

PART 1 FINANCIAL REVIEW



OVERVIEW

Brookfield is a global asset manager, with a focus on property, renewable power and infrastructure. Our business model is simple: utilize our global reach to identify and acquire high quality real assets at favourable valuations, finance them on a long-term, low-risk basis, and enhance the cash flows and values of these assets through our leading operating platforms to earn reliable attractive long-term total returns for the benefit of our partners and ourselves.

We create value for shareholders in the following ways:

- As an *owner-operator*, we aim to increase the value of the assets within our platforms and the cash flows they produce through our operating expertise, development capabilities and effective financing capabilities;
- As an *investor and capital allocator*, we strive to invest at attractive valuations, particularly in distress situations that create opportunities for superior valuation gains and cash flow returns, or by monetizing assets at appropriate times to realize value; and
- As an *asset manager*, by performing the foregoing activities not just with our own capital, but also with that of our clients. This enables us to increase the scale of our operations, which differentiates us from others, and enhances our financial returns through the receipt of base management fees, and performance-based income.

Our primary financial objective is to increase the intrinsic value of Brookfield, on a per share basis, at a rate in excess of 12% when measured over the longer term. Our intrinsic value has three main components:

- The net tangible asset value of our equity. This is based on the appraised value of our net tangible assets as reported in our audited financial statements, with adjustments to eliminate deferred income taxes and value the assets which are not otherwise carried at fair value in our financial statements. We refer to this as Net Tangible Asset Value and use this basis of presentation throughout the Supplemental Information;
- The value of our asset management franchise. Asset management franchises are typically valued using multiples of fees or assets under management. We have provided an assessment of this value, based on our current capital under management, associated fees and potential growth. We refer to this as Asset Management Franchise Value. This value, together with Net Tangible Asset Value, forms what we call Intrinsic Value. We provide a number of key metrics to assist in valuing this component of our intrinsic value; and
- The overall business franchise, which to us represents our ability to maximize values based on our extensive operating platforms and global presence, our execution capabilities, and relationships which have been established over decades. This value has not been quantified and is not reflected in any of our values but may be the most valuable of them all.

Cash flow from operations is another important metric for us, as it serves as an important benchmark for valuing many of our assets and our operational efficiency. We provide additional information on how we determine Intrinsic Value, Net Tangible Asset Value and Operating Cash Flow in the balance of this document. We also provide a reconciliation between Operating Cash Flow and Net Income in the Supplemental Information.

PERFORMANCE HIGHLIGHTS

We recorded solid financial and operational performance during 2010, and achieved a number of important growth objectives. The following is a summary of the more important highlights from 2010, with a particular emphasis on those that impacted our financial results and which may be likely to influence our future performance.

- ***Operating cash flow was \$2.6 billion on a consolidated basis, of which \$1.5 billion accrues to Brookfield common shareholders. This is nearly identical to the cash flow reported in 2009 and 2008 – illustrating the resiliency of our operations.***

We achieved substantial growth in our commercial property, infrastructure and residential development cash flows, which more than offset the impact of unusually low water levels on our renewable power business and a lower level of investment gains. We also recorded a substantially higher contribution from our asset management activities.

- ***We achieved a total return of \$3.77 per share, or 11.9%, consistent with our objective of 12%+ growth.***

This increase reflects the cash flow generated within the business, increases in the net tangible value of our assets, and appreciation in the value of our asset management business. We distributed \$0.52 per share as common share dividends and the balance will continue to compound in the business for you.

- ***We increased the value of our asset management franchise as measured by capital under management, base management fees and performance-based returns.***

We secured over \$4 billion of new commitments during the year, increasing capital under management for clients to \$50 billion. Annualized base management fees exceeded \$190 million at year-end, representing seven-fold growth over the past five years and we generated \$249 million of performance-based income. The growth in the current year and the potential for future expansion resulted in an increase in our assessment of the value of this component of our business to \$4.0 billion, or \$6.49 per share.

- ***We invested nearly \$6 billion of our own capital, alongside clients, into new opportunities during 2010, including \$1.7 billion in the first six weeks of 2011.***

Capital investment during the year included approximately \$1 billion of our capital as part of the \$2.6 billion cornerstone investment by us and our clients into the restructuring of General Growth Properties (“GGP”). We invested an additional \$1.7 billion in GGP common shares during early 2011, increasing our combined interest in GGP to nearly 40% and our direct interest to approximately 20%. We also acquired the remaining 60% of a global infrastructure portfolio for approximately \$1.1 billion. This is in addition to \$2.5 billion invested in a variety of other acquisitions and development activities during the year.

