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***Great Lakes Power***  
Inc. 

**FIRST QUARTER 2003 INTERIM REPORT**

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## INTERIM REPORT FOR THE THREE MONTHS ENDED MARCH 31, 2003

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### ➤ HIGHLIGHTS YEAR TO DATE

	<i>For the three months ended March 31</i>	
	2003	2002
Net income ( <i>Cdn\$ millions</i> )	\$ 33	\$ 42
Net operating income ( <i>Cdn\$ millions</i> )	\$ 54	\$ 53
Power delivered ( <i>gigawatt hours</i> )	1,355	1,376

### ➤ FINANCIAL RESULTS

For the three months ended March 31, 2003, Great Lakes reported net operating income of \$54 million, consistent with \$53 million reported in the same period of 2002. The results reflect low hydrology during the third and fourth quarters of 2002, which led to lower generation in the first quarter.

Net income for the three months ended March 31, 2003 was \$33 million down from \$42 million in the first three months of 2002.

### ➤ NEW DEVELOPMENTS

During the first four months of 2003, Great Lakes completed two hydroelectric generating stations having an installed generating capacity of 75 megawatts ("MW"). These two projects increased the company's total capacity to 1,684 MW.

#### **Robert A. Dunford Generating Station, Ontario**

The 45 MW Robert A. Dunford Generating Station commenced commercial operations in April 2003. Located on the Michipicoten River near Wawa, Ontario, this is the first private sector hydroelectric generating station built in the province following the introduction of competition in the Ontario electricity market. The station has been named after Mr. Robert Dunford, who served as Great Lakes' chairman from 1984 to 1998, in recognition of his contribution to the development of the company's power business.

The Dunford Generating Station was completed on schedule and on budget for \$72 million, and replaces the older 27 MW High Falls station with a larger, more efficient facility with increased peak power generating capability. The completion of this project, following on the acquisition of the four Mississagi River hydroelectric generating stations in 2002, increased the company's generating capacity in Ontario to 957 MW, solidifying its position as a key participant in Ontario's competitive energy markets.

#### **Pingston Creek Generating Station, British Columbia**

The 30 MW Pingston Creek Generating Station in south-central British Columbia near Revelstoke was substantially completed in April 2003 and commenced commercial operations in early May. This \$65 million project was developed in a 50/50 joint venture with Canadian Hydro Developers Inc. All of the station's power output will be sold to BC Hydro under a 20-year power sale contract signed in August 2002. The completion of this station adds to the company's generating capacity in British Columbia and further enhances the geographic diversification of its power operations.

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## ➤ **PROJECTS UNDER DEVELOPMENT**

### **Maine Power Interconnection Expansion, Maine**

During May, Great Lakes completed the expansion of the power interconnection between the company's Maine Power system, acquired in 2002, and the New England power grid, through the construction of a new 115 kV, 24 mile long transmission line. This US\$17 million project increased the capacity of the interconnection from 20 MW to 130 MW and greatly enhances the company's ability to transmit Maine Power's generation output into the New England power markets.

### **Berlin Gorham Cogeneration Station, New Hampshire**

Construction started in the first quarter of 2003 on a 25 MW natural gas-fired cogeneration station in New Hampshire. This US\$32 million project is expected to commence operation in the first quarter of 2004. It will provide electricity and steam for sale to the pulp and paper facilities located in Berlin and Gorham, New Hampshire, acquired by Nexfor Inc., an affiliate of the company's principal shareholder, in conjunction with the company's acquisition of New Hampshire Power in 2002.

### **Brascan Energética Power Stations, Brazil**

Construction continues on three new hydroelectric generating stations in southern Brazil: the 30 MW Passo do Meio project in the State of Rio Grande do Sul, and the 16 MW Pedrinho and 15 MW Salto Natal projects stations in the State of Paraná. These projects are expected to be substantially completed during the second quarter of 2003.

## ➤ **OTHER INITIATIVES**

The company continues to explore further opportunities in the US power generation industry to acquire assets at a discount to their replacement cost. The preference is for long-life hydroelectric generating facilities with water storage reservoirs. The company will also consider acquiring thermal generating stations (with a knowledgeable partner where appropriate) at significant discounts to their replacement costs.

## ➤ **OPERATING RESULTS**

Despite drier than expected conditions in Quebec and New England, the company was still able to report consistent net operating income of \$54 million, compared to \$53 million during the same period last year. Electricity generation in the first three months of 2003 decreased marginally to 1,355 gigawatt hours ("GWh") compared to 1,376 GWh in the same period last year, mainly due to lower generation at the company's power operations in western Quebec. Net power revenue for the first three months increased to \$83 million in 2003 from \$81 million in 2002.

