

**BROOKFIELD ASSET MANAGEMENT INC.**

# Q2 2018 Supplemental Information

Three Months Ended June 30, 2018

**Brookfield**

## HIGHLIGHTS

- Fee bearing capital increased to \$129 billion, supported by inflows of \$20 billion during the last twelve months (“LTM”). This reflects continued growth in our private funds, an acquisition in our public securities business, and equity issuances by our listed partnerships.
  - We have raised \$11 billion to date for our latest flagship real estate fund and we expect to raise additional capital during the remainder of 2018.
  - We expect a first close of our latest flagship private equity fund later in the year, and expect to launch our next flagship infrastructure fund in the fourth quarter this year, as the existing fund is over 75% invested or committed.
  - During the quarter, we raised \$600 million in aggregate for our various open-end fund strategies, including core real estate and real estate mezzanine lending. We have raised over \$1.2 billion for these strategies over the LTM period.
- Annualized fees and target carry reached \$2.6 billion, a 20% increase over the prior year, due to an increase in both fee related earnings and carried interest generated in the year:
  - Fee related earnings were over \$1 billion in the LTM period, a 48% increase compared to the prior period. The increase is due to higher capitalization at our listed partnerships and new capital raised for our private funds.
  - We generated \$1.4 billion of unrealized carried interest in the LTM period, more than tripling the \$477 million generated in the prior LTM period, due to strong investment performance in our real estate and private equity funds. Accrued unrealized carried interest is \$2.5 billion, or \$1.7 billion net of associated costs.
- Core liquidity and uncalled private fund commitments were at a record level of \$33 billion at quarter end. This is continuously bolstered by free cash flow generated from our asset management business and distributions from our invested capital which currently stands at \$2.1 billion annually and growing significantly.

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# OVERVIEW

## Value Creation

We assess the value created in our business in two components: our Asset Management activities and our Invested Capital

### Asset Management

FOR THE LTM ENDED JUN 30, 2018  
(MILLIONS)

	Actual	Annualized <sup>1</sup>
Fee revenues	\$ 1,582	\$ 1,435
Direct costs	(498)	(574)
Fee related earnings <sup>2</sup>	1,084	861
Carried interest <sup>3</sup>	1,429	1,155
Direct costs <sup>4</sup>	(422)	(347)
Carried interest, net	1,007	808
<b>Economic net income<sup>5</sup></b>	<b>\$ 2,091</b>	<b>\$ 1,669</b>

Note: we track value creation for planning purposes using a 20x multiple of fee related earnings and a 10x multiple of net carried interest.

1. Refer to slide 11 for details on the determination of annualized fees

2. Annualized fee related earnings assumes 60% margin (refer to slide 11). We use a 55% – 65% margin for planning purposes

3. Actual carried interest is unrealized carried interest generated in the period (refer to slide 8). Annualized carried interest is target carried interest (refer to slide 9)

4. We assume 70% margin on carried interest. We use a range of 65% – 75% for planning purposes (refer to slide 11)

5. See definition in Glossary of Terms beginning on slide 35

6. Quoted based on June 30, 2018 public pricing

7. For performance measurement purposes, we consider the value of invested capital to be the quoted value of listed investments and IFRS value of unlisted investments, subject to two adjustments. First, we reflect BPY at its IFRS value as we believe that this best reflects the fair value of the underlying properties. Second, we reflect Brookfield Residential at its privatization value

### Invested Capital

AS AT JUN 30, 2018  
(MILLIONS)

	Invested Capital		
	Quoted <sup>6</sup>	IFRS	Blended <sup>7</sup>
BPY	\$ 10,547	\$ 16,907	\$ 16,907
BEP	5,661	3,801	5,661
BIP	4,519	1,920	4,519
BBU	3,362	1,921	3,362
Other listed	5,536	5,483	5,536
Total listed investments	<u>\$ 29,625</u>	30,032	35,985
Unlisted investments		4,463	5,585
Corporate capitalization and working capital		(10,448)	(10,448)
<b>Net invested capital</b>		<b>\$ 24,047</b>	<b>\$ 31,122</b>

# OVERVIEW

## Funds from Operations and Net Income

	Three Months				LTM			
	Funds from Operations <sup>1</sup>		Net Income <sup>1</sup>		Funds from Operations <sup>1</sup>		Net Income <sup>1</sup>	
	2018	2017	2018	2017	2018	2017	2018	2017
Operating activities								
Fee related earnings	\$ 239	\$ 231	\$ 239	\$ 231	\$ 1,084	\$ 732	\$ 1,084	\$ 732
Invested capital	417	331	417	331	1,650	1,447	1,650	1,447
	656	562	656	562	2,734	2,179	2,734	2,179
Realized carried interest	2	—	2	—	93	152	93	152
Realized disposition gains <sup>2</sup>	132	464	43	(34)	1,243	1,266	292	275
Fair value changes	—	—	408	(94)	—	—	806	(862)
Depreciation and amortization	—	—	(266)	(217)	—	—	(1,016)	(885)
Deferred income taxes	—	—	(163)	8	—	—	(98)	538
	\$ 790	\$ 1,026	\$ 680	\$ 225	\$ 4,070	\$ 3,597	\$ 2,811	\$ 1,397
Per share <sup>3</sup>	\$ 0.77	\$ 1.01	\$ 0.62	\$ 0.19	\$ 4.01	\$ 3.55	\$ 2.65	\$ 1.29

1. Net of non-controlling interests

2. FFO includes gains recorded in net income, directly in equity and the realization of appraisal gains recorded in prior periods

3. Per share amounts are inclusive of dilutive effect of mandatorily redeemable preferred shares issued in a consolidated subsidiary

### Three Months:

- **Fee related earnings:** Fee related earnings were \$239 million, a 3% increase over the prior period. We earned higher private fund fees due to new capital raised for our third real estate flagship fund, higher performance fees from BBU resulting from the continued increase in its unit price and higher incentive distributions from our listed partnerships. These increases were partially offset by lower base fees from listed partnerships as market valuations decreased in the first half of 2018. Further details on slide 7.
- FFO from **invested capital** increased by 26% benefiting from improved performance in our private equity industrial businesses and Norbord, same-property leasing growth and additional home closings in our North American residential business. Contributions from recent acquisitions more than offset the absence of FFO from assets sold prior to or during the current period. Further details on slide 16.
- **Realized disposition gains** include the sale of a partial interest in our graphite electrode manufacturing operations and the sale of a joint venture within our real estate brokerage services business. Further details on slide 17.
- **Fair value changes** in the current period primarily relate to appraisal gains on opportunistic properties, a transaction-related gain on a hospitality asset and unrealized mark-to-market gains on financial assets.
- **Deferred taxes** include expenses associated with mark-to-market gains on financial contracts and transaction-related gains in our real estate operations.

## OVERVIEW

## Cash Available for Distribution or Reinvestment

Over the last twelve months we generated over \$2 billion of cash available for distribution to shareholders or reinvestment within our business, a 21% increase from the prior year

FOR THE PERIODS ENDED JUN. 30 (MILLIONS)	Three Months		LTM	
	2018	2017	2018	2017
Fee related earnings <sup>1</sup>	\$ 239	\$ 231	\$ 1,084	\$ 732
Realized carried interest, net <sup>2</sup>	2	—	93	152
Realized disposition gains <sup>3</sup>	—	—	—	5
Asset management	241	231	1,177	889
Distributions from listed investments <sup>4</sup>	344	315	1,342	1,197
Corporate activities <sup>5</sup>	(105)	(47)	(237)	(191)
Preferred share dividends	(38)	(35)	(150)	(137)
<b>Cash available for distribution / reinvestment</b>	<b>\$ 442</b>	<b>\$ 464</b>	<b>\$ 2,132</b>	<b>\$ 1,758</b>

1. For details on fee related earnings refer to slide 7

2. For details on realized carried interest refer to slide 8

3. Includes realized disposition gains associated with the Asset Management segment only

4. For details on distributions from listed investments refer to slide 15

5. Corporate activities includes FFO from financial assets, interest expense on corporate borrowings, corporate costs and current tax expense, as well as other investment income of \$3 million (2017 – \$2 million) for the three months and \$14 million (2017 – \$10 million) for the last twelve months.

- **Asset management:** Fee related earnings on an LTM basis benefited from increased market capitalization and growing distributions across our listed partnerships, strong fundraising in our private funds throughout the year and an acquisition within our public securities group. Realized carried interest is from our second private equity fund, co-investment carried interest and additional realizations relating to our real estate credit and value-add multifamily funds.
- **Distributions from listed investments:** Distributions received from our listed invested capital grew over the twelve month period as strong FFO across our listed partnerships resulted in increased distribution levels.
- **Corporate activities:** Includes corporate interest expense, cash taxes, corporate costs and other investment income. The movement in the period reflects an increase in taxes and interest expense due to absence of tax recoveries included in the prior year and higher capitalization, respectively.
- **Preferred share dividends:** The increase in the quarter and LTM is due to preferred share issuances in the third quarter of 2017 and fourth quarter of 2016.

# ASSET MANAGEMENT

## Summarized Results

**\$129 billion**  
 Fee Bearing Capital  
 (Gross inflows of \$20 billion LTM)

**48% increase**  
 in Fee Related Earnings  
 over 2017 LTM

**\$2.6 billion**  
 Annualized Fee Base and Target Carry  
 (20% increase over 2017 LTM)

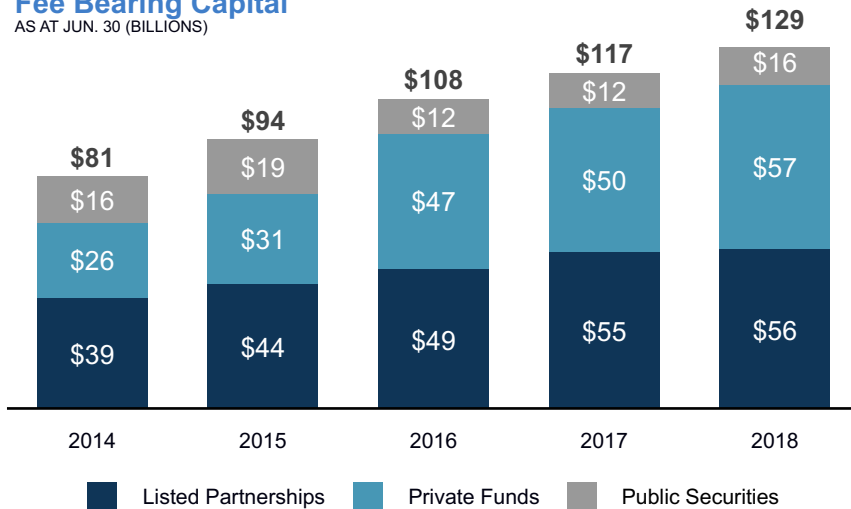
### Fee Bearing Capital – Profile

AS AT (MILLIONS)	Jun. 2018	Dec. 2017	Jun. 2017
Listed partnerships	\$ 55,829	\$ 60,560	\$ 54,945
Private funds	57,035	52,375	50,050
Public securities	16,438	12,655	12,259
	<b>\$ 129,302</b>	<b>\$ 125,590</b>	<b>\$ 117,254</b>

- Diversified client base of 530 global private fund investors, with an average commitment of approximately \$115 million per investor. Approximately 44% are invested in multiple funds.