- ***We completed \$18 billion of capital raising initiatives, including \$2 billion in the first six weeks of 2011.***

These activities enhanced our liquidity, funded investment initiatives and enabled us to extend our debt maturity profile at a low cost of capital. One result is the extension of the corporate maturity profile at each of Brookfield Asset Management and our renewable power business to eight years and ten years, respectively, with an average rate on new debt issues of 5.2%.

- ***We advanced several transactions to simplify our structure and better position key operating companies to create enhanced value for shareholders.***

We established our flagship commercial office company, Brookfield Office Properties, as a global pure play office company by merging in our interests in our Australian office portfolio. We are also in the process of merging our U.S. residential operations with Brookfield Office’s Canadian residential business to create a unique North American residential company. In addition, the merger of Brookfield Infrastructure and its partially owned Australian infrastructure subsidiary (the “Prime Acquisition”) simplifies the ownership structure and establishes Brookfield Infrastructure as a global leader in infrastructure with a \$3.5 billion market capitalization.

- *Our operating teams completed a number of important initiatives to increase the values and cash flows of our assets.*

We signed 7.2 million square feet of new commercial office leases, secured long-term contracts for 900 gigawatt hours of annual power generation, received approval to increase the rate base of our Australian Coal Terminal and entered into contractual arrangements supporting \$0.5 billion of infrastructure upgrades. We also completed \$0.5 billion of renewable energy projects and launched \$1.8 billion of new condominium projects in Brazil.

- *We are working on a number of attractive growth opportunities, including expansion of our existing operations and potential acquisitions.*

Our property, renewable power and infrastructure teams expect to expand their businesses and future cash flows with internal initiatives that include substantial extensions to our Australian rail network and a new wind farm in Ontario, while our financial strength allows us to consider a number of transactions that promise attractive long-term returns.

Cash Flow from Operations

The following table sets out our operating cash flows on a segmented basis:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	2010	2009
Operating platforms		
Renewable power generation	\$ 548	\$ 720
Commercial properties	364	309
Infrastructure	130	62
Development activities	192	69
Private equity and finance	181	112
Investment and other income	311	370
Operating platforms and corporate assets	1,726	1,642
Asset management and other services	348	298
	2,074	1,940
Unallocated costs:		
Interest expense	(313)	(267)
Operating costs	(277)	(268)
Current income taxes	(21)	(3)
Operating cash flow	\$ 1,463	\$ 1,402
– Per share	\$ 2.37	\$ 2.34

Cash flow from operations was approximately \$1.46 billion in 2010 compared to \$1.40 billion in 2009. These results included realization gains of approximately \$400 million in both years from sales of partial interests in our operations.

Asset management fees and the contribution from other services increased to \$348 million. This excludes \$224 million of performance-based income that accumulated during the year but is deferred for accounting purposes. Base management fees were higher as a result of new funds and increased third party capital under management. Our construction services businesses expanded their operating margins and activity levels and new contract procurement is benefitting from increased economic activity. Unallocated interest and operating costs increased in line with the expansion of our operations.

Renewable power operations contributed net operating cash flow and realization gains of \$548 million, compared to \$720 million last year. We recorded realization gains of \$291 million and \$369 million, respectively, in 2010 and 2009 on the sale of interests in our Canadian renewable energy business. Our reduced interest in these operations, together with low hydrology levels in Ontario, Quebec and New York, resulted in lower cash flows; however this was partially offset by higher price contracts and an increase in cash flow from new wind and other generating facilities. Reservoirs were 6% above average levels at year end, reflecting stronger water flows in the fourth quarter. This positions us well going into 2011 and we have recently benefitted from higher electricity prices due to colder winter weather.

The contribution from our commercial office business reflects a 4% increase in rents on a “same property” basis and \$12 million of additional cash flow from newly acquired or developed properties. We also received a \$26 million dividend from our investment in Canary Wharf Group and recorded a higher level of realization gains. We leased 7.2 million square feet, maintaining our lease profile at 95% occupancy with a 7.2 year average term. The average rent in the portfolio increased to \$28 per square foot, which continues to be approximately 10% below market rents.

