

Brookfield Business — Partners L.P.

Q3 2020 INTERIM REPORT

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF

BROOKFIELD BUSINESS PARTNERS L.P.

As at September 30, 2020 and December 31, 2019 and for the
three and nine months ended September 30, 2020 and 2019

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FINANCIAL STATEMENTS OF BROOKFIELD BUSINESS PARTNERS L.P.**

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BROOKFIELD BUSINESS PARTNERS L.P.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS
OF FINANCIAL POSITION

| <u>(US\$ MILLIONS)</u> | <u>Notes</u> | <u>September 30, 2020</u> | <u>December 31, 2019</u> |
|--|--------------|---------------------------|--------------------------|
| Current Assets | | | |
| Cash and cash equivalents | 4 | \$ 2,815 | \$ 1,986 |
| Financial assets | 5 | 1,941 | 1,148 |
| Accounts and other receivable, net | 6 | 4,373 | 4,808 |
| Inventory, net | 7 | 3,471 | 3,490 |
| Other assets | 9 | 1,526 | 1,363 |
| | | <u>14,126</u> | <u>12,795</u> |
| Financial assets | 5 | 5,853 | 5,095 |
| Accounts and other receivable, net | 6 | 710 | 823 |
| Other assets | 9 | 391 | 429 |
| Property, plant and equipment | 10 | 13,864 | 13,892 |
| Deferred income tax assets | | 717 | 667 |
| Intangible assets | 11 | 10,681 | 11,559 |
| Equity accounted investments | 13 | 1,671 | 1,273 |
| Goodwill | 12 | 4,961 | 5,218 |
| | | <u>\$ 52,974</u> | <u>\$ 51,751</u> |
| Liabilities and Equity | | | |
| Current Liabilities | | | |
| Accounts payable and other | 14 | \$ 10,049 | \$ 9,881 |
| Corporate borrowings | 17 | 150 | — |
| Non-recourse borrowings in subsidiaries of the partnership | 16 | 1,389 | 1,143 |
| | | <u>11,588</u> | <u>11,024</u> |
| Accounts payable and other | 14 | 7,066 | 6,615 |
| Non-recourse borrowings in subsidiaries of the partnership | 16 | 21,852 | 21,256 |
| Corporate borrowings | 16 | 538 | — |
| Deferred income tax liabilities | | 1,597 | 1,803 |
| | | <u>\$ 42,641</u> | <u>\$ 40,698</u> |
| Equity | | | |
| Limited partners | 19 | \$ 1,725 | \$ 2,116 |
| Non-controlling interests attributable to: | | | |
| Redemption-Exchange Units, Preferred Shares and Special Limited Partnership Units held by Brookfield Asset Management Inc. | 19 | 1,361 | 1,676 |
| Interest of others in operating subsidiaries | | 7,247 | 7,261 |
| | | <u>10,333</u> | <u>11,053</u> |
| | | <u>\$ 52,974</u> | <u>\$ 51,751</u> |

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

BROOKFIELD BUSINESS PARTNERS L.P.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS
OF OPERATING RESULTS

| (US\$ MILLIONS, except per unit amounts) | Notes | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|--------|-------------------------------------|----------------|------------------------------------|----------------|
| | | 2020 | 2019 | 2020 | 2019 |
| Revenues | 22, 23 | \$ 10,070 | \$ 11,794 | \$ 27,586 | \$ 31,712 |
| Direct operating costs | 21 | (8,722) | (10,389) | (23,908) | (28,358) |
| General and administrative expenses | 23 | (236) | (215) | (708) | (604) |
| Depreciation and amortization expense | 23 | (547) | (534) | (1,618) | (1,286) |
| Interest income (expense), net | 23 | (371) | (389) | (1,088) | (886) |
| Equity accounted income (loss), net | 13 | 17 | 32 | 26 | 62 |
| Impairment expense, net | 10 | (7) | — | (149) | (324) |
| Gain (loss) on acquisitions/dispositions, net | 8 | — | 16 | 179 | 536 |
| Other income (expenses), net | | (9) | (83) | (77) | (354) |
| Income (loss) before income tax | | 195 | 232 | 243 | 498 |
| Income tax (expense) recovery | | | | | |
| Current | | (102) | (108) | (200) | (231) |
| Deferred | | (8) | 58 | 157 | 80 |
| Net income (loss) | | <u>\$ 85</u> | <u>\$ 182</u> | <u>\$ 200</u> | <u>\$ 347</u> |
| Attributable to: | | | | | |
| Limited partners | | \$ (10) | \$ 13 | \$ (136) | \$ 100 |
| Non-controlling interests attributable to: | | | | | |
| Redemption-Exchange Units held by Brookfield Asset Management Inc. | | (9) | 11 | (118) | 93 |
| Special Limited Partners | 19 | — | — | — | — |
| Interest of others in operating subsidiaries | | 104 | 158 | 454 | 154 |
| | | <u>\$ 85</u> | <u>\$ 182</u> | <u>\$ 200</u> | <u>\$ 347</u> |
| Basic and diluted earnings per limited partner unit | 19 | <u>\$ (0.12)</u> | <u>\$ 0.16</u> | <u>\$ (1.69)</u> | <u>\$ 1.41</u> |

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

BROOKFIELD BUSINESS PARTNERS L.P.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS
OF COMPREHENSIVE INCOME (LOSS)

| (US\$ MILLIONS) | Notes | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------|-------------------------------------|---------|------------------------------------|--------|
| | | 2020 | 2019 | 2020 | 2019 |
| Net income (loss) | | \$ 85 | \$ 182 | \$ 200 | \$ 347 |
| Other comprehensive income (loss): | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Fair value through other comprehensive income | | \$ 7 | \$ — | \$ 149 | \$ — |
| Foreign currency translation | | 225 | (408) | (574) | (308) |
| Net investment and cash flow hedges | 4 | (127) | 72 | (120) | (52) |
| Equity accounted investment | 13 | 5 | — | (4) | — |
| Taxes on the above items | | — | 5 | (55) | 11 |
| Reclassification to profit or loss | | 28 | (2) | 66 | 6 |
| | | 138 | (333) | (538) | (343) |
| Items that will not be reclassified subsequently to profit or loss: | | | | | |
| Revaluation of pension obligations | | — | 12 | — | 27 |
| Fair value through other comprehensive income | | 63 | 44 | (19) | 54 |
| Taxes on the above item | | (9) | (1) | 9 | (2) |
| Total other comprehensive income (loss) | | 192 | (278) | (548) | (264) |
| Comprehensive income (loss) | | \$ 277 | \$ (96) | \$ (348) | \$ 83 |
| Attributable to: | | | | | |
| Limited partners | | \$ 24 | \$ (29) | \$ (201) | \$ 59 |
| Non-controlling interests attributable to: | | | | | |
| Redemption-Exchange Units held by Brookfield Asset Management Inc. | | 20 | (26) | (174) | 57 |
| Special Limited Partners | | — | — | — | — |
| Interest of others in operating subsidiaries | | 233 | (41) | 27 | (33) |
| | | \$ 277 | \$ (96) | \$ (348) | \$ 83 |

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

BROOKFIELD BUSINESS PARTNERS L.P.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| (US\$ MILLIONS) | Non-Controlling Interests | | | | | | | | | | | | | |
|---|---------------------------|-------------------|------------------|--|------------------|--|-------------------|------------------|--|---------------------------|------------------|-----------------|--|--------------|
| | Limited Partners | | | | | Redemption-Exchange Units held by Brookfield Asset Management Inc. | | | | | Preferred Shares | | Interest of others in operating subsidiaries | Total equity |
| | Capital | Retained earnings | Ownership change | Accumulated other comprehensive income (loss) ⁽¹⁾ | Limited partners | Capital | Retained earnings | Ownership change | Accumulated other comprehensive income (loss) ⁽¹⁾ | Redemption-exchange units | Capital | | | |
| Balance as at January 1, 2020 | \$ 2,331 | \$ (217) | \$ 220 | \$ (218) | \$ 2,116 | \$ 1,924 | \$ (209) | \$ 210 | \$ (264) | \$ 1,661 | \$ 15 | \$ 7,261 | \$ 11,053 | |
| Net income (loss) | — | (136) | — | — | (136) | — | (118) | — | — | (118) | — | 454 | 200 | |
| Other comprehensive income (loss) | — | — | — | (65) | (65) | — | — | — | (56) | (56) | — | (427) | (548) | |
| Total comprehensive income (loss) | — | (136) | — | (65) | (201) | — | (118) | — | (56) | (174) | — | 27 | (348) | |
| Contributions | — | — | — | — | — | — | — | — | — | — | — | 651 | 651 | |
| Distributions ⁽²⁾ | — | (15) | — | — | (15) | — | (12) | — | — | (12) | — | (1,051) | (1,078) | |
| Unit repurchases ⁽²⁾ | (26) | — | — | — | (26) | — | — | — | — | — | — | — | (26) | |
| Ownership change ⁽³⁾ | — | 1 | (152) | 2 | (149) | — | 1 | (132) | 2 | (129) | — | 129 | (149) | |
| Acquisition of interest ⁽⁴⁾ | — | — | — | — | — | — | — | — | — | — | — | 230 | 230 | |
| Balance as at September 30, 2020 | \$ 2,305 | \$ (367) | \$ 68 | \$ (281) | \$ 1,725 | \$ 1,924 | \$ (338) | \$ 78 | \$ (318) | \$ 1,346 | \$ 15 | \$ 7,247 | \$ 10,333 | |
| Balance as at January 1, 2019 | \$ 1,766 | \$ (237) | \$ 205 | \$ (186) | \$ 1,548 | \$ 1,674 | \$ (234) | \$ 195 | \$ (235) | \$ 1,400 | \$ 15 | \$ 3,531 | \$ 6,494 | |
| Net income (loss) | — | 100 | — | — | 100 | — | 93 | — | — | 93 | — | 154 | 347 | |
| Other comprehensive income (loss) | — | — | — | (41) | (41) | — | — | — | (36) | (36) | — | (187) | (264) | |
| Total comprehensive income (loss) | — | 100 | — | (41) | 59 | — | 93 | — | (36) | 57 | — | (33) | 83 | |
| Contributions | — | — | — | — | — | — | — | — | — | — | — | 132 | 132 | |
| Distributions ⁽²⁾ | — | (13) | — | — | (13) | — | (12) | — | — | (12) | — | (828) | (853) | |
| Unit repurchases ⁽²⁾ | (7) | — | — | — | (7) | — | — | — | — | — | — | — | (7) | |
| Ownership change ⁽³⁾ | — | — | (8) | — | (8) | — | — | (7) | — | (7) | — | (41) | (56) | |
| Acquisition of interest ⁽⁴⁾ | — | — | — | — | — | — | — | — | — | — | — | 2,809 | 2,809 | |
| Unit issuance ⁽²⁾ | 572 | — | — | — | 572 | 250 | — | — | — | 250 | — | — | 822 | |
| Balance as at September 30, 2019 | \$ 2,331 | \$ (150) | \$ 197 | \$ (227) | \$ 2,151 | \$ 1,924 | \$ (153) | \$ 188 | \$ (271) | \$ 1,688 | \$ 15 | \$ 5,570 | \$ 9,424 | |

(1) See Note 20 for additional information.

(2) See Note 19 for additional information on distributions and for additional information on unit repurchases.

(3) Includes gains or losses on changes in ownership interests of consolidated subsidiaries.

(4) See Note 3 for additional information.

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

BROOKFIELD BUSINESS PARTNERS L.P.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

| (US\$ MILLIONS) | Notes | Nine Months Ended September 30, | |
|--|--------------|--|-----------------|
| | | 2020 | 2019 |
| Operating Activities | | | |
| Net income (loss) | | \$ 200 | \$ 347 |
| Adjusted for the following items: | | | |
| Equity accounted earnings, net of distributions | | 8 | (22) |
| Impairment expense, net | 10 | 149 | 324 |
| Depreciation and amortization expense | | 1,618 | 1,286 |
| Gain on acquisitions/dispositions, net | 8 | (179) | (536) |
| Provisions and other items | | 230 | 174 |
| Deferred income tax expense (recovery) | | (157) | (80) |
| Changes in non-cash working capital, net | 24 | 1,205 | 624 |
| Cash from operating activities | | <u>3,074</u> | <u>2,117</u> |
| Financing Activities | | | |
| Proceeds from non-recourse subsidiary borrowings | | 3,026 | 13,748 |
| Repayment of non-recourse subsidiary borrowings | | (3,169) | (2,311) |
| Proceeds from corporate borrowings | | 750 | — |
| Repayment of corporate borrowings | | (62) | — |
| Proceeds from other financing | | 87 | 1,733 |
| Repayment of other financing | | (76) | (21) |
| Proceeds from (repayment of) other credit facilities, net | | (482) | 315 |
| Lease liability repayment | | (172) | (143) |
| Capital provided by limited partners and Redemption-Exchange Unitholders | 19 | — | 822 |
| Capital provided by others who have interests in operating subsidiaries | | 629 | 2,475 |
| Capital paid to others who have interests in operating subsidiaries | | (36) | (10) |
| Partnership units repurchased | | (26) | (7) |
| Distributions to limited partners and Redemption-Exchange Unitholders | | (27) | (25) |
| Distributions to others who have interests in operating subsidiaries | 19 | (800) | (872) |
| Cash from (used in) financing activities | | <u>(358)</u> | <u>15,704</u> |
| Investing Activities | | | |
| Acquisitions | | | |
| Subsidiaries, net of cash acquired | 3 | 149 | (17,076) |
| Property, plant and equipment and intangible assets | | (1,066) | (837) |
| Equity accounted investments | 13 | (446) | (24) |
| Financial assets and other | | (1,584) | (42) |
| Dispositions | | | |
| Subsidiaries, net of cash disposed | | 165 | 918 |
| Property, plant and equipment | | 33 | 58 |
| Equity accounted investments | | — | 42 |
| Financial assets and other | | 1,141 | 223 |
| Net settlement of hedges | | 134 | 41 |
| Restricted cash and deposits | | (293) | 86 |
| Cash from (used in) investing activities | | <u>(1,767)</u> | <u>(16,611)</u> |
| Cash | | | |
| Change during the period | | 949 | 1,210 |
| Impact of foreign exchange on cash | | (120) | (40) |
| Net change in cash classified within assets held for sale | | — | (101) |
| Balance, beginning of year | | 1,986 | 1,949 |
| Balance, end of period | | <u>\$ 2,815</u> | <u>\$ 3,018</u> |

Supplemental cash flow information is presented in Note 24

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

**As at September 30, 2020 and December 31, 2019 and for the three and nine months ended
September 30, 2020 and 2019**

NOTE 1. NATURE AND DESCRIPTION OF THE PARTNERSHIP

Brookfield Business Partners L.P. and its subsidiaries, (collectively, “the partnership”) own and operate business services and industrial operations (“the Business”) on a global basis. Brookfield Business Partners L.P. was registered as a limited partnership established under the laws of Bermuda, and organized pursuant to a limited partnership agreement as amended on May 31, 2016, and as further amended on June 17, 2016. Brookfield Business Partners L.P. is a subsidiary of Brookfield Asset Management Inc. (“Brookfield Asset Management” or “Brookfield” or the “parent company”). Brookfield Business Partners L.P.’s limited partnership units are listed on the New York Stock Exchange and the Toronto Stock Exchange under the symbols “BBU” and “BBU.UN”, respectively. The registered head office of Brookfield Business Partners L.P. is 73 Front Street, 5th Floor, Hamilton HM 12, Bermuda.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These unaudited interim condensed consolidated financial statements of the partnership have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, or IAS 34, as issued by the International Accounting Standards Board, or the IASB, and using the accounting policies the partnership applied in its annual consolidated financial statements as at and for the year ended December 31, 2019, except for the impact of the adoption of the new accounting policies and standards described below. The accounting policies the partnership applied in its annual consolidated financial statements as at and for the year ended December 31, 2019 are disclosed in Note 2 of such consolidated financial statements, with which reference should be made in reading these unaudited interim condensed consolidated financial statements. All defined terms are also described in the annual consolidated financial statements. The unaudited interim condensed consolidated financial statements are prepared on a going concern basis and have been presented in U.S. dollars rounded to the nearest million unless otherwise indicated.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the accounting policies. The critical accounting estimates and judgments have been set out in Note 2 to the partnership’s consolidated financial statements as at and for the year ended December 31, 2019. There have been no significant changes to the method of determining significant estimates and judgments since December 31, 2019, other than changes as discussed below.

These unaudited interim condensed consolidated financial statements were approved by the partnership’s Board of Directors and authorized for issue on November 5, 2020.

(i) Critical accounting judgments and measurement uncertainty

The preparation of financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses that are not readily apparent from other sources, during the reporting period. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. To date, there has been significant volatility in capital markets, commodity prices and foreign currencies, restrictions on the conduct of business in many jurisdictions, and the global movement of people and some goods has become restricted. The partnership considered the impacts of these circumstances on the key critical judgments, estimates and assumptions that affect the reported and contingent amount of assets, liabilities, revenues and expenses, including whether goodwill, intangible assets and property, plant and equipment needed to be reevaluated for impairment as of September 30, 2020. The partnership has a diversified portfolio of operating businesses, many of which provide essential products and services to their customers. Based on its assessments, no additional impairments were required as at September 30, 2020. The partnership will continue to monitor the situation and review its critical estimates and judgments as circumstances evolve.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

**As at September 30, 2020 and December 31, 2019 and for the three and nine months ended
September 30, 2020 and 2019**

(b) Government assistance

The partnership applied IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance* (“IAS 20”) to account for government grants and other government assistance received by its subsidiaries. Government grants are recognized when there is reasonable assurance that the assistance will be received and the partnership will comply with all relevant conditions. The partnership recognizes government grants in the consolidated statements of operating results on a systematic basis over the periods in which the partnership recognizes expenses for which the grants were provided.

(c) Extinguishment of financial liabilities with equity instruments

The partnership applied IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* (“IFRIC 19”) to account for financial liabilities that are extinguished either fully, or partially by issuing equity instruments. This interpretation provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. IFRIC 19 clarifies that the entity’s equity instruments issued to a creditor, which are part of the consideration paid to extinguish the financial liability, are measured at their fair value. Differences between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued are included in the partnership’s consolidated statements of operating results.

(d) Impairment of financial assets

The partnership recognizes an allowance for expected credit losses (“ECL”) on financial assets including loans receivable and debt securities measured at amortized cost, debt securities measured at fair value through OCI and loan commitments. ECLs are also determined for trade receivables and contract assets. The ECL model consists of three stages: Stage 1 – twelve-month ECLs for performing financial assets, Stage 2 – Lifetime ECLs for financial assets that have experienced a significant increase in credit risk since initial recognition, and Stage 3 – Lifetime ECLs for financial assets that are impaired.

The partnership calculates ECLs based on the probability weighted expected cash collected shortfall against the carrying value of the loan or investment and considers reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions that may impact the credit profile of the loans. Forward-looking information is considered when determining significant increase in credit risk and measuring expected credit losses. Forward-looking macroeconomic factors are incorporated in the risk parameters as relevant.

The partnership utilizes a simplified approach for measuring the loss allowance at an amount equal to the lifetime ECL for trade receivables and contract assets. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor’s current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

(e) Interest income

Interest from interest-bearing assets and liabilities not measured at fair value through profit or loss is recognized as interest income using the effective interest method. The effective interest rate (EIR) is the rate that discounts expected future cash flows for the expected life of the financial instrument to its carrying value. The calculation takes into account the contractual interest rate, along with any fees or incremental costs that are directly attributable to the instrument and all other premiums or discounts.

(f) New accounting policies adopted

(i) Definition of material

In October 2018, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting policies, changes in accounting estimates and errors*. These amendments clarify and align the definition of material and provide guidance to help improve consistency in the application of materiality when used in other IFRS standards. The partnership adopted these amendments on January 1, 2020 and the adoption did not have an impact on the partnership’s unaudited interim condensed consolidated financial statements.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

**As at September 30, 2020 and December 31, 2019 and for the three and nine months ended
September 30, 2020 and 2019**

(ii) Rent concessions

In May 2020, the IASB issued an amendment to IFRS 16, *Leases* (“IFRS 16”), effective for annual and interim reporting periods beginning on or after June 1, 2020. The amendment provides lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification. The application of the practical expedient did not have a significant impact on the partnership’s financial results.

(g) Future changes in accounting policies

(i) Insurance contracts

In May 2017, the IASB published IFRS 17, *Insurance contracts* (“IFRS 17”) a comprehensive standard that establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. In June 2019, the IASB published an exposure draft that proposes targeted amendments to IFRS 17 and will replace IFRS 4, *Insurance contracts* (“IFRS 4”). In March 2020, the IASB decided on a further deferral of the effective date of IFRS 17 from annual periods beginning on or after January 1, 2021 to annual periods beginning on or after January 1, 2023.

The measurement approach under IFRS 17 is based on the following:

- a current, unbiased probability-weighted estimate of future cash flows expected to arise as the insurer fulfills the contract;
- the effect of the time value of money;
- a risk adjustment that measures the effects of uncertainty about the amount and timing of future cash flows; and
- a contractual service margin which represents the unearned profit in a contract and that is recognized in profit or loss over time as the insurance coverage is provided.

There will also be a new financial statement presentation for insurance contracts and additional disclosure requirements.

IFRS 17 requires the partnership to distinguish between groups of contracts expected to be profit-making and groups of contracts expected to be onerous. IFRS 17 is to be applied retrospectively to each group of insurance contracts. If full retrospective application to a group of contracts is impracticable, the modified retrospective or fair value method may be used. The partnership is currently assessing the impact of IFRS 17 on its financial statements.

(ii) IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amendments for IBOR reform

On August 27, 2020, the IASB published Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (“Phase II Amendments”), effective January 1, 2021, with early adoption permitted. The Phase II Amendments provide additional guidance to address issues that will arise during the transition of benchmark interest rates. The Phase II Amendments primarily relate to the modification of financial assets, financial liabilities and lease liabilities where the basis for determining the contractual cash flows changes as a result of IBOR reform, allowing for prospective application of the applicable benchmark interest rate and to the application of hedge accounting, providing an exception such that changes in the formal designation and documentation of hedge accounting relationships that are needed to reflect the changes required by IBOR reform do not result in the discontinuation of hedge accounting or the designation of new hedging relationships.

The partnership is currently assessing the impact as a result of the amendments to the contractual terms of IBOR referenced floating-rate borrowings, interest rate swaps, interest rate caps, and updating hedge designations. The partnership expects to have completed its assessment in advance of January 1, 2021. The adoption is not expected to have a significant impact on the partnership’s consolidated financial statements.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

**As at September 30, 2020 and December 31, 2019 and for the three and nine months ended
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NOTE 3. ACQUISITION OF BUSINESSES

When determining the basis of accounting for the partnership's investees, the partnership evaluates the degree of influence that the partnership exerts directly or through an arrangement over the investees' relevant activities. Control is obtained when the partnership has power over the acquired entities and an ability to use its power to affect the returns of these entities.

The partnership accounts for business combinations using the acquisition method of accounting, pursuant to which the cost of acquiring a business is allocated to its identifiable tangible and intangible assets and liabilities on the basis of the estimated fair values at the date of acquisition.

(a) Acquisitions completed in the nine months ended September 30, 2020

Business services

IndoStar Capital Finance Limited ("IndoStar")

On May 27, 2020, the partnership, together with institutional partners, acquired a 31% ownership interest in IndoStar, an Indian financing company focused on commercial vehicle lending and affordable home finance, for consideration of \$162 million. The partnership did not receive voting rights with its initial investment and on June 30, 2020 classified the investment as a financial asset measured at fair value through profit and loss.

On July 8 and 9, 2020, the partnership, together with institutional partners, acquired an additional 26% interest in IndoStar through a Mandatory Tender Offer and a secondary offering, for \$114 million and \$19 million, respectively, for a total ownership interest of 57%. Upon completion of the additional investment, the partnership received 57% of the voting rights which provided the partnership with control over the business on July 9, 2020. Accordingly, the partnership has consolidated the business for financial reporting purposes. Total consideration for the acquisition, inclusive of the May 27, 2020 transaction was \$105 million attributable to the partnership, representing a 20% economic interest. Total acquisition costs of \$4 million were recorded as other expenses in the unaudited interim condensed consolidated statement of operating results.

The transaction was accounted for as a business combination achieved in stages. The partnership's previously held investment in IndoStar was remeasured to fair value prior to the acquisition and no cumulative gain or loss arising from changes in the fair value of the investment was recognized.

The acquisition contributed \$1,064 million of loans receivable, \$78 million of cash and cash equivalents, \$227 million of financial assets, intangibles of \$20 million, net other assets of \$37 million and non-recourse borrowings of \$939 million. Goodwill of \$24 million was recognized and represents the benefits the partnership expects to receive from the integration of the operations. Non-controlling interests of \$406 million were recognized on business combination were measured at the proportionate share of the fair value of assets acquired and liabilities assumed. The initial fair values of acquired assets, liabilities and goodwill for the acquisitions have been determined on a preliminary basis at the end of the reporting period.

