

# Letter to Unitholders

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The resilience of our overall business served us well over the last few months as virtually all our operations recovered from the depths of the economic shutdown, many even approaching activity levels similar to last year. For the third quarter we generated Company EBITDA of \$381 million and Company FFO of \$208 million. At current activity levels we are confident our operations generate substantial cash flow to both fund our operations and support our growth activities.

During the quarter we progressed several initiatives to build value in our business. As we look forward, private market transaction activity is picking up following the sharp slowdown earlier this year, and today we are reviewing opportunities in all the regions in which we operate. Having local teams in place across the globe has been especially advantageous over the last few months in advancing our robust pipeline of potential transactions.

## More of What We Like

While transaction activity slowed during the second and third quarters, we continued to look for opportunities to grow our existing businesses. Buying more of businesses we already own or adding to existing businesses is an efficient and low risk approach for us to add value and grow.

## Sagen (formerly Genworth MI Canada)

In October, together with institutional partners, we entered into an agreement to acquire the 43% publicly held shares of Sagen for approximately book value, which is what we paid to acquire our controlling stake last year. Sagen is the largest private residential mortgage insurer in Canada and an essential service provider to the Canadian banking sector. Acquiring the remaining interest in Sagen will provide us additional opportunities to enhance this business including optimizing its capital structure and allowing us greater flexibility to enhance returns earned on its investment portfolio.

The Canadian housing market has remained relatively resilient over the last few months. Strong economic support from the Canadian government combined with tight housing supply, pent-up demand and low interest rates have contributed to a recovery of home sales from trough levels in April, and Sagen's underwriting activity has similarly recovered. In the near-term, mortgage defaults are expected to increase as mortgage deferrals and other programs made available to borrowers come to an end and the business currently operates with sufficient capital headroom to absorb these losses.

In the event of a more severe mortgage default scenario where losses remain elevated for a sustained period of time, we are, together with our institutional partners, well positioned to support Sagen. Notwithstanding potential near-term challenges to the Canadian housing and mortgage markets, we expect Sagen to be a substantial long-term cash generator for BBU.

The total acquisition value for the publicly held shares is approximately \$1.2 billion, of which BBU will fund approximately \$460 million and the balance will be funded by institutional partners. The transaction is subject to shareholder and regulatory approvals, and is expected to close in the first half of 2021.

## Add-ons

During the quarter BRK Ambiental (“BRK”), our Brazilian water and waste water services provider, acquired a 35-year concession to provide and expand water services in Maceió, a city of 1.5 million people located in the northeast region of Brazil where the company already has extensive operations. BRK plans to build over 3,000 km of pipeline and install over 400,000 new customer connections that will extend sewage collection access to over 90% of residents from less than 30% today. BRK is one of a handful of water services companies in Brazil with the operational capabilities to manage and execute these types of large-scale capital projects, and over time it is expected the Maceió concession will become one of the company’s largest operations. The concession acquisition cost of approximately \$350 million will be funded by BRK through a combination of debt and cash within the business.

This was the first concession auction following Brazil’s approval of a new federal regulatory framework in the sanitation sector. Sanitation represents a major infrastructure requirement in Brazil where less than half the population has access to adequate sewage collection and collected wastewater is largely untreated. Improving sanitation services in the country is expected to have a significant positive impact on productivity and decrease public health expenses, and the government estimates that a capital investment of \$60 billion is required in the sector over the next 15 years. 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 with additional growth opportunities.

Another example is that at Greenergy, we acquired a portfolio of 35 retail fuel sites in Ireland during the quarter. 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.

## Liquidity and Capital Position

We ended the quarter in a strong capital position with approximately \$2.2 billion of liquidity at the corporate level comprised of cash, marketable securities and availability on our credit facilities. We will use our credit facilities as a bridge to fund acquisitions or working capital needs until we realize proceeds through distributions or monetizations. We remain confident in our ability to generate significant liquidity for BBU from our existing businesses, both from cash generated within each of our operations and from the monetization of business interests which will continue to support our growth.

## Overview of Operational Performance

Our Industrials segment generated Company EBITDA of \$166 million for the third quarter 2020.

Clarios performed well, driven by a continued rebound in aftermarket battery demand that exceeded prior year levels during the quarter. Advanced battery volumes increased 8% in the quarter compared to the prior year, led by 18% growth in the aftermarket as an increasing percentage of start-stop and higher electrification vehicles reached their first battery replacement cycle. In North America, original equipment volumes are nearing prior year levels but have been slower to recover in Europe and Latin America. The company is focused on managing production to ensure sufficient inventory levels for peak demand during the winter season and ended the quarter in a strong liquidity position.