Infrastructure cash flows more than doubled, due to a contribution of \$74 million from the global portfolio acquired in the fourth quarter of 2009. Our other existing businesses, excluding timber, contributed \$5 million more than last year. These businesses are largely regulated or contractual in nature, providing for stable operating results that increase with inflation and the investment of additional capital. Our timber business, which is more correlated with the economic cycle, contributed \$23 million compared to \$10 million last year, well below its potential, due to continued low level of economic activity in North America. Despite higher prices due to Asian shipments, we continue to harvest at reduced levels and are building standing timber inventories in expectation of improving lumber prices.

Our development activities include residential real estate and opportunistic property investments, both of which are focused primarily on the acquisition and then subsequent sale of assets, as opposed to our power, property and infrastructure businesses, which have a much longer ownership time frame. The combined contribution from these activities increased by \$123 million to \$192 million. Residential development contributed \$77 million of the increase and the other \$46 million related to our opportunity property investments. Residential results benefitted from an increased number of project completions in Brazil and improved margins in North America.

Private equity and finance results benefitted from improved operating results at a number of the companies held within our distress investment and private equity portfolios, reflecting a better operating environment and restructuring initiatives carried out over the past several years. These results included \$80 million of disposition gains.

Investment and other income totalled \$311 million in the year compared to \$370 million in 2009, reflecting a lower level of investment and currency gains in 2010. Unallocated costs, including corporate interest expense, increased by \$73 million reflecting the impact of higher cost term debt issued during 2009 and an expanded operating base.

Total Return

We increased our intrinsic value by \$2.4 billion, or \$3.77 per share during 2010. The components of the increase are set forth in the following table and include operating cash flow, increases in the values of our net tangible assets and appreciation in the value of our asset management franchise based on continued growth in capital under management and associated fees.

	2010		2009	
	Total	Per share	Total	Per share
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)				
Operating cash flow	\$ 1,463	\$ 2.37 ¹	\$ 1,402	\$ 2.34 ¹
Less: preferred shares	(75)	n/a	(43)	n/a
Operating cash flow for common shares	1,388	2.37	1,359	2.34
Fair value changes				
Recognized in IFRS statements	(269)	(0.69)	(46)	(0.06)
Unrecognized value	1,200	2.05	550	0.88
Asset management franchise	500	0.85	400	0.64
	1,431	2.21	904	1.46
Less: gains recorded in cash flow	(414)	(0.81)	(410)	(0.80)
Total return (\$)	\$ 2,405	\$ 3.77	\$ 1,853	\$ 3.00
Total return (%)	11.9%	11.0%	10.0%	9.5%

1. Preferred share dividends are reflected in operating cash flow per share for consistency

The largest contributor to our total return was our operating cash flow of \$1.5 billion, most of which was retained in the business.

Valuation and appraisal gains related to our net tangible assets totalled \$1.0 billion during the year of which \$414 million was included in operating cash flow. The valuation and appraisal gains are based on year-end appraisals and valuations and include the gains recorded in our IFRS financial statements as well as management estimates for certain assets that are not revalued in our financial statements. The increase reflects lower discount rates, and the impact of higher exchange rates on assets in Australia, Brazil and Canada, partly offset by a reduction in the energy prices that we expect to realize within our renewable power operations over the next few years.

Our assessment of the value of our asset management franchise increased by \$0.5 billion to \$4.0 billion at year end. This value reflects the current capital under management for our clients and the associated fees as well as the potential growth in capital and fees over the next 10 years.

Intrinsic Value

The intrinsic value of our common equity totalled \$22.3 billion at year-end, or \$37.45 per share. The increase of \$2.1 billion is due to the total return of \$3.77 per share presented above, less dividends to common shareholders of \$0.52 per share. The following table shows the components of intrinsic value:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	2010		2009	
	Total	Per share	Total	Per share
Net tangible asset value	\$ 18,261	\$ 30.96	\$ 16,654	\$ 28.45
Asset management franchise value	4,000	6.49	3,500	5.75
Intrinsic value	\$ 22,261	\$ 37.45	\$ 20,154	\$ 34.20

The assumptions used in valuing our tangible assets are based on market conditions prevalent at the end of 2010 and assuming normal transaction circumstances. We believe that these values would be lower on a liquidation basis (which we have no intention of undertaking) and higher if assessed in the context of a strategic sale over a period of time. Furthermore, we believe that disciplined owners can extract additional value by selling assets primarily when market imbalances result in premium valuations and usually exceed appraisal valuations as a result of this.