The partnership's results from operations for the period ended September 30, 2020 includes revenues of \$42 million and \$1 million of net income attributable to the partnership from the acquisition. If the acquisition had been effective January 1, 2020, the partnership would have recorded revenues of \$131 million for the period ended September 30, 2020 and a net loss of \$9 million attributable to the partnership for the period ended September 30, 2020.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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(b) Acquisitions completed in 2019

The following summarizes the consideration transferred, assets acquired and liabilities assumed at the applicable acquisition dates for significant acquisitions:

| (US\$ MILLIONS) | Business services ⁽¹⁾ | Infrastructure services | Industrials | Total |
|---|---|------------------------------------|--------------------|-----------------|
| Cash | \$ 2,024 | \$ 7 | \$ 3,732 | \$ 5,763 |
| Non-cash consideration | 15 | 1 | — | 16 |
| Total consideration ⁽²⁾ | \$ 2,039 | \$ 8 | \$ 3,732 | \$ 5,779 |

| (US\$ MILLIONS) | | | | |
|--|-----------------|-------------|-----------------|-----------------|
| Cash and cash equivalents | \$ 319 | \$ — | \$ 11 | \$ 330 |
| Accounts and other receivable, net | 289 | 2 | 1,129 | 1,420 |
| Inventory, net | 41 | — | 1,765 | 1,806 |
| Assets held for sale | 6 | — | — | 6 |
| Equity accounted investments | 9 | — | 833 | 842 |
| Property, plant and equipment | 3,030 | 3 | 3,578 | 6,611 |
| Intangible assets | 542 | 7 | 6,550 | 7,099 |
| Goodwill ⁽³⁾ | 1,575 | 7 | 1,750 | 3,332 |
| Deferred income tax assets | 138 | — | 14 | 152 |
| Financial assets | 4,735 | — | 27 | 4,762 |
| Other assets | 48 | — | 339 | 387 |
| Acquisition gain | (4) | — | — | (4) |
| Accounts payable and other | (2,734) | (1) | (2,003) | (4,738) |
| Borrowings | (709) | — | — | (709) |
| Deferred income tax liabilities | (152) | (2) | (867) | (1,021) |
| Net assets acquired before non-controlling interests | 7,133 | 16 | 13,126 | 20,275 |
| Non-controlling interests ^{(4) (5)} | (5,094) | (8) | (9,394) | (14,496) |
| Net assets acquired | \$ 2,039 | \$ 8 | \$ 3,732 | \$ 5,779 |

- (1) The initial fair values of acquired assets, liabilities and goodwill for the acquisitions have been determined on a preliminary basis at the end of the reporting period.
- (2) Excludes consideration attributable to non-controlling interests, which represents the interest of others in operating subsidiaries.
- (3) The finalization of purchase price allocations within the business services and industrials segments resulted in adjustments to the preliminary fair values, including intangible assets, deferred income tax assets, deferred income tax liabilities, equity accounted investments and consideration paid. The offsetting adjustment to goodwill resulted in an increase of \$3 million within the business services segment and a decrease of \$144 million within the industrials segment. Adjustments to a purchase price allocation within the infrastructure services segment resulted in a decrease to goodwill of \$5 million.
- (4) Non-controlling interests recognized on business combination were measured at fair value for business services, industrials and infrastructure services.
- (5) Non-controlling interests recognized on business combination were measured at the proportionate share of fair value of the assets acquired and liabilities assumed for mortgage insurance services in the business services segment.

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Business services

Sagen MI Canada Inc. (“Sagen”)

On December 12, 2019, together with institutional partners, the partnership acquired Sagen, a Canadian based mortgage insurance company, formerly known as Genworth. The partnership’s economic interest prior to syndication to institutional partners was 31% and was acquired for consideration of \$854 million. The partnership has a 57% voting interest in this business, which provides the partnership with control. Accordingly, the partnership consolidates this business for financial reporting purposes.

On acquisition, a bargain purchase gain of \$4 million was recognized. Intangible assets of \$243 million were acquired, primarily comprised of the value of insurance contracts in force as at the date of acquisition.

The partnership’s results from operations for the year ended December 31, 2019 includes \$10 million of revenue and \$9 million of net income attributable to the partnership from the acquisition. If this acquisition had been effective January 1, 2019, the partnership would have recorded revenue of \$207 million and net income of \$98 million attributable to the partnership for the year ended December 31, 2019.

Healthscope Limited (“Healthscope”)

On June 6, 2019, together with institutional partners, the partnership acquired Healthscope, an Australian based healthcare provider that operates private hospitals and provides pathology services. The partnership’s economic interest prior to syndication to institutional partners was 28% and was acquired for consideration of \$1,156 million. The partnership has a 100% voting interest in this business, which provides the partnership with control. Accordingly, the partnership consolidates this business for financial reporting purposes.

Acquisition costs of approximately \$22 million were recorded as other expense on the consolidated statements of operating results. Goodwill of \$1,551 million was acquired, which represents the growth the partnership expects to experience from the integration of the operations. The goodwill recognized is not deductible for income tax purposes. Intangible assets of \$286 million were acquired, primarily comprised of customer contracts.

The partnership’s results from operations for the year ended December 31, 2019 includes \$297 million of revenue and \$7 million of net loss attributable to the partnership from the acquisition. If this acquisition had been effective January 1, 2019, the partnership would have recorded revenue of \$453 million and net loss of \$23 million attributable to the partnership for the year ended December 31, 2019.

Ouro Verde Locação e Serviços S.A. (“Ouro Verde”)

On July 8, 2019, the partnership, together with institutional partners, acquired Ouro Verde, a Brazilian heavy equipment and light fleet vehicle management company. The partnership’s economic interest prior to syndication to institutional partners was 38% and was acquired for total consideration of \$16 million. The partnership has a 100% voting interest in this business, which provides the partnership with control. Accordingly, the partnership consolidates this business for financial reporting purposes.

Others

On August 20, 2019, the partnership, through its road fuel storage and distribution business, completed an acquisition for consideration of \$12 million, acquiring the remaining ownership interests in a terminal storage operator in which it previously had an equity interest. The partnership has a 100% voting interest in this business, which provides the partnership with control. Accordingly, the partnership consolidates this business for financial reporting purposes.

Industrials

Clarios Global LP (“Clarios”)

On April 30, 2019, together with institutional partners, the partnership acquired Clarios (formerly known as the “Power Solutions Business of Johnson Controls International plc”), a global producer and distributor of automotive batteries. The partnership’s economic interest prior to syndication to institutional partners was 29% and was acquired for consideration of \$3,732 million. The partnership has a 100% voting interest in this business, which provides the partnership with control. Accordingly, the partnership consolidates this business for financial reporting purposes.

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Acquisition costs of approximately \$41 million were recorded as other expense on the consolidated statements of operating results. Goodwill of \$1,750 million was acquired, which is largely reflective of the potential to innovate and grow the business. \$20 million of the goodwill recognized is deductible for income tax purposes. Intangible assets of \$6,550 million were acquired, primarily comprised of customer relationships, patented technology, and trademarks.

The partnership's results from operations for the year ended December 31, 2019 includes \$1,668 million of revenue and \$89 million of net loss attributable to the partnership from the acquisition. If this acquisition had been effective January 1, 2019, the partnership would have recorded revenue of \$2,414 million and net loss of \$21 million attributable to the partnership for the year ended December 31, 2019.

NOTE 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are determined by reference to quoted bid or ask prices, as appropriate. Where bid and ask prices are unavailable, the closing price of the most recent transaction of that instrument is used. In the absence of an active market, fair values are determined based on prevailing market rates such as bid and ask prices, as appropriate for instruments with similar characteristics and risk profiles, or internal or external valuation models, such as option pricing models and discounted cash flow analysis, using observable market inputs.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those assumptions, the partnership looks primarily to external readily observable market inputs such as interest rate yield curves, currency rates, price and rate volatility as applicable. Financial instruments classified as fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI) are measured at fair value in the unaudited interim condensed consolidated statements of financial position, and changes in fair values are recognized in profit or loss or other comprehensive income, respectively.

The following table provides the details of financial instruments and their associated classifications as at September 30, 2020:

(US\$ MILLIONS)

| MEASUREMENT BASIS | FVTPL | | FVOCI | | Amortized Cost | | Total | |
|---|--------------|-------------------|--------------|---------------------|---------------------------|----------------------|--------------|----------------------|
| Financial assets | | | | | | | | |
| Cash and cash equivalents | \$ | — | \$ | — | \$ | 2,815 | \$ | 2,815 |
| Accounts and other receivable, net (current and non-current) | | — | | — | | 5,083 | | 5,083 |
| Other assets (current and non-current) ⁽¹⁾ | | — | | — | | 516 | | 516 |
| Financial assets (current and non-current) ⁽²⁾ | | <u>678</u> | | <u>5,133</u> | | <u>1,983</u> | | <u>7,794</u> |
| Total | \$ | <u>678</u> | \$ | <u>5,133</u> | \$ | <u>10,397</u> | \$ | <u>16,208</u> |
| Financial liabilities | | | | | | | | |
| Accounts payable and other (current and non-current) ⁽³⁾ | \$ | 417 | \$ | 350 | \$ | 8,807 | \$ | 9,574 |
| Borrowings (current and non-current) | | — | | — | | 23,929 | | 23,929 |
| Total | \$ | <u>417</u> | \$ | <u>350</u> | \$ | <u>32,736</u> | \$ | <u>33,503</u> |

(1) Excludes prepayments, subrogation recoverable and other assets of \$1,401 million.

(2) Refer to Hedging Activities in Note 4(a) below.

(3) Excludes provisions, decommissioning liabilities, deferred revenue, unearned premium reserve, work in progress, post-employment benefits, liabilities held for sale and various taxes and duties of \$7,541 million.

Included in cash and cash equivalents as at September 30, 2020 is \$2,283 million of cash (December 31, 2019: \$1,570 million) and \$532 million of cash equivalents (December 31, 2019: \$416 million).

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The fair value of all financial assets and liabilities as at September 30, 2020 were consistent with carrying value, with the exception of the borrowings at Altera Infrastructure L.P. (“Altera”) measured at amortized cost, where fair value determined using Level 1 and Level 2 inputs resulted in a fair value of \$2,830 million (December 31, 2019: \$2,787 million) versus a carrying value of \$2,839 million (December 31, 2019: \$2,767 million).

Included in financial assets as at September 30, 2020 is \$705 million (December 31, 2019: \$264 million) of equity instruments designated as measured at fair value through other comprehensive income. The remaining balance of instruments designated as measured at fair value through other comprehensive income relates primarily to corporate and government bonds.

The following table provides the allocation of financial instruments and their associated classifications as at December 31, 2019:

(US\$ MILLIONS)

| MEASUREMENT BASIS | FVTPL | FVOCI | Amortized Cost | Total |
|--|---------------|-----------------|-------------------|------------------|
| Financial assets | | | | |
| Cash and cash equivalents | \$ — | \$ — | \$ 1,986 | \$ 1,986 |
| Accounts and other receivable, net (current and non-current) | — | — | 5,631 | 5,631 |
| Other assets (current and non-current) ⁽¹⁾ | — | — | 577 | 577 |
| Financial assets (current and non-current) ⁽²⁾ | 883 | 4,612 | 748 | 6,243 |
| Total | \$ 883 | \$ 4,612 | \$ 8,942 | \$ 14,437 |
| Financial liabilities | | | | |
| Accounts payable and other ⁽³⁾⁽⁴⁾ | \$ 385 | \$ 159 | \$ 9,039 | \$ 9,583 |
| Borrowings (current and non-current) | — | — | 22,399 | 22,399 |
| Total | \$ 385 | \$ 159 | \$ 31,438 | \$ 31,982 |

(1) Excludes prepayments, subrogation recoverable and other assets of \$1,215 million.

(2) Refer to Hedging Activities in Note 4(a) below.

(3) Total financial assets include \$3,832 million of assets pledged as collateral.

(4) Excludes provisions, decommissioning liabilities, deferred revenue, unearned premium reserve, work in progress, post-employment benefits, liabilities held for sale and various taxes and duties of \$6,913 million.

(a) Hedging activities

Net investment hedges

The partnership uses foreign exchange contracts and foreign currency denominated debt instruments to manage foreign currency exposures arising from net investments in foreign operations. For the three and nine months ended September 30, 2020, pre-tax net loss of \$110 million and net gain \$159 million (September 30, 2019: pre-tax net loss of \$152 million and \$77 million) was recorded in other comprehensive income for the effective portion of hedges of net investments in foreign operations. As at September 30, 2020, there was a derivative asset balance of \$81 million (December 31, 2019: \$13 million) and derivative liability balance of \$6 million (December 31, 2019: \$35 million) relating to derivative contracts designated as net investment hedges.

Cash flow hedges

The partnership uses commodity swap contracts to hedge the sale price of its gas contracts, purchase price of decant oil, lead, polypropylene, tin, foreign exchange contracts and option contracts to hedge highly probable future transactions, and interest rate contracts to hedge the cash flows on its floating rate borrowings. A number of these contracts are designated as cash flow hedges. For the three and nine months ended September 30, 2020, pre-tax net loss of \$17 million and \$279 million (September 30, 2019: pre-tax net loss of \$80 million and \$129 million) was recorded in other comprehensive income for the effective portion of cash flow hedges. As at September 30, 2020, there was a derivative asset balance of \$29 million (December 31, 2019: \$22 million) and derivative liability balance of \$344 million (December 31, 2019: \$123 million) relating to the derivative contracts designated as cash flow hedges.

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Other derivative instruments are measured at fair value, with changes in fair value recognized in the consolidated statements of operating results.

Fair value hierarchical levels - financial instruments

Level 3 assets and liabilities measured at fair value on a recurring basis include \$206 million (December 31, 2019: \$287 million) of financial assets and \$15 million (December 31, 2019: \$36 million) of financial liabilities, which are measured at fair value using valuation inputs based on management's best estimates of what market participants would use in pricing the asset or liability at the measurement date.

There were no transfers between levels during the three and nine months ended September 30, 2020. The following table categorizes financial assets and liabilities, which are carried at fair value, based upon the level of input as at September 30, 2020 and December 31, 2019:

| (US\$ MILLIONS) | September 30, 2020 | | | December 31, 2019 | | |
|---------------------------------------|--------------------|-----------------|---------------|-------------------|-----------------|---------------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | | | |
| Common shares | \$ 385 | \$ — | \$ — | \$ 255 | \$ — | \$ — |
| Corporate and government bonds | — | 3,891 | — | — | 3,914 | — |
| Derivative assets | 16 | 221 | — | 4 | 234 | — |
| Other financial assets ⁽¹⁾ | 613 | 479 | 206 | 401 | 400 | 287 |
| Total | \$ 1,014 | \$ 4,591 | \$ 206 | \$ 660 | \$ 4,548 | \$ 287 |
| Financial liabilities | | | | | | |
| Derivative liabilities | \$ 6 | \$ 747 | \$ — | \$ 18 | \$ 489 | \$ — |
| Other financial liabilities | — | — | 15 | — | — | 36 |
| Total | \$ 6 | \$ 747 | \$ 15 | \$ 18 | \$ 489 | \$ 36 |

⁽¹⁾ Other financial assets include secured debentures to homebuilding companies, asset-backed securities and preferred shares in our business services segment. Level 1 other financial assets are primarily preferred shares. Level 2 other financial assets are primarily asset-backed securities and Level 3 financial assets are primarily secured debentures to homebuilding companies.

The following table presents the change in the balance of financial assets and financial liabilities classified as Level 3 as at September 30, 2020 and December 31, 2019:

| (US\$ MILLIONS) | September 30, 2020 | December 31, 2019 |
|--|--------------------|-------------------|
| Balance at beginning of year | \$ 251 | \$ 230 |
| Fair value change recorded in net income | (64) | 8 |
| Fair value change recorded in other comprehensive income | (12) | — |
| Net additions (disposals) | 16 | 13 |
| Balance at end of period | \$ 191 | \$ 251 |

(b) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset with the net amount reported in the unaudited interim condensed consolidated statements of financial position where the partnership currently has a legally enforceable right to offset and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. As at September 30, 2020, \$30 million, of financial assets (December 31, 2019: \$1 million) and \$46 million, of financial liabilities (December 31, 2019: \$3 million) were offset in the unaudited interim condensed consolidated statements of financial position.

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NOTE 5. FINANCIAL ASSETS

| <u>(US\$ MILLIONS)</u> | <u>September 30, 2020</u> | <u>December 31, 2019</u> |
|---------------------------------------|---------------------------|--------------------------|
| Current | | |
| Marketable securities | \$ 876 | \$ 734 |
| Restricted cash | 438 | 172 |
| Derivative contracts | 139 | 176 |
| Loans and notes receivable, net | 209 | 66 |
| Other financial assets ⁽¹⁾ | 279 | — |
| Total current | \$ 1,941 | \$ 1,148 |
| Non-current | | |
| Marketable securities | \$ 3,400 | \$ 3,435 |
| Restricted cash | 265 | 201 |
| Derivative contracts | 98 | 62 |
| Loans and notes receivable | 991 | 309 |
| Other financial assets ⁽¹⁾ | 1,099 | 1,088 |
| Total non-current | \$ 5,853 | \$ 5,095 |

⁽¹⁾ Other financial assets include secured debentures to homebuilding companies, asset-backed securities and preferred shares in our business services segment.

NOTE 6. ACCOUNTS AND OTHER RECEIVABLES, NET

| <u>(US\$ MILLIONS)</u> | <u>September 30, 2020</u> | <u>December 31, 2019</u> |
|-------------------------------|---------------------------|--------------------------|
| Current, net | \$ 4,373 | \$ 4,808 |
| Non-current, net | | |
| Accounts receivable | 80 | 40 |
| Retainer on customer contract | 132 | 102 |
| Billing rights | 498 | 681 |
| Total non-current, net | \$ 710 | \$ 823 |
| Total | \$ 5,083 | \$ 5,631 |

Billing rights, which represent unbilled rights arising at BRK Ambiental from revenue earned from the construction of public concession contracts, are classified as financial assets and are recognized when there is an unconditional right to receive cash or other financial assets from the concession authority for the construction services.

The partnership's construction services business has a retention balance which comprises amounts that have been earned but held back until certain conditions specified in the contract are satisfied.

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NOTE 7. INVENTORY, NET

| (US\$ MILLIONS) | September 30, 2020 | December 31, 2019 |
|--|---------------------------|--------------------------|
| Raw materials and consumables ⁽¹⁾ | \$ 1,430 | \$ 941 |
| Fuel products ⁽²⁾ | 527 | 688 |
| Work in progress | 653 | 674 |
| RTFO certificates ⁽³⁾ | 287 | 342 |
| Finished goods and other ⁽⁴⁾ | 574 | 845 |
| Carrying amount of inventories | \$ 3,471 | \$ 3,490 |

(1) Raw materials and consumables are mainly composed of raw materials in the industrials segment.

(2) Fuel products are traded in active markets and are purchased with a view to resell in the near future. As a result, stocks of fuel products are recorded at fair value based on quoted market prices.

(3) Renewable Transport Fuel Obligations (“RTFO”) certificates held for trading as at September 30, 2020 have a fair value of \$23 million (December 31, 2019: \$66 million). There is no externally quoted marketplace for the valuation of RTFO certificates. In order to value these contracts, the partnership has adopted a pricing methodology combining both observable inputs based on market data and assumptions developed internally based on observable market activity.

(4) Finished goods and other are mainly composed of finished goods inventory in the infrastructure services and industrials segments.

NOTE 8. DISPOSITIONS

For the three month period ended September 30, 2020, the partnership recognized a net gain on dispositions of \$nil (September 30, 2019: gain of \$16 million). For the nine month period ended September 30, 2020, the partnership recognized a net gain on dispositions of \$179 million (September 30, 2019: gain of \$536 million).

The gain recognized in the nine month period ended September 30, 2020 is primarily related to the partnership’s sale of its cold storage logistics business for gross proceeds of approximately \$255 million, resulting in a \$186 million pre-tax gain recognized by the partnership.

The gain recognized in the nine month period ended September 30, 2019 is primarily related to the partnership’s sale of its facilities management business and executive relocation business resulting in pre-tax gains of \$341 million and \$180 million, respectively.

NOTE 9. OTHER ASSETS

| (US\$ MILLIONS) | September 30, 2020 | December 31, 2019 |
|---------------------------------|---------------------------|--------------------------|
| Current | | |
| Work in progress ⁽¹⁾ | \$ 453 | \$ 505 |
| Prepayments and other assets | 667 | 719 |
| Assets held for sale | 406 | 139 |
| Total current | \$ 1,526 | \$ 1,363 |
| Non-current | | |
| Work in progress ⁽¹⁾ | \$ 63 | \$ 72 |
| Prepayments and other assets | 328 | 357 |
| Total non-current | \$ 391 | \$ 429 |

(1) See Note 15 for additional information.

On August 4, 2020, Healthscope entered into an agreement to sell its New Zealand pathology business for approximately \$360 million. The sale is subject to customary closing approvals and protocols. As at September 30, 2020 the pathology business has been classified as held for sale.

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NOTE 10. PROPERTY, PLANT AND EQUIPMENT

| (US\$ MILLIONS) | September 30, 2020 | December 31, 2019 |
|---|---------------------------|--------------------------|
| Gross carrying amount | | |
| Beginning balance | \$ 16,502 | \$ 8,415 |
| Additions ⁽¹⁾ | 1,445 | 1,529 |
| Dispositions | (313) | (772) |
| Acquisitions through business combinations ⁽²⁾ | 23 | 6,577 |
| Assets reclassified as held for sale ⁽³⁾ | (87) | (332) |
| Changes in accounting policy | — | 978 |
| Foreign currency translation | (116) | 107 |
| Ending balance | \$ 17,454 | \$ 16,502 |
| Accumulated depreciation and impairment | | |
| Beginning balance | \$ (2,610) | \$ (1,468) |
| Depreciation/depletion/impairment expense ⁽⁴⁾ | (1,211) | (1,407) |
| Dispositions | 169 | 263 |
| Assets reclassified as held for sale ⁽³⁾ | 22 | 62 |
| Foreign currency translation | 40 | (60) |
| Ending balance | \$ (3,590) | \$ (2,610) |
| Net book value ⁽⁵⁾ | \$ 13,864 | \$ 13,892 |

(1) Includes assets acquired in a common control transaction. See Note 17 for additional information.

(2) See Note 3 for additional information.

(3) Includes assets that were reclassified as held for sale and subsequently disposed.

(4) Includes an impairment expense of \$144 million for the nine months ended September 30, 2020 resulting from write-downs of certain vessels within Altera due to changes in underlying assumptions such as the impact of contract modifications, changes in lay-up cost estimates, expected values on the sale of vessels, revenue forecasts, and vessel re-contracting.

(5) Includes right-of-use assets of \$1,285 million as at September 30, 2020 and \$1,266 million as at December 31, 2019.

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NOTE 11. INTANGIBLE ASSETS

| (US\$ MILLIONS) | September 30, 2020 | December 31, 2019 |
|---|---------------------------|--------------------------|
| Gross carrying amount | | |
| Beginning balance | \$ 12,504 | \$ 6,001 |
| Additions ⁽¹⁾ | 166 | 231 |
| Dispositions | (71) | (32) |
| Acquisitions through business combinations ⁽²⁾ | 164 | 6,816 |
| Assets reclassified as held for sale ⁽³⁾ | (97) | (436) |
| Foreign currency translation | (601) | (76) |
| Ending balance | \$ 12,065 | \$ 12,504 |
| Accumulated amortization and impairment | | |
| Beginning balance | \$ (945) | \$ (478) |
| Amortization/impairment expense | (582) | (582) |
| Dispositions | 69 | 22 |
| Assets reclassified as held for sale ⁽³⁾ | 17 | 97 |
| Foreign currency translation | 57 | (4) |
| Ending balance | \$ (1,384) | \$ (945) |
| Net book value | \$ 10,681 | \$ 11,559 |

(1) Includes assets acquired in a common control transaction. See Note 17 for additional information.

(2) See Note 3 for additional information.

(3) Includes assets that were reclassified as held for sale and subsequently disposed.

NOTE 12. GOODWILL

| (US\$ MILLIONS) | September 30, 2020 | December 31, 2019 |
|---|---------------------------|--------------------------|
| Balance at beginning of period | \$ 5,218 | \$ 2,411 |
| Acquisitions through business combinations ⁽¹⁾ | (113) | 3,444 |
| Impairment losses | — | (418) |
| Dispositions | — | (21) |
| Assets reclassified as held for sale ⁽²⁾ | (215) | (212) |
| Foreign currency translation | 71 | 14 |
| Balance at end of period | \$ 4,961 | \$ 5,218 |

(1) See Note 3 for additional information.

(2) Includes assets that were reclassified as held for sale and subsequently disposed.

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NOTE 13. EQUITY ACCOUNTED INVESTMENTS

| (US\$ MILLIONS) | September 30, 2020 | December 31, 2019 |
|---|---------------------------|--------------------------|
| Balance at beginning of year | \$ 1,273 | \$ 541 |
| Acquisitions through business combinations ⁽¹⁾ | (5) | 847 |
| Additions | 446 | 25 |
| Dispositions ⁽²⁾ | — | (162) |
| Share of net income | 26 | 114 |
| Share of other comprehensive income (loss) | (4) | — |
| Distributions received | (34) | (62) |
| Foreign currency translation | (31) | (30) |
| Balance at end of period | \$ 1,671 | \$ 1,273 |

(1) See Note 3 for additional information.

(2) Includes derecognition of an equity accounted investment within Greenergy that was consolidated in 2019.

On January 31, 2020, the partnership completed the acquisition of a 17% economic interest in Brand Industrial Holdings Inc. (“BrandSafway”) for consideration of \$445 million. The partnership has joint control over BrandSafway and has accounted for its investment as an equity accounted investment.

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NOTE 14. ACCOUNTS PAYABLE AND OTHER

| <u>(US\$ MILLIONS)</u> | <u>September 30, 2020</u> | <u>December 31, 2019</u> |
|---|---------------------------|--------------------------|
| Current | | |
| Accounts payable | \$ 2,958 | \$ 2,919 |
| Accrued and other liabilities ⁽¹⁾⁽²⁾ | 3,951 | 3,978 |
| Lease liability | 214 | 224 |
| Financial liabilities | 416 | 327 |
| Unearned premiums reserve ⁽³⁾ | 483 | 482 |
| Work in progress ⁽⁴⁾ | 1,441 | 1,415 |
| Provisions and decommissioning liabilities | 510 | 442 |
| Liabilities held for sale | 76 | 94 |
| Total current | \$ 10,049 | \$ 9,881 |
| Non-current | | |
| Accounts payable | \$ 126 | \$ 116 |
| Accrued and other liabilities ⁽²⁾ | 1,128 | 1,110 |
| Lease liability | 1,171 | 1,109 |
| Financial liabilities | 2,287 | 2,048 |
| Unearned premiums reserve ⁽³⁾ | 1,194 | 1,143 |
| Work in progress ⁽⁴⁾ | 33 | 60 |
| Provisions and decommissioning liabilities | 1,127 | 1,029 |
| Total non-current | \$ 7,066 | \$ 6,615 |

(1) Includes bank overdrafts of \$402 million as at September 30, 2020 (December 31, 2019: \$921 million).