### Fee Bearing Capital

AS AT JUN. 30 (BILLIONS)



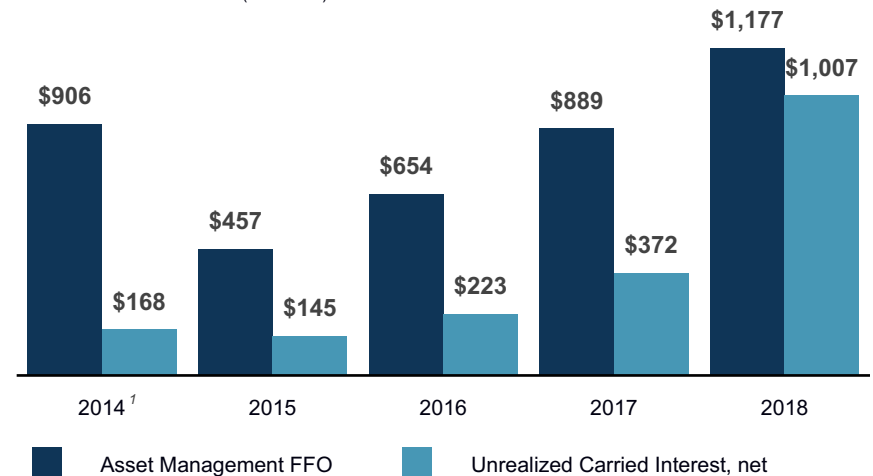
### Asset Management Performance

FOR THE PERIODS ENDED JUN. 30  
(MILLIONS)

	Three Months		LTM	
	2018	2017	2018	2017
Fee related earnings	\$ 239	\$ 231	\$ 1,084	\$ 732
Realized carried interest, net	2	—	93	152
Realized disposition gains	—	—	—	5
Asset management FFO	<b>\$ 241</b>	<b>\$ 231</b>	<b>\$ 1,177</b>	<b>\$ 889</b>
Unrealized carried interest, net	<b>\$ 95</b>	<b>\$ 125</b>	<b>\$ 1,007</b>	<b>\$ 372</b>

### Asset Management Performance – Five-Year Trend

FOR THE LTM ENDED JUN. 30 (MILLIONS)



1. 2014 asset management FFO included \$558 million of realized carried interest relating to a fund investment in a U.S. retail mall business

# ASSET MANAGEMENT

## Fee Bearing Capital

Brookfield

### Inflows of \$20 billion contributed to a 10% increase in fee bearing capital during the last twelve months, increasing fee bearing capital to \$129 billion

AS AT AND FOR THE PERIODS ENDED JUN 30, 2018 (MILLIONS)	Three Months				LTM			
	Listed Partnerships	Private Funds <sup>1</sup>	Public Securities	Total	Listed Partnerships	Private Funds <sup>1</sup>	Public Securities	Total
Balance, beginning of period	\$ 56,195	\$ 55,687	\$ 15,083	\$ 126,965	\$ 54,945	\$ 50,050	\$ 12,259	\$ 117,254
Inflows	655	1,732	1,842	4,229	4,519	11,260	4,250	20,029
Outflows	—	—	(1,360)	(1,360)	—	—	(4,072)	(4,072)
Distributions	(704)	(400)	—	(1,104)	(2,797)	(3,801)	—	(6,598)
Market valuation	(447)	52	873	478	(280)	192	(22)	(110)
Other	130	(36)	—	94	(558)	(666)	4,023	2,799
Change	(366)	1,348	1,355	2,337	884	6,985	4,179	12,048
Balance, end of period <sup>2</sup>	\$ 55,829	\$ 57,035	\$ 16,438	\$ 129,302	\$ 55,829	\$ 57,035	\$ 16,438	\$ 129,302

1. Includes \$9.8 billion of co-investment capital (Dec. 31, 2017 – \$9.5 billion, Jun 30, 2017 – \$9.3 billion), which earns minimal or no base fees

2. Fee bearing capital includes Brookfield capital of \$24 billion in listed partnerships and \$0.3 billion in private funds

#### Three Months:

- **Inflows:** Private fund inflows of \$1.7 billion include \$0.9 billion of commitments to our latest flagship real estate fund and \$0.6 billion to our open-ended real estate fund strategies.
- Listed partnership inflows include \$650 million of equity issued by TerraForm Power (“TERP”).
- Public securities inflows include \$1.0 billion in new managed accounts and subscriptions into our energy and real estate mutual funds.
- **Outflows:** Public securities outflows reflect redemptions due to client rebalancing that impacted our real estate and infrastructure mutual funds.
- **Distributions:** Listed partnership distributions represent total equity distributions paid. Private funds distributions include returns of capital to clients relating to dispositions across several private funds.
- **Market Valuation:** Listed partnership market valuations declined due to lower share prices at BIP and BEP, which were partially offset by BPY and BBU. The total capitalization values of listed partnerships are detailed on slide 26. Our public securities funds also benefited from increased market valuations across funds.

#### Last Twelve Months:

- **Inflows:** Private fund inflows of \$11.3 billion include \$7.5 billion of commitments to our third flagship real estate fund, \$1.2 billion to our open-ended real estate funds, \$0.6 billion to our infrastructure debt funds, \$0.5 billion to our fifth real estate credit fund and \$0.3 billion to our third multifamily fund. Inflows also include \$0.5 billion of co-investments and \$0.6 billion related to the acquisition of a German renewable power asset manager.
- Inflows to listed partnerships of \$4.5 billion include \$2.7 billion of common equity issuances at BIP, BEP, BBU and TERP. Additional inflows of \$1.4 billion relate to the initial acquisition of TERP, as well as preferred unit and debt issuances by the various listed partnerships.
- Public securities inflows of \$4.3 billion relate to new contributions to our real estate and infrastructure focused mutual funds and managed accounts.
- **Outflows:** Public securities outflows reflect redemptions due to client rebalancing that impacted our real estate and infrastructure mutual funds.
- **Distributions:** Private fund distributions include the return of capital to clients relating to dispositions across several private funds and includes \$1.3 billion relating to the sale of Transelec within our infrastructure business and \$1.0 billion relating to our first flagship real estate fund.
- **Other:** Public securities of \$4.0 billion relates to the acquisition of an energy and infrastructure investment advisor.

# ASSET MANAGEMENT

## Fee Related Earnings

FOR THE PERIODS ENDED JUN. 30  
(MILLIONS)

	Three Months			LTM		
	2018	2017	Variance	2018	2017	Variance
<b>Base management fees</b>						
Listed partnerships	\$ 126	\$ 135	\$ (9)	\$ 535	\$ 469	\$ 66
Private funds	128	104	24	462	426	36
– Catch-up fees	—	—	—	—	4	(4)
– Reclassified office funds <sup>1</sup>	—	8	(8)	—	32	(32)
Public securities	30	21	9	101	85	16
Incentive distributions (“IDRs”)	50	37	13	176	129	47
	<b>334</b>	<b>305</b>	<b>29</b>	<b>1,274</b>	<b>1,145</b>	<b>129</b>
Performance fees	41	25	16	301	25	276
Transaction and advisory fees	2	23	(21)	7	30	(23)
<b>Fee revenues</b>	<b>377</b>	<b>353</b>	<b>24</b>	<b>1,582</b>	<b>1,200</b>	<b>382</b>
<b>Direct costs</b>						
Compensation and benefits	(95)	(88)	(7)	(350)	(340)	(10)
Other expenses	(43)	(34)	(9)	(148)	(128)	(20)
<b>Fee related earnings</b>	<b>\$ 239</b>	<b>\$ 231</b>	<b>\$ 8</b>	<b>\$ 1,084</b>	<b>\$ 732</b>	<b>\$ 352</b>

1. Includes fee revenues generated by capital managed by BPY. These fees were reclassified to BPY following the second quarter of 2017

### Three Months:

- Listed partnership fees declined by \$9 million due to lower market valuations for BIP, BEP and BPY in the first half of 2018.
- Capital raised for our latest flagship real estate fund contributed an additional \$25 million of private fund fees.
- Increase in public securities fees reflects the acquisition of an energy and infrastructure investment advisor in the first quarter of 2018.
- We earned \$41 million of performance fees from BBU during the quarter as a result of unit price increases.
- Transaction and advisory fees in the prior quarter included \$23 million of co-investment fees.
- Gross profit margin (excluding performance, transaction and advisory fees) was 59% compared to 60% in the 2017 quarter.
- Base management fee revenues from listed partnerships include \$65 million from Brookfield capital (2017 – \$66 million).
- The calculation of listed partnership base fees is detailed on slide 26.

### Last Twelve Months:

- Listed partnership fees increased by \$66 million due to higher levels of fee bearing capital primarily as a result of capital raised and increased market valuations in the second half of 2017.
- Private fund base fees, excluding catch-up fees and reclassified office fund fees, increased from prior year due to the initial closes of our third flagship real estate fund and were partially offset by decreases from dispositions, which returned capital to clients. The prior year catch-up fees relate to final closes of flagship funds.
- Incentive distributions increased by 36%, reflecting increased unit distributions at BIP, BEP and BPY.
- Performance fees are attributable to BBU and represent 20% of the price increase per unit over the highest previous threshold.
- Transaction and advisory fees of \$7 million (2017 – \$30 million) relate to ongoing advisory fees earned within our real estate business.
- Gross profit margin (excluding catch-up, transaction and performance fees) was 61% compared to 59% in 2017.
- Fee revenues include \$269 million of base management fees from Brookfield capital (2017 – \$245 million).



# ASSET MANAGEMENT

## Carried Interest

Carried interest represents our share, as manager, of investment performance in our private funds. We generated carried interest of \$1.4 billion in the last twelve months based on investment returns, increasing cumulative gross unrealized carried interest to \$2.5 billion

### Unrealized Carried Interest Continuity<sup>1,2</sup>

AS AT AND FOR THE PERIODS ENDED JUN 30, 2018  
(MILLIONS)

Accumulated unrealized, beginning of period

In period change

Unrealized in period

Foreign currency revaluation

Less: realized

**Accumulated unrealized, end of period**

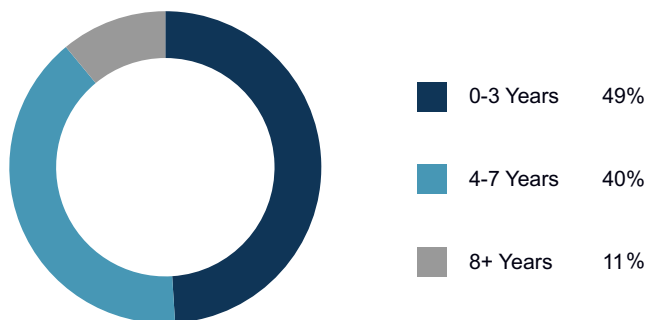
	Three Months			LTM		
	Unrealized Carried Interest	Direct Costs	Net	Unrealized Carried Interest	Direct Costs	Net
Accumulated unrealized, beginning of period	\$ 2,416	\$ (760)	\$ 1,656	\$ 1,219	\$ (384)	\$ 835
In period change						
Unrealized in period	219	(48)	171	1,514	(441)	1,073
Foreign currency revaluation	(105)	29	(76)	(85)	19	(66)
	114	(19)	95	1,429	(422)	1,007
Less: realized	(3)	1	(2)	(121)	28	(93)
	111	(18)	93	1,308	(394)	914
<b>Accumulated unrealized, end of period</b>	<b>\$ 2,527</b>	<b>\$ (778)</b>	<b>\$ 1,749</b>	<b>\$ 2,527</b>	<b>\$ (778)</b>	<b>\$ 1,749</b>

1. Amounts dependent on future investment performance are deferred. Represents management estimate of carried interest if funds were wound up at period end

2. Carried interest in respect of third-party capital

### Unrealized Carried Interest – Expected Realization Timeline

AS AT JUN. 30, 2018



- Estimates based on maturity date of funds currently generating unrealized carried interest.

### Three Months:

- Unrealized carried interest in the current quarter, before foreign exchange and associated costs, was \$219 million and was generated across our real estate, infrastructure and private equity flagship funds. Foreign exchange losses in the quarter are largely due to the depreciation of South American currencies and relate to assets within our real estate and infrastructure funds.

### Last Twelve Months:

- We generated unrealized carried interest across all of our major funds, including significant increases in value from our graphite electrodes manufacturing business within our fourth private equity fund and a European logistics company within our first flagship real estate fund that was sold in late 2017.
- Realized carried interest is related to our second private equity fund's share of its ownership in Norbord, co-investment carried interest and additional realizations relating to our real estate credit and value-add multifamily funds.