We estimate that a 100-basis point decrease in the discount rates used to value our two largest asset classes, commercial office properties and renewable power generating facilities, would increase our values by \$3.9 billion, in aggregate, or \$6.33 per share. A corresponding 100-basis point increase would have the opposite effect on our values. Key valuation assumptions are presented in Section 2 of the Supplemental Information.

Asset Management and Other Services

The following table summarizes fee revenues earned from clients for our asset management and other service businesses:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Operating Cash Flow	
	2010	2009
Asset management and other fees ¹	\$ 452	\$ 238
Less: deferred performance-based income ²	(224)	(29)
Asset management, net of deferred revenue	228	209
Property services and construction services ³	120	89
	\$ 348	\$ 298

1. Revenues
2. Performance-based income that has been deferred until clawback period expires
3. Net of direct expenses

We achieved significant growth in asset base management fees and performance-based income, in line with our objective of expanding our asset management operations. Base management fees increased to \$167 million from \$131 million in 2009 and now exceed \$190 million on an annualized basis. This represents seven-fold growth over the past five years. In addition, we generated performance-based income of \$249 million during the year, of which \$25 million was recognized in our financial statements and \$224 million is deferred until expiry of any clawback provisions. This income represents our participation in the value that we have created for our clients.

Capital Managed For Third Parties

The following table illustrates the capital managed for third parties which totalled \$49.9 billion at December 31, 2010. This includes \$41.7 billion of capital that is currently invested as well as allocations of capital to specific funds totalling \$8.2 billion that have yet to be invested:

AS AT DECEMBER 31 (MILLIONS)	2010	2009	2008
Institutional real asset funds	\$ 16,859	\$ 13,934	\$ 7,783
Managed listed issuers	5,425	4,196	2,255
	22,284	18,130	10,038
Public securities	21,069	23,787	18,040
Other listed entities	6,580	5,737	3,851
	\$ 49,933	\$ 47,654	\$ 31,929

We increased the capital allocated by clients to our institutional real asset funds by \$2.9 billion, which includes \$2.2 billion additional commitments to our Infrastructure funds and \$0.6 billion to our real estate opportunity funds. We returned \$0.5 billion of capital to our clients from our private equity and finance funds following the monetization of invested assets.

The growth in co-investor capital in our managed listed issuers increased by \$1.2 billion due to the issuance of \$1.1 of additional equity from our listed global infrastructure fund, our Canadian renewable power fund and our Canadian listed REIT, along with increased valuations of all three entities.

We are currently working on a number of fundraising initiatives. We expect to have seven funds in the market over the next eighteen months for which we will be seeking more than \$4 billion of third party capital, in addition to our own commitment to these funds. This capital and the management arrangements give us the opportunity to generate additional performance returns and carried interests that we earn from our clients, typically once our returns exceed a pre-determined hurdle return.

Capital Deployed

We invested \$7.9 billion of capital for ourselves and our clients through acquisitions and development activities during 2010 and early 2011. The major items are highlighted in the following table:

(BILLIONS)	Total	Brookfield
Commercial properties	\$ 5,900	\$ 4,200
Renewable energy	300	300
Infrastructure	1,200	1,200
Private Equity	500	200
	\$ 7,900	\$ 5,900

We invested over \$4.3 billion in General Growth Properties during 2010 and 2011 as part of our sponsorship and recapitalization of the company. Our consortium partners contributed \$1.7 billion with the balance provided by us. We invested \$1.0 billion into office properties and development sites in America and the United Kingdom and bought debt previously issued by our U.S. Office Fund. In our renewable power business we are developing wind facilities in Canada and the United States and hydro facilities in Brazil. Our infrastructure operations have a significant development pipeline and expanded the business during the year by acquiring 100% of Prime Infrastructure for approximately \$1.1 billion.

Invested Capital

Our capital continues to be invested primarily in (i) renewable hydroelectric power plants in North America and Brazil; (ii) commercial office properties in central business districts of major international centres; and (iii) a global portfolio of regulated infrastructure assets. These segments, together with cash and financial assets, represent approximately 70% of our invested capital and contribute to the strength and stability of our capitalization, operating cash flows and net asset values. Approximately 20% of our invested capital is deployed in more cyclical activities, such as residential development activities and our private equity and finance groups, with commensurately higher long-term return expectations. The remaining 10% of capital is deployed in working capital and carrying values associated with our service businesses.