(2) Includes post-employment benefits of \$881 million (\$11 million current and \$870 million non-current) as at September 30, 2020 and \$835 million (\$18 million current and \$817 million non-current) as at December 31, 2019.

(3) See Note 25 for additional information.

(4) See Note 15 for additional information.

As part of the acquisition of Healthscope in 2019, the partnership received approximately \$1.7 billion as proceeds for the sale and leaseback of 22 wholly owned freehold hospital properties. The partnership did not relinquish control of these hospital properties and the hospital properties were not derecognized from property, plant, and equipment. The proceeds received were recognized as a financial liability. The liability is drawn down as payments are made to the lender.

NOTE 15. CONTRACTS IN PROGRESS

| <u>(US\$ MILLIONS)</u> | <u>September 30, 2020</u> | <u>December 31, 2019</u> |
|--|---------------------------|--------------------------|
| Contract costs incurred to date | \$ 25,170 | \$ 23,041 |
| Profit recognized to date (less recognized losses) | 1,605 | 1,843 |
| | 26,775 | 24,884 |
| Less: progress billings | (27,733) | (25,782) |
| Contract work in progress (liability) | \$ (958) | \$ (898) |
| Comprising: | | |
| Amounts due from customers - work in progress | \$ 516 | \$ 577 |
| Amounts due to customers - creditors | (1,474) | (1,475) |
| Net work in progress | \$ (958) | \$ (898) |

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NOTE 16. BORROWINGS

(a) Corporate borrowings

The partnership has bilateral credit facilities of \$1,575 million backed by large global banks. The credit facilities are available in Euros, Sterling, Australian, U.S. and Canadian dollars. Advances under the credit facilities bear interest at the specified LIBOR, EURIBOR, CDOR, BBSY or bankers' acceptance rate plus 2.50%, or the specified base rate or prime rate plus 1.50%. The credit facilities require the partnership to maintain a minimum tangible net worth and deconsolidated debt to capitalization ratio at the corporate level.

During the third quarter of 2020, the partnership increased the total available amount on the credit facilities by \$500 million to \$2,075 million. The additional \$500 million has been guaranteed by Brookfield and provides the partnership with additional liquidity to take advantage of acquisitive opportunities.

As at September 30, 2020, \$538 million was drawn on the bilateral credit facilities and the additional \$500 million facility guaranteed by Brookfield remains undrawn.

The partnership has a revolving acquisition credit facility with Brookfield that permits borrowings of up to \$500 million. The credit facility is guaranteed by the partnership, and each direct wholly-owned (in terms of outstanding common equity) subsidiary of the partnership or the Holding LP, that is not otherwise a borrower. The credit facility is available in U.S. or Canadian dollars, and advances are made by way of LIBOR, base rate, bankers' acceptance rate or prime rate loans. The credit facility bears interest at the specified LIBOR or bankers' acceptance rate plus 3.45%, or the specified base rate or prime rate plus 2.45%. The credit facility requires the partnership to maintain a minimum deconsolidated net worth and contains restrictions on the ability of the borrowers and the guarantors to, among other things, incur liens, engage in certain mergers and consolidations or enter into speculative hedging arrangements. Net proceeds above a specified threshold that are received by the borrowers from asset dispositions, debt incurrences or equity issuances by the borrowers or their subsidiaries must be used to pay down the credit facility (which can then be redrawn to fund future investments). As at September 30, 2020, the credit facility remains undrawn.

The partnership is currently in compliance with or has obtained waivers related to all material covenant requirements, and the partnership continues to monitor performance against such covenant requirements.

(b) Non-recourse subsidiary borrowings of the partnership

Total non-recourse subsidiary borrowings of the partnership as at September 30, 2020 were \$23,241 million (December 31, 2019: \$22,399 million).

Some of the partnership's businesses have credit facilities in which they borrow and repay on a monthly basis. This movement has been shown on a net basis in the partnership's unaudited interim condensed consolidated statements of cash flow.

The partnership has credit facilities within its operating businesses with major financial institutions. The credit facilities are primarily composed of revolving term credit facilities and revolving operating facilities with variable interest rates. In certain cases, the facilities may have financial covenants which are generally in the form of interest coverage ratios and leverage ratios.

The partnership's operations are currently in compliance with or have obtained waivers related to all material covenant requirements, and the partnership continues to work with its businesses to monitor performance against such covenant requirements.

NOTE 17. RELATED PARTY TRANSACTIONS

In the normal course of operations, the partnership entered into the transactions below with related parties at exchange value. These transactions have been measured at fair value and are recognized in the unaudited interim condensed consolidated financial statements.

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(a) Transactions with the parent company

As at September 30, 2020, \$nil was drawn on the revolving acquisition credit facility with Brookfield (December 31, 2019: \$nil). The partnership has in place a Deposit Agreement with Brookfield whereby it may place funds on deposit with Brookfield and whereby Brookfield may place funds on deposit with the partnership. The deposit balance is due on demand and bears interest at LIBOR plus 1.50%. As at September 30, 2020, the amount of the deposit from Brookfield was \$150 million (December 31, 2019: \$4 million on deposit with Brookfield). For the three and nine months ended September 30, 2020, the partnership paid interest expense of \$1 million and \$2 million (September 30, 2019: the partnership earned interest income of \$4 million and \$8 million) on these deposits.

The partnership pays Brookfield a quarterly base management fee. For purposes of calculating the base management fee, the total capitalization of Brookfield Business Partners L.P. is equal to the quarterly volume-weighted average trading price of a unit on the principal stock exchange for the partnership units (based on trading volumes) multiplied by the number of units outstanding at the end of the quarter (assuming full conversion of the redemption-exchange units into units of Brookfield Business Partners L.P.), plus the value of securities of the other service recipients that are not held by the partnership, plus all outstanding third party debt with recourse to a service recipient, less all cash held by such entities. The base management fee for the three and nine months ended September 30, 2020 was \$15 million and \$47 million (September 30, 2019: \$16 million and \$40 million).

In its capacity as the holder of the special limited partnership units (“Special LP units”) of Holding LP, Brookfield is entitled to incentive distribution rights. The incentive distribution for the three and nine months ended September 30, 2020 was \$nil and \$nil (September 30, 2019: \$nil and \$nil).

In addition, at the time of spin-off, the partnership entered into indemnity agreements with Brookfield related to certain contracts that were in place prior to the spin-off. Under these indemnity agreements, Brookfield has agreed to indemnify the partnership for the receipt of payments relating to such contracts.

On February 5, 2020, the partnership entered into a voting agreement with a Brookfield subsidiary who had the power to direct the relevant activities of Cardone. The partnership consolidated Cardone commencing February 5, 2020. This transaction was accounted for as a common control transaction where the partnership recognized Cardone’s assets and liabilities at their carrying values. The assets, liabilities, and deficit in shareholder’s equity recognized on February 5, 2020 were \$609 million, \$957 million, and \$348 million, respectively. The liabilities included \$224 million of loans between Cardone and the partnership which eliminated upon consolidation. The partnership did not pay any consideration nor incur any expenses related to this transaction.

(b) Subsidiary recapitalization

On May 13, 2020, as part of a debt restructuring agreement, former debtholders of Cardone agreed to participate in an equity rights offering, in exchange for extinguishment of their existing debt to Cardone. As part of this debt restructuring agreement Cardone received capital commitments of up to \$180 million from some of its former debtholders. To date, the partnership has funded a portion of the \$95 million it expects to contribute upon completion of the restructuring, subject to certain covenants and liquidity requirements. As a result of the recapitalization transaction, the partnership recorded a net gain of \$244 million within other income (expense) in the consolidated statements of operating results.

(c) Other

The following tables summarize other transactions and balances the partnership has entered into with related parties:

| (US\$ MILLIONS) | Three Months Ended | | Nine Months Ended | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2020 | September 30, 2019 | September 30, 2020 | September 30, 2019 |
| Transactions during the period | | | | |
| Business services revenues ⁽¹⁾ | \$ 168 | \$ 145 | \$ 432 | \$ 339 |

⁽¹⁾ Within our business services segment, the partnership provides construction services to affiliates of Brookfield.

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| <u>(US\$ MILLIONS)</u> | <u>September 30, 2020</u> | <u>December 31, 2019</u> |
|------------------------------------|---------------------------|--------------------------|
| Balances at end of period | | |
| Financial assets | \$ — | \$ 174 |
| Accounts and other receivable, net | \$ 97 | \$ 36 |
| Accounts payable and other | \$ 247 | \$ 210 |

NOTE 18. DERIVATIVE FINANCIAL INSTRUMENTS

The partnership's activities expose it to a variety of financial risks, including market risk, currency risk, interest rate risk, commodity risk and other price risks. The partnership and its subsidiaries selectively use derivative financial instruments principally to manage these risks.

The aggregate fair values of the partnership's derivative financial instruments positions are as follows:

| <u>(US\$ MILLIONS)</u> | <u>September 30, 2020</u> | | <u>December 31, 2019</u> | |
|----------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| | <u>Financial Asset</u> | <u>Financial Liability</u> | <u>Financial Asset</u> | <u>Financial Liability</u> |
| Foreign exchange contracts | \$ 144 | \$ 69 | \$ 59 | \$ 96 |
| Cross currency swaps | — | 9 | 1 | 7 |
| Interest rate derivatives | 71 | 593 | 52 | 274 |
| Equity derivatives | — | 37 | 2 | — |
| Commodities contracts | 22 | 45 | 124 | 130 |
| Total | \$ 237 | \$ 753 | \$ 238 | \$ 507 |
| Total current | \$ 139 | \$ 292 | \$ 176 | \$ 213 |
| Total non-current | \$ 98 | \$ 461 | \$ 62 | \$ 294 |

NOTE 19. EQUITY

For the three and nine months ended September 30, 2020, the partnership distributed dividends to limited partner, general partner and redemption-exchange unitholders of \$9 million and \$27 million, respectively, or approximately \$0.0625 per partnership unit (September 30, 2019: \$9 million and \$25 million, respectively). For the three and nine months ended September 30, 2020, the partnership distributed to others who have interests in the operating subsidiaries \$312 million and \$1,051 million, respectively, (September 30, 2019: \$45 million and \$828 million, respectively) primarily resulting from the distributions of proceeds on the sale of our cold storage logistics business, a GrafTech distribution in kind and distributions received from Sagen and Westinghouse Electric Company ("Westinghouse").

During the nine month period ended September 30, 2020, the partnership repurchased and canceled 977,426 limited partnership units (September 30, 2019: 202,143).

(a) Earnings per limited partner unit

Net loss attributable to limited partnership unitholders for the three and nine months ended September 30, 2020 was \$10 million and \$136 million (September 30, 2019: net income of \$13 million and \$100 million). The weighted average number of limited partnership units was 80.3 million and 80.5 million for the three and nine months ended September 30, 2020 (September 30, 2019: 80.7 million and 70.9 million).

(b) Incentive distribution to Special LP units

In its capacity as the holder of the Special LP units of Holding LP, Brookfield is entitled to incentive distribution rights which are based on a 20% increase in the unit price of the partnership over an initial threshold based on the volume-weighted average price of the units, subject to a high water mark. During the three months ended September 30, 2020, the volume weighted average price per unit was \$29.89, which was below the previous incentive distribution threshold of \$41.96 per unit, resulting in an incentive distribution of \$nil and \$nil for the three and nine months ended September 30, 2020 (September 30, 2019: \$nil and \$nil).

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(c) General and limited partnership units

| <u>UNITS</u> | <u>General Partner Units</u> | <u>Limited Partnership Units</u> | <u>Total</u> |
|----------------------------------|----------------------------------|--------------------------------------|-------------------|
| Balance as at January 1, 2020 | 4 | 80,890,655 | 80,890,659 |
| Repurchased and canceled | — | (977,426) | (977,426) |
| Balance as at September 30, 2020 | <u>4</u> | <u>79,913,229</u> | <u>79,913,233</u> |

(d) Redemption-exchange units held by Brookfield

| <u>UNITS</u> | <u>Redemption-Exchange Units held by Brookfield</u> |
|----------------------------------|---|
| Balance as at January 1, 2020 | 69,705,497 |
| Repurchased and canceled | — |
| Balance as at September 30, 2020 | <u>69,705,497</u> |

NOTE 20. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

(a) Attributable to Limited Partners

| <u>(US\$ MILLIONS)</u> | <u>Foreign currency translation</u> | <u>FVOCI</u> | <u>Other ⁽¹⁾</u> | <u>Accumulated other comprehensive income (loss)</u> |
|-----------------------------------|---|--------------|-----------------------------|--|
| Balance as at January 1, 2020 | \$ (169) | \$ 11 | \$ (60) | \$ (218) |
| Other comprehensive income (loss) | (93) | 19 | 9 | (65) |
| Ownership change | — | 2 | — | 2 |
| Balance as at September 30, 2020 | <u>\$ (262)</u> | <u>\$ 32</u> | <u>\$ (51)</u> | <u>\$ (281)</u> |

⁽¹⁾ Represents net investment hedges, cash flow hedges and other reserves.

| <u>(US\$ MILLIONS)</u> | <u>Foreign currency translation</u> | <u>FVOCI</u> | <u>Other ⁽¹⁾</u> | <u>Accumulated other comprehensive income (loss)</u> |
|-----------------------------------|---|--------------|-----------------------------|--|
| Balance as at January 1, 2019 | \$ (182) | \$ 9 | \$ (13) | \$ (186) |
| Other comprehensive income (loss) | (47) | 7 | (1) | (41) |
| Balance as at September 30, 2019 | <u>\$ (229)</u> | <u>\$ 16</u> | <u>\$ (14)</u> | <u>\$ (227)</u> |

⁽¹⁾ Represents net investment hedges, cash flow hedges and other reserves.

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(b) Attributable to non-controlling interests — Redemption-Exchange Units held by Brookfield Asset Management Inc.

| (US\$ MILLIONS) | Foreign currency translation | FVOCI | Other ⁽¹⁾ | Accumulated other comprehensive income (loss) |
|-----------------------------------|-------------------------------------|--------------|-----------------------------|--|
| Balance as at January 1, 2020 | \$ (221) | \$ 9 | \$ (52) | \$ (264) |
| Other comprehensive income (loss) | (81) | 16 | 9 | (56) |
| Ownership changes | — | 2 | — | 2 |
| Balance as at September 30, 2020 | <u>\$ (302)</u> | <u>\$ 27</u> | <u>\$ (43)</u> | <u>\$ (318)</u> |

⁽¹⁾ Represents net investment hedges, cash flow hedges and other reserves.

| (US\$ MILLIONS) | Foreign currency translation | FVOCI | Other ⁽¹⁾ | Accumulated other comprehensive income (loss) |
|-----------------------------------|-------------------------------------|--------------|-----------------------------|--|
| Balance as at January 1, 2019 | \$ (232) | \$ 7 | \$ (10) | \$ (235) |
| Other comprehensive income (loss) | (41) | 6 | (1) | (36) |
| Balance as at September 30, 2019 | <u>\$ (273)</u> | <u>\$ 13</u> | <u>\$ (11)</u> | <u>\$ (271)</u> |

⁽¹⁾ Represents net investment hedges, cash flow hedges and other reserves.

NOTE 21. DIRECT OPERATING COSTS

The partnership has no key employees or directors and does not remunerate key management personnel. Key decision makers of the partnership are all employees of the ultimate parent company or its subsidiaries, which provides management services under the master services agreement with Brookfield.

Direct operating costs include all attributable expenses except interest, depreciation and amortization, impairment expense, other expenses, and taxes and primarily relate to cost of sales and compensation at the subsidiary level. The following table lists direct operating costs for the three and nine months ended September 30, 2020, and September 30, 2019 by nature:

| (US\$ MILLIONS) | Three Months Ended | | Nine Months Ended | |
|---------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | September 30, 2020 | September 30, 2019 | September 30, 2020 | September 30, 2019 |
| Cost of sales | \$ 7,497 | \$ 9,169 | \$ 20,417 | \$ 25,205 |
| Compensation | 1,217 | 1,199 | 3,464 | 3,091 |
| Property taxes, sales taxes and other | 8 | 21 | 27 | 62 |
| Total | <u>\$ 8,722</u> | <u>\$ 10,389</u> | <u>\$ 23,908</u> | <u>\$ 28,358</u> |

Inventories recognized as cost of sales during the three and nine month period ended September 30, 2020 amounted to \$5,575 million and \$15,215 million (September 30, 2019: \$6,469 million and \$17,221 million).

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NOTE 22. REVENUES

(a) Revenue by type

The table below summarizes the partnership's segment revenue by type of revenue for the three and nine months ended September 30, 2020:

| (US\$ MILLIONS) | Three Months Ended September 30, 2020 | | | | |
|---------------------------------------|---------------------------------------|-------------------------|-----------------|---------------------|------------------|
| | Business services | Infrastructure services | Industrials | Corporate and other | Total |
| Revenue by type | | | | | |
| Revenue from contracts with customers | \$ 5,864 | \$ 924 | \$ 2,887 | \$ — | \$ 9,675 |
| Other revenue | 260 | 134 | 1 | — | 395 |
| Total revenue | \$ 6,124 | \$ 1,058 | \$ 2,888 | \$ — | \$ 10,070 |

| (US\$ MILLIONS) | Nine Months Ended September 30, 2020 | | | | |
|---------------------------------------|--------------------------------------|-------------------------|-----------------|---------------------|------------------|
| | Business services | Infrastructure services | Industrials | Corporate and other | Total |
| Revenue by type | | | | | |
| Revenue from contracts with customers | \$ 16,040 | \$ 2,894 | \$ 7,528 | \$ — | \$ 26,462 |
| Other revenue | 666 | 454 | 4 | — | 1,124 |
| Total revenue | \$ 16,706 | \$ 3,348 | \$ 7,532 | \$ — | \$ 27,586 |

The table below summarizes the partnership's segment revenue by type of revenue for the three and nine months ended September 30, 2019:

| (US\$ MILLIONS) | Three Months Ended September 30, 2019 | | | | |
|---------------------------------------|---------------------------------------|-------------------------|-----------------|---------------------|------------------|
| | Business services | Infrastructure services | Industrials | Corporate and other | Total |
| Revenue by type | | | | | |
| Revenue from contracts with customers | \$ 7,399 | \$ 984 | \$ 3,233 | \$ — | \$ 11,616 |
| Other revenue | 28 | 149 | 1 | — | 178 |
| Total revenue | \$ 7,427 | \$ 1,133 | \$ 3,234 | \$ — | \$ 11,794 |

| (US\$ MILLIONS) | Nine Months Ended September 30, 2019 | | | | |
|---------------------------------------|--------------------------------------|-------------------------|-----------------|---------------------|------------------|
| | Business services | Infrastructure services | Industrials | Corporate and other | Total |
| Revenue by type | | | | | |
| Revenue from contracts with customers | \$ 21,661 | \$ 3,074 | \$ 6,472 | \$ — | \$ 31,207 |
| Other revenue | 46 | 453 | 6 | — | 505 |
| Total revenue | \$ 21,707 | \$ 3,527 | \$ 6,478 | \$ — | \$ 31,712 |

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(b) Timing of recognition of revenue from contracts with customers

The table below summarizes the partnership's segment revenue by timing of revenue recognition for the total revenue from contracts with customers for the three and nine months ended September 30, 2020:

| Three Months Ended September 30, 2020 | | | | | |
|--|--------------------------|--------------------------------|--------------------|----------------------------|------------------|
| (US\$ MILLIONS) | Business services | Infrastructure services | Industrials | Corporate and other | Total |
| Timing of revenue recognition | | | | | |
| Goods and services provided at a point in time | \$ 4,815 | \$ 354 | \$ 2,801 | \$ — | \$ 7,970 |
| Services transferred over a period of time | 1,049 | 570 | 86 | — | 1,705 |
| Total revenue from contracts with customers | \$ 5,864 | \$ 924 | \$ 2,887 | \$ — | \$ 9,675 |
| Nine Months Ended September 30, 2020 | | | | | |
| (US\$ MILLIONS) | Business services | Infrastructure services | Industrials | Corporate and other | Total |
| Timing of revenue recognition | | | | | |
| Goods and services provided at a point in time | \$ 13,014 | \$ 1,116 | \$ 7,365 | \$ — | \$ 21,495 |
| Services transferred over a period of time | 3,026 | 1,778 | 163 | — | 4,967 |
| Total revenue from contracts with customers | \$ 16,040 | \$ 2,894 | \$ 7,528 | \$ — | \$ 26,462 |

The table below summarizes the partnership's segment revenue by timing of revenue recognition for the total revenue from contracts with customers for the three and nine months ended September 30, 2019:

| Three Months Ended September 30, 2019 | | | | | |
|--|--------------------------|--------------------------------|--------------------|----------------------------|------------------|
| (US\$ MILLIONS) | Business services | Infrastructure services | Industrials | Corporate and other | Total |
| Timing of revenue recognition | | | | | |
| Goods and services provided at a point in time | \$ 6,111 | \$ 296 | \$ 3,176 | \$ — | \$ 9,583 |
| Services transferred over a period of time | 1,288 | 688 | 57 | — | 2,033 |
| Total revenue from contracts with customers | \$ 7,399 | \$ 984 | \$ 3,233 | \$ — | \$ 11,616 |
| Nine Months Ended September 30, 2019 | | | | | |
| (US\$ MILLIONS) | Business services | Infrastructure services | Industrials | Corporate and other | Total |
| Timing of revenue recognition | | | | | |
| Goods and services provided at a point in time | \$ 17,250 | \$ 1,009 | \$ 6,304 | \$ — | \$ 24,563 |
| Services transferred over a period of time | 4,411 | 2,065 | 168 | — | 6,644 |
| Total revenue from contracts with customers | \$ 21,661 | \$ 3,074 | \$ 6,472 | \$ — | \$ 31,207 |

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NOTE 23. SEGMENT INFORMATION

The partnership's operations are organized into four operating segments which are regularly reviewed by the Chief Operating Decision Maker (the "CODM") for the purpose of allocating resources to the segment and to assess its performance. The key measures used by the CODM in assessing performance and in making resource allocation decisions are company funds from operations, which is calculated as net income excluding the impact of depreciation and amortization, deferred income taxes, breakage and transaction costs, non-cash valuation gains or losses and other items ("Company FFO"), and Company FFO excluding the impact of realized disposition gains (losses), interest expense, current income taxes, and realized disposition gains, current income taxes and interest expense related to equity accounted investments ("Company EBITDA").

| <u>(US\$ MILLIONS)</u> | Three Months Ended September 30, 2020 | | | | |
|---|--|------------------------------------|--------------------|--------------------------------|----------------|
| | Total attributable to the partnership | | | | |
| | Business services | Infrastructure services | Industrials | Corporate and other | Total |
| Revenues | \$ 6,124 | \$ 1,058 | \$ 2,888 | \$ — | \$ 10,070 |
| Direct operating costs | (5,724) | (774) | (2,219) | (5) | (8,722) |
| General and administrative expenses | (105) | (31) | (82) | (18) | (236) |
| Equity accounted Company EBITDA ⁽³⁾ | 3 | 45 | 36 | — | 84 |
| Company EBITDA attributable to others ⁽⁴⁾ | (202) | (156) | (457) | — | (815) |
| Company EBITDA ⁽¹⁾ | 96 | 142 | 166 | (23) | 381 |
| Gain (loss) on acquisitions / dispositions, net | — | — | — | — | — |
| Other income (expenses), net ⁽⁵⁾ | (1) | (18) | 2 | — | (17) |
| Interest income (expense), net | (58) | (88) | (221) | (4) | (371) |
| Realized disposition gain (loss), current income taxes and interest expenses related to equity accounted investments ⁽³⁾ | (1) | (16) | (7) | — | (24) |
| Current income taxes | (46) | (4) | (61) | 9 | (102) |
| Company FFO attributable to others (net of Company EBITDA attributable to others) ⁽⁴⁾ | 72 | 62 | 207 | — | 341 |
| Company FFO ⁽¹⁾ | 62 | 78 | 86 | (18) | 208 |
| Depreciation and amortization expense ⁽²⁾ | | | | | (547) |
| Impairment expense, net | | | | | (7) |
| Other income (expenses), net ⁽⁵⁾ | | | | | 8 |
| Deferred income taxes | | | | | (8) |
| Non-cash items attributable to equity accounted investments ⁽³⁾ | | | | | (43) |
| Non-cash items attributable to others ⁽⁴⁾ | | | | | 370 |
| Net income (loss) attributable to unitholders ⁽¹⁾ | | | | | \$ (19) |

(1) Company EBITDA, Company FFO and net income attributable to unitholders include Company EBITDA, Company FFO, and net income attributable to limited partnership unitholders, general partnership unitholders, redemption-exchange unitholders and special limited partnership unitholders.

(2) For the three month period ended September 30, 2020, depreciation and amortization by segment is as follows: business services \$109 million, infrastructure services \$170 million, industrials \$268 million, and corporate and other \$nil.

(3) The sum of these amounts equates to equity accounted income of \$17 million as per the unaudited interim condensed consolidated statements of operating results.

(4) Total cash and non-cash items attributable to the interest of others equals net income of \$104 million as per the unaudited interim condensed consolidated statements of operating results.

(5) The sum of these amounts equates to other expenses of \$9 million as per the unaudited interim condensed consolidated statements of operating results.