Operating and maintenance costs for the first three months of 2003 increased by \$7 million to \$16 million and depreciation increased by \$5 million to \$14 million, as a result of the acquisition of new operations in Ontario, Maine and New Hampshire during 2002.

Revenue from investments and other income, which consists of dividends from the company's investments and securities portfolios, interest on loans receivable and other fee income, was \$21 million for the first three months of 2003, down from \$24 million in 2002 due to lower average interest rates and balances.

Power delivered and net operating income by operating segment for the year to date compared to the same period in 2002 are shown below:

	<i>For the three months ended March 31</i>	
	2003	2002
<b>Power Delivered</b>		
<i>(gigawatt hours)</i>		
Ontario	786	605
Quebec	237	471
Northeast United States	95	48
Other Power Operations	247	252
<b>Total</b>	<b>1,355</b>	<b>1,376</b>
<b>Net Operating Income</b>		
<i>(\$ millions)</i>		
Ontario	36	27
Quebec	7	18
Northeast United States	2	1
Other Power Operations	9	7
<b>Total</b>	<b>54</b>	<b>53</b>

➤ **OUTLOOK**

Since the beginning of 2002, Great Lakes has increased its generating capacity by 693 MW through the acquisition of 16 existing hydroelectric generating facilities in Ontario, Maine and New Hampshire and the completion of two projects in Ontario and British Columbia. This expansion positions the company to increase power generation levels in 2003 compared to prior years. Great Lakes is aggressively seeking to increase returns by optimizing the use of its facilities and as new development projects and acquisitions are brought on stream.



Edward C. Kress  
Chairman

April 30, 2003

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*Note: This Interim Report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "believe", "expect", "anticipate", "intend", "estimate" and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. Reliance should not be placed on forward-looking statements 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 achievements expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include general economic conditions, interest rates, availability of equity and debt financing and other risks. The company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.*

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## Consolidated Balance Sheet

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<i>(unaudited)</i> <i>millions</i>	March 31, 2003	December 31, 2002
<b>Assets</b>		
Cash and cash equivalents	\$ 18	\$ 10
Accounts receivable and other	224	186
Securities	512	590
Long-term investments	559	559
Power generating assets	2,147	2,155
	<b>\$ 3,460</b>	<b>\$3,500</b>
<b>Liabilities</b>		
Accounts payable and other	\$ 154	\$ 158
Property specific borrowings	905	905
Corporate term debentures	551	593
<b>Future income tax liability</b>	<b>120</b>	<b>120</b>
<b>Non-controlling interests</b>	<b>343</b>	<b>350</b>
<b>Shareholders' equity</b>	<b>1,387</b>	<b>1,374</b>
	<b>\$ 3,460</b>	<b>\$3,500</b>

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## Consolidated Statement of Income

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<i>(unaudited)</i> <i>millions, except per share amounts</i>	<i>Three months ended March 31</i>	
	2003	2002
<b>Net power revenue</b>	83	70
<b>Expenses</b>		
Operating and maintenance	16	9
Fuel purchases	9	4
Cash taxes and other	4	4
<b>Net operating income</b>	54	53
<b>Investment and other income</b>	21	24
	75	77
<b>Other expenses</b>		
Interest	25	20
Depreciation	14	9
Non-controlling interest	1	4
Administrative costs	2	2
	42	35
<b>Net income</b>	\$ 33	\$ 42
<b>Net income per common share</b>	\$ 0.26	\$ 0.34

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## Consolidated Statement of Retained Earnings

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<i>(unaudited)</i> <i>millions</i>	<i>Three months ended March 31</i>	
	2003	2002
<b>Retained earnings</b>		
Balance, beginning of year	\$ 523	\$ 448
Net income	33	42
Distributions to holders of common shares and equivalents	(20)	(20)
Balance, end of period	\$ 536	\$ 470

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## Consolidated Statement of Cash Flows

<i>(unaudited)</i>	<i>Three months ended March 31</i>	
<i>millions</i>	2003	2002
<b>Cash flow from operations</b>		
Net income	\$ 33	\$ 42
Add non-cash items		
Depreciation	14	9
Hydrological provisions	-	(3)
Other	(6)	(3)
<b>Cash flow from operations</b>	<b>\$ 41</b>	<b>\$ 45</b>
Net change in non-cash working capital and other	(52)	(7)
	(11)	38
<b>Financing and shareholder distributions</b>		
Borrowings	26	131
Debt repayments	(2)	(8)
Distributions:		
- Great Lakes Hydro Income Fund unitholders	(7)	(5)
- Common shares and equivalents	(20)	(20)
	(3)	98
<b>Investing</b>		
Securities sales	79	-
Long-term investments	-	7
Loans and other receivables	(21)	174
Power generating assets	(36)	(310)
	22	(129)
<b>Cash and cash equivalents</b>		
Increase (decrease)	8	7
Balance, beginning of year	10	10
Balance, end of period	\$ 18	\$ 17