The allocation of invested capital is shown in the following table:

AS AT DECEMBER 31 (MILLIONS)	Brookfield's Invested Capital ¹			% of Capital		
	2010	2009	2008	2010	2009	2008
Operating platforms						
Renewable power generation	\$ 7,492	\$ 8,468	\$ 8,678	29%	36%	39%
Commercial properties	6,909	4,841	4,702	27%	20%	21%
Infrastructure	1,905	1,646	1,274	7%	7%	6%
Development activities	3,184	3,153	2,176	12%	13%	10%
Private equity and finance	2,155	2,031	1,722	8%	9%	8%
Asset management and other services	1,800	1,053	784	7%	4%	3%
Cash and financial assets	1,543	1,607	1,903	6%	7%	9%
Other assets	919	1,014	871	4%	4%	4%
Invested capital	\$ 25,907	\$ 23,813	\$ 22,110	100%	100%	100%

1. At net tangible asset value

Invested capital increased by \$2.1 billion to \$25.9 billion representing a 9% increase. This is due to retained cash flow, increases in asset values and the impact of higher exchange rates on non-U.S. assets. Approximately \$0.3 billion of the increase was funded by increases in corporate obligations while the balance of \$1.6 billion accrued to our common equity.

The capital invested in commercial properties increased by \$2.1 billion due to an investment of nearly \$1 billion in General Growth Properties and increases in the appraised values of our commercial office portfolios. Renewable power operations declined by \$1.0 billion due to a reduction in power prices impacting the revaluation of our portfolio and the monetization of a portion of our interests in our Canadian portfolio.

Financing Activities and Liquidity

We completed \$16.1 billion of financings during 2010 and a further \$2 billion in the first six weeks of 2011 to supplement our liquidity, finance growth activities and extend our maturity profile, as shown in the following table:

(MILLIONS)	Proceeds	Rate	Term
Borrowings			
Unsecured	\$ 2,600	5.34%	5 years
Asset specific	5,900	6.59%	4 years
Construction	900	6.85%	2 years
Common shares	1,500	n/a	Perpetual
Preferred shares	1,500	5.30%	Perpetual
Equity/asset sales	2,800	n/a	Perpetual
Unlisted funds	2,900	n/a	12 years
	\$ 18,100		

The refinancing activities have enabled us to extend or maintain our average maturity term at favorable rates. The current steepness in the yield curve and prepayment terms on existing debt continues to reduce the attractiveness of pre-financing a number of our maturities, however we are aggressively pursuing refinancing short dated maturities and longer-dated maturities when these are economical. Our objective is to lock in the current lower yield interest rate environment and, more importantly, to extend term to match fund our long-life assets.

Core liquidity, which represents cash and financial assets and undrawn credit facilities at the Corporation and our principal operating subsidiaries, was approximately \$4.3 billion at year end, unchanged from the end of 2009. This includes \$2.6 billion at the corporate level and \$1.7 billion at our principal operating units. We maintained an elevated level of liquidity as we continue to see a substantial number of highly promising investment opportunities. We also have capital allocations from our clients of an additional \$8.2 billion to finance acquisitions.

Capitalization

We continue to finance our operations on an investment grade basis. The high quality and stable profile of our asset base and the strength of our financial relationships has enabled us to refinance maturities in the normal course even during the more difficult stages of the recent recession and credit crisis. The average term to maturity of our corporate debt is eight years and we have no maturities in 2011.

The following table summarizes our corporate capitalization at the end of the past three years, based on net tangible equity value:

AS AT DECEMBER 31 (MILLIONS)	Corporate Capitalization			% of Capitalization		
	2010	2009	2008	2010	2009	2008
Corporate borrowings	\$ 2,905	\$ 2,593	\$ 2,284	11%	11%	10%
Contingent swap accruals	858	779	675	3%	3%	3%
	3,763	3,372	2,959	14%	14%	13%
Accounts payable and other	1,556	2,011	2,239			
Preferred shares and capital securities	2,327	1,776	1,413	9%	7%	7%
Common equity	18,261	16,654	15,499	71%	70%	70%
Net tangible equity	20,588	18,430	16,912	80%	77%	77%
	\$ 25,907	\$ 23,813	\$ 22,110	100%	100%	100%

Corporate borrowings and contingent swap obligations represented a 14% debt-to-net tangible capital ratio while equity securities totalled nearly 80% of our deconsolidated capitalization, consistent with prior years. On a proportionately consolidated basis, reflecting our pro rata share of borrowing in our operating platforms, this ratio is 44% (2009 – 44%). We issued \$1.7 billion of common and preferred equity in early 2011 in connection with the acquisition of a further \$1.7 billion of General Growth Properties common shares, which decreased our deconsolidated and proportionately-consolidated ratios to 14% and 43%, respectively.