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| (US\$ MILLIONS) | Nine Months Ended September 30, 2020 | | | | |
|---|---------------------------------------|----------------------------|-------------|------------------------|-----------------|
| | Total attributable to the partnership | | | | |
| | Business services | Infrastructure services | Industrials | Corporate and other | Total |
| Revenues | \$ 16,706 | \$ 3,348 | \$ 7,532 | \$ — | \$ 27,586 |
| Direct operating costs | (15,745) | (2,373) | (5,780) | (10) | (23,908) |
| General and administrative expenses | (276) | (122) | (247) | (63) | (708) |
| Equity accounted Company EBITDA ⁽³⁾ | 18 | 122 | 79 | — | 219 |
| Company EBITDA attributable to others ⁽⁴⁾ | (524) | (529) | (1,175) | — | (2,228) |
| Company EBITDA ⁽¹⁾ | 179 | 446 | 409 | (73) | 961 |
| Gain (loss) on acquisitions / dispositions, net | 186 | — | (7) | — | 179 |
| Other income (expenses), net ⁽⁵⁾ | 8 | (47) | 3 | — | (36) |
| Interest income (expense), net | (168) | (253) | (668) | 1 | (1,088) |
| Realized disposition gain (loss), current income taxes and interest expenses related to equity accounted investments ⁽³⁾ | (5) | (40) | (15) | — | (60) |
| Current income taxes | (98) | (10) | (122) | 30 | (200) |
| Company FFO attributable to others (net of Company EBITDA attributable to others) ⁽⁴⁾ | 41 | 173 | 605 | — | 819 |
| Company FFO ⁽¹⁾ | 143 | 269 | 205 | (42) | 575 |
| Depreciation and amortization expense ⁽²⁾ | | | | | (1,618) |
| Impairment expense, net | | | | | (149) |
| Other income (expenses), net ⁽⁵⁾ | | | | | (41) |
| Deferred income taxes | | | | | 157 |
| Non-cash items attributable to equity accounted investments ⁽³⁾ | | | | | (133) |
| Non-cash items attributable to others ⁽⁴⁾ | | | | | 955 |
| Net income (loss) attributable to unitholders ⁽¹⁾ | | | | | \$ (254) |

⁽¹⁾ Company EBITDA, Company FFO and net income attributable to unitholders include Company EBITDA, Company FFO, and net income attributable to limited partnership unitholders, general partnership unitholders, redemption-exchange unitholders and special limited partnership unitholders.

⁽²⁾ For the nine month period ended September 30, 2020, depreciation and amortization by segment is as follows: business services \$322 million, infrastructure services \$498 million, industrials \$798 million, and corporate and other \$nil.

⁽³⁾ The sum of these amounts equates to equity accounted income of \$26 million as per the unaudited interim condensed consolidated statements of operating results.

⁽⁴⁾ Total cash and non-cash items attributable to the interest of others equals net income of \$454 million as per the unaudited interim condensed consolidated statements of operating results.

⁽⁵⁾ The sum of these amounts equates to other expenses of \$77 million as per the unaudited interim condensed consolidated statements of operating results.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

**As at September 30, 2020 and December 31, 2019 and for the three and nine months ended
September 30, 2020 and 2019**

| (US\$ MILLIONS) | Three Months Ended September 30, 2019 | | | | |
|---|--|------------------------------------|--------------------|--------------------------------|--------------|
| | Total attributable to the partnership | | | | |
| | Business services | Infrastructure services | Industrials | Corporate and other | Total |
| Revenues | \$ 7,427 | \$ 1,133 | \$ 3,234 | \$ — | \$ 11,794 |
| Direct operating costs | (7,150) | (759) | (2,478) | (2) | (10,389) |
| General and administrative expenses | (93) | (29) | (71) | (22) | (215) |
| Equity accounted Company EBITDA ⁽³⁾ | 9 | 21 | 31 | — | 61 |
| Company EBITDA attributable to others ⁽⁴⁾ | (129) | (227) | (527) | — | (883) |
| Company EBITDA ⁽¹⁾ | 64 | 139 | 189 | (24) | 368 |
| Gain (loss) on acquisitions / dispositions, net | — | — | 17 | (1) | 16 |
| Other income (expenses), net ⁽⁵⁾ | (2) | (17) | — | — | (19) |
| Interest income (expense), net | (65) | (93) | (240) | 9 | (389) |
| Realized disposition gain (loss), current income taxes and interest expenses related to equity accounted investments ⁽³⁾ | (2) | (5) | (7) | — | (14) |
| Current income taxes | (19) | (4) | (91) | 6 | (108) |
| Company FFO attributable to others (net of Company EBITDA attributable to others) ⁽⁴⁾ | 55 | 75 | 235 | — | 365 |
| Company FFO ⁽¹⁾ | 31 | 95 | 103 | (10) | 219 |
| Depreciation and amortization expense ⁽²⁾ | | | | | (534) |
| Impairment expense, net | | | | | — |
| Other income (expenses), net ⁽⁵⁾ | | | | | (64) |
| Deferred income taxes | | | | | 58 |
| Non-cash items attributable to equity accounted investments ⁽³⁾ | | | | | (15) |
| Non-cash items attributable to others ⁽⁴⁾ | | | | | 360 |
| Net income (loss) attributable to unitholders ⁽¹⁾ | | | | | \$ 24 |

(1) Company EBITDA, Company FFO and net income attributable to unitholders include Company EBITDA, Company FFO, and net income attributable to limited partnership unitholders, general partnership unitholders, redemption-exchange unitholders and special limited partnership unitholders.

(2) For the three month period ended September 30, 2019, depreciation and amortization by segment is as follows: business services \$96 million, infrastructure services \$171 million, industrials \$267 million, and corporate and other \$nil.

(3) The sum of these amounts equates to equity accounted income of \$32 million as per the unaudited interim condensed consolidated statements of operating results.

(4) Total cash and non-cash items attributable to the interest of others equals net income of \$158 million as per the unaudited interim condensed consolidated statements of operating results.

(5) The sum of these amounts equates to other expenses of \$83 million as per the unaudited interim condensed consolidated statements of operating results.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

**As at September 30, 2020 and December 31, 2019 and for the three and nine months ended
September 30, 2020 and 2019**

| (US\$ MILLIONS) | Nine Months Ended September 30, 2019 | | | | |
|---|---------------------------------------|----------------------------|-------------|------------------------|---------------|
| | Total attributable to the partnership | | | | |
| | Business services | Infrastructure services | Industrials | Corporate and other | Total |
| Revenues | \$ 21,707 | \$ 3,527 | \$ 6,478 | \$ — | \$ 31,712 |
| Direct operating costs | (21,097) | (2,489) | (4,766) | (6) | (28,358) |
| General and administrative expenses | (227) | (104) | (214) | (59) | (604) |
| Equity accounted Company EBITDA ⁽³⁾ | 28 | 77 | 52 | — | 157 |
| Company EBITDA attributable to others ⁽⁴⁾ | (241) | (649) | (1,146) | — | (2,036) |
| Company EBITDA ⁽¹⁾ | 170 | 362 | 404 | (65) | 871 |
| Gain (loss) on acquisitions / dispositions, net | 522 | — | 15 | (1) | 536 |
| Other income (expenses), net ⁽⁵⁾ | (2) | (17) | 2 | — | (17) |
| Interest income (expense), net | (123) | (291) | (495) | 23 | (886) |
| Realized disposition gain (loss), current income taxes and interest expenses related to equity accounted investments ⁽³⁾ | (5) | (13) | (11) | — | (29) |
| Current income taxes | (76) | 5 | (176) | 16 | (231) |
| Company FFO attributable to others (net of Company EBITDA attributable to others) ⁽⁴⁾ | (81) | 205 | 491 | — | 615 |
| Company FFO ⁽¹⁾ | 405 | 251 | 230 | (27) | 859 |
| Depreciation and amortization expense ⁽²⁾ | | | | | (1,286) |
| Impairment expense, net | | | | | (324) |
| Other income (expenses), net ⁽⁵⁾ | | | | | (337) |
| Deferred income taxes | | | | | 80 |
| Non-cash items attributable to equity accounted investments ⁽³⁾ | | | | | (66) |
| Non-cash items attributable to others ⁽⁴⁾ | | | | | 1,267 |
| Net income (loss) attributable to unitholders ⁽¹⁾ | | | | | \$ 193 |

(1) Company EBITDA, Company FFO and net income attributable to unitholders include Company EBITDA, Company FFO, and net income attributable to limited partnership unitholders, general partnership unitholders, redemption-exchange unitholders and special limited partnership unitholders.

(2) For the nine month period ended September 30, 2019, depreciation and amortization by segment is as follows: business services \$211 million, infrastructure services \$519 million, industrials \$556 million, and corporate and other \$nil.

(3) The sum of these amounts equates to equity accounted income of \$62 million as per the unaudited interim condensed consolidated statements of operating results.

(4) Total cash and non-cash items attributable to the interest of others equals net income of \$154 million as per the unaudited interim condensed consolidated statements of operating results.

(5) The sum of these amounts equates to other expenses of \$354 million as per the unaudited interim condensed consolidated statements of operating results.

Segment assets

For the purpose of monitoring segment performance and allocating resources between segments, the CODM monitors the assets, including investments accounted for using the equity method, attributable to each segment.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

**As at September 30, 2020 and December 31, 2019 and for the three and nine months ended
September 30, 2020 and 2019**

The following is an analysis of the partnership's assets by reportable operating segment as at September 30, 2020 and December 31, 2019:

| As at September 30, 2020 | | | | | |
|---------------------------------|--------------------------|--------------------------------|--------------------|----------------------------|------------------|
| (US\$ MILLIONS) | Business services | Infrastructure services | Industrials | Corporate and other | Total |
| Total assets | \$ 19,230 | \$ 10,970 | \$ 22,705 | \$ 69 | \$ 52,974 |

| As at December 31, 2019 | | | | | |
|--------------------------------|--------------------------|--------------------------------|--------------------|----------------------------|------------------|
| (US\$ MILLIONS) | Business services | Infrastructure services | Industrials | Corporate and other | Total |
| Total assets | \$ 18,132 | \$ 10,619 | \$ 22,742 | \$ 258 | \$ 51,751 |

Revenues from contracts with customers

The tables below summarize the partnership's segment revenues by geography for revenues from contracts with customers for the three and nine months ended September 30, 2020:

| Three Months Ended September 30, 2020 | | | | | |
|---|--------------------------|--------------------------------|--------------------|----------------------------|------------------|
| (US\$ MILLIONS) | Business services | Infrastructure services | Industrials | Corporate and other | Total |
| United Kingdom | \$ 3,625 | \$ 90 | \$ 47 | \$ — | \$ 3,762 |
| United States of America | 1 | 444 | 1,152 | — | 1,597 |
| Europe | 271 | 280 | 702 | — | 1,253 |
| Australia | 1,101 | 4 | 18 | — | 1,123 |
| Canada | 520 | 25 | 120 | — | 665 |
| Brazil | 102 | 20 | 202 | — | 324 |
| Mexico | — | — | 217 | — | 217 |
| India | 2 | — | 2 | — | 4 |
| Other | 242 | 61 | 427 | — | 730 |
| Total revenues from contracts with customers | \$ 5,864 | \$ 924 | \$ 2,887 | \$ — | \$ 9,675 |
| Other revenues | \$ 260 | \$ 134 | \$ 1 | \$ — | \$ 395 |
| Total revenues | \$ 6,124 | \$ 1,058 | \$ 2,888 | \$ — | \$ 10,070 |

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

**As at September 30, 2020 and December 31, 2019 and for the three and nine months ended
September 30, 2020 and 2019**

| Nine Months Ended September 30, 2020 | | | | | |
|---|--------------------------|--------------------------------|--------------------|----------------------------|------------------|
| (US\$ MILLIONS) | Business services | Infrastructure services | Industrials | Corporate and other | Total |
| United Kingdom | \$ 9,883 | \$ 277 | \$ 138 | \$ — | \$ 10,298 |
| United States of America | 15 | 1,361 | 2,922 | — | 4,298 |
| Europe | 766 | 859 | 1,843 | — | 3,468 |
| Australia | 3,104 | 10 | 49 | — | 3,163 |
| Canada | 1,350 | 66 | 353 | — | 1,769 |
| Brazil | 303 | 59 | 570 | — | 932 |
| Mexico | — | — | 543 | — | 543 |
| India | 3 | — | 7 | — | 10 |
| Other | 616 | 262 | 1,103 | — | 1,981 |
| Total revenues from contracts with customers | \$ 16,040 | \$ 2,894 | \$ 7,528 | \$ — | \$ 26,462 |
| Other revenues | \$ 666 | \$ 454 | \$ 4 | \$ — | \$ 1,124 |
| Total revenues | \$ 16,706 | \$ 3,348 | \$ 7,532 | \$ — | \$ 27,586 |

The tables below summarize the partnership's segment revenues by geography for revenues from contracts with customers for the three and nine months ended September 30, 2019:

| Three Months Ended September 30, 2019 | | | | | |
|---|--------------------------|--------------------------------|--------------------|----------------------------|------------------|
| (US\$ MILLIONS) | Business services | Infrastructure services | Industrials | Corporate and other | Total |
| United Kingdom | \$ 5,010 | \$ 79 | \$ 36 | \$ — | \$ 5,125 |
| United States of America | 29 | 384 | 1,227 | — | 1,640 |
| Europe | 171 | 326 | 930 | — | 1,427 |
| Australia | 1,231 | 3 | — | — | 1,234 |
| Canada | 610 | 16 | 196 | — | 822 |
| Brazil | 165 | 23 | 311 | — | 499 |
| Mexico | — | — | 245 | — | 245 |
| India | — | — | — | — | — |
| Other | 183 | 153 | 288 | — | 624 |
| Total revenues from contracts with customers | \$ 7,399 | \$ 984 | \$ 3,233 | \$ — | \$ 11,616 |
| Other revenues | \$ 28 | \$ 149 | \$ 1 | \$ — | \$ 178 |
| Total revenues | \$ 7,427 | \$ 1,133 | \$ 3,234 | \$ — | \$ 11,794 |

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

**As at September 30, 2020 and December 31, 2019 and for the three and nine months ended
September 30, 2020 and 2019**

| (US\$ MILLIONS) | Nine Months Ended September 30, 2019 | | | | |
|---|---|------------------------------------|--------------------|--------------------------------|------------------|
| | Business services | Infrastructure services | Industrials | Corporate and other | Total |
| United Kingdom | \$ 14,884 | \$ 240 | \$ 84 | \$ — | \$ 15,208 |
| United States of America | 315 | 1,298 | 2,075 | — | 3,688 |
| Europe | 503 | 961 | 1,980 | — | 3,444 |
| Australia | 2,847 | 9 | — | — | 2,856 |
| Canada | 2,359 | 44 | 560 | — | 2,963 |
| Brazil | 284 | 72 | 817 | — | 1,173 |
| Mexico | — | 4 | 465 | — | 469 |
| India | 1 | — | — | — | 1 |
| Other | 468 | 446 | 491 | — | 1,405 |
| Total revenues from contracts with customers | \$ 21,661 | \$ 3,074 | \$ 6,472 | \$ — | \$ 31,207 |
| Other revenues | \$ 46 | \$ 453 | \$ 6 | \$ — | \$ 505 |
| Total revenues | \$ 21,707 | \$ 3,527 | \$ 6,478 | \$ — | \$ 31,712 |

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

As at September 30, 2020 and December 31, 2019 and for the three and nine months ended
September 30, 2020 and 2019

NOTE 24. SUPPLEMENTAL CASH FLOW INFORMATION

| <u>(US\$ MILLIONS)</u> | Nine Months Ended | |
|------------------------|---------------------------|---------------------------|
| | September 30, 2020 | September 30, 2019 |
| Interest paid | \$ 764 | \$ 628 |
| Income taxes paid | \$ 223 | \$ 135 |

Amounts paid and received for interest were reflected as operating cash flows in the unaudited interim condensed consolidated statements of cash flow.

Details of “Changes in non-cash working capital, net” on the unaudited interim condensed consolidated statements of cash flow are as follows:

| <u>(US\$ MILLIONS)</u> | Nine Months Ended | |
|---|---------------------------|---------------------------|
| | September 30, 2020 | September 30, 2019 |
| Accounts receivable | \$ 310 | \$ (797) |
| Inventory | 431 | 283 |
| Prepayments and other | 75 | (9) |
| Accounts payable and other | 389 | 1,147 |
| Changes in non-cash working capital, net | \$ 1,205 | \$ 624 |

NOTE 25. INSURANCE CONTRACTS

The following summarizes the balances related to the partnership’s insurance contracts from its mortgage insurance business:

(a) Premiums and unearned premiums reserve

The following table presents movement in the unearned premiums reserve:

| <u>(US\$ MILLIONS)</u> | September 30, 2020 | December 31, 2019 |
|---|---------------------------|--------------------------|
| Unearned premiums reserve, beginning of the period | \$ 1,625 | \$ — |
| Acquisitions through business combinations | — | 1,603 |
| Premiums written during the period | 472 | 26 |
| Premiums earned during the period | (381) | (28) |
| Foreign currency translation | (39) | 24 |
| Unearned premiums reserve, end of the period | \$ 1,677 | \$ 1,625 |

(b) Losses on claims and loss reserves

Loss reserves comprise the following:

| <u>(US\$ MILLIONS)</u> | September 30, 2020 | December 31, 2019 |
|------------------------------------|---------------------------|--------------------------|
| Case reserves | \$ 75 | \$ 69 |
| Incurred but not reported reserves | 53 | 30 |
| Discounting | (1) | (1) |
| Provision for adverse deviation | 5 | 7 |
| Total loss reserves | \$ 132 | \$ 105 |

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

**As at September 30, 2020 and December 31, 2019 and for the three and nine months ended
September 30, 2020 and 2019**

The following table presents movement in loss reserves and the impact on losses on claims:

| (US\$ MILLIONS) | September 30, 2020 | December 31, 2019 |
|--|---------------------------|--------------------------|
| Loss reserves, beginning of the period | \$ 105 | \$ — |
| Acquisitions through business combinations | — | 104 |
| Claims paid during the period | (41) | (5) |
| Losses on claims related to the current period | 71 | 5 |
| Foreign currency translation | (3) | 1 |
| Loss reserves, end of the period | \$ 132 | \$ 105 |

NOTE 26. SUBSEQUENT EVENTS

(a) Acquisition of remaining shares of Sagen

On October 26, 2020, together with institutional investors, the partnership entered into an agreement to acquire the remaining 43% publicly held common shares of Sagen for consideration of approximately \$1.2 billion, of which the partnership is expected to fund approximately \$460 million. The transaction is expected to increase the partnership's ownership interest to approximately 40% and is expected to close in the first half of 2021, subject to customary closing conditions.

(b) Distribution

On November 2, 2020, the Board of Directors declared a quarterly distribution in the amount of \$0.0625 per unit, payable on December 31, 2020 to unitholders of record as at the close of business on November 30, 2020.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Introduction

This management's discussion and analysis of our financial condition and results of operation, or MD&A, of Brookfield Business Partners L.P. and its subsidiaries (collectively, the partnership, or we, or our) covers the financial position of the partnership as at September 30, 2020 and December 31, 2019, and results of operations for the three and nine months ended September 30, 2020 and 2019. The information in this MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements as at September 30, 2020 and December 31, 2019, and for the three and nine months ended September 30, 2020 and September 30, 2019, or the interim financial statements. This MD&A was prepared as of November 5, 2020. Additional information relating to the partnership can be found at www.sedar.com or www.sec.gov.

In addition to historical information, this MD&A contains forward-looking statements. Readers are cautioned that these forward-looking statements are subject to risks and uncertainties and could cause actual results to differ materially from those reflected in the forward-looking statements.

Cautionary Statement Regarding Forward-looking Statements and Information

This MD&A contains "forward-looking information" within the meaning of applicable U.S. and Canadian securities laws. Forward-looking statements and information include statements that are predictive in nature, depend upon or refer to future events or conditions, include statements regarding our operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook, 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", "views", "potential", "likely", 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 these forward-looking statements and information are based upon reasonable assumptions and expectations, investors and other readers should not place undue reliance on such 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 our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements 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:

- our financial condition and liquidity;
- market volatility and the market price of our LP Units;
- changes in the economic, political and market factors in the countries in which we do business and other international jurisdictions including as a result of government mandated economic restrictions related to the ongoing pandemic of a novel strain of coronavirus, COVID-19 ("COVID-19");
- the behavior of financial markets, including fluctuations in interest and foreign exchange rates;
- adverse conditions in the global equity, capital and credit markets;
- the availability of equity and debt financing and refinancing within equity, capital and credit markets, and our ability to access these markets;
- strategic actions, including acquisitions and dispositions;
- the ability to complete previously announced acquisitions, dispositions or other transactions on the timeframe contemplated or at all;
- risks associated with, and our ability to derive fully anticipated benefits from, future or existing acquisitions, joint ventures, investments or dispositions;
- actions or potential actions that could be taken by our co-venturers, partners, fund investors or co-tenants;
- the effective integration of acquisitions into our existing operations;
- the cyclical nature of most of our operations;
- actions of competitors;

- risks commonly associated with a separation of economic interest from control;
- the ability to appropriately manage human capital and the impact of the departure of some or all of Brookfield’s key professionals;
- actions or potential actions that could be taken by our parent company, or its subsidiaries (other than the partnership);
- technological change, including the rise of alternative technologies that could impact the demand for, or use of, the businesses and assets that we own and operate and that could impair or eliminate the competitive advantage of our businesses and assets;
- changes in government regulation and legislation within the countries in which we operate and the potential difficulties in obtaining effective legal redress in certain jurisdictions;
- changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates);
- the effect of applying future accounting changes;
- failure to maintain effective internal controls;
- governmental investigations;
- pending or threatened litigation;
- changes in tax laws;
- ability to collect amounts owed;
- ability to obtain adequate insurance at commercially reasonable rates;
- possible environmental liabilities and other contingent liabilities, including those related to climate change;
- the impact of the potential break-up of political-economic unions (or the departure of a union member);
- catastrophic events, such as earthquakes, hurricanes and epidemics/pandemics;
- the possible impact of international conflicts and other developments including terrorist acts;
- risks relating to our reliance on technology, including cyberterrorism;
- the risk of loss resulting from fraud, bribery, corruption or other illegal acts; and
- other risks and factors described elsewhere in this document, under “*Risks Associated with the COVID-19 Pandemic*” in the “Risks and Uncertainties” section included in this MD&A and in our most recent Annual Report on Form 20-F under the heading “Risk Factors”.

In addition, our future results may be impacted by the government mandated economic restrictions resulting from the COVID-19 pandemic and the related global reduction in commerce and travel and substantial volatility in stock markets worldwide, which may negatively impact our revenues, affect our ability to identify and complete future transactions, impact our liquidity position and result in a decrease of cash flows and impairment losses and/or revaluations on our investments and assets, and therefore we may be unable to achieve our expected returns. See “Risks Associated with the COVID-19 Pandemic” in the “Risks and Uncertainties” section included in this MD&A.

Statements relating to “reserves” are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described herein can be profitably produced in the future. We qualify any and all of our forward-looking statements by these cautionary factors.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When evaluating and relying on our forward-looking statements or information, investors and other readers should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, we undertake 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.

These risk factors and others are discussed in detail under the heading “Risks and Uncertainties” in this MD&A and under the heading “Risk Factors” in our most recent Annual Report on Form 20-F. New risk factors may arise from time to time and it is not possible to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the partnership to be materially different from those contained in forward-looking statements or information. Given these risks and uncertainties, investors and other readers should not place undue reliance on forward-looking statements or information as a prediction of actual results. Although the forward-looking statements and information contained in this MD&A are based upon what the partnership believes to be reasonable assumptions, the partnership cannot assure investors that actual results will be consistent with these forward-looking statements and information, particularly in light of the government mandated economic restrictions resulting from the COVID-19 pandemic. These forward-looking statements and information are made as of the date of this MD&A.

For a more comprehensive list of risks and uncertainties, please refer to this MD&A under the heading “Risks and Uncertainties,” and our most recent Annual Report on Form 20-F under the heading “Risk Factors,” available on SEDAR at www.sedar.com and EDGAR at www.sec.gov.

Continuity of Interests

On June 20, 2016, Brookfield completed the spin-off of the partnership by way of a special dividend of a portion of our limited partnership units to holders of Brookfield’s Class A and B limited voting shares (the “spin-off”). On June 1, 2016, we acquired substantially all of the business services and industrial operations of Brookfield and received \$250 million in cash from Brookfield. In consideration, Brookfield received at the same time (i) approximately 55% of our limited partnership units, or LP Units, and 100% of our general partnership units, or GP Units, (ii) special limited partnership units, or Special LP Units, and redemption-exchange units, or Redemption-Exchange Units, of the Holding LP, representing an approximate 52% limited partnership interest in Holding LP, and (iii) \$15 million of preferred shares of certain of our subsidiaries. As at September 30, 2020, Brookfield holds an approximate 63% ownership interest in the partnership on a fully exchanged basis. Holders of the GP Units, LP Units, Special LP Units, and Redemption-Exchange Units will be collectively referred to throughout this MD&A as “unitholders”. The LP Units and Redemption-Exchange Units have the same economic attributes in all respects, except that the Redemption-Exchange Units may, at the request of Brookfield, be redeemed in whole or in part for cash in an amount equal to the market value of one LP Unit multiplied by the number of Redemption-Exchange Units to be redeemed (subject to certain adjustments). As a result, Brookfield, as holder of the Redemption-Exchange Units, participates in earnings and distributions on a per unit basis equivalent to the per unit participation of the LP Units of the partnership. However, given the redemption feature referenced above and the fact that they were issued by our subsidiary, we present the Redemption-Exchange Units as a component of non-controlling interests.

Brookfield directly and indirectly controlled the Business prior to the spin-off and continues to control the partnership subsequent to the spin-off through its interests in the partnership. Accordingly, we have reflected the Business and its financial position and results of operations using Brookfield’s carrying values prior to the spin-off.