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## ➤ **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **1. SUMMARY OF ACCOUNTING POLICIES**

The accompanying unaudited consolidated financial statements include the accounts of the company consolidated with the accounts of all its subsidiaries. Reference is made to the company's most recently issued Annual Report, which included information necessary or useful to understanding the company's businesses and financial statement presentations. In particular, the company's significant accounting policies and practices were presented as Note 1 to the Consolidated Financial Statements included in that report. The company's accounting policies and methods of their application are consistent with those of the most recent annual financial statements, except as may be described elsewhere in these financial statements.

The quarterly financial statements are unaudited. Financial information in this Interim Report reflects any adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary to a fair statement of results for the interim periods in accordance with generally accepted accounting principles.

The results reported in these consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

The company is incorporated under the laws of Ontario and develops, owns and operates hydroelectric and other power generating facilities principally in Canada. The company also conducts investment activities, which include the receipt of interest and dividends on the company's financial assets as well as gains realized on investment transactions.

### **2. CHANGES IN ACCOUNTING POLICY**

Effective January 1, 2003, the company adopted, without restatement of the prior period comparative financial statements, the new accounting standards issued by the Canadian Institute of Chartered Accountants on the Disclosure of Guarantees.

### **3. GUARANTEES**

In the normal course of operations, the company and its consolidated subsidiaries execute agreements that provide for indemnification and guarantees to third parties in transactions such as business dispositions, business acquisitions, sales of assets and sales of services. The company has also agreed to indemnify its directors and certain of its officers and employees. The nature of substantially all of the indemnification undertakings prevents us from making a reasonable estimate of the maximum potential amount we could be required to pay third parties as the agreements do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, neither the company nor its consolidated subsidiaries have made significant payments under such indemnification agreements.

The company provides guarantees from time to time as described in Note 14 of the annual financial statements. There have been no material changes, for the period ended March 31, 2003, to the disclosures related to the guarantees as reported in the most recent annual financial statements.



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#### 4. SHAREHOLDERS' EQUITY

The company is authorized to issue an unlimited amount of common shares, of which the following were issued and outstanding:

<i>millions</i>	<i>March 31</i> <b>2003</b>	<i>December 31</i> <b>2002</b>
101,383,135 (2001 – 101,383,135) Common shares	<b>\$ 603</b>	<b>\$ 603</b>
Retained earnings	<b>536</b>	<b>523</b>
	<b>1,139</b>	<b>1,126</b>
Subordinated convertible debentures	<b>248</b>	<b>248</b>
	<b>\$ 1,387</b>	<b>\$ 1,374</b>

The subordinated convertible debentures mature September 30, 2013 and bear interest at the prime rate subject to a minimum of 6% and a maximum of 8%.

#### 5. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the 2003 presentation.

#### 6. NET POWER REVENUE

The company reports power revenue net of the power purchases that were required under a regulated Ontario market prior to May 2002 (2003 – nil, 2002 - \$11 million).

## ➤ PROFILE

Great Lakes Power Inc. is an independent power producer with operations and developments located mainly in North America. Our power operations, which operate under the name “Brascan Power”, include 38 hydroelectric generating stations and one natural gas-fired cogeneration plant with a combined generating capacity of 1,684 megawatts. Our current operations generate on average 7,000 gigawatt hours of electricity annually and have water storage capacity of 1,767 gigawatt hours.

Great Lakes is a wholly-owned subsidiary of Brascan Corporation (TSX: BNN.A, NYSE: BNN).

## Power Operations

	Generating Stations	Generating Units	Installed Capacity
			(megawatts)
<b>Ontario</b>			
Great Lakes Power <sup>(1)</sup>	12	21	349
Mississagi Power	4	8	488
Valerie Falls Power	1	2	10
Lake Superior Power	1	3	110
	18	34	957
<b>Quebec</b>			
Lièvre River Power	3	10	238
Pontiac Power	2	7	28
	5	17	266
<b>Northeast United States</b>			
Maine Power	6	31	126
New Hampshire Power	6	21	31
	12	52	157
<b>Other Power Operations</b>			
Powell River Energy	2	7	82
Pingston Creek <sup>(2)</sup>	1	2	30
Louisiana HydroElectric Power	1	8	192
	4	17	304
<b>TOTAL</b>	<b>39</b>	<b>120</b>	<b>1,684</b>

(1) Reflects commercial operation of the Robert A. Dunford Generating Station in April 2003.

(2) Reflects commercial operation of the Pingston Creek Generating Station in May 2003.

## ➤ HEAD OFFICE

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