Net Income

We do not utilize net income on its own as a key metric in assessing the performance of our business because, in our view, it does not provide a consistent measure of the ongoing performance of the underlying operations. For example, net income includes fair value adjustments in respect of our commercial properties, timber and financial assets but not our renewable power, utility and development assets which currently represent approximately 50% of our invested capital. Nevertheless we recognize that others may wish to utilize net income as a key measure and therefore provide a discussion of net income and a reconciliation to operating cash flow below and in Part 3 of our Supplemental Information. Furthermore, we incorporate most of the elements of net income that are not included in operating cash flow, along with components of other comprehensive income, in determining our intrinsic values and total return.

The following table reconciles operating cash flow and gains to net income for 2010 and 2009:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	2010 IFRS	2009 IFRS	2009 CGAAP
Revenues	\$ 13,623	\$ 11,218	\$ 12,082
Operating cash flow gains	1,463	1,402	1,450
Less: realization and disposition gains ¹	(414)	(410)	(410)
	1,049	992	1,040
Other items			
Fair value changes	1,129	(1,502)	128
Depreciation and amortization	(693)	(573)	(693)
Deferred income taxes	(31)	247	(21)
Net income (loss) attributable to common shareholders	\$ 1,454	\$ (836)	\$ 454
– Per share (diluted)	\$ 2.33	\$ (1.54)	\$ 0.71

1. Represents gains that are recorded in equity for IFRS purposes, as opposed to net income

Cautionary Statement Regarding Forward-Looking Statements

This Financial Review contains forward-looking information within the meaning of Canadian provincial securities laws and "forward-looking statements" within the meaning of 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 harbour" provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations. The words, "potential," "intend," "grow," "plan," "seek," "expect," "believe," "objective," "continue," "enable," "expand," "likely," and derivations thereof and other expressions, including conditional verbs such as "will," "can," "may," "would" and "should" are predictions of or indicate future events, trends or prospects or identify forward-looking statements. Forward-looking statements in this Financial Review include statements with respect to: our objective to increase the intrinsic value of Brookfield, on a per share basis, at a rate in excess of 12% when measured over the longer term; our expectation to expand our property, renewable power and infrastructure businesses and future cash flows with internal initiatives and new acquisitions; our expectation of a reduction in energy prices within our renewable power operations over the next few years; the potential growth in capital and fees over the next 10 years as reflected in our assessment of the value of our asset management franchise; our assumptions in valuing our tangible assets, including projected cash flows and discount rates; our unrecognized and deferred performance-based income in our asset management business; our expectation for having seven funds in the market over the next eighteen months for which we will be seeking more than \$5 billion of third party capital; our development activities, including wind facilities in Canada and the United States and hydro facilities in Brazil; our objective to lock in the current lower yield interest rate environment and extend term to match fund our long-life assets; our ability to complete highly promising investment opportunities; and other statements with respect to our beliefs, outlooks, plans, expectations, and intentions. Although Brookfield Asset Management believes that its anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.

Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include: economic and financial conditions in the countries in which we do business; rate of recovery of the current financial crisis; the behaviour of financial markets, including fluctuations in interest and exchange rates; availability of equity and debt financing and refinancing; strategic actions including dispositions; the ability to complete and 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; tenant renewal rates; availability of new tenants to fill office property vacancies; tenant bankruptcies; acts of God, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments including terrorist acts; 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 Management's Discussion and Analysis of Financial Results 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. Except as required by law, the company undertakes no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.

Cautionary Statement Regarding Use of Non-IFRS Accounting Measures

This Financial Review makes reference to cash flow from operations on a total and per share basis. Management uses cash flow from operations as a key measure to evaluate performance and to determine the net asset value of its businesses. Brookfield's consolidated statements of cash flow from operations enable a full reconciliation between this measure and net income so that readers are able to consider both measures in assessing Brookfield's results. Operating cash flow is not a generally accepted accounting principle measure under International Financial Reporting Standards ("IFRS") and differs from net income, and may differ from definitions of operating cash flow used by other companies. We derive operating cash flow from the information contained in our consolidated financial statements, which are prepared in accordance with IFRS, and is reconciled to net income within this Financial Review. We define it as net income prior to such items as fair value changes, depreciation and amortization, future income tax expense and certain non-cash items that in our view are not reflective of the underlying operations.