Basis of Presentation

The unaudited interim condensed consolidated financial statements of the partnership have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, or IAS 34, as issued by the International Accounting Standards Board, or the IASB, and using the accounting policies the partnership applied in its annual consolidated financial statements as at and for the year ended December 31, 2019, except for the impact of the adoption of the new accounting policies and standards described below. The accounting policies the partnership applied in its annual financial statements as at and for the year ended December 31, 2019 are disclosed in Note 2 of such consolidated financial statements, with which reference should be made in reading these unaudited interim condensed consolidated financial statements. All defined terms are also described in the annual consolidated financial statements. The unaudited interim condensed consolidated financial statements are prepared on a going concern basis and have been presented in U.S. dollars rounded to the nearest million unless otherwise indicated. The unaudited interim condensed consolidated financial statements include the accounts of the partnership and its consolidated subsidiaries, which are the entities over which the partnership has control.

We also discuss the results of operations on a segment basis, consistent with how we manage and view our business. Our operating segments are: (i) business services, (ii) infrastructure services, (iii) industrials, and (iv) corporate and other.

Non-IFRS measures used in this MD&A are reconciled to or calculated from such financial information. All dollar references, unless otherwise stated, are in millions of U.S. Dollars. Australian Dollars are identified as “A\$”, Brazilian Reals are identified as “R\$”, British Pounds are identified as “£”, Euros are identified as “€”, Indian Rupees are identified as “INR”, and Canadian Dollars are identified as “C\$”.

Overview of Our Business

The partnership is a Bermuda exempted limited partnership registered under the Bermuda Limited Partnership Act 1883, as amended, and the Bermuda Exempted Partnerships Act 1992, as amended.

We were established by Brookfield to be its flagship public partnership for its business services and industrial operations. Our operations are primarily located in Canada, Australia, the U.K., the United States, India and Brazil. The partnership is focused on owning and operating high quality businesses that are low cost producers and/or benefit from high barriers to entry. We seek to build value through enhancing the cash flows of our businesses, pursuing an operations-oriented acquisition strategy and opportunistically recycling capital generated from operations and dispositions into our existing operations, new acquisitions and investments. The partnership's goal is to generate returns to unitholders primarily through capital appreciation with a modest distribution yield.

Operating Segments

We have four operating segments which are organized based on how management views business activities within particular sectors:

- i. Business services, including residential mortgage insurance services, healthcare services, road fuel distribution and marketing, real estate and construction services, entertainment, and other businesses;
- ii. Infrastructure services, which includes a global provider of services to the nuclear power generation industry, a service provider to the offshore oil production industry, and a global provider of access, forming and shoring solutions and specialized services;
- iii. Industrials, including automotive batteries, graphite electrode and other manufacturing, water and wastewater services, natural gas production and well servicing, and a variety of other industrial operations; and
- iv. Corporate and other, which includes corporate cash and liquidity management, and activities related to the management of the partnership's relationship with Brookfield.

The tables below provide a breakdown by operating segment of total assets of \$52,974 million as at September 30, 2020 and of total revenues of \$27,586 million for the nine months ended September 30, 2020.

| Operating segments | Assets | | Revenues | |
|-------------------------|-----------------------------|---------------|---|---------------|
| | As at September 30, 2020 | | Nine Months Ended September 30, 2020 | |
| (US\$ MILLIONS) | | | | |
| Business services | \$ | 19,230 | \$ | 16,706 |
| Infrastructure services | | 10,970 | | 3,348 |
| Industrials | | 22,705 | | 7,532 |
| Corporate and other | | 69 | | — |
| Total | \$ | 52,974 | \$ | 27,586 |

| Regions | Assets | | Revenues | |
|--------------------------|-----------------------------|---------------|---|---------------|
| | As at September 30, 2020 | | Nine Months Ended September 30, 2020 | |
| (US\$ MILLIONS) | | | | |
| United Kingdom | \$ | 4,256 | \$ | 10,313 |
| United States of America | | 12,417 | | 4,302 |
| Europe | | 9,645 | | 3,725 |
| Australia | | 5,901 | | 3,236 |
| Canada | | 8,088 | | 2,305 |
| Brazil | | 4,231 | | 1,087 |
| Mexico | | 2,515 | | 543 |
| India | | 2,122 | | 50 |
| Other | | 3,799 | | 2,025 |
| Total | \$ | 52,974 | \$ | 27,586 |

Business services

Our business services segment consists of (i) residential mortgage insurance services, (ii) healthcare services, (iii) road fuel distribution and marketing, (iv) real estate and construction services, (v) entertainment, and (vi) other businesses.

Our mortgage insurance services business, Genworth, now operating as Sagen MI Canada Inc. (“Sagen”), is the largest private sector residential mortgage insurer in Canada, providing mortgage default insurance to Canadian residential mortgage lenders. Regulations in Canada require lenders to purchase mortgage insurance in respect of a residential mortgage loan whenever the loan-to-value ratio exceeds 80%. Our mortgage insurance services business plays a significant role in increasing access to homeownership for Canadian residents, particularly for first-time homebuyers.

Sagen has built a broad underwriting and distribution platform across Canada that provides customer-focused products and support services to the vast majority of Canada’s residential mortgage lenders and originators. Sagen underwrites mortgage insurance for residential properties in all provinces and territories of Canada and has the leading market share among private-sector mortgage insurers.

The revenues in our mortgage insurance business consist primarily of: (i) net premiums earned on mortgage insurance policies and (ii) net investment income and net investment gains and losses on the separate investment portfolio within the business.

On October 26, 2020, together with institutional partners, we reached an agreement to acquire the 43% publicly held common shares of Sagen for approximately \$1.2 billion, of which we expect to fund approximately \$460 million. Our ownership interest is expected to increase to approximately 40%. The transaction is subject to shareholder and regulatory approvals and is expected to close in the first half of 2021.

Our Australian healthcare services business, Healthscope Limited (“Healthscope”), is a leading private hospital provider in Australia and operates 43 private hospitals. The company provides doctors and patients with access to operating theaters, nursing staff, accommodations, and other critical care and consumables. Healthscope’s market leading pathology services business, located in New Zealand, provides pathology testing services focused on the examination of blood, tissue and other biological samples to diagnose disease. On August 4, 2020, Healthscope entered into an agreement to sell its New Zealand pathology business for approximately \$360 million. The sale is subject to customary closing conditions and is expected to close by the end of the fourth quarter of 2020.

The majority of our revenue from Healthscope is generated from private health insurance funds and government-related bodies under Hospital Purchaser-Provider Agreements. This revenue is generally based on a pricing schedule set out in the agreements and is either on a case payment or per diem basis, depending on the type of service provided.

Our road fuel storage and distribution business, Greenergy Fuels Holding Limited (“Greenergy”), is the largest provider of road fuels in the U.K. with significant import and storage infrastructure, an extensive distribution network and long-term customer relationships. Included in the revenue and direct operating costs for this business is a duty payable to the government of the U.K., which is recorded gross within revenues and direct costs, without impact on the margin generated by the business. Our road fuel marketing business includes 235 retail gas stations and associated convenience kiosks in Canada. The business benefits from significant scale and strong customer loyalty primarily through the PC Optimum loyalty program. In February 2020, Greenergy announced its merger with our fuel marketing business to create a single fuel distribution and fuel marketing platform. Following this transaction, our economic ownership interest in the merged businesses, referred to as Greenergy, increased to 18%. During the third quarter of 2020, the business signed an agreement to acquire a portfolio of 35 retail fuel sites in Ireland.

Our construction services business is a global contractor with a focus on high-quality construction, primarily on large scale and complex landmark buildings and social infrastructure. Construction projects are generally delivered through contracts whereby we take responsibility for design, program, procurement and construction for a defined price. The majority of construction activities are typically subcontracted to reputable specialists whose obligations generally mirror those contained within the main construction contract. We primarily operate in Australia and Europe across a broad range of sectors, including office, residential, hospitality and leisure, social infrastructure, retail and mixed-use properties. We are typically required to provide warranties for completed projects, either as specifically defined in a client contract or required under local regulatory requirements. We issue bank guarantees and insurance bonds to clients and receive guarantees and/or cash retentions from subcontractors.

We recognize revenue when it is highly probable that economic benefits will flow to the business, and when it can be reliably measured and collection is assured. Revenue is recognized over time as performance obligations are satisfied, by reference to the stage of completion of the contract activity at the reporting date, measured as the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. A large portion of construction revenues and costs are earned and incurred in Australia and Europe and may be impacted by the fluctuations in the Australian Dollar and British Pound. A significant portion of our revenue is generated from large projects, and the results from our construction operations can fluctuate quarterly and annually, depending on the level of work during a period. As we operate across the globe, our business is impacted by the general economic conditions and economic growth of the particular region in which we provide construction services.

Our entertainment business, in partnership with a leading Canadian operator, owns and operates three entertainment facilities in the Greater Toronto Area. Through a long-term contract with the Ontario Lottery and Gaming Corporation, we have the exclusive right to operate these facilities. Through our partnership, we have undertaken a growth strategy whereby we plan to enhance the guest experience and transform each of these sites into attractive, premier entertainment destinations. This modernization and development is intended to include enhanced entertainment offerings and integrated property expansions that will incorporate leading world-class amenities such as hotels, meeting and event facilities, performance venues, restaurants and retail shopping.

Our Indian financing company, IndoStar Capital Finance Limited (“IndoStar”), is a leading non-bank financial company focused on commercial vehicle lending. On May 27, 2020, together with institutional investors, we acquired a 31% ownership interest in IndoStar for a purchase price of \$162 million. Subsequently, in July 2020, together with institutional partners, we completed an additional acquisition of common shares in IndoStar for an aggregate investment of \$133 million and total ownership of 57%. Our share of the total investment was approximately \$105 million for a 20% economic ownership interest.

Our Brazilian fleet management business, Ouro Verde Locação e Serviços S.A (“Ouro Verde”), is one of the leading providers in the country of heavy equipment and light vehicle leasing with value-added services. Ouro Verde leases assets across Brazil, including a fleet of trucks, trailers, tractors, harvesters and light vehicles, owns a nationwide network of accredited maintenance shops, and has long-term relationships with leading Brazilian and multinational corporate clients, original equipment manufacturers, or OEMs, and dealerships. The business has a diversified base of Brazilian and global corporate clients and has been able to sustain high contract renewal rates with its high-quality clients.

We are a provider of high speed fixed wireless broadband in rural Ireland through our wireless broadband business, Imagine Communications Group Limited (“Imagine”). Imagine was one of the businesses to acquire spectrum in Ireland’s 2017 auction of 3.6 GHz licenses and remains focused on fixed wireless access.

Infrastructure services

Our infrastructure services segment comprises (i) a global provider of infrastructure services to the nuclear power generation industry, (ii) a services provider to the offshore oil production industry, and (iii) a global provider of access, forming and shoring solutions and specialized services.

Westinghouse Electric Company (“Westinghouse”) is one of the world’s leading suppliers of infrastructure services to the power generation industry and generates a significant majority of its earnings from regularly recurring refueling and maintenance services, primarily under long-term contracts. Westinghouse is the original equipment manufacturer or technology provider for approximately 50% of global commercial nuclear power plants and services approximately two thirds of the world’s operating fleet. Over decades of technological innovation and being at the forefront of the industry, Westinghouse has developed a highly skilled workforce with know-how across a range of technologies and world-class capabilities. Westinghouse’s key markets are North America, Europe, the Middle East and Asia.

Westinghouse generates revenue through the entire life of the nuclear power plant. Its products and services help keep the existing commercial nuclear fleet operating safely and reliably. Westinghouse’s products and services include mission-critical fuel, ongoing maintenance services, engineering solutions, instrumentation and control systems and manufactured components. Westinghouse also participates in the decontamination, decommissioning and remediation of power plant sites, primarily at the end of their useful lives, as well as provides technology, equipment, and engineering and design services to new power plants on a global basis.

The majority of profitability generated by Westinghouse's core operating plants business is driven by regularly recurring refueling and maintenance outages. While seasonal in nature, the outage periods and services provided are required by regulatory standards, creating a stable business demand for Westinghouse's services. We expect there will be some inter- and intra-year seasonality given the pre-set timing of the outage cycles at customer plants. Westinghouse generates the majority of its revenue during the fall and spring, when power plants go offline to perform maintenance and replenish their fuel. In addition to performing recurring services, Westinghouse delivers upgrades and performs event-driven work for operating plants and manufactures equipment and instrumentation and controls for new power plants.

Our services provider to the offshore oil production industry, Altera Infrastructure L.P. ("Altera"), is a global provider of marine transportation, offshore oil production, facility storage, long-distance towing and offshore installation, maintenance and safety services to the offshore oil production industry. Altera operates shuttle tankers (highly specialized vessels with dynamic positioning systems used for offloading from offshore oil installations), floating production storage and offloading units (or FPSOs), floating storage and offloading units (or FSOs), and long-haul towage vessels, also with highly specialized capabilities including dynamic positioning. The business operates in selected oil regions globally, including the North Sea (Norway and the U.K.), Brazil and Canada.

As a fee-based business focused on critical services, Altera has limited direct commodity exposure and the company has a substantial portfolio of medium to long-term, fixed-rate contracts with high quality, primarily investment grade counterparties. A substantial part of our revenue is based on contracts with customers and are fee-based which is recognized on a straight-line basis daily over the term of the contracts.

On January 22, 2020, together with institutional partners, we acquired the remaining outstanding publicly held common units in Altera for an aggregate investment of \$165 million. Following the transaction, 1% of the new private company is held by former non-controlling interests who elected the option to exchange their publicly traded common units for economically equivalent units in the private company. We funded approximately \$75 million of the transaction which increased our ownership interest in Altera to 43%.

On January 31, 2020, together with institutional partners, we closed our acquisition of a 49% ownership interest in Brand Industrial Holdings Inc. ("BrandSafway"), for a purchase price of approximately \$1.3 billion. Our share of the equity investment was approximately \$445 million, for an approximate 17% ownership interest. A portion of our investment may be syndicated to institutional investors.

BrandSafway is a leading provider of scaffolding and related services to the industrial and commercial markets servicing over 30,000 customers in 30 countries worldwide. BrandSafway's scale and reputation as a leader in engineering innovation and productivity are competitive advantages in a fragmented industry. Its solutions support a wide range of global infrastructure ranging from refineries and petrochemical plants to commercial buildings, bridges, hydroelectric dams, and other power facilities. The recurring nature of BrandSafway's services derived from the ongoing maintenance requirements of its global customers allows for the business to generate consistent free cash flows on a substantial portion of its business.

In our infrastructure services segment, we expect to incur future costs associated with dismantlement, abandonment and restoration of our assets. The present value of the estimated future costs to dismantle, abandon and restore are added to the capitalized costs of our assets and recorded as a long-term liability.

Industrials

Our industrials segment comprises (i) a global manufacturer of automotive batteries, (ii) manufacturer of graphite electrodes, (iii) water and wastewater services in Brazil, (iv) natural gas production and well servicing, and (v) a variety of other industrial operations.

Clarios Global LP ("Clarios") is a global market leader in automotive batteries and has approximately 16,000 employees around the world with a footprint that consists of 56 manufacturing, recycling and distribution centers servicing a global customer base in over 150 countries. The business manufactures and distributes over 150 million batteries per year and derives more than 75% of its profitability from aftermarket replacement demand.

Clarios batteries power both internal combustion engine and electric vehicles. Clarios sells starting, lighting and ignition batteries which are used primarily for initial engine ignition of traditional vehicles. The business has made significant investments to develop higher margin advanced battery technologies, including enhanced flooded batteries and absorbent glass mat batteries, which provide the energy density necessary for next-generation vehicles to comply with increased regulatory requirements and support increased electrical loads such as start-stop functionality and autonomous features.

Clarios distributes products primarily to original equipment manufacturers, or OEMs, and aftermarket retailers. Approximately 25% of the unit volume is generated through the OEM channel, which comprises sales to major car manufacturers globally and is driven by global demand for new vehicles. Clarios has also developed longstanding relationships with large aftermarket customers. Approximately 75% of the unit volume is generated through the aftermarket channel, which services the existing car parc and represents a stable and recurring revenue base as end users replace car batteries on average 2-4 times over the life of each vehicle.

GrafTech International Ltd. (“GrafTech”), is our manufacturer of a broad range of high-quality graphite electrodes. A significant portion of GrafTech’s sales are tied to the steel production industry. Graphite electrodes are key components of the conductive power systems used to produce steel and non-ferrous metals and are consumed in the electric arc furnaces, or EAF, steel melting process, the steel making technology used by all mini-mills. The business also manufactures petroleum needle coke, which is the key material in the production of graphite electrodes.

GrafTech purchases other raw materials from a variety of sources and believes that the quality and cost of its raw materials on the whole is competitive with those available to its competitors. GrafTech’s needle coke production allows the business to be the only substantially vertically integrated graphite electrode manufacturer. This is a capital-intensive business with significant barriers to entry and requires technical expertise to build and profitably operate. GrafTech has streamlined its processes with shorter lead times, lower costs, higher quality products and superior service, which allows the business to generate cash flows and returns as the business come out of the trough in this cyclical business.

BRK Ambiental is the largest private water company in Brazil and provides water and wastewater services, including collection, treatment and distribution, to a broad range of residential, industrial, commercial and governmental customers through long-term, inflation-adjusted concession, public private partnerships and take-or pay contracts throughout Brazil. We believe the business can capture a growing share of the water and sewage improvements planned in Brazil over the next two decades, enabling the deployment of significant additional capital with stable, attractive risk-adjusted returns.

Our Canadian natural gas properties produce approximately 42,100 barrels of oil equivalent per day, or BOE/d. Our coal-bed methane, or CBM, properties are characterized by long-life, low-decline reserves located at shallow depths and are low-risk with low-cost capital projects. Operational results and financial condition are dependent principally upon the prices received for gas production which have fluctuated widely in recent years. Any upward or downward movement in oil and gas prices could have an effect on the natural gas operation’s financial condition.

Our industrial mining operations comprise the operation and development of a limestone mine located in the heart of the Athabasca oil sands region. Current operations are focused on the sale of limestone aggregates to large oil sands customers that require significant quantities of aggregates to build out roads, bridges, lay down areas, facility pads, dams, water systems and other critical infrastructure. The limestone quarry has 575.2 million tons of proven mineral reserves and 756.3 million tons of proven and probable mineral reserves. Decommissioning liabilities relating to legal and constructive obligations for future site reclamation and closure of the mine sites are recognized when incurred. Reclamation costs are secured by a letter of credit and estimated closure and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs.

Schoeller Allibert Group B.V. (“Schoeller Allibert”) is a leading European provider of returnable plastic packaging with a strong competitive position given its extensive scale, diversified base of long-term customers serving multiple industries and its strong reputation for product innovation. The business operates in a growing segment of the packaging space that has favorable long-term trends driven by an increased focus on sustainability and logistics.

On February 5, 2020, we consolidated our investment in Cardone Industries, Inc. (“Cardone”), which was previously accounted for as a financial asset. Cardone is our U.S. based remanufacturer of automotive aftermarket replacement parts. Cardone supports a full spectrum of products and services for a diverse customer base, including OEMs, warehouse distributors, fleets and retailers. On May 13, 2020, together with institutional partners, we completed a recapitalization of Cardone, extinguishing junior debt including the partnership’s loan outstanding and committing \$180 million of new equity to the business. Our share of the new equity was approximately \$95 million for a 52% economic ownership interest.

In our industrials segment, we expect to incur future costs associated with dismantlement, abandonment and restoration of our assets (asset retirement obligations). The present value of the estimated future costs to dismantle, abandon and restore are added to the capitalized costs of our assets and recorded as a long-term liability.

Corporate and other

Corporate and other includes corporate cash and liquidity management, as well as activities related to the management of the partnership’s relationship with Brookfield.

Developments in Our Business

Below are key developments in our business since June 30, 2020:

In July 2020, together with institutional partners, we completed an additional acquisition of common shares in IndoStar for an aggregate investment of \$133 million. IndoStar is an Indian financing company focused on commercial vehicle lending and affordable home finance. Our share of the total investment was approximately \$105 million for a 20% economic ownership interest.

On July 13, 2020, together with institutional partners, we subscribed for \$260 million of convertible preferred shares of Superior Plus Corp. (“Superior”). Superior is a leading North American propane distributor and specialty chemical producer. Our share of the investment was \$45 million.

On July 22, 2020, we executed a partial distribution of GrafTech common shares to our institutional partners that reduced the size of our control position in the company. The partnership continues to own approximately 69 million shares in GrafTech, 17 million of which we own directly and have the flexibility to sell outside of the Brookfield consortium.

On August 4, 2020, Healthscope entered into an agreement to sell its New Zealand pathology business for approximately \$360 million. The sale is subject to customary closing conditions and is expected to close by the end of the fourth quarter of 2020.

On October 26, 2020, together with institutional partners, we reached an agreement to acquire the 43% publicly held common shares of Sagen for approximately \$1.2 billion, of which the partnership is expected to fund approximately \$460 million. Our ownership interest is expected to be approximately 40%. The transaction is subject to shareholder and regulatory approvals and is expected to close in the first half of 2021.

Outlook

We seek to increase the cash flows from our operations through acquisitions and organic growth opportunities as described below. We believe our global scale and leading operations allow us to efficiently allocate capital around the world toward those sectors and geographies where we see the greatest opportunities to realize our targeted returns. We also actively seek to monetize business interests as they mature and reinvest the proceeds into higher yielding investment strategies, further enhancing returns. Our companies, like most globally, faced challenging business conditions as a result of the global economic shutdown. Most of our business operations have recovered from the worst of the impacts of the economic shutdown. As we look forward, private market transaction activity is picking up and we continue to review opportunities in all regions in which we operate.

Within our business services segment, we continue to progress operational improvements at our recent acquisitions. At Healthscope, the business benefited from payments received under state agreements which the business is continuing to exit as strong demand for elective surgeries is driving a rebound in overall activity levels in all states except Victoria. The business continues to incur additional costs in the current environment related to increased health and safety measures. On August 4, 2020, Healthscope entered into an agreement to sell its New Zealand pathology business for approximately \$360 million. The sale is subject to customary closing conditions and is expected to close by the end of the fourth quarter of 2020. On October 26, 2020, together with institutional partners, we entered into an agreement to acquire the outstanding 43% publicly held interest of Sagen for approximately \$1.2 billion. The transaction is subject to shareholder and regulatory approvals and is expected to close in the first half of 2021. We are also advancing diligence for add-on investments to enhance the offerings and geographic reach of our operations. At Greenergy, our road fuel storage and distribution business, we signed an agreement to acquire a portfolio of 35 retail fuel sites in Ireland during the third quarter of 2020. The acquisition provides increased scale and further vertical integration of Greenergy’s local operations, and we have identified opportunities to reduce costs and improve fuel sourcing at the newly acquired operations.

Within our infrastructure services segment, at BrandSafway, activity levels are gradually improving despite the ongoing impact of restrictions to customer sites and delayed project starts within its U.S. operations. The business is focused on rescheduling customers’ critical maintenance shutdowns into future quarters and remains well capitalized with a strong pipeline of potential acquisitions to build and strengthen its operations. At Westinghouse, the business remained resilient through the current environment. Strong performance of the business’ plant servicing operations during the quarter and continued positive impact of ongoing cost saving initiatives were partially offset by lower contribution from new plant projects due to a one-time non-recurring benefit recorded last year.

Within our industrials segment, at Clarios, the business performed well, driven by a continued rebound in aftermarket battery demand. In North America, original equipment volumes are nearing prior year levels, but have been slower to recover in Europe and Latin America. The business is focused on managing production to ensure sufficient inventory levels for peak demand during the winter season. The longer-term trends impacting the automotive industry are providing exciting growth opportunities for Clarios. Strengthening environmental regulations, increased electrification and evolving vehicle powertrains are additional positive market tailwinds for Clarios. In addition, Clarios is working hand-in-hand with most global original equipment manufacturers to design and integrate its advanced battery technologies into their electric vehicle platforms. At GrafTech, volumes and sales prices were impacted in the quarter by the overall global decline in steel demand. The business continues to focus on optimizing its manufacturing operations, and paying down debt. At BRK Ambiental, our water and wastewater services operations in Brazil, the business continued operations without interruption and with limited impact on volumes in the current environment. The business' emphasis on continuing to expand its service network and customer connections contributed to strong performance during the third quarter of 2020. In addition, the business acquired a 35-year concession to provide and expand water services in Maceió, a city in Brazil of 1.5 million people, during the third quarter of 2020. BRK Ambiental plans to build over 3,000 km of pipeline and install over 400,000 new customer connections that will extend access to sewage collection to over 90% of residents from less than 30% today. This was the first concession auction following Brazil's approval of a new federal regulatory framework in the sanitation sector. The federal regulatory changes currently being implemented support more private participation in the sanitation sector and we expect additional attractive opportunities to come to market in the near future, which should provide BRK Ambiental with additional growth opportunities.

Geographically, we are committed to taking a long-term view on the regions where Brookfield has an established presence, and to invest further during periods of market weakness. With the recovery in activity levels over the last few months, we have largely refocused our efforts on accelerating growth initiatives and surfacing value opportunities within our key regions. In both North America and Europe, we are looking at several high-quality businesses in industries we know well, a few of which have been impacted by near-term volatility and reduced levels of demand. In Asia-Pacific, we are reviewing carve-outs from multi-national conglomerates as well as underperforming public companies that could give rise to attractive value opportunities. In India and Brazil, our teams remain focused on add-ons to enhance the capabilities and scale of our existing operations that are benefiting from our sponsorship and access to capital in this environment.

The opportunities for our partnership to increase cash flows through acquisitions and organic growth are based on assumptions about our business and markets that management believes are reasonable in the circumstances. There can be no assurance as to growth in our cash flows, or capital deployed for acquisitions or organic growth, particularly in light of COVID-19. See the "Forward-Looking Statements", "Global Economic Shutdown Update" in this MD&A.