## ASSET MANAGEMENT

## Carried Interest

Target carried interest reflects our estimate of the carried interest earned on a straight-line basis over the life of a fund, assuming target returns are achieved

## Annualized Target Carried Interest

AS AT JUN 30, 2018 (MILLIONS)	Fee Bearing Capital	Carry Eligible Capital <sup>1</sup>	Gross Target Return <sup>2,3</sup>	Average Carried Interest	Annualized Target Carried Interest <sup>4,5</sup>
Opportunistic	\$ 24,540	\$ 11,133	18% – 23%	~20%	\$ 395
Value add	22,411	9,932	10% – 15%	~20%	195
Credit and core plus	10,084	4,704	10% – 15%	~15%	55
	<b>\$ 57,035</b>	25,769			645
Uncalled fund commitments <sup>6,7</sup>		21,091			510
<b>Total carry eligible capital / target carried interest</b>		<b>\$ 46,860</b>			1,155
Direct costs <sup>8</sup>					(347)
<b>Net target carried interest</b>					<b>\$ 808</b>

- As at June 30, 2018, \$26 billion of carry eligible capital has been invested and an additional \$21 billion of committed capital will become carry eligible once invested
- Carried interest is generated once a private fund exceeds its preferred return typically ranging from 5% – 9%. It will typically go through a catch-up period until the manager and limited partner (LP) are earning carry at their respective %
- Gross target return is before annual fund management fees ranging from 90 bps for core plus funds to 200 bps for certain opportunistic funds
- Based on carry eligible capital
- Includes target carry on \$1.1 billion of additional capital raised in July 2018 relating to our latest real estate flagship fund
- Uncalled fund commitments from carry eligible funds
- Target carry on uncalled fund commitments is discounted for two periods at 10%, reflecting gross target return and average carried interest rate for uncalled fund commitments
- We assume 70% margin on carried interest for planning purposes

## Annualized Target Carried Interest

Carried interest is our share of investment returns generated by our private funds. We are entitled to returns above a preferred return, and after a catch-up period, we receive the full carried interest rate.

For planning purposes, we use current carry eligible capital multiplied by target fund returns and our average carried interest rate to determine annualized carried interest, and then subtract associated direct costs to arrive at a 70% margin, which is “net target carried interest.” To value carry for our performance measurement purposes, we apply a 10x multiple on net target carried interest.

Target carried interest on capital currently invested is \$645 million, and we expect to earn an additional \$510 million when \$21.1 billion of uncalled fund commitments are deployed, aggregating to an annualized target carried interest figure of \$1.2 billion, or \$808 million net of costs.

# ASSET MANAGEMENT

## Private Funds

The majority of our funds are tracking to meet or exceed target returns

The below returns are actuals and illustrate how we are tracking toward target

AS AT JUN 30, 2018 (MILLIONS)	Asset Class	Vintage <sup>1</sup>	Target Gross IRR <sup>2,3</sup>	Gross Actual IRR <sup>4</sup>	Uncalled Fund Commitments <sup>5</sup>	Invested < 3 years	Invested > 3 years	Total
<b>Opportunistic</b>	Real Estate – BSREP	2013 – 2018	20%	23%	\$ 9,132	\$ 5,321	\$ 1,661	\$ 16,114
	Private Equity – BCP	2007 – 2016	20%	28%	996	2,123	608	3,727
	Other <sup>6</sup>	2006 – 2017			431	1,106	314	1,851
<b>Value add</b>	Infrastructure – BIF	2010 – 2016	13% – 15%	15%	6,406	6,286	2,922	15,614
	Other <sup>6</sup>	2008 – 2018			347	134	590	1,071
<b>Credit and core plus</b>	Real Estate – BREF	2005 – 2017	12% – 15%	13%	2,248	677	459	3,384
	Other <sup>6</sup>	2006 – 2018			1,531	1,856	1,712	5,099
<b>Total carry eligible capital</b>					21,091	17,503	8,266	46,860
<b>Non-carry eligible capital<sup>7</sup></b>					914	4,177	5,084	10,175
<b>Fee bearing capital</b>					<u>\$ 22,005</u>	<u>\$ 19,532</u>	<u>\$ 15,498</u>	<u>\$ 57,035</u>

1. Year of final close

2. Gross target return is before annual fund management fees ranging from 90 bps for core plus funds to 200 bps for certain opportunistic funds

3. Carried interest is generated once a private fund exceeds its preferred return. It will typically go through a catch-up period until the manager and LP are earning carry at their respective allocation

4. On existing carry eligible funds, excluding open-ended funds

5. Uncalled fund commitments from carry eligible funds. Additional \$0.9 billion of uncalled fund commitments relate to funds not eligible to earn carry

6. Other represents funds and co-investments across similar return strategies but different asset classes

7. Non-carry eligible capital includes various co-investments, separately managed accounts and funds that are not entitled to carry

# ASSET MANAGEMENT

## Annualized Fees and Target Carry

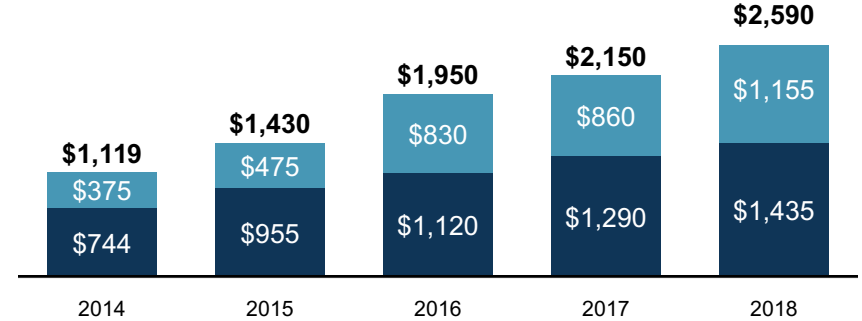
### Annualized Fees and Target Carry

AS AT (MILLIONS)	Jun. 30, 2018	Dec. 31, 2017	Jun. 30, 2017
Base management fees <sup>1</sup>			
Listed partnerships <sup>2</sup>	\$ 510	\$ 575	\$ 515
Private funds <sup>3</sup>	525	480	455
Public securities	118	127	80
Incentive distributions <sup>4</sup>	198	198	149
	<b>1,351</b>	1,380	1,199
Performance fee <sup>5</sup>	65	65	54
Transaction and advisory <sup>6</sup>	19	30	37
Fee revenues	<b>1,435</b>	1,475	1,290
Target carried interest <sup>7</sup>	<b>1,155</b>	1,000	860
	<b>\$ 2,590</b>	\$ 2,475	\$ 2,150

1. Base management fees include \$264 million of annualized base fees on Brookfield capital (\$261 million from public affiliates and \$3 million from private funds)
2. For details on listed partnership base fee calculations, refer to slide 26
3. June 30, 2018 annualized base fees includes base fees on \$1.1 billion of client commitments raised in July 2018 in our latest flagship real estate fund
4. Based on most recent quarterly distributions declared
5. Annualized BBU performance fees assume 10% unit price appreciation above the initial hurdle rate of \$25.00 and the two-year average performance fees from our public securities business
6. Annualized transaction and advisory fees based on simple average of the last two years' results
7. Based on prescribed carried interest for private funds and target gross return. Includes only third-party capital

### Annualized Fees and Target Carry

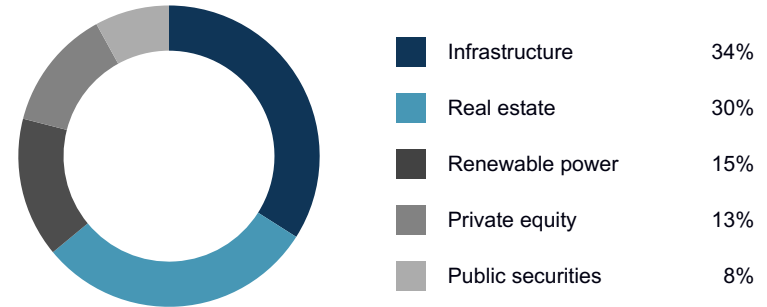
AS AT JUN. 30 (MILLIONS)



■ Fee Revenues      ■ Target Carried Interest

### Fee Revenue Diversification<sup>1</sup>

AS AT JUN. 30, 2018



1. Fee revenues based on annualized June 30, 2018 fees, excludes target carried interest

- With respect to certain funds for which fees are charged on invested capital only, we estimate annualized base management fees will increase by approximately \$48 million when \$4 billion of uncalled third-party capital is invested.
- BBU's performance fee is calculated as 20% of the increase in weighted average unit price over the highest previous threshold. The initial unit price hurdle was \$25.00 and, following the performance fee recognized in the second quarter of 2018, the current mark is \$38.31.
- 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 1 above). FFO from the associated invested capital is shown net of these fees.
- We expect gross margins for fee revenues and target carried interest to range between 55% to 65% and 65% to 75%, respectively, for planning purposes.

## ASSET MANAGEMENT

### Capital Invested or Committed

Invested \$11 billion of capital during the LTM, including the deployment of \$3 billion in the most recent quarter; Real Estate commitments include ~\$15 billion to acquire the shares of GGP not already owned

#### Capital Deployed (Funding Source)<sup>1</sup>

FOR THE LTM ENDED JUN 30, 2018 (MILLIONS)	Real Estate	Infrastructure	Renewable Power	Private Equity and Other	Total
Listed partnerships <sup>2</sup>	\$ 1,456	\$ 164	\$ 966	\$ 1,108	\$ 3,694
Private funds <sup>3</sup>	1,929	433	1,327	1,197	4,886
Co-investments <sup>3</sup>	—	379	—	531	910
Direct <sup>4</sup>	—	—	—	1,356	1,356
Total invested	3,385	976	2,293	4,192	10,846
Committed – new <sup>5</sup>	20,578	4,989	55	551	26,173
Committed – invested <sup>5</sup>	(225)	(772)	(1,608)	(1,217)	(3,822)
Total <sup>5</sup>	\$ 23,738	\$ 5,193	\$ 740	\$ 3,526	\$ 33,197

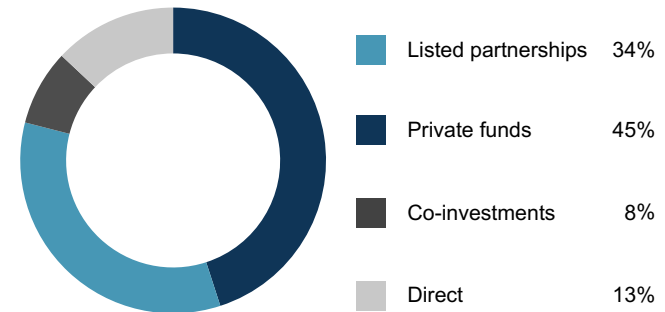
1. Includes pro-forma adjustments to reflect new capital committed and investments closed up until August 9, 2018
2. Includes investments made by listed partnerships (BPY, BIP, BEP and BBU) directly or through its participation in private funds and co-investments
3. Reflects third-party investments managed by Brookfield
4. Investments made by Brookfield in financial assets or on balance sheet assets other than the listed partnerships
5. New commitments represent those commitments entered into during the year. Invested commitments represent the amounts invested during the year for commitments which were entered into during the prior period (shown as an outflow to commitments and an inflow to invested). Where capital was both committed and invested in the same period, it will be presented as invested only

#### Capital Invested (Geography)

FOR THE LTM ENDED JUN 30, 2018 (MILLIONS)	Real Estate	Infrastructure	Renewable Power	Private Equity and Other	Total
North America	\$ 2,746	\$ 474	\$ 554	\$ 3,003	\$ 6,777
South America	—	327	631	801	1,759
Europe	587	80	1,108	248	2,023
Asia and other	52	95	—	140	287
Total invested	\$ 3,385	\$ 976	\$ 2,293	\$ 4,192	\$ 10,846

#### Capital Invested

FOR THE LTM ENDED JUN. 30, 2018



Significant investments include:

- Infrastructure services company (\$1.3 billion)
- Global commercial and hospitality properties (\$1.2 billion)
- Marine energy services business (\$0.8 billion)
- Spanish renewable energy business (\$0.7 billion)
- Global solar and wind portfolio (\$0.7 billion)
- TerraForm Power (\$0.6 billion)
- European housing portfolios (\$0.6 billion)

Significant commitments include:

- GGP retail mall portfolio (~\$15.2 billion)
- U.S. REIT portfolio (\$3.5 billion)<sup>1</sup>
- Residential energy service provider (\$2.3 billion)<sup>1</sup>
- Midstream energy portfolio (\$1.8 billion)<sup>1</sup>

1. Committed during the most recent quarter

# ASSET MANAGEMENT

## Available Liquidity

### Core and Total Liquidity

AS AT JUN. 30, 2018 AND DEC. 31, 2017  
(MILLIONS)

	Corporate	Real Estate	Renewable Power	Infrastructure	Private Equity and Other	Total 2018	Total 2017
Cash and financial assets, net	\$ 3,401	\$ 214	\$ 273	\$ 475	\$ 927	\$ 5,290	\$ 3,218
Undrawn committed credit facilities	1,861	429	558	1,916	825	5,589	4,839
<b>Core liquidity</b>	5,262	643	831	2,391	1,752	10,879	8,057
Uncalled private fund commitments <sup>1</sup>	—	13,351	2,242	5,161	1,251	22,005	18,591
<b>Total liquidity</b>	\$ 5,262	\$ 13,994	\$ 3,073	\$ 7,552	\$ 3,003	\$ 32,884	\$ 26,648

1. Third-party private fund uncalled commitments

- Corporate credit facilities totaled \$1.9 billion, of which \$74 million was drawn and utilized for letters of credit at June 30, 2018.
- Core liquidity represents our principal sources of short-term liquidity (consists of our cash and financial assets, net of deposits and other associated liabilities, and undrawn committed credit facilities).

