully consider the forgoing factors and other uncertainties and potential events. 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.