Global economic shutdown update

Beginning in the first quarter of 2020, we experienced economic shutdowns as a result of the COVID-19 pandemic across global and local economies in the jurisdictions where we operate, which continued through the second quarter of 2020 and impacted our financial position and results. As economies in jurisdictions in which we have operations continued to reopen in the third quarter of 2020 and our businesses recovered, we have observed increased activity across most of our businesses and we are cautiously optimistic heading into 2021 while mindful that current challenges to our businesses may persist for several more months, especially if additional government mandated restrictions are enacted to contain the spread of the COVID-19 pandemic, and a full economic recovery thereafter is slow. The partnership has a diversified portfolio of operating businesses in its business services, industrials, and infrastructure services segments, many of which provide essential products and services to their customers, which provides resiliency to the business.

Risks and uncertainties

The risks and uncertainties previously disclosed in our most recent Annual Report on Form 20-F addressed the risk that a pandemic, such as COVID-19, may disrupt the partnership's business or adversely affect our financial condition or results of operations. Given the ongoing economic impact of COVID-19, we are updating the "Risk Factors" from our most recent Annual Report on Form 20-F to include the following:

Risks associated with the COVID-19 pandemic

The rapid spread of SARS-CoV2, the novel coronavirus identified as the cause of the coronavirus disease 2019 known as COVID-19, which was declared by the World Health Organization to be a pandemic on March 11, 2020, and actions taken globally in response to COVID-19, have significantly disrupted international business activities. In addition, our business relies, to a certain extent, on free movement of goods, services, and capital from around the world, which has been significantly restricted as a result of COVID-19. We may experience direct or indirect impacts from the pandemic, including, but not limited to, supply chain delays, the government mandated closure of certain of our businesses, the inability for certain of our businesses to operate and the reduced demand for products and services offered by certain of our businesses, all of which would be expected to result in lower revenues for the partnership and negatively affect financial performance. We also have some risk that our contract counterparties could fail to meet their obligations to us as a result of the economic impact on them associated with COVID-19.

Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the global economy and the business of the partnership or for how long any disruptions are likely to continue. Potential adverse impacts of the COVID-19 pandemic include, but are not limited to:

- the risk of a material reduction in demand for the products and services of our portfolio companies due to job losses and associated financial hardship, or changes in consumer behavior, which may lead to a decline in revenue;
- issues delivering certain products and services, due to supply chain disruptions and the impact of business closures, travel restrictions and other steps taken in response to COVID-19;
- increased challenges collecting revenue or other accounts receivable;
- potential challenges entering into, or consummating, proposed acquisitions on anticipated timelines, or at all; and
- potential challenges accessing credit and capital markets.

The nature and extent of such impacts will depend upon future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information which may emerge concerning the severity of COVID-19 and additional government actions which may be taken to contain COVID-19. Such developments could have a significant adverse effect on our assets, liabilities, business, financial condition, results of operations and cash flow.

Unaudited Interim Condensed Consolidated Results of Operations

Comparison of the three and nine months ended September 30, 2020 and 2019

The table below summarizes our results of operations for the three and nine months ended September 30, 2020 and 2019. Further details on our results of operations and our financial performance are presented within the “Segment Analysis” section.

| (US\$ MILLIONS, except per unit amounts) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-----------|------------------------------------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenues | \$ 10,070 | \$ 11,794 | \$ 27,586 | \$ 31,712 |
| Direct operating costs | (8,722) | (10,389) | (23,908) | (28,358) |
| General and administrative expenses | (236) | (215) | (708) | (604) |
| Depreciation and amortization expense | (547) | (534) | (1,618) | (1,286) |
| Interest income (expense), net | (371) | (389) | (1,088) | (886) |
| Equity accounted income (loss), net | 17 | 32 | 26 | 62 |
| Impairment expense, net | (7) | — | (149) | (324) |
| Gain (loss) on acquisitions/dispositions, net | — | 16 | 179 | 536 |
| Other income (expenses), net | (9) | (83) | (77) | (354) |
| Income (loss) before income tax | 195 | 232 | 243 | 498 |
| Current income tax (expense) recovery | (102) | (108) | (200) | (231) |
| Deferred income tax (expense) recovery | (8) | 58 | 157 | 80 |
| Net income (loss) | \$ 85 | \$ 182 | \$ 200 | \$ 347 |
| Attributable to: | | | | |
| Limited partners | \$ (10) | \$ 13 | \$ (136) | \$ 100 |
| Non-controlling interests attributable to: | | | | |
| Redemption-Exchange Units held by Brookfield Asset Management Inc. | (9) | 11 | (118) | 93 |
| Special Limited Partners | — | — | — | — |
| Interest of others in operating subsidiaries | 104 | 158 | 454 | 154 |
| | \$ 85 | \$ 182 | \$ 200 | \$ 347 |
| Basic and diluted earnings per limited partner unit ⁽¹⁾ | \$ (0.12) | \$ 0.16 | \$ (1.69) | \$ 1.41 |

(1) Average number of partnership units outstanding on a fully diluted time weighted average basis, assuming the exchange of redemption-exchange units held by Brookfield Asset Management for limited partnership units, for the three and nine months ended September 30, 2020 was 150.0 million, and 150.2 million, respectively, and for the three and nine months ended September 30, 2019 was 150.4 million and 136.1 million, respectively.

For the three months ended September 30, 2020, net income was \$85 million, with \$19 million of net loss attributable to unitholders. For the three months ended September 30, 2019, net income was \$182 million, with \$24 million of net income attributable to unitholders. The decrease in net income was primarily due to decreased contributions from GrafTech and Greenery due to lower volumes and prices, and provisions at our construction services business. The decrease was partially offset by the contribution from the acquisition of Sagen in the fourth quarter of 2019, combined with unrealized mark-to-market gains on financial assets.

For the nine months ended September 30, 2020, net income was \$200 million, with \$254 million of net loss attributable to unitholders. For the nine months ended September 30, 2019, net income was \$347 million, with \$193 million of net income attributable to unitholders. The decrease in net income was primarily due to the factors mentioned above, as well as provisions at Cardone and impairment recognized at Altera. In addition, the prior period included net gains on the dispositions of our facilities management business (“BGIS”) and our executive relocation business (“BGRS”). The decrease was partially offset by a net gain on debt extinguishment at Cardone.

Revenues

For the three months ended September 30, 2020, revenues decreased by \$1,724 million to \$10,070 million, compared to \$11,794 million for the three months ended September 30, 2019. The decrease in revenues was primarily attributable to lower volumes at Greenergy, combined with reduced contribution from our construction services business due to lower activity in the U.K. The decrease was partially offset by the contribution from the acquisition of Sagen in the fourth quarter of 2019 and the consolidation of Cardone in the first quarter of 2020. Included in the revenues and direct operating costs for Greenergy is duty payable to the government of the U.K., which is recorded gross within revenues and direct costs without impact on the margin generated by the business.

For the nine months ended September 30, 2020, revenues decreased by \$4,126 million to \$27,586 million, compared to \$31,712 million for the nine months ended September 30, 2019. The decrease was primarily due to the factors described above, combined with the dispositions of BGIS and BGRS in the second quarter of 2019. The decrease was partially offset by a full period of contributions from Clarios and Healthscope which were acquired in the second quarter of 2019.

Direct operating costs

For the three months ended September 30, 2020, direct operating costs decreased by \$1,667 million to \$8,722 million, compared to \$10,389 million for the three months ended September 30, 2019. The decrease in direct operating costs was primarily attributable to Greenergy due to lower volumes, combined with reduced contribution from our construction services business due to lower activity in the U.K. The decrease was partially offset by the contribution from the acquisition of Sagen in the fourth quarter of 2019 and consolidation of Cardone in the first quarter of 2020. As noted above, included in the revenues and direct operating costs for Greenergy is duty payable to the government of the U.K., which is recorded gross within revenues and direct costs without impact on the margin generated by the business.

For the nine months ended September 30, 2020, direct operating costs decreased by \$4,450 million to \$23,908 million, compared to \$28,358 million for the nine months ended September 30, 2019. The decrease was primarily due to the same factors described above, combined with the dispositions of BGIS and BGRS in the second quarter of 2019. The decrease was partially offset by a full period of contributions from the acquisitions of Clarios and Healthscope which were acquired in the second quarter of 2019.

General and administrative expenses

For the three months ended September 30, 2020, general and administrative, or G&A, expenses increased by \$21 million to \$236 million, compared to \$215 million for the three months ended September 30, 2019. G&A expenses increased primarily due to the consolidation of Cardone in the first quarter of 2020 and IndoStar in the third quarter of 2020.

For the nine months ended September 30, 2020, G&A expenses increased by \$104 million to \$708 million, compared to \$604 million for the nine months ended September 30, 2019. G&A expenses increased primarily due to the same factors described above, combined with a full period of contributions from Healthscope and Clarios which were acquired in the second quarter of 2019.

Depreciation and amortization expense

Depreciation and amortization (“D&A”) expense includes depletion related to oil and gas assets, depreciation of property, plant and equipment (“PP&E”), as well as the amortization of intangible assets. The highest contributions to D&A expense are from our infrastructure services and industrials segments. The D&A expense in our infrastructure services segment is mainly attributed to the amortization of customer contracts and depreciation at Westinghouse and the depreciation of vessels and equipment at Altera. The D&A expense in our industrials segment is primarily depreciation and amortization on PP&E assets at Clarios, GrafTech, BRK Ambiental, and our energy assets, where PP&E is depleted on a unit-of-production basis over the proved plus probable reserves. We use National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*, as the basis for defining and calculating proved and probable reserves for purposes of the D&A expense calculations. D&A is generally consistent year-over-year with large changes typically due to the addition or disposal of depreciable assets.

For the three months ended September 30, 2020, D&A expense increased by \$13 million to \$547 million, compared to \$534 million for the three months ended September 30, 2019. The increase in D&A expense was primarily due to the acquisition of Sagen in the fourth quarter of 2019, combined with an increase in right-of-use assets at Clarios. The increase was partially offset by the disposition of our palladium mining operation in the fourth quarter of 2019.

For the nine months ended September 30, 2020, D&A expense increased by \$332 million to \$1,618 million, compared to \$1,286 million for the nine months ended September 30, 2019. The increase in D&A expense was primarily due to the same factors described above, combined with a full period of contributions from Healthscope and Clarios which were acquired in the second quarter of 2019.

Interest income (expense), net

For the three months ended September 30, 2020, net interest expense decreased by \$18 million to \$371 million, compared to \$389 million for the three months ended September 30, 2019. The decrease was primarily due to lower interest rates and debt repayments at Clarios and GrafTech, respectively, combined with a decrease at BRK Ambiental due to the sale of industrial assets in the third quarter of 2019.

For the nine months ended September 30, 2020, net interest expense increased by \$202 million to \$1,088 million, compared to \$886 million for the nine months ended September 30, 2019. The increase was primarily due to a full period of contributions related to the borrowings at Clarios and Healthscope, which were acquired in the second quarter of 2019, combined with the consolidation of Cardone in the first quarter of 2020. The increase was partially offset by the factors described above.

Equity accounted income, net

For the three months ended September 30, 2020, net equity accounted income, decreased by \$15 million to \$17 million, compared to \$32 million for the three months ended September 30, 2019, which was primarily due to the impact of the economic shutdown. Net equity accounted income primarily comprised our investments in BrandSafway and One Toronto Gaming, our entertainment business, and equity accounted investments within the Clarios, Altera and Westinghouse business operations.

For the nine months ended September 30, 2020, net equity accounted income decreased by \$36 million to \$26 million, compared to \$62 million for the nine months ended September 30, 2019. The decrease was primarily a result of the impact of the economic shutdown on One Toronto Gaming and BrandSafway.

Impairment expense, net

For the three months ended September 30, 2020, net impairment expense was \$7 million, compared to \$nil for the three months ended September 30, 2019. For the three months ended September 30, 2020, net impairment expense was primarily related to impairment on vessels at Altera.

For the nine months ended September 30, 2020, net impairment expense was \$149 million compared to \$324 million for the nine months ended September 30, 2019. For the nine months ended September 30, 2020, net impairment expense related to the factors described above, combined with impairment related to a plant closure at Clarios. For the nine months ended September 30, 2019, net impairment expense was related to our investment in Altera.

Gain (loss) on acquisitions/dispositions, net

For the three months ended September 30, 2020, net gain on acquisitions/dispositions was \$nil compared to a net gain of \$16 million for the three months ended September 30, 2019. For the three months ended September 30, 2019, we recorded a net gain of \$16 million, which was primarily related to a gain on the sale of industrial assets at BRK Ambiental.

For the nine months ended September 30, 2020, net gain on acquisitions/dispositions was \$179 million compared to a net gain of \$536 million for the nine months ended September 30, 2019. For the nine months ended September 30, 2020, we recorded a net gain of \$179 million which primarily comprised the net gain recognized on the sale of our cold storage logistics business during the first quarter of 2020. For the nine months ended September 30, 2019, we recorded a net gain of \$536 million which was primarily due to the net gain on the dispositions of BGIS and BGRS in the second quarter of 2019.

Other income (expense), net

For the three months ended September 30, 2020, net other expense decreased by \$74 million to \$9 million, compared to net other expense of \$83 million for the three months ended September 30, 2019. Net other expense of \$9 million for the three months ended September 30, 2020 primarily included provisions, transaction expenses, restructuring costs, and unrealized mark-to-market revaluations including gains related to public securities holdings. Net other expense of \$83 million for the three months ended September 30, 2019 primarily comprised unrealized losses on derivatives and restructuring costs.

For the nine months ended September 30, 2020, net other expense decreased by \$277 million to net other expense of \$77 million, compared to \$354 million for the nine months ended September 30, 2019. Net other expense of \$77 million for the nine months ended September 30, 2020 primarily comprised the factors described above and was partially offset by a net gain on extinguishment of debt at Cardone. Net other expense of \$354 million for the nine months ended September 30, 2019 primarily comprised the factors described above, combined with transaction costs associated with the sale of BGIS and the acquisitions of Clarios and Healthscope.

Income tax (expense) recovery

For the three months ended September 30, 2020, current income tax expense and deferred income tax expense were \$102 million and \$8 million, respectively, compared to current income tax expense of \$108 million and deferred income tax recovery of \$58 million for the three months ended September 30, 2019. Current tax expense decreased by \$6 million primarily due to a non-recurring current tax expense associated with the sale of industrial assets at BRK Ambiental in the third quarter of 2019. This was partially offset by an increase in current tax expense at Sagen, acquired in the fourth quarter of 2019. Deferred income tax expense increased by \$66 million primarily due to a non-recurring deferred tax recovery related to the sale of industrial assets at BRK Ambiental in the third quarter of 2019.

For the nine months ended September 30, 2020, current income tax expense and deferred income tax recovery were \$200 million and \$157 million, respectively, compared to current income tax expense of \$231 million and deferred income tax recovery of \$80 million for the nine months ended September 30, 2019. Current tax expense decreased by \$31 million primarily due to the same factors described above. In addition, the prior period included current tax expense related to the sale of BGRS in the second quarter of 2019. Deferred income tax recovery increased by \$77 million primarily due to losses incurred within our construction service business for which a tax benefit has been recognized, and foreign exchange movements within our Clarios operations.

Our effective tax rate for the three months ended September 30, 2020 was 56%, while our composite income tax rate was 27%. The difference in our effective tax rate in comparison to our composite income tax rate was partly driven by the fact that we operate in countries with different tax rates, most of which vary from our domestic statutory tax rate. The difference in the global tax rates gave rise to a 10% increase in our effective tax rate. The difference will vary from period to period depending on the relative proportion of income in each country and business. In addition, limitations in the deductibility of interest expense imposed by various jurisdictional tax legislations gave rise to a 19% increase in our effective tax rate.

Summary of Results

Quarterly results

Total revenues and net income (loss) for the eight most recent quarters were as follows:

| | 2020 | | | | 2019 | | | 2018 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|----------|-----------|
| (US\$ MILLIONS, except per unit amounts) | | | | | | | | |
| Three months ended | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 |
| Revenues | \$10,070 | \$ 7,370 | \$ 10,146 | \$ 11,320 | \$ 11,794 | \$ 10,717 | \$ 9,201 | \$ 10,209 |
| Direct operating costs | (8,722) | (6,285) | (8,901) | (9,969) | (10,389) | (9,776) | (8,193) | (9,205) |
| General and administrative expenses | (236) | (228) | (244) | (228) | (215) | (211) | (178) | (209) |
| Depreciation and amortization expense | (547) | (533) | (538) | (518) | (534) | (441) | (311) | (286) |
| Interest income (expense), net | (371) | (353) | (364) | (388) | (389) | (313) | (184) | (181) |
| Equity accounted income (loss), net | 17 | 18 | (9) | 52 | 32 | 23 | 7 | 9 |
| Impairment expense, net | (7) | (29) | (113) | (285) | — | (324) | — | (38) |
| Gain (loss) on acquisitions/ dispositions, net | — | (4) | 183 | 190 | 16 | 522 | (2) | 147 |
| Other income (expenses), net | (9) | 149 | (217) | (46) | (83) | (181) | (90) | (73) |
| Income (loss) before income tax | 195 | 105 | (57) | 128 | 232 | 16 | 250 | 373 |
| Current income tax (expense)/recovery | (102) | (23) | (75) | (93) | (108) | (93) | (30) | (63) |
| Deferred income tax (expense)/ recovery | (8) | 67 | 98 | 52 | 58 | 41 | (19) | 84 |
| Net income (loss) | \$ 85 | \$ 149 | \$ (34) | \$ 87 | \$ 182 | \$ (36) | \$ 201 | \$ 394 |
| Attributable to: | | | | | | | | |
| Limited partners | \$ (10) | \$ (59) | \$ (67) | \$ (57) | \$ 13 | \$ 55 | \$ 32 | \$ 70 |
| Non-controlling interests attributable to: | | | | | | | | |
| Redemption-Exchange Units held by Brookfield Asset Management Inc. | (9) | (50) | (59) | (48) | 11 | 52 | 30 | 66 |
| Special Limited Partners | — | — | — | — | — | — | — | — |
| Interest of others in operating subsidiaries | 104 | 258 | 92 | 192 | 158 | (143) | 139 | 258 |
| | \$ 85 | \$ 149 | \$ (34) | \$ 87 | \$ 182 | \$ (36) | \$ 201 | \$ 394 |
| Basic and diluted earnings (loss) per limited partner unit ⁽¹⁾ | \$ (0.12) | \$ (0.73) | \$ (0.84) | \$ (0.70) | \$ 0.16 | \$ 0.82 | \$ 0.48 | \$ 1.04 |

(1) Average number of partnership units outstanding on a fully diluted time weighted average basis, assuming the exchange of redemption-exchange units held by Brookfield Asset Management for limited partnership units, for the three and nine months ended September 30, 2020 was 150.0 million and 150.2 million, respectively, and for the three and nine months ended September 30, 2019 was 150.4 million and 136.1 million, respectively.

Revenue and operating costs vary from quarter to quarter primarily due to acquisitions and dispositions of businesses, fluctuations in foreign exchange rates, business and economic cycles, weather and seasonality, broader economic factors and commodity market volatility. Within our industrials segment, the demand for batteries in the aftermarket is typically higher in the colder seasons at Clarios, and in our contract drilling and well-servicing operations, the ability to move heavy equipment safely and efficiently in western Canadian oil and gas fields is dependent on weather conditions. Cardone is impacted by seasonality as demand for the business' caliper product line is typically higher in the warmer seasons. Within our infrastructure services segment, Westinghouse's core operating plants services business generates the majority of its revenue during the fall and spring when power plants go offline to perform maintenance and replenish their fuel. BrandSafway is impacted by seasonality in the industries it services; for example most refineries tend to close down for turnarounds during the spring and fall. In addition, cold temperatures in the first and fourth fiscal quarters typically limit activity on maintenance and capital projects in cold climates. Some of our business services activities are seasonal in nature and are affected by the general level of economic activity and related volume of services purchased by our clients. Greenergy is impacted by changes in demand for fuels linked to seasonal weather changes and the bi-annual change in the fuel specifications. Sagen is exposed to seasonality when insurance premiums are written and general seasonality in the housing market activity. Net income is impacted by periodic gains and losses on acquisitions, monetizations and impairments.

Review of Consolidated Financial Position

The following is a summary of the interim condensed consolidated statements of financial position as at September 30, 2020 and December 31, 2019:

| <u>(US\$ MILLIONS)</u> | <u>September 30, 2020</u> | <u>December 31, 2019</u> |
|--|---------------------------|--------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 2,815 | \$ 1,986 |
| Financial assets | 7,794 | 6,243 |
| Accounts and other receivable, net | 5,083 | 5,631 |
| Inventory and other assets | 5,388 | 5,282 |
| Property, plant and equipment | 13,864 | 13,892 |
| Deferred income tax assets | 717 | 667 |
| Intangible assets | 10,681 | 11,559 |
| Equity accounted investments | 1,671 | 1,273 |
| Goodwill | 4,961 | 5,218 |
| Total assets | \$ 52,974 | \$ 51,751 |
| Liabilities and equity in net assets | | |
| Liabilities | | |
| Accounts payable and other | \$ 17,115 | \$ 16,496 |
| Corporate borrowings | 688 | — |
| Non-recourse borrowings in subsidiaries of the partnership | 23,241 | 22,399 |
| Deferred income tax liabilities | 1,597 | 1,803 |
| Total liabilities | \$ 42,641 | \$ 40,698 |
| Equity | | |
| Limited partners | \$ 1,725 | \$ 2,116 |
| Non-controlling interests attributable to: | | |
| Redemption-Exchange Units, Preferred Shares and Special Limited Partnership Units held by Brookfield Asset Management Inc. | 1,361 | 1,676 |
| Interest of others in operating subsidiaries | 7,247 | 7,261 |
| Total equity | 10,333 | 11,053 |
| Total liabilities and equity | \$ 52,974 | \$ 51,751 |

Financial assets

Financial assets increased by \$1,551 million to \$7,794 million as at September 30, 2020, compared to \$6,243 million as at December 31, 2019. The balance comprised marketable securities, loans and notes receivable, derivative contracts, restricted cash, and other financial assets. The increase was primarily due to the consolidation of IndoStar in the third quarter of 2020, combined with the acquisition of public securities during the year.

The following table presents financial assets by segment as at September 30, 2020 and December 31, 2019:

| <u>(US\$ MILLIONS)</u> | <u>Business services</u> | <u>Infrastructure services</u> | <u>Industrials</u> | <u>Corporate and other</u> | <u>Total</u> |
|---------------------------|--------------------------|--------------------------------|--------------------|----------------------------|-----------------|
| September 30, 2020 | \$ 6,713 | \$ 329 | \$ 750 | \$ 2 | \$ 7,794 |
| December 31, 2019 | \$ 5,407 | \$ 338 | \$ 324 | \$ 174 | \$ 6,243 |

Accounts receivable, net

Accounts receivable decreased by \$548 million to \$5,083 million as at September 30, 2020, compared to \$5,631 million as at December 31, 2019. The decrease was primarily due to lower sales volumes and prices at Greenergy and GrafTech, combined with stronger collections at Clarios and the impact of foreign exchange movements at BRK Ambiental. The decrease was partially offset by the consolidation of Cardone beginning in the first quarter of 2020.

Inventory and other assets

Inventory and other assets increased by \$106 million to \$5,388 million as at September 30, 2020, compared to \$5,282 million as at December 31, 2019. The increase was primarily attributable to the classification of the pathology business at Healthscope as held for sale, combined with the consolidation of Cardone starting in the first quarter of 2020. The increase was partially offset by lower inventory at Greenergy as a result of the sale of stock and lower inventory levels at Clarios due to an increase in aftermarket demand.

Property, plant & equipment and intangible assets

PP&E decreased by \$28 million to \$13,864 million as at September 30, 2020, compared to \$13,892 million as at December 31, 2019. The decrease was primarily due to a decrease in the asset retirement obligations at our Canadian natural gas properties, combined with foreign exchange movements at Ouro Verde and BRK Ambiental and impairment on vessels at Altera. The decrease was partially offset by the consolidation of Cardone starting in the first quarter of 2020 and an increase in the asset retirement obligation at Westinghouse. As at September 30, 2020, PP&E included \$1,285 million of right-of-use (“ROU”) assets.

Intangible assets decreased by \$878 million to \$10,681 million as at September 30, 2020, compared to \$11,559 million as at December 31, 2019. The decrease was primarily due to the foreign exchange movements in intangible assets at BRK Ambiental and at Clarios, as well as a decrease at Healthscope due to the classification of the pathology business as held for sale.

Capital expenditures represent additions to property, plant, and equipment and certain intangible assets. Included in capital expenditures are maintenance capital expenditures, which are required to sustain the current performance of our operations, and growth capital expenditures, which are made for incrementally new assets that are expected to expand existing operations. Within our business services segment, capital expenditures were primarily related to terminal expansions at Greenergy, maintenance and improvements on hospital facilities and new hospital equipment at Healthscope and maintenance and expansion of the fleet at Ouro Verde. Within our infrastructure services segment, capital expenditures were primarily related to equipment refurbishment, tooling and new fuel design at Westinghouse and vessel dry-docking costs and additions at Altera. Finally, within our industrials segment, capital expenditures were primarily related to expansions and equipment replacement at Clarios, and GrafTech. We also include additions to intangible assets in BRK Ambiental within capital expenditures due to the nature of its concession agreements. On a consolidated basis, maintenance and growth capital expenditures for the nine months ended September 30, 2020 were \$476 million and \$651 million, respectively.

Equity accounted investments

Equity accounted investments increased by \$398 million to \$1,671 million as at September 30, 2020, compared to \$1,273 million as at December 31, 2019 primarily due to the acquisition of BrandSafway in the first quarter of 2020.

Goodwill

Goodwill decreased by \$257 million to \$4,961 million as at September 30, 2020, compared to \$5,218 million as at December 31, 2019. The decrease was primarily due to the classification of the pathology business at Healthscope as held for sale, combined with the finalization of purchase price adjustments at Clarios.

