Letter to Unitholders

Dear unitholders,

Overview

We are pleased to report that Brookfield Business Partners completed a successful first year since our spin-off from Brookfield Asset Management in June. We made significant progress on a number of strategic initiatives during the year, combined with continued progress across our operations. The following is a summary of our key accomplishments:

- **We generated strong results.** We generated Company Funds from Operations[1] ("Company FFO") totaling $200 million for the year ended December 31, 2016. We benefited from our diversified portfolio of high quality businesses which enabled us to generate strong overall results while certain of our operations are being repositioned and did not contribute to Company FFO. The net loss attributable to unitholders for the year was $29 million, primarily due to impairments taken within our energy and other industrials segments related to repositioning of businesses within these segments.

- **We meaningfully added to our business.** In partnership with our institutional partners, we entered into a definitive agreement to acquire a 70% controlling stake in Odebrecht Ambiental ("OA"), Brazil's largest private water distribution, collection and treatment company. We also made our first investment in India as a senior secured loan to an apartment developer with operations in Mumbai. We expect to invest approximately $400 million into these investments.

- Subsequent to year-end we entered into a definitive agreement to acquire approximately 85% of Greenergy Fuels Holdings Ltd ("Greenergy"), a leading U.K. based road fuels distributor. Brookfield Business Partners' share of equity commitment for this acquisition is expected to be £55 million ($70 million)[2].

- **We furthered our capital recycling program.** We entered into a definitive agreement to sell our bath and shower manufacturing business ("Maax"). The transaction closed in January of 2017 and generated approximately $140 million of net proceeds to Brookfield Business Partners and we expect a gain of approximately $80 million to be recorded in the first quarter of 2017.

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[1] *Company FFO is presented as a net amount attributable to unitholders and is a non-IFRS measure and 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. When determining Company FFO, we include our proportionate share of Company FFO of equity accounted investment.*

[2] *Brookfield Business Partners may syndicate a portion of its equity investment to institutional partners.*

- **We strengthened our balance sheet.** We successfully accessed the capital markets to raise $384 million of equity and entered into a $150 million credit facility, bringing our total liquidity at the end of 2016 to approximately $1.1 billion. Our corporate debt facilities are currently undrawn.

Results of Operations

Our construction services segment contributed $94 million of Company FFO in 2016. Our construction services business is a leading international contractor with a focus on high-quality construction, primarily on large-scale and complex landmark buildings and social infrastructure. We currently have 106 active projects.

Our backlog at year-end was approximately $7.3 billion and we expect this backlog to remain strong into 2017 given advanced negotiations on several new contracts. During the year we constructed over $4.4 billion of residential, office and retail projects and secured approximately $4.6 billion of new work. Geographic and sector diversification is one of our primary goals as it mitigates risk within our workbook. Our focus remains on key clients who are looking to build high quality residential, office, retail, and hotel projects.

Our business services segment generated Company FFO of $54 million during the year, primarily from our real estate services, facilities management businesses and financial advisory business. Within our real estate brokerage business we continued to benefit from the strong North American housing markets. Our global relocation services business won several new contracts including renewal of our contract with the Government of Canada. Our facilities management operation has generated strong growth from existing clients in both North America and Australia, and our financial advisory business performed well in 2016 coming off a strong 2015.

In furtherance of our strategy to expand the global footprint and scale of our facilities management operations, we executed two acquisitions at attractive valuations including a U.S. based data center facilities management company, and a Canadian facilities management business with approximately 50 million square feet of managed real estate. While these acquisitions are relatively modest in size, they will assist to increase the scale, reach and efficiency of our operations and increase the value of our business.

Our energy segment generated $63 million of Company FFO during 2016. Our energy business is primarily comprised of oil and gas exploration and production, principally through our coal-bed methane, or CBM, platform in Central Alberta, Canada, and an offshore oil and gas operation that serves the Western Australia market. CBM is a low-cost, long-life natural gas resource. The drilling and completion risk is low and with current drilling and completion practices these coals generate predictable and long-term production. Spot pricing for this resource has improved over the year due to lower supply and the colder weather. Production in our Canadian operation continues to outperform original third party engineering forecasts, and active cost management and operational improvements over the last few years have reduced operating costs. From time to time we will lock in forward prices with hedges to increase cash flow certainty.