### Uncalled Fund Commitments – Expiry Profile

AS AT JUN. 30, 2018 AND DEC. 31, 2017  
(MILLIONS)

	2018	2019	2020	2021	2022+	Total 2018	Dec. 2017
Real estate	\$ —	\$ 102	\$ 3,613	\$ —	\$ 9,636	\$ 13,351	\$ 9,126
Infrastructure and renewable power	—	—	6,703	—	700	7,403	7,791
Private equity	—	—	1,100	—	151	1,251	1,674
<b>Total</b>	\$ —	\$ 102	\$ 11,416	\$ —	\$ 10,487	\$ 22,005	\$ 18,591

- Uncalled commitments expire after approximately four years, based on the weighted average time to the end of each fund's investment period.
- We invested approximately \$0.9 billion of third-party fund capital (private funds and co-investments) during the quarter; \$4.4 billion over the last twelve months.
- \$9.3 billion of fund capital (inclusive of Brookfield commitments) has been committed to transactions yet to be closed (real estate – \$5.0 billion; infrastructure – \$4.1 billion and private equity – \$0.2 billion).

# INVESTED CAPITAL Summarized Results

**~85%**  
of invested capital is held in  
listed securities

**over \$34 billion**  
of capital invested  
alongside our investors

**\$1.6 billion**  
of annualized cash flow  
generated from listed investments

## Financial Performance

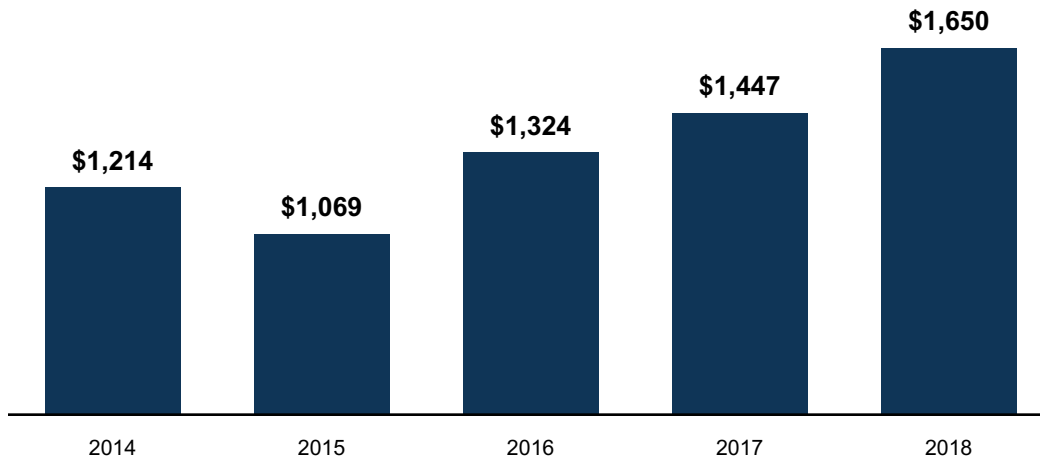
AS AT JUN. 30, 2018 AND DEC. 31, 2017  
AND FOR THE PERIODS ENDED JUN. 30  
(MILLIONS)

	Invested Capital		Funds from Operations			
			Three Months		LTM	
	2018	2017	2018	2017	2018	2017
Listed investments	\$ 30,032	\$ 29,132	\$ 532	\$ 460	\$ 1,951	\$ 1,755
Unlisted investments	4,463	4,797	7	(69)	101	—
Corporate capitalization <sup>1</sup>	(10,448)	(10,189)	(122)	(60)	(402)	(308)
	<b>24,047</b>	<b>23,740</b>	<b>417</b>	<b>331</b>	<b>1,650</b>	<b>1,447</b>
Disposition gains	—	—	132	464	1,243	1,266
	<b>\$ 24,047</b>	<b>\$ 23,740</b>	<b>\$ 549</b>	<b>\$ 795</b>	<b>\$ 2,893</b>	<b>\$ 2,713</b>

1. FFO includes interest expense on corporate borrowings and corporate costs and excludes distributions on preferred shares

## FFO – Operating Activities<sup>1</sup>

FOR THE LTM ENDED JUN. 30 (MILLIONS)



1. Excludes disposition gains and is net of associated asset management fees paid

## Investment Portfolio

AS AT JUN. 30, 2018



- ~85% of our balance sheet is held in listed securities, the majority invested in our four listed partnerships, providing liquidity and increased transparency.

# INVESTED CAPITAL Entity Basis<sup>1</sup>

~85% of our invested capital is held in listed securities, which provides enhanced transparency for investors and financial flexibility and liquidity for Brookfield

AS AT AND FOR THE PERIODS ENDED JUN. 30, 2018 (MILLIONS)	No. of Units	Invested Capital		FFO <sup>3</sup>		Distributed Cash Flow	
		Quoted <sup>2</sup>	IFRS	Three Months	LTM	LTM	Current <sup>4</sup>
<b>Listed Investments</b>							
Brookfield Property Partners	488	\$ 9,282	\$ 15,642	\$ 170	\$ 701	\$ 596	\$ 615
BPY Preferred Shares	n/a	1,265	1,265	19	76	76	76
		10,547	16,907	189	777	672	691
Brookfield Renewable Partners	188	5,661	3,801	98	339	363	369
Brookfield Infrastructure Partners	118	4,519	1,920	78	333	210	221
Brookfield Business Partners	88	3,362	1,921	55	70	21	22
Acadian Timber	8	114	81	1	6	7	6
Norbord	35	1,432	1,412	97	275	69	65
		25,635	26,042	518	1,800	1,342	1,374
<b>Other investments</b>							
Financial assets <sup>5</sup>	Various	3,401	3,401	14	151	151	210 <sup>6</sup>
Other Listed – Private Equity	Various	589	589	—	—	—	—
		<u>\$ 29,625</u>	<u>30,032</u>	<u>532</u>	<u>1,951</u>	<u>\$ 1,493</u>	<u>\$ 1,584</u>
<b>Unlisted Investments</b>							
Residential development			2,601	14	53		
Energy marketing			748	(32)	(35)		
Other			1,114	25	83		
			4,463	7	101		
			<u>\$ 34,495</u>	<u>\$ 539</u>	<u>\$ 2,052</u>		

1. Refer to slides 31 to 33 for a reconciliation to invested capital and total FFO

2. Quoted based on June 30, 2018 public pricing

3. Excludes realized disposition gains

4. Distributed cash flow (current) is calculated by multiplying units held as at June 30, 2018 by distributions per unit

5. Includes \$2.0 billion of cash and cash equivalents and \$1.4 billion of financial assets, net of deposits

6. Estimated 8% total return on weighted average balance of the last four quarters



## INVESTED CAPITAL

## Segment Funds From Operations (Excluding Realized Disposition Gains)

FOR THE PERIODS ENDED JUN. 30  
(MILLIONS)

	Three Months			LTM		
	2018	2017	Variance	2018	2017	Variance
Brookfield Property Partners (BPY)	\$ 189	\$ 192	\$ (3)	\$ 777	\$ 736	\$ 41
Brookfield Renewable Partners (BEP)	98	108	(10)	339	278	61
Brookfield Infrastructure Partners (BIP)	78	80	(2)	333	279	54
Brookfield Business Partners (BBU) <sup>1</sup>	55	13	42	70	105	(35)
Residential development	14	(30)	44	53	47	6
Energy marketing	(32)	(43)	11	(35)	(81)	46
Other investments	123	60	63	364	284	80
Financial assets	14	11	3	151	107	44
	<b>539</b>	<b>391</b>	<b>148</b>	<b>2,052</b>	<b>1,755</b>	<b>297</b>
Unallocated						
Interest expenses	(80)	(63)	(17)	(294)	(250)	(44)
Corporate costs and taxes	(42)	3	(45)	(108)	(58)	(50)
FFO – Invested capital	<b>\$ 417</b>	<b>\$ 331</b>	<b>\$ 86</b>	<b>\$ 1,650</b>	<b>\$ 1,447</b>	<b>\$ 203</b>

1. BBU FFO is net of performance fees paid to BAM of \$41 million for the three months ended Jun. 30, 2018 (2017 – \$25 million) and \$301 million for the LTM (2017 – \$25 million), which are recorded in asset management FFO

## Three Months:

- **BPY:** Reduction of FFO from assets sold and one-time settlement gains in the prior year, mostly offset by FFO from acquisitions in the opportunistic portfolio and strong same property growth in core office assets.
- **BEP:** Lower hydrology and below average wind conditions in North America resulted in lower generation, partially offset by contributions from acquisitions and higher pricing in North America and Colombia.
- **BIP:** Organic growth and deleveraging activities increased FFO, offset by the absence of contributions from our Chilean electricity transmission business sold in the first quarter of 2018.
- **BBU:** FFO increased due to improved pricing in our industrial operations and contributions from recent acquisitions, partially offset by higher management fees due to higher market capitalization.
- **Residential:** Reflects impact of increased home closings in our North American operations as well as improved margins in our Brazilian operations.
- **Other Investments:** Improved performance at our Norbord investment.
- **Corporate costs and taxes:** Corporate costs and taxes increased due to the absence of tax recoveries received in the prior year quarter.

## Last Twelve Months:

- **BPY:** Contributions from recent acquisitions, same-property leasing growth and increased ownership of GGP were partially offset by the absence of FFO from assets sold, merchant development sales and a one-time settlement gain recognized in the prior period.
- **BEP:** Improved hydrology across our North American operations, improved pricing in South America, cost savings initiatives and contributions from acquisitions increased FFO, partially offset by absence of a one-time gain in the prior period.
- **BIP:** Contributions from recent acquisitions, higher volumes and tariffs, and contributions from development projects completed in the LTM were partially offset by dispositions and higher management fees.
- **BBU:** Excluding the impact of performance fees paid, FFO increased as improved pricing in our industrial operations and contributions from recent acquisitions were partially offset by lower construction margins and an increase in management fees paid.
- **Residential:** Margins in our North American operations increased slightly while results in Brazil were in line with the prior period.
- **Other Investments:** Improved performance at our Norbord investment.
- **Corporate costs and taxes:** Reflects increase due to expansion as well as increase in taxes due to the absence of tax recoveries.