Accounts payable and other

Accounts payable and other increased by \$619 million to \$17,115 million as at September 30, 2020, compared to \$16,496 million as at December 31, 2019. The increase was primarily due to higher accrued liabilities and payables at Clarios combined with the consolidation of Cardone starting in the first quarter of 2020 and an increase in derivative liabilities at Altera. The increase was partially offset by a decrease in accounts payable at Greenergy due to lower costs payable as a result of lower pricing. As at September 30, 2020, accounts payable and other included \$1,385 million of lease liabilities.

Corporate and non-recourse borrowings

Borrowings are discussed in the “Liquidity and Capital Resources” section of this MD&A.

Equity attributable to unitholders

As at September 30, 2020, our capital structure comprised two classes of partnership units, LP Units and GP Units. LP Units entitle the holder to their proportionate share of distributions. GP Units entitle the holder the right to govern our financial and operating policies. See Item 10.B, “Memorandum and Articles of Association — Description of our Units and our Limited Partnership Agreement” in our Annual Report on Form 20-F.

Holding LP’s capital structure comprises three classes of partnership units: Special LP Units, managing general partner units and Redemption-Exchange Units held by Brookfield. In its capacity as the holder of the Special LP Units of Holding LP, the special limited partner is entitled to receive incentive distributions based on a 20% increase in the partnership’s unit price over an initial threshold. See Item 10.B, “Memorandum and Articles of Association — Description of the Holding LP Limited Partnership Agreement” in our Annual Report on Form 20-F.

During the third quarter of 2020, the volume weighted average price per unit was \$29.89, which was below the previous incentive distribution threshold of \$41.96 per unit, resulting in an incentive distribution of \$nil for the quarter.

As part of the spin-off, Brookfield also subscribed for \$15 million of preferred shares of our holding entities.

On August 11, 2020, the Toronto Stock Exchange accepted a notice filed by the partnership of its intention to renew a normal course issuer bid, or NCIB, for its limited partnership units (the “units”). Under the NCIB, the partnership is authorized to repurchase up to 5% of its issued and outstanding units as at August 11, 2020, or 4,016,508 units, including up to 20,432 units on the Toronto Stock Exchange (“TSX”) during any trading day. Brookfield Business Partners can make block purchases that exceed this daily purchase restriction, up to a maximum of 2,000,000 units and subject to the annual aggregate limit. During the nine months ended September 30, 2020, a total of 977,426 units were repurchased.

As at September 30, 2020 and December 31, 2019, the total number of partnership units outstanding are as follows:

| UNITS | September 30, 2020 | December 31, 2019 |
|---|---------------------------|--------------------------|
| GP Units | 4 | 4 |
| LP Units | 79,913,229 | 80,890,655 |
| Non-controlling interests: | | |
| Redemption-Exchange Units, held by Brookfield | 69,705,497 | 69,705,497 |
| Special LP Units | 4 | 4 |

Foreign exchange movements on our non-USD functional currency subsidiaries resulted in a loss on foreign currency translation of \$574 million for the nine months ended September 30, 2020 which was recorded in other comprehensive income (loss). This was primarily driven by the net loss on foreign currency translation incurred in the first quarter of 2020 which was primarily attributable to foreign exchange movements at BRK Ambiental, Sagen, and Healthscope, which have functional currencies of Brazilian Real, Canadian Dollar, and Australian Dollar, respectively. The net loss was partially offset by the net gain on foreign currency translation in the second and third quarters of 2020 which was primarily attributable to foreign exchange movements at Sagen and Healthscope, combined with various other foreign exchange movements at Clarios.

Segment Analysis

IFRS 8, *Operating Segments*, requires operating segments to be determined based on internal reports that are regularly reviewed by our chief operating decision maker, or CODM, for the purpose of allocating resources to the segment and to assessing its performance. Our operations are organized into four operating segments which are regularly reviewed by our CODM. The key measures used by the CODM in assessing performance and in making resource allocation decisions are funds from operations, or Company FFO, and Company EBITDA.

Company FFO is calculated as net income excluding the impact of depreciation and amortization, deferred income taxes, breakage and transaction costs, non-cash gains or losses and other items. Company FFO is presented net to unitholders, or net to parent company. When determining Company FFO, we include our proportionate share of Company FFO of equity accounted investments. Company FFO is considered a key measure of our financial performance and we use Company FFO to assess operating results and our business performance. Company FFO is further adjusted as Company EBITDA to exclude the impact of realized disposition gains (losses), interest income (expense), current income taxes, and realized disposition gains (losses), current income taxes and interest income (expense) related to equity accounted investments and other items. Company EBITDA is presented net to unitholders, or net to parent company. See “Reconciliation to Non-IFRS Measures” for a more fulsome discussion, including a reconciliation to the most directly comparable IFRS measures.

The following table presents Company EBITDA and Company FFO for the three and nine months ended September 30, 2020 and 2019:

| (US\$ MILLIONS) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|---------------|------------------------------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenues | \$ 10,070 | \$ 11,794 | \$ 27,586 | \$ 31,712 |
| Direct operating costs | (8,722) | (10,389) | (23,908) | (28,358) |
| General and administrative expenses | (236) | (215) | (708) | (604) |
| Equity accounted Company EBITDA | 84 | 61 | 219 | 157 |
| Company EBITDA attributable to others ⁽¹⁾ | (815) | (883) | (2,228) | (2,036) |
| Company EBITDA ⁽²⁾ | \$ 381 | \$ 368 | \$ 961 | \$ 871 |
| Gain (loss) on acquisitions / dispositions, net | — | 16 | 179 | 536 |
| Other income (expenses), net | (17) | (19) | (36) | (17) |
| Interest income (expense), net | (371) | (389) | (1,088) | (886) |
| Realized disposition gain, current income taxes and interest expenses related to equity accounted investments | (24) | (14) | (60) | (29) |
| Current income taxes | (102) | (108) | (200) | (231) |
| Company FFO attributable to others (net of Company EBITDA attributable to others) ⁽¹⁾ | 341 | 365 | 819 | 615 |
| Company FFO ⁽²⁾ | \$ 208 | \$ 219 | \$ 575 | \$ 859 |

⁽¹⁾ Attributable to interests of others in our operating subsidiaries.

⁽²⁾ Company FFO and Company EBITDA are non-IFRS measures. Company FFO is calculated as net income excluding the impact of depreciation and amortization, deferred income taxes, breakage and transaction costs, non-cash gains or losses as appropriate and other items. When determining Company FFO, we include our proportionate share of Company FFO of equity accounted investments. Company FFO is further adjusted as Company EBITDA to exclude the impact of realized disposition gains (losses), interest income (expense), current income taxes, the impact of realized disposition gains (losses), current income taxes and interest income (expense) related to equity accounted investments and other items. Company EBITDA and Company FFO are presented net to unitholders. For further information on Company FFO and Company EBITDA see the “Reconciliation of Non-IFRS Measures” section of the MD&A.

For the three months ended September 30, 2020, we reported Company EBITDA of \$381 million, representing an increase of \$13 million relative to the Company EBITDA of \$368 million for the three months ended September 30, 2019. The increase in Company EBITDA was primarily due to increased contributions from our business services segment as a result of the acquisition of Sagen in the fourth quarter of 2019. The increase in Company EBITDA was partially offset by lower contributions from our industrials segment as a result of lower volume and sales prices at GrafTech and the disposition of our palladium mining operation in the fourth quarter of 2019. For the nine months ended September 30, 2020, we reported Company EBITDA of \$961 million, representing an increase of \$90 million relative to the Company EBITDA of \$871 million for the nine months ended September 30, 2019 primarily due to the factors described above, combined with increased contributions to Company EBITDA from the acquisitions of Healthscope and Clarios in the second quarter of 2019 and from the increase in our ownership of Altera.

For the three months ended September 30, 2020, we reported Company FFO of \$208 million, representing a decrease of \$11 million relative to the Company FFO of \$219 million for the three months ended September 30, 2019. The decrease was primarily due to lower contributions from our industrials segment as a result of the factors contributing to the decrease in Company EBITDA described above, combined with a net gain recognized in the prior period on the sale of industrial assets at BRK Ambiental, which was partially offset by a decrease in interest expense due to lower interest rates at Clarios. The decrease in Company FFO was partially offset by higher contributions from our business services segment as a result of the factors contributing to the increase in Company EBITDA described above, which was partially offset by weaker results at our entertainment business. For the nine months ended September 30, 2020, we reported Company FFO of \$575 million, representing a decrease of \$284 million relative to the Company FFO of \$859 million for the nine months ended September 30, 2019 due to the same factors described above, combined with higher current tax expense due to the acquisition of Clarios within our industrials segment and the net gains recognized in the prior period on the dispositions of BGIS and BGRS within our business services segment. The decrease was partially offset by the net gain recognized on the disposition of our cold storage logistics business in the first quarter of 2020 within our business services segment.

Business services

The following table presents Company EBITDA and Company FFO for our business services segment for the periods presented:

| (US\$ MILLIONS) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|--------------|------------------------------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenues | \$ 6,124 | \$ 7,427 | \$ 16,706 | \$ 21,707 |
| Direct operating costs | (5,724) | (7,150) | (15,745) | (21,097) |
| General and administrative expenses | (105) | (93) | (276) | (227) |
| Equity accounted Company EBITDA | 3 | 9 | 18 | 28 |
| Company EBITDA attributable to others ⁽¹⁾ | (202) | (129) | (524) | (241) |
| Company EBITDA ⁽²⁾ | \$ 96 | \$ 64 | \$ 179 | \$ 170 |
| Gain (loss) on acquisitions / dispositions, net | — | — | 186 | 522 |
| Other income (expenses), net | (1) | (2) | 8 | (2) |
| Interest income (expense), net | (58) | (65) | (168) | (123) |
| Realized disposition gain (loss), current income taxes and interest expenses related to equity accounted investments | (1) | (2) | (5) | (5) |
| Current income taxes | (46) | (19) | (98) | (76) |
| Company FFO attributable to others (net of Company EBITDA attributable to others) ⁽¹⁾ | 72 | 55 | 41 | (81) |
| Company FFO ⁽²⁾ | \$ 62 | \$ 31 | \$ 143 | \$ 405 |

The following table presents equity attributable to the unitholders for our business services segment as at September 30, 2020 and December 31, 2019:

| (US\$ MILLIONS) | September 30, 2020 | December 31, 2019 |
|--|---------------------------|--------------------------|
| Total assets | \$ 19,230 | \$ 18,132 |
| Total liabilities | 13,326 | 12,646 |
| Interests of others in operating subsidiaries ⁽¹⁾ | 3,822 | 3,325 |
| Equity attributable to unitholders | 2,082 | 2,161 |
| Total equity | <u>\$ 5,904</u> | <u>\$ 5,486</u> |

(1) Attributable to interests of others in our operating subsidiaries.

(2) Company FFO and Company EBITDA are non-IFRS measures. Company FFO is calculated as net income excluding the impact of depreciation and amortization, deferred income taxes, breakage and transaction costs, non-cash gains or losses as appropriate and other items. When determining Company FFO, we include our proportionate share of Company FFO of equity accounted investments. Company FFO is further adjusted as Company EBITDA to exclude the impact of realized disposition gains (losses), interest income (expense), current income taxes, the impact of realized disposition gains (losses), current income taxes and interest income (expense) related to equity accounted investments and other items. Company EBITDA and Company FFO are presented net to unitholders. For further information on Company FFO and Company EBITDA see the "Reconciliation of Non-IFRS Measures" section of the MD&A.

Comparison of the three and nine months ended September 30, 2020 and 2019

Revenues and direct costs from our business services segment for the three months ended September 30, 2020 were \$6,124 million and \$5,724 million, respectively, representing decreases of \$1,303 million and \$1,426 million, respectively, relative to revenues and direct costs of \$7,427 million and \$7,150 million for the three months ended September 30, 2019. The decreases in revenues and direct costs were primarily attributed to Greenergy due to lower volumes, combined with reduced contribution from our construction services business due to lower activity in the U.K. The decreases were partially offset by contributions from Sagen which was acquired in the fourth quarter of 2019. For the three months ended September 30, 2020, the duty element at Greenergy included in revenues and direct operating costs was approximately \$2,199 million. For the nine months ended September 30, 2020, revenues and direct operating costs were \$16,706 million and \$15,745 million, respectively, representing decreases of \$5,001 million and \$5,352 million from the nine months ended September 30, 2019, primarily due to the same factors described above, combined with the dispositions of BGIS and BGRS in the second quarter of 2019, partially offset by higher contributions from Healthscope which was acquired in the second quarter of 2019.

Company EBITDA in our business services segment for the three months ended September 30, 2020 was \$96 million, representing an increase of \$32 million relative to \$64 million for the three months ended September 30, 2019. The increase in Company EBITDA was primarily due to the contribution from Sagen, which was acquired in the fourth quarter of 2019, and a higher contribution from Healthscope, which was partially offset by a lower contribution from our construction services business. Sagen contributed \$33 million to Company EBITDA for the three months ended September 30, 2020. Healthscope contributed \$21 million to Company EBITDA for the three months ended September 30, 2020 compared to \$16 million for the three months ended September 30, 2019. Healthscope's results benefited from payments received under state agreements which was partially offset by additional costs incurred in the current environment related to increased health and safety measures. The business is continuing to exit the state agreements as strong demand for elective surgeries is driving a rebound in overall activity levels in all states except Victoria. Performance was also positively impacted by improvements at the Northern Beaches Hospital where admissions have increased over the prior year as a result of private patient ramp-up and increased public patient activity. Our construction services business contributed \$17 million to Company EBITDA for the three months ended September 30, 2020 compared to \$19 million for the three months ended September 30, 2019. Our construction services business results were impacted by reduced contribution from U.K. operations, which was partially offset by cost savings initiatives and continued strong performance in its Australian operations. The increase was partially offset by weaker results at our entertainment business due to the government mandated shutdown of operations. Company EBITDA for the nine months ended September 30, 2020 was \$179 million, representing an increase of \$9 million relative to the Company EBITDA for the nine months ended September 30, 2019 of \$170 million, primarily due to the same factors described above, combined with an increase in contribution from Healthscope which was acquired in June 2019.

Company FFO in our business services segment for the three months ended September 30, 2020 was \$62 million, representing an increase of \$31 million relative to Company FFO of \$31 million for the three months ended September 30, 2019. The increase was primarily due to the factors described above. Company FFO for the nine months ended September 30, 2020 was \$143 million, representing a decrease of \$262 million relative to Company FFO of \$405 million for the nine months ended September 30, 2019, which was primarily due to the net gains recognized in the prior period on the dispositions of BGIS and BGRS, partially offset by the factors described above.

Infrastructure services

The following table presents Company EBITDA and Company FFO for our infrastructure services segment for the periods presented:

| (US\$ MILLIONS) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|---------------|------------------------------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenues | \$ 1,058 | \$ 1,133 | \$ 3,348 | \$ 3,527 |
| Direct operating costs | (774) | (759) | (2,373) | (2,489) |
| General and administrative expenses | (31) | (29) | (122) | (104) |
| Equity accounted Company EBITDA | 45 | 21 | 122 | 77 |
| Company EBITDA attributable to others ⁽¹⁾ | (156) | (227) | (529) | (649) |
| Company EBITDA ⁽²⁾ | \$ 142 | \$ 139 | \$ 446 | \$ 362 |
| Other income (expenses), net | (18) | (17) | (47) | (17) |
| Interest income (expense), net | (88) | (93) | (253) | (291) |
| Realized disposition gain (loss), current income taxes and interest expenses related to equity accounted investments | (16) | (5) | (40) | (13) |
| Current income taxes | (4) | (4) | (10) | 5 |
| Company FFO attributable to others (net of Company EBITDA attributable to others) ⁽¹⁾ | 62 | 75 | 173 | 205 |
| Company FFO ⁽²⁾ | \$ 78 | \$ 95 | \$ 269 | \$ 251 |

The following table presents equity attributable to unitholders for our infrastructure services segment as at September 30, 2020 and December 31, 2019:

| (US\$ MILLIONS) | September 30, 2020 | December 31, 2019 |
|--|--------------------|-------------------|
| Total assets | \$ 10,970 | \$ 10,619 |
| Total liabilities | 9,654 | 9,316 |
| Interests of others in operating subsidiaries ⁽¹⁾ | 563 | 833 |
| Equity attributable to unitholders | 753 | 470 |
| Total equity | \$ 1,316 | \$ 1,303 |

⁽¹⁾ Attributable to interests of others in our operating subsidiaries.

⁽²⁾ Company FFO and Company EBITDA are non-IFRS measures. Company FFO is calculated as net income excluding the impact of depreciation and amortization, deferred income taxes, breakage and transaction costs, non-cash gains or losses as appropriate and other items. When determining Company FFO, we include our proportionate share of Company FFO of equity accounted investments. Company FFO is further adjusted as Company EBITDA to exclude the impact of realized disposition gains (losses), interest income (expense), current income taxes, the impact of realized disposition gains (losses), current income taxes and interest income (expense) related to equity accounted investments and other items. Company EBITDA and Company FFO are presented net to unitholders. For further information on Company FFO and Company EBITDA see the "Reconciliation of Non-IFRS Measures" section of the MD&A.

Comparison of the three and nine months ended September 30, 2020 and 2019

Revenues and direct operating costs in our infrastructure services segment for the three months ended September 30, 2020 were \$1,058 million and \$774 million, respectively, representing a decrease in revenues of \$75 million and an increase in direct operating costs of \$15 million. The decrease in revenues was primarily due to a decrease at Westinghouse. The increase in direct operating costs was primarily due to Altera, which was partially offset by the positive impact of ongoing cost saving initiatives at Westinghouse. For the nine months ended September 30, 2020, revenues and direct operating costs were \$3,348 million and \$2,373 million, respectively, representing decreases of \$179 million and \$116 million, respectively. The decreases were primarily due to lower revenue from Westinghouse and Altera. The decreases were partially offset by the positive impact of ongoing cost saving initiatives at Westinghouse.

Company EBITDA in our infrastructure services segment for the three months ended September 30, 2020 was \$142 million, representing an increase of \$3 million relative to the Company EBITDA of \$139 million for the three months ended September 30, 2019. The increase was primarily due to the incremental contribution from the acquisition of BrandSafway which was acquired in the first quarter of 2020 and higher contributions from Altera, which was partially offset by lower contributions from Westinghouse. BrandSafway contributed \$23 million to Company EBITDA for the three months ended September 30, 2020, which was acquired in the first quarter of 2020. Results for the quarter benefited from a gradual recovery in activity levels at some customer sites despite ongoing impacts on operations related to the economic slowdown. Altera contributed \$60 million to Company EBITDA in the third quarter of 2020 compared to \$50 million in the third quarter of 2019. The increase was primarily related to the contribution from our increased ownership of 43% in the third quarter of 2020 relative to 31% in the third quarter of 2019. The increase was partially offset by reduced contribution from FPSO operations. Westinghouse contributed \$59 million to Company EBITDA for the three months ended September 30, 2020 compared to \$89 million for the three months ended September 30, 2019. Results benefited from strong performance in the core plant servicing operations and ongoing cost saving initiatives, which was offset by lower contributions from new plant projects, primarily due to the benefit of a one-time reversal of reserves in the prior period. Company EBITDA of \$446 million for the nine months ended September 30, 2020 increased \$84 million relative to the Company EBITDA of \$362 million for the nine months ended September 30, 2019 which was primarily due to the same factors described above.

Company FFO in our infrastructure services segment for the three months ended September 30, 2020 was \$78 million, representing a decrease of \$17 million relative to the Company FFO of \$95 million for the three months ended September 30, 2019. The decrease in Company FFO was primarily due to higher equity accounted current taxes and interest due to the acquisition of BrandSafway. Company FFO of \$269 million for the nine months ended September 30, 2020 increased \$18 million relative to the Company FFO of \$251 million for the nine months ended September 30, 2019 primarily due to the factors described above.

Industrials

The following table presents Company EBITDA and Company FFO for our industrials segment for the periods presented:

| (US\$ MILLIONS) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|---------------|------------------------------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenues | \$ 2,888 | \$ 3,234 | \$ 7,532 | \$ 6,478 |
| Direct operating costs | (2,219) | (2,478) | (5,780) | (4,766) |
| General and administrative expenses | (82) | (71) | (247) | (214) |
| Equity accounted Company EBITDA | 36 | 31 | 79 | 52 |
| Company EBITDA attributable to others ⁽¹⁾ | (457) | (527) | (1,175) | (1,146) |
| Company EBITDA ⁽²⁾ | \$ 166 | \$ 189 | \$ 409 | \$ 404 |
| Gain (loss) on acquisitions / dispositions, net | — | 17 | (7) | 15 |
| Other income (expenses), net | 2 | — | 3 | 2 |
| Interest income (expense), net | (221) | (240) | (668) | (495) |
| Realized disposition gain (loss), current income taxes and interest expenses related to equity accounted investments | (7) | (7) | (15) | (11) |
| Current income taxes | (61) | (91) | (122) | (176) |
| Company FFO attributable to others (net of Company EBITDA attributable to others) ⁽¹⁾ | 207 | 235 | 605 | 491 |
| Company FFO ⁽²⁾ | \$ 86 | \$ 103 | \$ 205 | \$ 230 |

The following table presents equity attributable to unitholders for our industrials segment as at September 30, 2020 and December 31, 2019:

| (US\$ MILLIONS) | September 30, 2020 | December 31, 2019 |
|--|--------------------|-------------------|
| Total assets | \$ 22,705 | \$ 22,742 |
| Total liabilities | 18,950 | 18,692 |
| Interests of others in operating subsidiaries ⁽¹⁾ | 2,862 | 3,103 |
| Equity attributable to unitholders | 893 | 947 |
| Total equity | \$ 3,755 | \$ 4,050 |

(1) Attributable to interests of others in our operating subsidiaries.

(2) Company FFO and Company EBITDA are non-IFRS measures. Company FFO is calculated as net income excluding the impact of depreciation and amortization, deferred income taxes, breakage and transaction costs, non-cash gains or losses as appropriate and other items. When determining Company FFO, we include our proportionate share of Company FFO of equity accounted investments. Company FFO is further adjusted as Company EBITDA to exclude the impact of realized disposition gains (losses), interest income (expense), current income taxes, the impact of realized disposition gains (losses), current income taxes and interest income (expense) related to equity accounted investments and other items. Company EBITDA and Company FFO are presented net to unitholders. For further information on Company FFO and Company EBITDA see the “Reconciliation of Non-IFRS Measures” section of the MD&A.

Comparison of the three and nine months ended September 30, 2020 and 2019

Revenues and direct costs in our industrials segment for the three months ended September 30, 2020 were \$2,888 million and \$2,219 million, representing decreases of \$346 million and \$259 million, respectively, compared to \$3,234 million and \$2,478 million in the same period in 2019. The decrease was primarily due to lower OEM demand at Clarios and lower volume and prices at GrafTech, combined with the disposition of our palladium mining operation in the fourth quarter of 2019. The decrease was partially offset by higher contribution from Cardone as a result of the consolidation in the first quarter of 2020. For the nine months ended September 30, 2020, revenues and direct operating costs were \$7,532 million and \$5,780 million, respectively, representing increases of \$1,054 million and \$1,014 million, respectively, primarily due to the acquisition of Clarios in the second quarter of 2019 and partially offset by the above factors.

Company EBITDA in our industrials segment for the three months ended September 30, 2020 was \$166 million, representing a decrease of \$23 million compared to the Company EBITDA of \$189 million for the three months ended September 30, 2019. Clarios contributed \$111 million to Company EBITDA for the three months ended September 30, 2020 compared to \$92 million for the three months ended September 30, 2019. During the third quarter of 2020, the business benefited from a recovery in aftermarket battery demand, which was partially offset by lower OEM demand. Company EBITDA during the third quarter of 2020 included higher costs associated with the safe operation of facilities in the current environment. Prior period results included higher than normal costs from purchase price accounting on the acquisition of the business. GrafTech contributed \$38 million to Company EBITDA for the three months ended September 30, 2020, compared to \$67 million for the three months ended September 30, 2019, which was primarily due to lower sales volumes and price. The disposition of our palladium mining operation in the fourth quarter of 2019 also contributed to the decrease in Company EBITDA relative to the prior period. Company EBITDA of \$409 million for the nine months ended September 30, 2020 increased \$5 million relative to the Company EBITDA of \$404 million for the nine months ended September 30, 2019 which was primarily due to the acquisition of Clarios in the second quarter of 2019, partially offset by the factors above.

Company FFO in our industrials segment for the three months ended September 30, 2020 was \$86 million, representing a decrease of \$17 million relative to the Company FFO of \$103 million for the three months ended September 30, 2019. The decrease in Company FFO was primarily due to the factors described above and the net gain recognized on the sale of industrial assets at BRK Ambiental in the prior period, which was partially offset by a decrease in interest expense due to the impact of lower interest rates at Clarios. Company FFO in our industrials segment for the nine months ended September 30, 2020 was \$205 million, representing a decrease of \$25 million relative to the Company FFO of \$230 million for the nine months ended September 30, 2019. The decrease was primarily due to the factors described above, combined with higher current tax expense due to the acquisition of Clarios.