Our Western Australian properties are held through a joint venture. The operations include critical infrastructure comprised of three domestic gas plants and two floating production, storage and offloading vessels. Our Australian operation is largely insulated from commodity price volatility due to its large hedge position for oil and customer contracts for gas. In addition, in both Australia and Canada we are involved in ongoing exploration and development initiatives to enhance base production and solidify future growth. Our energy operations also include contract drilling and well-servicing operations primarily located in the Western Canadian Sedimentary Basin. With the improvement in oil prices, we have seen a modest increase in the demand for these services recently and are hopeful of improved results for 2017.

Our other industrials segment generated Company FFO of $6 million during the year. The contribution from gains realized on the sale of securities and income from our bath and shower products manufacturer were partially offset by negative results at our graphite electrode operation. Graphite electrodes are primarily used in electric arc furnaces in mini-mill steelmaking and a significant portion of our sales is to the steel production industry. This is a capital intensive business with significant barriers to entry and requires technical expertise to build and profitably operate.

We are currently repositioning our processes with shorter lead times, lower costs, higher quality products and superior service, all of which should allow us to generate cash flows and returns as we come out of the trough in this cyclical business. The losses at our graphite electrode business are as expected as we continue to implement our operational turnaround plan. The order book for this business is firming and our three plants are operating at near full capacity following the temporary closure of our fourth facility during the year. We remain focused on continued operating improvements at these plants to further reduce costs and increase efficiency.

Our palladium mining operation continues to execute on its operational improvement plan, having started a lower cost underground mining method during the fourth quarter which should lead to increased production volumes. With the market price of palladium metal having rebounded during the year to between $700 to $725 per ounce, we are selling forward approximately half of our near term sales as a means to de-risk our cash flows.

Update on Strategic Initiatives

We continue to pursue new investment opportunities, work toward closing and the integration of the OA acquisition, and consider opportunities to monetize businesses where we believe we can redeploy capital into higher returning opportunities.

<u>Odebrecht Ambiental</u>

We are working toward a closing of our acquisition of OA which includes closing conditions in our favor related to regulatory, financing, municipal consents and other items. We received regulatory approval from the Administrative Council for Economic Defense, the competition bureau in Brazil, and are working with OA’s parent company on the other remaining required approvals. This is a complex transaction given it is a carve-out from a broader organization and we are putting our own senior management team in place. Our Industrials team is deeply involved in the transition and we expect closing to occur during the first half of 2017. In the meantime, we are encouraged by the number and scale of potential opportunities we have seen to grow this business given the strong desire of Brazilian governments to enhance sewage collection and treatment as well as water distribution across the country. Given OA’s operational footprint and technical capabilities, we believe it is well positioned to provide a growing share of the water and sewage improvements planned in Brazil over the next two decades and will enable us to generate strong and stable long-term returns for Brookfield Business Partners.

Maax

We acquired Maax during the U.S. housing crisis and owned this business in a very challenging environment given the length and severity of the US housing crisis. With housing starts declining from 2.1 million to 600,000 annually[3], Maax's sales declined by approximately 50% and margins compressed across the industry. We are experienced in turning around underperforming companies and this remains a core area of investment focus for us. In the case of Maax, we repositioned the company, including appointing a new management team, redefining strategy, reducing costs, and focusing on new product development. Maax is now an industry leader in North America with strong sales and lean operations, which made it an opportune time for us to monetize the business and recycle capital into other high quality, value-based opportunities.

Greenergy

Greenergy is a leading U.K. provider of road fuels with over 300 kT of biodiesel production capacity, and significant import and storage infrastructure. The business offers an extensive distribution network which delivers over 18 billion liters of road fuels annually. Greenergy has a track record of providing customers with reliable and competitive supply, and is well positioned to continue growing its service offering for its long-term U.K. customer base. The investment in Greenergy expands our footprint in the European market, and we plan to broaden the company's operations outside of the U.K. by leveraging our global presence.