## INVESTED CAPITAL

## Realized Disposition Gains – Brookfield Share, Net of Non-Controlling Interests

	Three Months				LTM			
	Funds from Operations <sup>1,2</sup>		Net Income <sup>2</sup>		Funds from Operations <sup>1,2</sup>		Net Income <sup>2</sup>	
	2018	2017	2018	2017	2018	2017	2018	2017
FOR THE PERIODS ENDED JUN. 30 (MILLIONS, EXCEPT PER SHARE AMOUNTS)								
Real Estate								
Bay Adelaide Centre	\$ —	\$ —	\$ —	\$ —	\$ 161	\$ —	\$ 20	\$ —
1801 California Street	—	—	—	—	73	—	13	—
245 Park Avenue	—	469	—	(33)	—	469	—	(33)
Gazeley – European operations	—	—	—	—	275	—	191	—
Principal Place Commercial	—	—	—	—	—	141	—	69
20 Fenchurch St.	—	—	—	—	57	—	9	—
College and Spadina	—	—	—	—	31	—	12	—
Other properties	6	(5)	6	(1)	261	527	(26)	152
	6	464	6	(34)	858	1,137	219	188
Infrastructure	—	—	—	—	244	52	53	20
Private Equity	126	—	37	—	109	62	20	62
Norbord partial sale	—	—	—	—	32	—	—	—
Other	—	—	—	—	—	15	—	5
	\$ 132	\$ 464	\$ 43	\$ (34)	\$ 1,243	\$ 1,266	\$ 292	\$ 275
Per share	\$ 0.13	\$ 0.47	\$ 0.04	\$ (0.04)	\$ 1.27	\$ 1.30	\$ 0.30	\$ 0.28

1. FFO includes gains recorded in net income, directly in equity, as well as the realization of appraisal gains recorded in the prior years

2. Net of non-controlling interests

## Value of assets sold:

- During the last twelve months, we sold proportionate net assets of \$3.1 billion at an 11% premium above appraised or carrying values.

## Second Quarter:

- 2018:** In private equity, we recognized an \$89 million gain from the sale of a partial interest in our graphite electrode manufacturing business through an initial public offering. Other disposition gains included the sale of a joint venture within our real estate brokerage services business and an operating division within our infrastructure support products manufacturing operations.
- 2017:** In our real estate operations, we sold 245 Park Avenue in New York for a gain of \$469 million.

## Last Twelve Months:

- 2018:** Core office and retail disposition gains, \$489 million; opportunistic and other property disposition gains, \$369 million; sale of Chilean electricity transmission business, \$244 million; sales of various private equity businesses, \$109 million; and partial sale of Norbord shares, \$32 million.
- 2017:** Core office and retail disposition gains, \$747 million; opportunistic and other property disposition gains, \$390 million; sale of a bath and shower manufacturing business, \$62 million; sale of a Canadian utilities business, \$32 million; and sale of a toehold interest in an Australian ports business, \$20 million.

## INVESTED CAPITAL

### Financial Position and Performance

#### BPY (NASDAQ: BPY; TSX: BPY.UN) – 64% (fully diluted) ownership interest

AS AT JUN. 30, 2018 AND DEC. 31, 2017  
AND FOR THE PERIODS ENDED JUN. 30  
(MILLIONS)

	Invested Capital		Funds from Operations			
			Three Months		LTM	
	2018	2017	2018	2017	2018	2017
Core office	\$ 14,397	\$ 13,913	\$ 149	\$ 162	\$ 576	\$ 649
Core retail	8,723	8,844	119	119	521	469
Opportunistic	5,825	5,238	99	96	411	337
Corporate	(6,411)	(5,809)	(121)	(119)	(472)	(460)
Attributable to unitholders	22,534	22,186	246	258	1,036	995
Non-controlling interests	(6,892)	(6,798)	(76)	(81)	(326)	(310)
Segment reallocation and other <sup>1</sup>	—	—	—	(4)	(9)	(25)
Brookfield's interest	15,642	15,388	170	173	701	660
Preferred Shares	1,265	1,265	19	19	76	76
	<b>\$ 16,907</b>	<b>\$ 16,653</b>	<b>\$ 189</b>	<b>\$ 192</b>	<b>\$ 777</b>	<b>\$ 736</b>

1. Reflects fee related earnings and net carried interest reclassified to asset management segment as well as current taxes related to disposition gains

#### BEP (NYSE: BEP, TSX: BEP.UN) – 60% ownership interest

AS AT JUN. 30, 2018 AND DEC. 31, 2017  
AND FOR THE PERIODS ENDED JUN. 30  
(MILLIONS)

	Invested Capital		Funds from Operations			
			Three Months		LTM	
	2018	2017	2018	2017	2018	2017
Proportionate generation (GWh)						
Actual	n/a	n/a	6,455	6,719	24,237	22,009
Long-term average (LTA)	n/a	n/a	6,935	6,277	24,383	22,973
Hydroelectric generation	\$ 8,376	\$ 8,821	\$ 181	\$ 218	\$ 668	\$ 575
Wind energy	1,167	939	34	24	122	96
Solar, storage and other	864	682	23	(1)	58	22
Corporate	(4,117)	(3,584)	(66)	(60)	(249)	(219)
Attributable to unitholders	6,290	6,858	172	181	599	474
Incentive distributions	—	—	(10)	(7)	(34)	(24)
Non-controlling interests	(2,489)	(2,715)	(64)	(66)	(226)	(172)
Brookfield's interest	<b>\$ 3,801</b>	<b>\$ 4,143</b>	<b>\$ 98</b>	<b>\$ 108</b>	<b>\$ 339</b>	<b>\$ 278</b>

## INVESTED CAPITAL

### Financial Position and Performance (cont'd)

#### BIP (NYSE: BIP, TSX: BIP.UN) – 30% ownership interest

AS AT JUN. 30, 2018 AND DEC. 31, 2017  
AND FOR THE PERIODS ENDED JUN. 30  
(MILLIONS)

	Invested Capital		Funds from Operations			
			Three Months		LTM	
	2018	2017	2018	2017	2018	2017
Utilities	\$ 1,770	\$ 3,290	\$ 139	\$ 168	\$ 650	\$ 467
Transport	3,743	4,116	133	134	545	484
Energy	1,799	1,806	54	43	224	197
Data infrastructure <sup>1</sup>	649	614	19	19	76	77
Corporate and other	(1,562)	(2,822)	(51)	(69)	(254)	(189)
Attributable to unitholders	6,399	7,004	294	295	1,241	1,036
Incentive distributions	—	—	(34)	(28)	(125)	(98)
Non-controlling interests	(4,479)	(4,906)	(182)	(187)	(783)	(659)
Brookfield's interest	\$ 1,920	\$ 2,098	\$ 78	\$ 80	\$ 333	\$ 279

1. Formerly known as "Communications"

#### BBU (NYSE: BBU, TSX: BBU.UN) – 68% ownership interest

AS AT JUN. 30, 2018 AND DEC. 31, 2017  
AND FOR THE PERIODS ENDED JUN. 30  
(MILLIONS)

	Invested Capital		Funds from Operations			
			Three Months		LTM	
	2018	2017	2018	2017	2018	2017
Construction services	\$ 842	\$ 959	\$ 5	\$ 12	\$ 31	\$ 56
Business services	511	448	61	17	114	58
Energy	686	660	31	11	90	59
Industrial operations	67	661	94	8	237	96
Corporate and other	719	310	(14)	(5)	(43)	(26)
Attributable to unitholders	2,825	3,038	177	43	429	243
Performance fees	—	—	(41)	(25)	(301)	(25)
Non-controlling interests	(904)	(974)	(44)	(5)	(38)	(51)
Segment reallocation and other <sup>1</sup>	—	—	(37)	—	(20)	(62)
Brookfield's interest	\$ 1,921	\$ 2,064	\$ 55	\$ 13	\$ 70	\$ 105

1. Reallocations relate to disposition gains, net of NCI, included in BBU's operating FFO

# INVESTED CAPITAL

## Financial Position and Performance (cont'd)

### Residential Development

AS AT JUN. 30, 2018 AND DEC. 31, 2017  
AND FOR THE PERIODS ENDED JUN. 30  
(MILLIONS)

	Invested Capital		Funds from Operations					
			Three Months			LTM		
	2018	2017	2018	2017	2018	2017		
North America	\$ 1,677	\$ 1,711	\$ 52	\$ 22	\$ 184	\$ 180		
Brazil and other	924	1,204	(38)	(52)	(131)	(133)		
	<b>\$ 2,601</b>	<b>\$ 2,915</b>	<b>\$ 14</b>	<b>\$ (30)</b>	<b>\$ 53</b>	<b>\$ 47</b>		

### Energy Marketing

FOR THE PERIODS ENDED JUN. 30  
(MILLIONS, EXCEPT GENERATION AND PER MWH  
INFORMATION)

	Three Months						Last Twelve Months					
	Generation (GWh)		FFO		Per MWh		Generation (GWh)		FFO		Per MWh	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Contracted	504	921	\$ 43	\$ 76	\$ 85	\$ 83	2,981	2,994	\$ 249	\$ 236	\$ 84	\$ 79
Uncontracted and financial contracts	1,536	1,869	63	71	41	38	5,800	5,488	317	249	55	45
	2,040	2,790	106	147	52	53	8,781	8,482	566	485	64	57
Less: Purchases from BEP	(2,040)	(2,790)	(138)	(190)	(68)	(68)	(8,781)	(8,482)	(601)	(566)	(68)	(67)
FFO	—	—	\$ (32)	\$ (43)	\$ (16)	\$ (15)	—	—	\$ (35)	\$ (81)	\$ (4)	\$ (10)

- We have agreements to purchase approximately 8,400 GWh from BEP annually based on long-term average generation. Approximately 34% of the acquired power is sold under long-term contracts with high credit-quality counterparties. We attempt to maximize the value we receive on this electricity through optimization of storage and sale of merchant electricity at peak times, or by executing long-term contracts for this power at rates which we believe are favorable based on our expectation of pricing of electricity generated by new build construction.
- We expect the negative spread on uncontracted power to turn positive over the longer term as prices for renewable power increase. Existing long-term contracts provide both a current positive FFO contribution as well as future increases through escalation clauses and the opportunity to renew contracts in the future.

### Second Quarter:

- FFO deficit decreased by \$11 million primarily from higher energy and capacity prices, particularly in our U.S. northeast market, increasing uncontracted realized pricing to \$41/MWh from \$38/MWh in the prior year quarter. The benefits from higher realized prices from uncontracted sales were partially offset by lower deliveries on our contracted power.
  - Ancillary revenues including capacity payments, green credits and revenues generated for the peaking ability of our plants totaled \$30 million (2017 – \$24 million), increasing average realized prices by \$15/MWh (2017 – \$9/MWh).

## INVESTED CAPITAL

### Financial Position and Performance (cont'd)

In addition to being invested in our four flagship listed partnerships, we hold a number of other listed and unlisted investments

#### Financial Assets

AS AT JUN. 30, 2018 AND DEC. 31, 2017 AND FOR THE PERIODS ENDED JUN. 30 (MILLIONS)		Invested Capital		Funds from Operations			
				Three Months		LTM	
		Segment	2018	2017	2018	2017	2018
Financial assets	Corporate	\$ 3,401	\$ 2,255	\$ 14	\$ 11	\$ 151	\$ 107

#### Other Investments

AS AT JUN. 30, 2018 AND DEC. 31, 2017 AND FOR THE PERIODS ENDED JUN. 30 (MILLIONS)		Invested Capital		Funds from Operations			
				Three Months		LTM	
		Segment	2018	2017	2018	2017	2018
<b>Listed Investments</b>							
Acadian Timber	Infrastructure	\$ 81	\$ 88	\$ 1	\$ —	\$ 6	\$ 7
Norbord	Private Equity	1,412	1,364	97	56	275	176
Other listed	Private Equity	589	467	—	—	—	67
		<b>2,082</b>	<b>1,919</b>	<b>98</b>	<b>56</b>	<b>281</b>	<b>250</b>
<b>Unlisted Investments</b>							
Sustainable resources	Infrastructure	591	648	7	4	22	21
Other unlisted	Various	523	433	18	—	61	13
		<b>1,114</b>	<b>1,081</b>	<b>25</b>	<b>4</b>	<b>83</b>	<b>34</b>
		<b>\$ 3,196</b>	<b>\$ 3,000</b>	<b>\$ 123</b>	<b>\$ 60</b>	<b>\$ 364</b>	<b>\$ 284</b>

## INVESTED CAPITAL Corporate Capitalization

Corporate debt maturities are well distributed over the next 10 years, with ~89% of our term debt maturing after five years

