

# Letter to Unitholders

JUN 20, 2016

Dear unitholders,

## Overview

We would like to take this opportunity to welcome you as a unitholder of Brookfield Business Partners (“BBU”). Our goal is to acquire, own and operate best-in-class businesses which will enable us to generate strong long-term compound returns without taking undue risk. Initially, most of our business is centered around business services and industrial operations which benefit from high barriers to entry and/or low production costs. Our business services operations are principally related to commercial and residential real estate where the broader Brookfield Asset Management (“Brookfield”) platform provides us with a knowledge advantage. Our industrial operations similarly leverage our history and pedigree as an owner and operator of real assets.

Consistent with our history as an owner and operator, our strategy is to:

- (a) actively manage our operations in order to enhance cash flow and earnings;
- (b) acquire businesses on a value basis, targeting out-of-favor situations; and
- (c) from time-to-time sell or raise capital from businesses when valuations are favorable.

We plan to grow by acquiring businesses at attractive valuations, both as add-ons to our existing operations and as new business lines. We have flexibility to invest in multiple industries and by form of investment, meaning we may acquire debt or equity securities or provide financing to companies, in addition to making acquisitions. This is important, as it broadens our investible universe substantially and has been one of the core components of our previous success.

In addition, our structure enables us to own businesses for the long term, and as a result we offer stable ownership to companies whose management teams are seeking additional sources of capital but prefer not to be public as a standalone business. We believe that the nature of our company as a permanent capital vehicle is a significant competitive advantage in sourcing opportunities. By virtue of our relationship with Brookfield we also have relationships with global institutions that will enable us to form partnerships and pursue large scale acquisitions that would otherwise not be available to us.

## Current Operations

Our business services operations currently include facilities management, real estate brokerage, logistics and construction. The largest of these businesses is construction services, where we are a leading international contractor with a focus on landmark buildings and social infrastructure. We have built some of the most iconic projects globally, including Wembley Stadium in London, the Queen Elizabeth University Hospital and Royal Hospital for Children in Glasgow, King Street Wharf in Sydney and Emirates Towers in Dubai. We are currently building Amazon’s new European headquarters in London, the largest football stadium in Perth and the Royal Hospital for Sick Children in Edinburgh. Our construction operations are today primarily in Australia, Europe, Canada and the Middle East across a broad range of sectors including commercial, residential, social infrastructure, retail and mixed used properties.

Our industrial operations are diverse and include specialty metals and aggregates mining, the manufacture of graphite electrodes, infrastructure support products such as pre-cast concrete, corrugated pipe and other drainage products, bath and shower products, oil and gas exploration and production, and oil field services. These operations are global, although given our roots are generally centered in North America.

BBU has an equity base of approximately \$2.1 billion, and in 2015 its businesses generated \$264 million of Company FFO<sup>1</sup> and \$208 million of net income. These figures are attributable to unitholders, meaning they represent the proportionate amount of our operations owned by unitholders.

*1 Company FFO is defined as net income attributable to unitholders prior to non-cash valuation gains/losses, impairment charges, depletion, depreciation and amortization, and deferred income taxes.*

## What to expect as a Unitholder

While we recognize the importance of quarterly results, our objective is to deliver an attractive long-term risk-adjusted return to our unitholders primarily from capital appreciation of our current operations and future acquisitions. While some businesses will be monetized at the point when we believe value has been maximized, the ones we keep should continue to grow and compound wealth for you over the long term. Over time, value creation should be apparent from increases in Company FFO, net income and book value per unit.

A number of our operations’ results will fluctuate on a quarterly basis due to seasonality, weather or the effect of asset monetization. In addition, the performance of a number of our businesses can also vary with business and economic cycles, and we expect certain of them to have some volatility in earnings. While the current commodity environment is causing some challenges for certain of our existing operations, our proactive management approach should position them to flourish as commodity markets recover.

We also buy underperforming or distressed companies which we believe can be turned around through operational or financial restructurings, or through other management initiatives. Such businesses generate minimal earnings at the outset but have the potential to generate substantial gains in the longer term.

We intend to maintain a prudent capital structure for BBU. Today, we have no corporate level debt and \$500 million of available financing from Brookfield. To fund acquisitions, we will evaluate a variety of capital sources including cash generated from our operations, proceeds from the sale of mature assets, and equity and debt financings. We will issue common equity only when we believe that we are receiving as much in business value as we give. This means there may be times we issue equity below a measure of intrinsic or fair value, if we are comfortable what we are acquiring on a relative value basis is equal to or greater than the unit value issued.

# Looking Forward

We believe great opportunities lie ahead, as our business is well-positioned with permanent capital, a global footprint and diversified operations. We anticipate that the cash flow and asset coverage from our operating segments will allow us to maintain a strong balance sheet and ample liquidity.

We are supported by a strong team, excellent managers at our operating businesses and a fully engaged Board of Directors. We have much work ahead of us, but are energized and eager for the challenge. We look forward to discussing our story with you in greater detail and reporting on our progress in the months and years ahead.

Thank you for your interest and support.

Cyrus Madon  
Chief Executive Officer  
June 20, 2016

## **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION**

This letter to unitholders 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 harbor" provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations. *Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, include statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of Brookfield Business and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, and include words such as "expects," "anticipates," "plans," "believes," "estimates," "seeks," "intends," "targets," "projects," "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may," "will," "should," "would" and "could".*

Although we believe that our 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, many of which are beyond our control, which may cause the actual results, performance or achievements of Brookfield Business Partners 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, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in the countries in which we do business; the behaviour of financial markets, including fluctuations in interest and foreign exchange rates; global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; strategic actions including dispositions; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits; changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates); the ability to appropriately manage human capital; the effect of applying future accounting changes; business competition; operational and reputational risks; technological change; changes in government regulation and legislation within the countries in which we operate; governmental investigations; litigation; changes in tax laws; ability to collect amounts owed; catastrophic events, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments including terrorist acts and cyberterrorism; and other risks and factors detailed from time to time in our documents filed with the securities regulators in Canada and the United States.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, Brookfield Business Partners 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 MEASURES**

This shareholder letter contains references to Company FFO. When determining Company FFO, we include our proportionate share of Company FFO of equity accounted investments. Company FFO is not a generally accepted accounting measure under IFRS and therefore may differ from definitions of Company FFO or Funds from Operations used by other entities. We believe that this is a useful supplemental measure that may assist investors in assessing the financial performance and the cash anticipated to be generated by Brookfield Business Partners and its subsidiaries. Company FFO should not be considered as the sole measure of our performance and should not be considered in isolation from, or as a substitute for, analysis of our financial statements prepared in accordance with IFRS.

*References to Brookfield Business Partners or BBU are to Brookfield Business Partners L.P. together with its subsidiaries unless the context reflects otherwise.*

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