Distressed securities

From time to time we acquire non-control debt or equity securities when we believe we are doing so on a value basis. In the case of the acquisition of debt securities there are two potential outcomes. The first outcome is that the security may recover in value and we will earn a capital gain and likely we will just monetize the investment. Early in 2016 we took advantage of the market selloff in high yield debt and acquired debt securities at attractive valuations in a number of energy related and industrial businesses where we believed the underlying assets were of a high quality and the businesses had solid long-term fundamentals. Given the rally in both energy and the broader U.S. markets, our investments increased in value by approximately $100 million, or $30 million net to us, and we have since exited most of these positions. We have realized approximately $60 million, or $17 million net to us, of the total increase in value, and we will reinvest our share of proceeds generated into other opportunities.

The second outcome is that the issuer of debt securities is unable to service its debt or repay it at maturity. In that case the company may be forced to undergo a court imposed capital restructuring or similar process, which can often result in ownership of the company passing to the debt holders. We have participated in many of these situations over the years enabling us to acquire an interest in, and sometimes even control of a great business at an attractive valuation.

We, as part of a larger Brookfield-led consortium, adopted a similar strategy for an investment in TCEH Corp., a large merchant power generator in Texas that filed for bankruptcy protection in 2014. Compared to our acquisition price, the trading price of TCEH debt declined as a function of lower power prices in

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[3] *US census information https://www.census.gov/construction/nrc/historical_data/index.html*

Texas and we reduced our carrying value accordingly. At the same time we collected interest payments during bankruptcy and more recently, received a dividend following its emergence from bankruptcy.

In the fourth quarter of 2016, TCEH emerged from bankruptcy as Vistra Energy Corp. (“Vistra”). Brookfield Business Partners’ net proportionate interest in Vistra is less than 1% of the company, although the overall Brookfield-led consortium interest is approximately 15%. Vistra is the largest electric power generator and retail electric provider in Texas with approximately 17 GW of generation capacity and 1.7 million retail customers. The company is led by a new management team, boasts a much leaner and efficient business with a strong balance sheet and its equity currently trades at a double digit free cash flow yield. Vistra is working to be listed on a major U.S. exchange in the near future, which should assist to support its trading value as it re-establishes its presence in the capital markets and investors appreciate the stability of its earnings.

Capital Position

At the end of last year we made the decision to issue units in order to support our growth. While we have substantial liquidity, and will generate additional liquidity from cash from operations and sales of businesses, we have an active pipeline of investment opportunities which should come to fruition over the next few years if not the nearer term. Further, while it would be financially accretive to fund opportunities with long-term debt at the Brookfield Business Partners level, we believe the increased financial flexibility and reduced risk of additional equity will prove to be a competitive advantage over the longer term. Our preference is to retain little, if any, debt at the Brookfield Business Partners level in order to maximize our financial flexibility. This capital structure should prove to be especially supportive to our business during periods of financial distress or capital market volatility, when opportunities become available for better valuations due to a change in sentiment and liquidity is hard to come by.

Looking Forward

Our balance sheet is strong, liquidity is good, and our operations are currently performing well. Our primary focus for 2017 is to complete the various fully funded strategic initiatives that we have announced. These acquisitions will significantly expand the scale of our operations and will meaningfully add to our overall earnings and cash flow over the longer term. In addition to these announced transactions, we are evaluating several attractive, value based opportunities across the globe. On behalf of the board and management of Brookfield Business Partners, I would like to thank all our unitholders for your ongoing interest and support.

Sincerely,

Cyrus Madon

Chief Executive Officer

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This letter to unitholders contains "forward-looking information" within the meaning of Canadian provincial securities laws and "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, include statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of Brookfield Business and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, and include words such as "expects," "anticipates," "plans," "believes," "estimates," "seeks," "intends," "targets," "projects," "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may," "will," "should," "would" and "could".

Although we believe that our anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, which may cause the actual results, performance or achievements of Brookfield Business Partners to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.

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

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, Brookfield Business Partners undertakes no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.

CAUTIONARY STATEMENT REGARDING USE OF NON-IFRS MEASURES

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

References to Brookfield Business Partners or BBU are to Brookfield Business Partners L.P. together with its subsidiaries unless the context reflects otherwise. More detailed information on certain references made in this letter to unitholders will be available in our Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2016.