Corporate and other

The following table presents Company EBITDA and Company FFO for our corporate and other segment for the periods presented:

| (US\$ MILLIONS) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---------------------------------------|---|----------------|--|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenues | \$ — | \$ — | \$ — | \$ — |
| Direct operating costs | (5) | (2) | (10) | (6) |
| General and administrative expenses | (18) | (22) | (63) | (59) |
| Company EBITDA⁽¹⁾ | \$ (23) | \$ (24) | \$ (73) | \$ (65) |
| Realized disposition gain (loss), net | — | (1) | — | (1) |
| Interest income (expense), net | (4) | 9 | 1 | 23 |
| Current income taxes | 9 | 6 | 30 | 16 |
| Company FFO⁽¹⁾ | \$ (18) | \$ (10) | \$ (42) | \$ (27) |

The following table presents equity attributable to unitholders for our corporate and other segment as at September 30, 2020 and December 31, 2019:

| (US\$ MILLIONS) | September 30, 2020 | December 31, 2019 |
|------------------------------------|---------------------------|--------------------------|
| Total assets | \$ 69 | \$ 258 |
| Total liabilities | 711 | 44 |
| Equity attributable to unitholders | (642) | 214 |
| Total equity | \$ (642) | \$ 214 |

(1) Company FFO and Company EBITDA are non-IFRS measures. Company FFO is calculated as net income excluding the impact of depreciation and amortization, deferred income taxes, breakage and transaction costs, non-cash gains or losses as appropriate and other items. When determining Company FFO, we include our proportionate share of Company FFO of equity accounted investments. Company FFO is further adjusted as Company EBITDA to exclude the impact of realized disposition gains (losses), interest income (expense), current income taxes, the impact of realized disposition gains (losses), current income taxes and interest income (expense) related to equity accounted investments and other items. Company EBITDA and Company FFO are presented net to unitholders. For further information on Company FFO and Company EBITDA see the “Reconciliation of Non-IFRS Measures” section of the MD&A.

Pursuant to our Master Services Agreement, we pay Brookfield a quarterly base management fee equal to 0.3125% (1.25% annually) of our total capitalization, plus recourse debt, net of cash held by corporate entities. The management fees for the three and nine months ended September 30, 2020 were \$15 million and \$47 million, respectively, and \$16 million and \$40 million for the three and nine ended September 30, 2019. General and administrative costs comprised management fees and corporate expenses, including audit and other expenses.

Company FFO in our corporate and other segment included net current income tax recoveries of \$9 million, and \$30 million for the three and nine months ended September 30, 2020, primarily related to corporate expenses, including management fees, which partially reduced the corporate current tax expense that was recognized in the operating segments. Company FFO also included interest expense on corporate borrowings.

The partnership has in place a Deposit Agreement with Brookfield whereby it may place funds on deposit with Brookfield and whereby Brookfield may place funds on deposit with the partnership. Any deposit balance is due on demand and earns an agreed upon rate of interest based on market terms. As at September 30, 2020, the amount of the deposit from Brookfield was \$150 million.

Reconciliation of Non-IFRS Measures

Company FFO

To measure our performance, amongst other measures, we focus on Company FFO. We define Company FFO as net income excluding the impact of depreciation and amortization, deferred income taxes, breakage and transaction costs, non-cash valuation gains or losses and other items. Company FFO is presented net to unitholders, or net to the parent company. Company FFO is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by, IFRS. Company FFO is therefore unlikely to be comparable to similar measures presented by other issuers. Company FFO has the following limitations as an analytical tool:

- Company FFO does not include depreciation and amortization expense; because we own capital assets with finite lives, depreciation and amortization expense recognizes the fact that we must maintain or replace our asset base in order to preserve our revenue generating capability;
- Company FFO does not include deferred income taxes, which may become payable if we own our assets for a long period of time; and
- Company FFO does not include non-cash fair value adjustments or mark-to-market adjustments recorded to net income unless the underlying movement in the item being hedged is recorded within Company FFO.

Because of these limitations, 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 results as reported under IFRS. However, Company FFO is a key measure that we use to evaluate the performance of our operations.

When viewed with our IFRS results, we believe that Company FFO provides a more complete understanding of factors and trends affecting our underlying operations, including the impact of borrowing. Company FFO allows us to evaluate our businesses on the basis of cash return on invested capital by removing the effect of non-cash and other items. We add back depreciation and amortization as the depreciated cost base of our assets is reflected in the ultimate realized disposition gain or loss on disposal. We add back deferred income taxes because we do not believe this item reflects the present value of the actual cash tax obligations we will be required to pay, particularly if our operations are held for a long period of time. We add back non-cash valuation gains or losses where the offsetting movement is not included within direct operating costs, as these are non-cash in nature and indicate a point in time approximation of value on long-term items. We also add back breakage and transaction costs as they are capital in nature.

Company EBITDA

We also use Company EBITDA as a measure of performance. We define Company EBITDA as Company FFO excluding the impact of realized disposition gains (losses), interest income (expense), current income taxes, current income taxes and interest income (expense) related to equity accounted investments, and other expenses. Company EBITDA is presented net to unitholders, or net to the parent company. Company EBITDA has limitations as an analytical tool as it does not include realized disposition gains (losses), interest income (expense), and current income taxes, as well as depreciation and amortization expense, deferred income taxes and non-cash valuation gains/losses as appropriate and impairment charges. Because of these limitations, Company EBITDA 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 results as reported under IFRS. However, Company EBITDA is a key measure that we use to evaluate the performance of our operations.

When viewed with our IFRS results, we believe that Company EBITDA provides a more complete understanding of the ability of our businesses to generate recurring earnings which allows users to better understand and evaluate the underlying financial performance of our operations.

The following table reconciles Company EBITDA and Company FFO to net income attributable to unitholders for the periods indicated:

| (US\$ MILLIONS) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|---------------|------------------------------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenues | \$ 10,070 | \$ 11,794 | \$ 27,586 | \$ 31,712 |
| Direct operating costs | (8,722) | (10,389) | (23,908) | (28,358) |
| General and administrative expenses | (236) | (215) | (708) | (604) |
| Equity accounted Company EBITDA ⁽¹⁾ | 84 | 61 | 219 | 157 |
| Company EBITDA attributable to others ⁽²⁾ | (815) | (883) | (2,228) | (2,036) |
| Company EBITDA | \$ 381 | \$ 368 | \$ 961 | \$ 871 |
| Realized disposition gain (loss), net | — | 16 | 179 | 536 |
| Other income (expenses), net ⁽³⁾ | (17) | (19) | (36) | (17) |
| Interest income (expense), net | (371) | (389) | (1,088) | (886) |
| Equity accounted current taxes and interest ⁽¹⁾ | (24) | (14) | (60) | (29) |
| Current income taxes | (102) | (108) | (200) | (231) |
| Company FFO attributable to others ⁽²⁾ | 341 | 365 | 819 | 615 |
| Company FFO | \$ 208 | \$ 219 | \$ 575 | \$ 859 |
| Depreciation and amortization | (547) | (534) | (1,618) | (1,286) |
| Impairment expense, net | (7) | — | (149) | (324) |
| Other income (expenses), net ⁽³⁾ | 8 | (64) | (41) | (337) |
| Deferred income taxes | (8) | 58 | 157 | 80 |
| Non-cash items attributable to equity accounted investments ⁽¹⁾ | (43) | (15) | (133) | (66) |
| Non-cash items attributable to others ⁽²⁾ | 370 | 360 | 955 | 1,267 |
| Net income (loss) attributable to unitholders | \$ (19) | \$ 24 | \$ (254) | \$ 193 |

⁽¹⁾ The sum of these amounts equates to equity accounted income of \$17 million and \$26 million as per our IFRS statement of operating results for the three and nine months ended September 30, 2020 and equity accounted income of \$32 million and \$62 million for the three and nine months ended September 30, 2019.

⁽²⁾ Total cash and non-cash items attributable to the interest of others equals net income of \$104 million and \$454 million as per our IFRS statement of operating results for the three and nine months ended September 30, 2020, and net income of \$158 million and \$154 million for the three and nine months ended September 30, 2019.

⁽³⁾ The sum of these amounts equates to other expenses, net of \$9 million and \$77 million as per our IFRS statement of operating results for the three and nine months ended September 30, 2020, respectively, and other expenses, net of \$83 million and \$354 million for the three and nine months ended September 30, 2019.

The following table reconciles equity attributable to LP Units, GP Units, Redemption-Exchange Units, Preferred Shares and Special LP units to equity attributable to unitholders for the periods indicated:

| (US\$ MILLIONS) | September 30, 2020 | December 31, 2019 |
|---|--------------------|-------------------|
| Limited partners | \$ 1,725 | \$ 2,116 |
| General partner | — | — |
| Non-controlling interests attributable to: | | |
| Redemption-Exchange Units, Preferred Shares and Special LP Units held by Brookfield Asset Management Inc. | 1,361 | 1,676 |
| Equity attributable to unitholders | \$ 3,086 | \$ 3,792 |

The following table presents equity attributable to unitholders by segment as at September 30, 2020 and December 31, 2019:

| (US\$ MILLIONS) | Business services | Infrastructure services | Industrials | Corporate and other | Total |
|--------------------|-------------------|-------------------------|-------------|---------------------|----------|
| September 30, 2020 | \$ 2,082 | \$ 753 | \$ 893 | \$ (642) | \$ 3,086 |
| December 31, 2019 | \$ 2,161 | \$ 470 | \$ 947 | \$ 214 | \$ 3,792 |

Liquidity and Capital Resources

Liquidity and capital requirements are managed through cash flows from operations, use of credit facilities, opportunistically monetizing mature operations and refinancing existing debt. We aim to maintain sufficient financial liquidity to meet our ongoing operating requirements and to fund debt service payments, recurring expenses, required capital expenditures, and acquisition opportunities as they arise. Overall, our liquidity profile is strong, positioning us and our businesses well to take advantage of investment opportunities and handle an economic downturn.

During the third quarter, we continued to look for and invest in opportunities to grow our existing businesses. In July 2020, the partnership, together with institutional investors, acquired additional common shares in IndoStar for \$133 million. The partnership's share of this add-on acquisition was funded with existing liquidity for approximately \$47 million. On July 13, 2020, the partnership, together with institutional investors, subscribed for \$260 million of convertible preferred shares of Superior. This investment earns a minimum coupon of 7.25% paid quarterly and is convertible to a 15% common equity stake in Superior. The partnership's share of the investment was \$45 million. On July 13, 2020, we also executed a partial distribution of GrafTech common shares to our institutional partners that reduced the size of our control position in the company. The partnership continues to own approximately 69 million shares in GrafTech, 17 million of which we own directly and have the flexibility to sell outside of the Brookfield consortium.

Our principal sources of liquidity are financial assets, undrawn credit facilities, cash flows from our operations, monetizations of mature businesses, and access to public and private capital markets. During the nine months ended September 30, 2020, we repurchased 977,426 units under our NCIB automatic repurchase plan.

The following table presents borrowings by segment as at September 30, 2020 and December 31, 2019:

| (US\$ MILLIONS) | Business services | Infrastructure services | Industrials | Corporate and other | Total |
|--------------------|-------------------|-------------------------|-------------|---------------------|-----------|
| September 30, 2020 | \$ 3,651 | \$ 5,951 | \$ 13,639 | \$ 688 | \$ 23,929 |
| December 31, 2019 | \$ 2,621 | \$ 5,860 | \$ 13,918 | \$ — | \$ 22,399 |

As at September 30, 2020, the partnership and its operations had outstanding debt of \$23,929 million compared to \$22,399 million as at December 31, 2019. The borrowings consist of the following:

| (US\$ MILLIONS) | September 30, 2020 | December 31, 2019 |
|----------------------------------|--------------------|-------------------|
| Term loans and credit facilities | \$ 16,705 | \$ 15,965 |
| Project financing | 434 | 559 |
| Securitization program | 130 | — |
| Notes and debentures | 6,660 | 5,875 |
| Total borrowings | \$ 23,929 | \$ 22,399 |

The partnership has credit facilities within its operating businesses with major financial institutions. The credit facilities are primarily composed of revolving and term operating facilities with variable interest rates. At the operating level, we endeavor to maintain prudent levels of debt which can be serviced through ongoing operations. On a consolidated basis, the partnership and its operations had borrowings totaling \$23,929 million as at September 30, 2020, compared to \$22,399 million as at December 31, 2019.

We principally finance our assets at the operating company level with debt that is non-recourse to both the partnership and to our other operations and is generally secured against assets within the respective operating companies. Moreover, debt instruments at the operating company level do not cross-accelerate or cross-default to debt at other operating companies. This debt is in the form of revolving credit facilities, term loans and debt securities with varying maturities, ranging from on demand to 24 years. The weighted average maturity at September 30, 2020 was 5.0 years and the weighted average interest rate on debt outstanding was 4.9%. As at September 30, 2020, our maximum borrowing capacity at the corporate and operating subsidiary level was \$29,447 million, of which \$23,929 million was drawn.

The use of the credit facilities, term loans and debt securities is primarily related to ongoing operations, capital expenditures and to fund acquisitions. Interest rates charged on these facilities are based on market interest rates. Some of these borrowings are subject to fixed charge coverage, debt-to-EBITDA ratios and minimum equity or liquidity covenants while most are not subject to financial maintenance covenants. The financial performance of our businesses was in line with covenants and we took proactive measures, where necessary, to amend the terms of certain debt instruments and seek waivers from lenders. Our operations are currently in compliance with or have obtained waivers related to all material covenant requirements, and we continue to work with our portfolio to monitor performance against such covenant requirements.

The partnership also has a revolving acquisition credit facility with Brookfield that permits borrowings of up to \$500 million. The credit facility is guaranteed by the partnership, and each direct wholly-owned (in terms of outstanding common equity) subsidiary of the partnership or the Holding LP, that is not otherwise a borrower. The credit facility is available in U.S. or Canadian dollars, and advances are made by way of LIBOR, base rate, bankers' acceptance rate or prime rate loans. The credit facility bears interest at the specified LIBOR or bankers' acceptance rate plus 3.45%, or the specified base rate or prime rate plus 2.45%. The credit facility also requires us to maintain a minimum deconsolidated net worth and contains restrictions on the ability of the borrowers and the guarantors to, among other things, incur liens, engage in certain mergers and consolidations or enter into speculative hedging arrangements. Net proceeds above a specified threshold that are received by the borrowers from asset dispositions, debt incurrences or equity issuances by the borrowers or their subsidiaries must be used to pay down the credit facility (which can then be redrawn to fund future investments). As at September 30, 2020, the credit facility remains undrawn.

The partnership has bilateral credit facilities of \$1,575 million backed by large global banks that continue to be highly supportive of our business through the economic shutdown. The credit facilities are available in Euros, Sterling, Australian, U.S., and Canadian dollars. Advances under the credit facilities bear interest at the specified LIBOR, EURIBOR, CDOR, BBSY, or bankers' acceptance rate plus 2.50%, or the specified base rate or prime rate plus 1.50%. The credit facilities require us to maintain a minimum tangible net worth and deconsolidated debt to capitalization ratio at the corporate level.

During the third quarter of 2020, the partnership increased the total available amount on the credit facilities by \$500 million to \$2,075 million. The additional \$500 million has been guaranteed by Brookfield and provides the partnership with additional liquidity to take advantage of acquisitive opportunities.

As at September 30, 2020, \$538 million was drawn on the bilateral credit facilities and the additional \$500 million facility guaranteed by Brookfield remains undrawn.

The table below outlines the partnership's consolidated net debt to capitalization as at September 30, 2020 and December 31, 2019:

| (US\$ MILLIONS) | September 30, 2020 | December 31, 2019 |
|--|--------------------|-------------------|
| Corporate borrowings | \$ 688 | \$ — |
| Non-recourse borrowings in subsidiaries of the partnership | 23,241 | 22,399 |
| Cash and cash equivalents | (2,815) | (1,986) |
| Net debt | 21,114 | 20,413 |
| Total equity | 10,333 | 11,053 |
| Total capital and net debt | \$ 31,447 | \$ 31,466 |
| Net debt to capitalization ratio | 67 % | 65 % |

The partnership's general partner has implemented a distribution policy pursuant to which we intend to make quarterly cash distributions in an initial amount currently anticipated to be approximately \$0.25 per unit on an annualized basis. On November 2, 2020, the Board of Directors of the partnership's general partner declared a quarterly distribution in the amount of \$0.0625 per unit payable on December 31, 2020 to unitholders of record as at the close of business on November 30, 2020.

During the third quarter of 2020, the volume weighted average price per unit was \$29.89, which was below the previous incentive distribution threshold of \$41.96 per unit, resulting in an incentive distribution of \$nil for the quarter.

Cash Flow

We believe that we currently have sufficient access to capital resources and will continue to use our available capital resources to fund our operations. Our future capital resources include cash flow from operations, borrowings, proceeds from asset monetizations and proceeds from potential future equity issuances, if required.

As at September 30, 2020, we had cash and cash equivalents of \$2,815 million, compared to \$1,986 million as at December 31, 2019. The net cash flows for the nine months ended September 30, 2020 and 2019 were as follows:

| (US\$ MILLIONS) | Nine Months Ended September 30, | |
|---|------------------------------------|-----------------|
| | 2020 | 2019 |
| Cash flows provided by (used in) operating activities | \$ 3,074 | \$ 2,117 |
| Cash flows provided by (used in) investing activities | (1,767) | (16,611) |
| Cash flows provided by (used in) financing activities | (358) | 15,704 |
| Effect of foreign exchange rates on cash | (120) | (40) |
| Net change in cash classified within assets held for sale | — | (101) |
| Change in cash and cash equivalents | \$ 829 | \$ 1,069 |

Cash flow provided by (used in) operating activities

Total cash flow provided by operating activities for the nine months ended September 30, 2020 was \$3,074 million compared to \$2,117 million provided by operating activities for the nine months ended September 30, 2019. The cash provided by operating activities during the nine months ended September 30, 2020 was primarily attributable to the cash generated at Greenergy, Sagen, Clarios, GrafTech, Westinghouse, and Altera.

Cash flow provided by (used in) investing activities

Total cash flow used in investing activities was \$1,767 million for the nine months ended September 30, 2020, compared to \$16,611 million used in the nine months ended September 30, 2019. Our investing activities were primarily related to the acquisitions of BrandSafway, IndoStar, and public securities, the purchase and sale of corporate and government bonds at Sagen, as well as the acquisition of property, plant, and equipment and intangible assets mostly within our industrials and infrastructure services segments. This was partially offset by cash proceeds received on the disposition of our cold storage logistics business during the nine months ended September 30, 2020.

Cash flow provided by (used in) financing activities

Total cash flow used in financing activities was \$358 million for the nine months ended September 30, 2020, compared to \$15,704 million cash flow provided by financing activities for the nine months ended September 30, 2019. During the nine months ended September 30, 2020, proceeds from borrowings, net of repayments were \$545 million, which primarily consisted of increased borrowings at Sagen and a draw on our corporate bilateral facilities primarily related to our investments in BrandSafway and IndoStar, which was partially offset by debt repayments at Clarios and GrafTech. Distributions to others who have interests in operating subsidiaries, net of capital provided, was \$171 million, which was primarily attributable to the distribution of proceeds from the sale of our cold storage logistic business and the distributions of dividend income at Westinghouse and Sagen. This was partially offset by the capital contributions to fund the merger of Greenergy and our fuel marketing business, the acquisition of IndoStar, and the recapitalization of Cardone during the nine months ended September 30, 2020.

Off-Balance Sheet Arrangements

In the normal course of operations our operating subsidiaries have bank guarantees, insurance bonds and letters of credit outstanding to third parties. As at September 30, 2020, the total outstanding amount was approximately \$2.0 billion. If these letters of credit or bonds are drawn upon, we will be obligated to reimburse the issuer of the letter of credit or bonds. The partnership does not conduct its operations, other than those of equity accounted investments, through entities that are not consolidated in the financial statements, and has not guaranteed or otherwise contractually committed to support any material financial obligations not reflected in the financial statements.

Our construction services business and other operations may be called upon to give, in the ordinary course of business, guarantees and indemnities in respect of the performance of controlled entities, associates and related parties of their contractual obligations. Any known losses have been brought to account.

In the normal course of operations, we execute agreements that provide for indemnification and guarantees to third parties in transactions such as business dispositions and acquisitions, construction projects, capital projects, and sales and purchases of assets and services. We have also agreed to indemnify our directors and certain of our officers and employees. The nature of substantially all of the indemnification undertakings prevents us from making a reasonable estimate of the maximum potential amount that we could be required to pay third parties, as many of 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, we have made no significant payments under such indemnification agreements. In addition, we have also entered into indemnity agreements with Brookfield that relate to construction projects in the Middle East region that were in place prior to the spin-off. Under these indemnity agreements, Brookfield has agreed to indemnify us or refund us, as appropriate, for the receipt of payments relating to such projects.

From time to time, we may be contingently liable with respect to litigation and claims that arise in the normal course of operations. In our construction operations, this may include litigation and claims from clients or subcontractors, in addition to our associated counterclaims. On an ongoing basis, we assess the potential impact of these events. We have determined that the potential loss amount of these claims cannot be measured and is not probable at this time.

Financial instruments — foreign currency hedging strategy

To the extent that it is economical to do so, the partnership’s strategy is to hedge a portion of its equity investments and/or cash flows exposed to foreign currencies. The partnership’s foreign currency hedging strategy includes leveraging any natural hedges that may exist within the operations, utilizing local currency debt financing to the extent possible, and utilizing derivative contracts to the extent that natural hedges are insufficient.

The following table presents our foreign currency equity positions, excluding interests of others in operating subsidiaries, as at September 30, 2020:

| (US\$ MILLIONS) | Net Investment Hedges | | | | | | | | |
|---------------------|-----------------------|----------|--------|--------|--------|--------|--------|--------|--|
| | USD | CAD | AUD | BRL | GBP | EUR | INR | Other | |
| Net Equity | \$ (1,440) | \$ 1,195 | \$ 821 | \$ 360 | \$ 699 | \$ 397 | \$ 465 | \$ 589 | |
| FX Contracts — US\$ | 199 | (90) | (85) | — | — | (24) | — | — | |

As at September 30, 2020, approximately 4% of our foreign currency net equity exposure was hedged. In the first quarter of 2020, the partnership closed out most of its hedge positions as the U.S. Dollar strengthened against most major foreign currencies. Since then, the U.S. dollar has weakened and the partnership continues to monitor for opportunities to add hedges back into its portfolio, with a modest amount added in the third quarter of 2020.

Contractual Obligations

An integral part of our partnership's strategy is to participate with institutional investors in Brookfield-sponsored private equity funds that target acquisitions that suit the partnership's profile. In the normal course of business, our partnership has made commitments to Brookfield-sponsored private equity funds to participate in these target acquisitions in the future, if and when identified.

In the ordinary course of business, we enter into contractual arrangements that may require future cash payments. The table below outlines our undiscounted contractual obligations as at September 30, 2020:

| (US\$ MILLIONS) | Payments as at September 30, 2020 | | | | |
|------------------------------|-----------------------------------|--------------------|-----------------|------------------|------------------|
| | Total | Less than One Year | One-Two Years | Three-Five Years | Thereafter |
| Borrowings | \$ 24,397 | \$ 1,574 | \$ 1,779 | \$ 9,663 | \$ 11,381 |
| Lease liabilities | 1,594 | 201 | 213 | 462 | 718 |
| Interest expense | 5,005 | 1,043 | 999 | 2,423 | 540 |
| Decommissioning liabilities | 1,573 | 15 | 4 | 48 | 1,506 |
| Pension obligations | 1,290 | 111 | 117 | 364 | 698 |
| Obligations under agreements | 450 | 211 | 97 | 54 | 88 |
| Total | \$ 34,309 | \$ 3,155 | \$ 3,209 | \$ 13,014 | \$ 14,931 |

Related Party Transactions

We entered into a number of related party transactions with Brookfield as described in Note 17 of the unaudited interim condensed consolidated financial statements.

Subsequent Events

Subsequent to September 30, 2020, the partnership was party to the events as described in Note 26 of the unaudited interim condensed consolidated financial statements.

Critical Accounting Policies, Estimates and Judgments

The preparation of financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses that are not readily apparent from other sources, during the reporting period. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Due to the circumstances surrounding the global economic shutdown pandemic, such as significant volatility in capital markets, commodity prices and foreign currencies, restrictions on the conduct of business in many jurisdictions, and other impacts, we considered the impacts of these circumstances on the key critical judgments, estimates and assumptions that affect the reported and contingent amount of assets, liabilities, revenues and expenses, including whether goodwill, intangible assets and PP&E needed to be reevaluated for impairment as of September 30, 2020. The partnership has a diversified portfolio of operating businesses, many of which provide essential products and services to their customers. Based on our assessments, no additional impairments were required as at September 30, 2020. The partnership will continue to monitor the situation and review our critical estimates and judgments as circumstances evolve.

For further reference on accounting policies, critical judgments and estimates, see our significant accounting policies contained in Note 2 of our annual audited consolidated financial statements as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017.

Recently adopted accounting standards

(i) Definition of material

In October 2018, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting policies, changes in accounting estimates and errors*. These amendments clarify and align the definition of material and provide guidance to help improve consistency in the application of materiality when used in other IFRS standards. The partnership adopted these amendments on January 1, 2020 and the adoption did not have an impact on the partnership's unaudited interim condensed consolidated financial statements.

(ii) Rent concessions

In May 2020, the IASB issued an amendment to IFRS 16, *Leases* ("IFRS 16"), effective for annual and interim reporting periods beginning on or after June 1, 2020. The amendment provides lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification. The application of the practical expedient did not have a significant impact on the partnership's financial results.

Controls and procedures

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended September 30, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal control over financial reporting due to the global economic shutdown. We are continually monitoring and assessing the global economic shutdown on our internal controls to minimize the impact on their design and effectiveness.

Excluded from our evaluation were internal controls over financial reporting at IndoStar for which control was acquired on July 9, 2020. The financial statements of IndoStar constitutes 3% of total assets, 5% of net assets, and 0% of revenues of the consolidated financial statements of our partnership as of and for the quarter ended September 30, 2020.

Quick Links

[Exhibit 99.1](#)

[UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF BROOKFIELD BUSINESS PARTNERS L.P.](#)

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[BROOKFIELD BUSINESS PARTNERS L.P. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION](#)

[BROOKFIELD BUSINESS PARTNERS L.P. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATING RESULTS](#)

[BROOKFIELD BUSINESS PARTNERS L.P. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME](#)

[BROOKFIELD BUSINESS PARTNERS L.P. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW](#)

[NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS As at September 30, 2020 and December 31, 2019 and for the three and nine months ended September 30, 2020 and 2019](#)

[MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS](#)

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