AS AT JUN. 30, 2018 AND DEC. 31, 2017 AND FOR THE PERIODS ENDED JUN. 30 (MILLIONS)	Average Yield	Invested Capital		Funds from Operations			
		2018	2017	Three Months		LTM	
				2018	2017	2018	2017
Corporate borrowings	4.6%	\$ 6,424	\$ 5,659	\$ 80	\$ 63	\$ 294	\$ 250
Net working capital / Corporate costs and current taxes <sup>1</sup>	n/a	964	928	42	(3)	108	58
Deferred income tax asset, net	n/a	(1,132)	(590)	—	—	—	—
				<u>\$ 122</u>	<u>\$ 60</u>	<u>\$ 402</u>	<u>\$ 308</u>
Perpetual preferred shares <sup>2</sup>	4.1%	4,192	4,192	\$ 38	\$ 35	\$ 150	\$ 137
		<u>\$ 10,448</u>	<u>\$ 10,189</u>				

1. Corporate costs and current taxes FFO includes current tax expense of \$18 million (2017 – recovery of \$23 million) for the three months and current tax expense of \$7 million (2017 – recovery of \$31 million) for the last twelve months ended June 30

2. FFO excludes preferred share distributions of \$38 million (2017 – \$35 million) for the three months and \$150 million (2017 – \$137 million) for the last twelve months ended June 30

## Corporate Maturity Profile

AS AT JUN 30, 2018 (MILLIONS)	Average Term (Years)	Total	Maturity					
			2018	2019	2020	2021	2022	2023+
Corporate borrowings								
Term debt	10	\$ 6,424	\$ —	\$ 457	\$ —	\$ 267	\$ —	\$ 5,700
Revolving facilities <sup>1</sup>	5	—	—	—	—	—	—	—
		6,424	—	457	—	267	—	5,700
Perpetual preferred shares	perp.	4,192	n/a	n/a	n/a	n/a	n/a	n/a
		<u>\$ 10,616</u>	<u>\$ —</u>	<u>\$ 457</u>	<u>\$ —</u>	<u>\$ 267</u>	<u>\$ —</u>	<u>\$ 5,700</u>

1. Revolving credit facilities of \$1.9 billion support commercial paper issuances

## INVESTED CAPITAL

### Growth Capital Backlog

We complement our acquisition activities with capital expansion and development projects which we expect will enhance the value of our various operations once completed and commissioned

#### Capital Backlog (by Geography)

AS AT JUN 30, 2018  
(MILLIONS)

	North America	South America	Europe	Asia and Other	Total
Real estate	\$ 2,832	\$ —	\$ 3,184	\$ 342	\$ 6,358
Infrastructure	393	2,031	1,312	142	3,878
Renewable power	507	548	212	55	1,322
Private equity and other	1,160	656	92	377	2,285
	<u>\$ 4,892</u>	<u>\$ 3,235</u>	<u>\$ 4,800</u>	<u>\$ 916</u>	<u>\$ 13,843</u>

Our capital backlog of \$14 billion provides an additional opportunity to deploy capital and is a major source of organic growth; it consists of a diverse set of projects across our business, including the expansion and/or development of:

- **Real estate:** Planned capital expansion of \$6.4 billion includes development projects in progress across our premier office buildings, retail malls and mixed-used complexes. Within our core office business we have 10 million square feet of development projects underway, including our premier office building development ongoing in London within Canary Wharf and other core office investments over the next eight years, and further core office development ongoing within North America. Additional projects include North American retail mall developments.
- **Infrastructure:** Planned capital expansion projects of \$3.9 billion consist primarily of upgrade and expansion projects within our transport and utilities segments. The largest contributor to capital development within our transport segment over the next three years is our South American toll road operations, focusing on enhancing capacity and capturing volume growth. Within our utilities segment, our U.K. regulated distribution business and South American electricity transmission operations are the largest contributors to capital.
- **Renewable power:** Planned capital expansion projects of \$1.3 billion consist primarily of hydroelectric generating stations, solar and wind facilities development projects. Over the next three years, we expect to complete significant development across South America, Europe, North America and Asia.
- **Private equity and other:** Planned capital expansion of \$2.3 billion includes significant expansion projects at our Brazilian water treatment, GTA gaming operations, marine energy services and exploration businesses.





## Additional Information

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# ASSET MANAGEMENT

## Private Funds<sup>1</sup>

AS AT JUN. 30, 2018  
(MILLIONS)

Committed Capital<sup>2</sup> Brookfield Participation<sup>2</sup> Year<sup>3</sup>

### Brookfield Real Estate Funds

#### Opportunistic

	Committed Capital <sup>2</sup>	Brookfield Participation <sup>2</sup>	Year <sup>3</sup>
Real Estate Opportunity I	\$ 240	52%	2006
Real Estate Opportunity II	260	29%	2009
Real Estate Turnaround	5,570	18%	2010
Strategic Real Estate Partners I <sup>4</sup>	4,350	31%	2013
Strategic Real Estate Partners II <sup>4</sup>	9,000	26%	2016
Thayer VI	306	48%	2014

#### Value Add

	Committed Capital <sup>2</sup>	Brookfield Participation <sup>2</sup>	Year <sup>3</sup>
U.S. Multifamily Value Add I	\$ 325	13%	2012
U.S. Multifamily Value Add II	805	37%	2014

#### Core Plus

	Committed Capital <sup>2</sup>	Brookfield Participation <sup>2</sup>	Year <sup>3</sup>
U.S. Office	\$ 2,200	83%	2006
DTLA	1,100	45%	2013
Premier Real Estate Partners <sup>5</sup>	1,600	19%	2016

#### Credit

	Committed Capital <sup>2</sup>	Brookfield Participation <sup>2</sup>	Year <sup>3</sup>
Real Estate Finance I	\$ 600	33%	2005
Real Estate Finance III	420	12%	2012
Real Estate Finance IV	1,375	18%	2014
Real Estate Finance V	2,949	14%	2017
Senior Mezzanine Real Estate Finance <sup>5</sup>	655	2%	2017

AS AT JUN. 30, 2018  
(MILLIONS)

Committed Capital<sup>2</sup> Brookfield Participation<sup>2</sup> Year<sup>3</sup>

### Brookfield Infrastructure Funds

#### Value Add

	Committed Capital <sup>2</sup>	Brookfield Participation <sup>2</sup>	Year <sup>3</sup>
Global Infrastructure I <sup>4</sup>	\$ 2,660	25%	2010
Global Infrastructure II <sup>4</sup>	7,000	40%	2013
Global Infrastructure III <sup>4</sup>	14,000	29%	2016
Colombia Infrastructure	360	28%	2009

#### Credit

	Committed Capital <sup>2</sup>	Brookfield Participation <sup>2</sup>	Year <sup>3</sup>
Infrastructure Debt	\$ 884	17%	2017

#### Sustainable Resources

	Committed Capital <sup>2</sup>	Brookfield Participation <sup>2</sup>	Year <sup>3</sup>
Island Timberlands	\$ 530	—	2005
Timberlands Fund V	351	25%	2013
Brazil Timber I	280	18%	2008
Brazil Timber II	95	19%	2013
Brazil Agriculture I	330	31%	2010
Brazil Agriculture II	500	22%	2016

### Brookfield Private Equity Funds

#### Opportunistic

	Committed Capital <sup>2</sup>	Brookfield Participation <sup>2</sup>	Year <sup>3</sup>
Capital Partners II <sup>4</sup>	C\$ 1,000	40%	2007
Capital Partners III <sup>4</sup>	\$ 1,000	25%	2012
Capital Partners IV <sup>4</sup>	4,000	26%	2016

#### Credit

	Committed Capital <sup>2</sup>	Brookfield Participation <sup>2</sup>	Year <sup>3</sup>
Peninsula Brookfield India Real Estate	\$ 95	—	2013

1. Includes discretionary funds managed by Brookfield Asset Management Inc. or a management affiliate thereof and all investments made by a consortium of investors formed and managed by Brookfield. Excludes direct investments made through managed accounts, joint ventures, co-investments, publicly listed issuers or investment funds for which Brookfield did not serve as the manager during the investment period. Also excludes closed-end funds currently in the market and fully divested funds
2. Inclusive of Brookfield commitments; Brookfield participation includes commitments from Brookfield directly held as well as BPY, BEP, BIP and BBU
3. Year of final close. For open-end funds, year of first close
4. Flagship funds
5. Open-ended fund

## LISTED ISSUER BASE MANAGEMENT FEES AND ASSOCIATED CAPITALIZATION

AS AT AND FOR THE PERIODS ENDED JUN. 30, 2018 (MILLIONS)	Capitalization	Three Months			Annualized <sup>1</sup>		
		Fixed Base Fee	Variable Base Fee	Total Base Fee	Fixed Base Fee	Variable Base Fee	Total Base Fee
<b>Listed Investments</b>							
Brookfield Property Partners	\$ 19,216	\$ 13	\$ 22	\$ 35	\$ 50	\$ 92	\$ 142
Brookfield Renewable Partners	13,230	5	17	22	20	71	91
Brookfield Infrastructure Partners	16,721	—	52	52	—	207	207
Brookfield Business Partners	4,052	—	13	13	—	53	53
	<u>53,219</u>	<u>18</u>	<u>104</u>	<u>122</u>	<u>70</u>	<u>423</u>	<u>493</u>
<b>Other Listed Investments</b>							
TerraForm Power	2,357	3	—	3	10	5	15
Acadian Timber	253	—	1	1	—	2	2
	<u>2,610</u>	<u>3</u>	<u>1</u>	<u>4</u>	<u>10</u>	<u>7</u>	<u>17</u>
<b>Total</b>	<u>\$ 55,829</u>	<u>\$ 21</u>	<u>\$ 105</u>	<u>\$ 126</u>	<u>\$ 80</u>	<u>\$ 430</u>	<u>\$ 510</u>

**Brookfield Property Partners (BPY):** We earn base management fees paid quarterly of \$12.5 million (\$50 million annually) and an additional equity enhancement distribution of 0.3125% (1.25% annually) of the amount by which the partnership's total capitalization value exceeded its initial total capitalization value (\$11.5 billion). Capitalization is calculated as the volume-weighted average of the closing prices of the LP units on the Nasdaq for each of the last five trading days of the quarter multiplied by the number of units issued and outstanding on those days, plus the amount of third-party debt, net of cash, with recourse to the partnership.

**Brookfield Renewable Partners (BEP):** We earn base management fees paid quarterly of \$5 million (\$20 million annually) and an additional equity enhancement distribution of 0.3125% (1.25% annually) of the amount by which the partnership's total capitalization value exceeded the initial capitalization value (\$8 billion). Capitalization is calculated as the volume-weighted average of the closing prices of the LP units on the principal exchange for each of the last five trading days of the quarter multiplied by the number of units issued and outstanding on those days, plus the amount of third-party debt and preferred securities, net of cash, with recourse to the partnership.<sup>2</sup>

**Brookfield Infrastructure Partners (BIP):** We earn base management fees paid quarterly equal to 0.3125% of BIP's market value (1.25% annually). Capitalization is calculated as the volume-weighted average of the closing prices of the LP units on the principal exchange for each of the last five trading days of the quarter multiplied by the number of units issued and outstanding on those days, plus the amount of third-party debt and preferred securities, net of cash, with recourse to the partnership.<sup>2</sup>

**Brookfield Business Partners (BBU):** We earn base management fees paid quarterly equal to 0.3125% of BBU's market value (1.25% annually). Capitalization is calculated as the volume-weighted average of the closing prices of the LP units on the principal exchange for the quarter multiplied by the number of units issued and outstanding on the last day of the quarter, plus the amount of third-party debt, net of cash, with recourse to the partnership.<sup>2</sup>

**TerraForm Power (TERP):** For the first four quarters following the acquisition of TERP, on October 16, 2017, we earn base management fees paid quarterly of \$2.5 million (\$10 million annually) followed by \$3 million per quarter (\$12 million annually) for the following four quarters. Thereafter, we earn base management fees paid quarterly of \$3.75 million (\$15 million annually). We earn an additional equity enhancement distribution of 0.3125% (1.25% annually) of the amount by which the company's per unit capitalization value at the end of each quarter exceeded its initial per unit capitalization value at the time of acquisition. Capitalization is calculated as the volume-weighted average of the closing prices of the LP units on the Nasdaq for the quarter multiplied by the number of units outstanding on the last day of the quarter.

1. Annualized fee revenues illustrate potential future performance based on our current level of listed partnership fee bearing capital

2. For units traded on multiple exchanges, the principal exchange is determined on the basis of aggregate trading volume for the period

## LISTED ISSUER INCENTIVE DISTRIBUTIONS

We receive a portion of increases in the distributions by BIP, BEP and BPY as an incentive to increase FFO per unit, which should lead to increased unitholder distributions over time

### Annualized Incentive Distributions

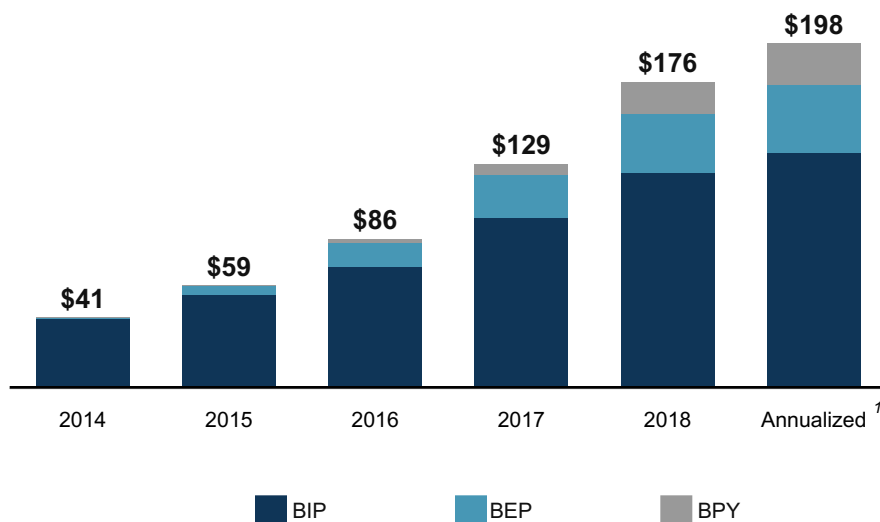
AS AT JUN 30, 2018  
(MILLIONS, EXCEPT PER UNIT)

	Per Unit			Units Outstanding	Annualized Incentive Distributions
	Annualized Distributions	Distribution Hurdles <sup>1</sup>	Incentive Distributions <sup>2</sup>		
Brookfield Infrastructure Partners (BIP)	\$ 1.88	\$ 0.81 / \$ 0.88	15% / 25%	394.2	\$ 135
Brookfield Renewable Partners (BEP)	1.96	1.50 / 1.69	15% / 25%	312.6	39
Brookfield Property Partners (BPY)	1.26	1.10 / 1.20	15% / 25%	703.1	24
					<u>\$ 198</u>

- We are also entitled to earn a portion of increases in distributions by TERP, based on distribution hurdles of \$0.93 and \$1.05. TERP's current annual distribution has not yet reached the first hurdle
- Incentive distributions equate to 18% and 33% of limited partner distribution increases over the first and second hurdles, respectively

### Incentive Distributions (LTM)

JUN. 30 (MILLIONS)



- Annualized 2018 IDR based on most recently announced distribution levels

### Listed Partnerships Distributions (per unit)

#### BPY/BEP/BIP

- Distribution policies target a distribution level that is sustainable on a long-term basis while retaining sufficient liquidity for capital expenditures and general purposes.

	BPY	BEP	BIP
Targeted:			
- FFO payout	80%	60% to 70%	60% to 70%
- Distribution growth	5% to 8%	5% to 9%	5% to 9%
2018 <sup>1</sup>	\$ 1.26	\$ 1.96	\$ 1.88
2017	1.18	1.87	1.74
2016	1.12	1.78	1.55
2015	1.06	1.66	1.41
2014	1.00	1.55	1.28

- Annualized based on current distribution levels

#### BBU

- BBU's performance fee is calculated as 20% of the increase in weighted average unit price for the quarter, over the highest previous threshold. Following the fee paid in the second quarter of 2018, the threshold was revised upwards to \$38.31.

## DEBT TO CAPITALIZATION

### Capitalization

	Corporate		Our Share <sup>1</sup>		Consolidated	
	2018	2017	2018	2017	2018	2017
AS AT JUN. 30, 2018 AND DEC. 31, 2017 (MILLIONS)						
Corporate borrowings	\$ 6,424	\$ 5,659	\$ 6,424	\$ 5,659	\$ 6,424	\$ 5,659
Non-recourse borrowings						
Property specific borrowings	—	—	31,171	30,210	70,638	63,721
Subsidiary borrowings	—	—	5,599	5,711	8,107	9,009
	<b>6,424</b>	5,659	<b>43,194</b>	41,580	<b>85,169</b>	78,389
Accounts payable and other	1,419	2,140	9,620	10,880	18,330	17,965
Deferred income tax liabilities	183	160	4,606	5,204	11,103	11,409
Subsidiary equity obligations	—	—	1,659	1,648	3,894	3,661
Liabilities associated with assets held for sale	—	—	249	703	1,502	1,424
Equity						
Non-controlling interests	—	—	—	—	50,597	51,628
Preferred equity	4,192	4,192	4,192	4,192	4,192	4,192
Common equity	24,381	24,052	24,381	24,052	24,381	24,052
	<b>28,573</b>	28,244	<b>28,573</b>	28,244	<b>79,170</b>	79,872
Total capitalization	<b>\$ 36,599</b>	\$ 36,203	<b>\$ 87,901</b>	\$ 88,259	<b>\$ 199,168</b>	\$ 192,720
Debt to capitalization <sup>2</sup>	<b>18%</b>	16%	<b>49%</b>	47%	<b>43%</b>	41%

1. Represents our share of debt and other obligations based on our ownership percentage of the related investments

2. Determined as the aggregate of corporate borrowings and non-recourse borrowings divided by total capitalization

- Capitalization includes borrowings, accounts payable and other liabilities, deferred income taxes, subsidiary equity obligations and equity, which is consistent with how we assess our leverage ratios and how we present them to our rating agencies.
  - Corporate capitalization shows debt on a deconsolidated basis.
  - Capitalization at our share, which reflects our proportionate interest in the underlying entities, depicts the extent to which our underlying assets are leveraged, which we believe is an important component of enhancing shareholder returns.
  - Consolidated capitalization reflects the full consolidation of wholly owned and partially owned entities; however, it excludes amounts within equity accounted investments.

## COMMON SHARE INFORMATION

### Common Share Continuity

FOR THE PERIODS ENDED JUN. 30 (MILLIONS)	Three Months		LTM	
	2018	2017	2018	2017
Outstanding at beginning of period	957.0	958.6	958.7	959.0
Issued (repurchased)				
Repurchases	—	(0.1)	(6.6)	(3.5)
Long-term share ownership plans	0.4	0.2	5.2	2.9
Dividend reinvestment plan	0.1	—	0.2	0.3
Outstanding at end of period	957.5	958.7	957.5	958.7
Unexercised options and other share-based plans	46.2	49.3	46.2	49.3
Total diluted shares at end of period	1,003.7	1,008.0	1,003.7	1,008.0

- The company holds 34.0 million common shares for management share ownership plans, which have been deducted from the total number of shares outstanding. — 5.4 million shares would be issued in respect of these plans if exercised based on current market prices and the balance would be canceled.
- Cash value of unexercised options at June 30, 2018 was \$1.1 billion (December 31, 2017 – \$994 million).

### FFO and Earnings Per Share Information

FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	Funds from Operations		Net Income	
	2018	2017	2018	2017
FFO/Net income	\$ 790	\$ 1,026	\$ 680	\$ 225
Preferred share dividends	(38)	(35)	(38)	(35)
Dilutive effect of conversion of subsidiary preferred shares	—	—	(34)	—
FFO/Net income available for shareholders	\$ 752	\$ 991	\$ 608	\$ 190
Weighted average shares	957.1	958.6	957.1	958.6
Dilutive effect of the conversion of options and other share-based plans using treasury stock method	18.1	20.0	18.1	20.0
Shares and share equivalents	975.2	978.6	975.2	978.6
Per share	\$ 0.77	\$ 1.01	\$ 0.62	\$ 0.19

## FINANCIAL PERFORMANCE (IFRS)

### Condensed Statements of Operations

FOR THE THREE MONTHS ENDED JUN. 30  
(MILLIONS, EXCEPT PER SHARE AMOUNTS)

	2018	2017	Change
Revenue	\$ 13,276	\$ 9,444	\$ 3,832
Direct costs	(10,781)	(7,332)	(3,449)
Gross margin	2,495	2,112	383
Other income and gains	95	—	95
Equity accounted income	342	250	92
Expenses			
Interest	(1,066)	(865)	(201)
Corporate costs	(24)	(20)	(4)
Fair value changes	833	213	620
Depreciation and amortization	(672)	(613)	(59)
Income tax	(339)	(119)	(220)
<b>Net income</b>	<b>1,664</b>	<b>958</b>	<b>706</b>
Non-controlling interests	(984)	(733)	(251)
<b>Net income attributable to shareholders</b>	<b>\$ 680</b>	<b>\$ 225</b>	<b>\$ 455</b>
Per share	<b>\$ 0.62</b>	<b>\$ 0.19</b>	<b>\$ 0.43</b>

### Financial Highlights

- **Revenues** increased by 41% due primarily to recently acquired businesses, in particular in our Private Equity segment, where a U.K. road fuel distribution business acquired in May 2017 contributed more than \$3.0 billion of revenues this quarter. Excluding the impact of acquisitions, organic growth initiatives and improved pricing at existing operations, such as our graphite electrode manufacturing business, contributed to increases in revenue. These increases were partially offset by the absence of revenue from assets sold.
- **Gross margin** was positively impacted by the contributions of acquisitions, strong leasing growth in our core office properties, improved performance in our Private Equity industrial operations, including our graphic electrode manufacturing business, and improved margins in our North American residential business.
- **Other income and gains** relate primarily to realized gains on the sales of two private equity businesses – a joint venture in our real estate brokerage services business and a business unit in our infrastructure support products manufacturing operation.
- **Interest expense** increased due to debts assumed from acquired businesses, higher borrowings used to finance acquisitions and the issuance of an additional \$1.6 billion of corporate debt in the last twelve months.
- **Fair value changes** in the current year include appraisal gains recognized on numerous investment properties in our opportunistic portfolio, a gain on the extinguishment of a debt instrument associated with a hospitality investment and unrealized gains on certain financial contracts.
- **Net income attributable to shareholders** increased due to the aforementioned items as well as a lower proportion of income being attributed to non-controlling interests based on the mix of income earned across the portfolio relative to our ownership in the various businesses.

## Entity Basis – Reconciliation to Reportable Segments – Invested Capital

AS AT JUN 30, 2018  
(MILLIONS)

	Reportable Segments						Total
	Asset Management	Real Estate	Renewable Power	Infrastructure	Private Equity	Residential	
<b>Asset Management</b>							
Fee related earnings	\$ 334	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 334
Carried interest, net	—	—	—	—	—	—	—
	<u>334</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>334</u>
<b>Invested Capital</b>							
Listed Investments							
Brookfield Property Partners <sup>1</sup>	—	16,907	—	—	—	—	16,907
Brookfield Renewable Partners	—	—	3,801	—	—	—	3,801
Brookfield Infrastructure Partners	—	—	—	1,920	—	—	1,920
Brookfield Business Partners	—	—	—	—	1,921	—	1,921
Financial assets	—	—	—	—	—	—	3,401
Acadian Timber	—	—	—	81	—	—	81
Norbord	—	—	—	—	1,412	—	1,412
Other Listed – Private Equity	—	—	—	—	589	—	589
	<u>—</u>	<u>16,907</u>	<u>3,801</u>	<u>2,001</u>	<u>3,922</u>	<u>—</u>	<u>30,032</u>
Unlisted Investments							
Residential development	—	—	—	—	—	2,601	2,601
Energy marketing	—	—	748	—	—	—	748
Other	—	209	—	591	282	—	1,114
	<u>—</u>	<u>209</u>	<u>748</u>	<u>591</u>	<u>282</u>	<u>2,601</u>	<u>4,463</u>
<b>Capitalization</b>							
Borrowings	—	—	—	—	—	—	(6,424)
Net working capital/operating costs	—	—	—	—	—	—	168
Preferred shares	—	—	—	—	—	—	(4,192)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(10,448)</u>
	<u>\$ 334</u>	<u>\$ 17,116</u>	<u>\$ 4,549</u>	<u>\$ 2,592</u>	<u>\$ 4,204</u>	<u>\$ 2,601</u>	<u>\$ 24,381</u>

1. Includes \$1.3 billion of BPY preferred shares



## Entity Basis – Reconciliation to Reporting Segments – Three Months FFO

	Reporting Segments							Total
	Asset Management	Real Estate	Renewable Power	Infrastructure	Private Equity	Residential	Corporate	
FOR THE THREE MONTHS ENDED JUN. 30, 2018 (MILLIONS)								
<b>Asset Management</b>								
Fee related earnings	\$ 239	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 239
Carried interest, net	2	—	—	—	—	—	—	2
	<u>241</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>241</u>
<b>Invested Capital</b>								
Listed investments								
Brookfield Property Partners <sup>1</sup>	—	189	—	—	—	—	—	189
Brookfield Renewable Partners	—	—	98	—	—	—	—	98
Brookfield Infrastructure Partners	—	—	—	78	—	—	—	78
Brookfield Business Partners	—	—	—	—	55	—	—	55
Financial assets	—	—	—	—	—	—	14	14
Acadian Timber	—	—	—	1	—	—	—	1
Norbord	—	—	—	—	97	—	—	97
	<u>—</u>	<u>189</u>	<u>98</u>	<u>79</u>	<u>152</u>	<u>—</u>	<u>14</u>	<u>532</u>
Unlisted investments								
Residential development	—	—	—	—	—	14	—	14
Energy marketing	—	—	(32)	—	—	—	—	(32)
Other	—	11	—	7	4	—	3	25
	<u>—</u>	<u>11</u>	<u>(32)</u>	<u>7</u>	<u>4</u>	<u>14</u>	<u>3</u>	<u>7</u>
<b>Disposition Gains</b>	—	6	—	—	126	—	—	132
<b>Capitalization<sup>2</sup></b>								
Borrowings	—	—	—	—	—	—	(80)	(80)
Net working capital/operating costs	—	—	—	—	—	—	(42)	(42)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(122)</u>	<u>(122)</u>
	<u>\$ 241</u>	<u>\$ 206</u>	<u>\$ 66</u>	<u>\$ 86</u>	<u>\$ 282</u>	<u>\$ 14</u>	<u>\$ (105)</u>	<u>\$ 790</u>

1. Includes \$19 million of BPY preferred share distributions

2. Excludes \$38 million (2017 – \$35 million) of preferred share distributions for the three months, which are included in determining per share results

## Entity Basis – Reconciliation to Reporting Segments – LTM FFO

	Reporting Segments							Total
	Asset Management	Real Estate	Renewable Power	Infrastructure	Private Equity	Residential	Corporate	
FOR THE LTM ENDED JUN 30, 2018 (MILLIONS)								
<b>Asset Management</b>								
Fee related earnings	\$ 1,084	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,084
Carried interest, net	93	—	—	—	—	—	—	93
	<u>1,177</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,177</u>
<b>Invested Capital</b>								
Listed investments								
Brookfield Property Partners <sup>1</sup>	—	777	—	—	—	—	—	777
Brookfield Renewable Partners	—	—	339	—	—	—	—	339
Brookfield Infrastructure Partners	—	—	—	333	—	—	—	333
Brookfield Business Partners	—	—	—	—	70	—	—	70
Financial assets	—	—	—	—	—	—	151	151
Acadian Timber	—	—	—	6	—	—	—	6
Norbord	—	—	—	—	275	—	—	275
	<u>—</u>	<u>777</u>	<u>339</u>	<u>339</u>	<u>345</u>	<u>—</u>	<u>151</u>	<u>1,951</u>
Unlisted investments								
Residential development	—	—	—	—	—	53	—	53
Energy marketing	—	—	(35)	—	—	—	—	(35)
Other	—	28	—	22	19	—	14	83
	<u>—</u>	<u>28</u>	<u>(35)</u>	<u>22</u>	<u>19</u>	<u>53</u>	<u>14</u>	<u>101</u>
<b>Disposition Gains</b>	—	858	—	244	141	—	—	1,243
<b>Capitalization<sup>2</sup></b>								
Borrowings	—	—	—	—	—	—	(294)	(294)
Net working capital/operating costs	—	—	—	—	—	—	(108)	(108)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(402)</u>	<u>(402)</u>
	<u>\$ 1,177</u>	<u>\$ 1,663</u>	<u>\$ 304</u>	<u>\$ 605</u>	<u>\$ 505</u>	<u>\$ 53</u>	<u>\$ (237)</u>	<u>\$ 4,070</u>

1. Includes \$76 million of BPY preferred share distributions

2. Excludes \$150 million (2017 – \$137 million) of preferred share distributions for the LTM, which are included in determining per share results

## RECONCILIATION OF NET INCOME TO FFO

The following table reconciles net income to total FFO:

FOR THE THREE MONTHS ENDED JUN. 30  
(MILLIONS)

	<u>2018</u>	<u>2017</u>
<b>Net income</b>	<b>\$ 1,664</b>	<b>\$ 958</b>
Realized disposition gains recorded as fair value changes or equity	<b>95</b>	499
Non-controlling interests in FFO	<b>(1,294)</b>	(1,103)
Financial statement components not included in FFO		
Equity accounted fair value changes and other non-FFO items	<b>283</b>	241
Fair value changes	<b>(833)</b>	(213)
Depreciation and amortization	<b>672</b>	613
Deferred income taxes	<b>203</b>	31
<b>Total FFO</b>	<b><u>\$ 790</u></b>	<b><u>\$ 1,026</u></b>

## GLOSSARY OF TERMS

This Supplemental Information contains key performance measures that we employ in analyzing and discussing our results. These measures include non-IFRS measures. We describe our key financial measures below and include a complete list of our performance measures on pages 103 through 108 of our December 31, 2017 annual report.

- **Fee Bearing Capital** represents the capital committed, pledged or invested in the listed partnerships, private funds and public securities that we manage which entitles us to earn fee revenues. Fee bearing capital includes both called (“invested”) and uncalled (“pledged” or “committed”) amounts. When reconciling period amounts we utilize the following definitions:
  - **Inflows** include capital commitments and contributions to our private and public securities funds and equity issuances in our listed partnerships.
  - **Outflows** represent distributions and redemptions of capital from within the public securities capital.
  - **Distributions** represent quarterly distributions from listed partnerships as well as returns of committed capital (excluding market valuation adjustments), redemptions and expiry of uncalled commitments within our private funds.
  - **Market activity** includes gains (losses) on portfolio investments, listed partnerships and public securities based on market prices.
  - **Other** include changes in net non-recourse leverage included in the determination of listed partnership capitalization and the impact of foreign exchange fluctuations on non-U.S. dollar commitments.
- **Cash available for distribution/reinvestment** is a non-IFRS measure and is the sum of our Asset Management segment FFO and distributions received from our listed investments, net of Corporate FFO and preferred share dividends. This provides insight into earnings received by the corporation that are available for distribution to common shareholders or to be reinvested into the business.
- **Annualized fees** include annualized base management fees, which are determined by the contractual fee rate multiplied by the current level of fee bearing capital, annualized incentive distributions based on our listed partnerships’ current annual distribution policies, annualized transaction and public securities performance fees equal a simple average of the last two years’ revenues.
- **Fee Related Earnings** is comprised of fee revenues less direct costs associated with earning those fees, which include employee expenses and professional fees as well as business related technology costs, other shared services and taxes. We use this measure to provide additional insight into the operating profitability of our asset management activities.
- **Carried Interest** is a contractual arrangement whereby we receive a fixed percentage of investment gains generated within a private fund provided that the investors receive a pre-determined minimum return. Carried interest is typically paid towards the end of the life of a fund after the capital has been returned to investors and may be subject to “clawback” until all investments have been monetized and minimum investment returns are sufficiently assured. This is referred to as **realized carried interest**. We defer recognition of carried interest in our financial statements until they are no longer subject to adjustment based on future events. Unlike fees and incentive distributions, we only include carried interest earned in respect of third-party capital when determining our segment results.
  - **Accumulated unrealized carried interest** is based on carried interest that would be receivable under the contractual formula at the period end date as if a fund was liquidated and all investments had been monetized at the values recorded on that date. **Unrealized carry** refers to the change in unrealized carry during a specified period, adjusted for realized carry.
  - **Annualized target carried interest** represents the annualized carried interest we would earn on third-party private fund capital subject to carried interest based on the assumption that we achieve the targeted returns on the private funds. It is determined by multiplying the target gross return of a fund by the percentage carried interest and by the amount of third-party capital, and discounted by a utilization factor representing the average invested capital over the fund life.

## GLOSSARY OF TERMS (cont'd)

- **Invested Capital** is the amount of common equity in our operating segments.
- **Fee Revenues** include base management fees, incentive distributions, performance fees and transaction fees presented within our Asset Management segment. Fee revenues exclude carried interest.
- **Funds from Operations (“FFO”)** is a key measure of financial performance. FFO includes the fees that we earn from managing capital as well as our share of revenues earned and costs incurred within our operations, which include interest expense and other costs. FFO is defined as net income attributable to shareholders prior to fair value changes, 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 on a fully diluted basis. Brookfield uses FFO to assess its operating results and believes that many of its shareholders and analysts also find this measure valuable 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. Net income is reconciled to FFO on slide 34.
  - FFO from **Operating Activities** represents the company’s share of revenues less operating costs and interest expenses: it excludes carried interest, disposition gains, fair value changes, depreciation and amortization 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.
  - **Realized Carried Interest** represents our share of investment returns based on realized gains within a private fund. Realized carried interest earned is recognized when an underlying investment is profitably disposed of and the fund’s cumulative returns are in excess of preferred returns, in accordance with the respective terms set out in the fund’s governing agreements, and when the probability of clawback is remote. Realized carried interest is determined on third-party capital that is no longer subject to future investment performance.
  - **Realized Disposition Gains/Losses** are included in FFO as the purchase and sale of assets is a normal part of the company’s business. They include gains or losses arising from transactions during the reporting period together with any fair value changes and revaluation surplus recorded in prior periods and are presented net of cash taxes payable or receivable. Realized disposition gains include amounts that are recorded in net income, other comprehensive income and as ownership changes in our consolidated statements of equity, and exclude amounts attributable to non-controlling interests unless otherwise noted.
- **Performance Fees** are paid to us when we exceed predetermined investment returns within BBU and on certain public securities portfolios. BBU performance fees are accrued quarterly, whereas performance fees within public securities funds are typically determined annually. Performance fees are not subject to clawback.
- **Incentive Distributions** are determined by contractual arrangements and are paid to us by BPY, BEP, BIP and TERP and represent a portion of distributions paid by listed partnerships above a predetermined hurdle.
- **Base Management Fees** are determined by contractual arrangements, are typically equal to a percentage of fee bearing capital and are accrued quarterly. Private fund base fees are typically earned on fee bearing capital from third-party investors only and are earned on invested and/or uninvested fund capital, depending on the stage of the fund life.
- **Economic Net Income (“ENI”)** is a non-IFRS measure that represents the sum of our fee related earnings and unrealized carried interest generated in the period, net of associated costs. We provide this measure as a supplement to FFO for our Asset Management segment to assess operating performance, including the fee revenues and carried interest generated on unrealized changes in value of our private fund investment portfolios. Continued growth in this measure is a leading indicator for future FFO growth in our Asset Management segment.
- **Internal Rate of Return (“IRR”)** is the annualized compounded rate of return of the fund, calculated since fund inception.
- **Multiple of Capital (“MoC”)** represents the ratio of total distributions and estimates of remaining values to the equity invested.

## 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 foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Brookfield Asset Management, investors and others should carefully consider the foregoing 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.