As a reminder, our business plan at Clarios is focused on pursuing operational improvements to optimize our U.S. operations, targeting over \$300 million in annual EBITDA enhancements. Key initiatives include the debottlenecking of production and assembly facilities, and the optimization of Clarios’ transportation network. Despite the impact of operating challenges in the current environment Clarios expects to deliver approximately \$100 million of cost savings this year as part of its overall operational improvement plan and remains on track to achieve targeted enhancements.

In addition, longer-term trends impacting the automotive industry are providing exciting growth opportunities for Clarios. We expect the number of cars on the road to increase from 1.2 billion today to 1.9 billion in 2035, further expanding the size of the battery aftermarket which drives 75% of Clarios' sales volumes. Strengthening environmental regulations, increased electrification and evolving vehicle powertrains are additional positive market tailwinds for Clarios. Rising consumer demand for comfort and safety features, together with tightening regulations is resulting in increased vehicle power demand which is expected to double over the next five years. In response, auto manufacturers are moving to more advanced batteries to meet these power needs, which plays to Clarios' strength as the global leader in advanced battery technology.

The evolution towards battery electric vehicles is driving demand for more advanced batteries and opportunities for the company. Clarios is the partner of choice on electric vehicle platforms, where every vehicle requires a Clarios-type battery to power auxiliary systems including comfort and critical safety features.

The business is working hand-in-hand with most global original equipment manufacturers to design and integrate its advanced battery technologies into their electric vehicle platforms. Clarios is currently shipping batteries to several electric vehicle manufacturers including General Motors, Volkswagen and BMW. The business is also working with several manufacturers on their next generation electric vehicle platforms. Clarios expects to maintain its global leadership position across all powertrains, giving us confidence in the growth potential of this business.

At GrafTech, volumes and sales price were impacted in the quarter by the overall global decline in steel demand. While GrafTech's European and U.S. plants are fully operational, its facilities in Mexico are running at a reduced operating level due to government-mandated restrictions. Despite these operational challenges, the business will generate meaningful cash flow this year and continues to focus on optimizing its manufacturing operations and paying down debt.

BRK has continued to provide its water services 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 quarter. As the rate of new COVID-19 cases trends down in Brazil, BRK is focused on progressing high priority capital projects to advance the build-out of its operations.

Our Infrastructure Services segment generated Company EBITDA of \$142 million for the third quarter 2020.

Westinghouse has 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. Westinghouse continues to generate strong free cash flow and is well capitalized with significant available liquidity to support distributions to BBU and fund future growth opportunities.

Altera Infrastructure's contracted revenues continue to be very stable. Utilization in the shuttle tanker business remains strong and towage utilization has improved since the second quarter. Altera has initiated a program to repurchase its outstanding notes and preferred units at attractive prices.

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 variable nature of its workforce has allowed BrandSafway to align costs with reduced activity levels. The company is focused on rescheduling customers' critical maintenance shutdowns into future quarters. BrandSafway continues to generate positive cash flow this year and remains well capitalized with a strong pipeline of potential acquisitions to build and strengthen its operations.

Our Business Services segment generated Company EBITDA of \$96 million for the third quarter 2020.

At Sagen, new insurance volumes increased through the third quarter as pent-up demand boosted the sub-\$1 million housing market. Mortgage defaults were limited during the quarter as a result of government supported mortgage deferrals and other programs for borrowers.

During the quarter, Healthscope benefitted 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. 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. The business continues to incur additional costs in the current environment related to increased health and safety measures.

Construction activity at Multiplex improved across all regions since earlier in the year. Strong results in Multiplex's Australian operations contributed to increased performance in the quarter, with operations outside of the state of Victoria running at near normal levels. In Victoria, project work was impacted as a result of new government restrictions imposed during the quarter which limited the number of workers on site. In the U.K., operations improved during the quarter as government restrictions were lifted. By the end of the quarter more than 4,500 workers had returned to project sites across the U.K., representing the highest levels since March. Despite that, the operating environment in the U.K. remains fluid and dependent on government restrictions.

## Looking Forward

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. We are well positioned given our global scale and local presence, to take advantage of value opportunities that may arise as governments reduce stimulus programs. 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.

We believe the intrinsic value of our units is meaningfully higher than recent trading prices and are continuing to repurchase our units as a means to create long-term value for our unitholders.

We anticipate uncertainty in business conditions to continue for some time, but are confident in the potential for BBU to continue to generate strong growth in intrinsic value per unit driven by both our capital recycling initiatives and the value creation plans in place within each of our businesses.

In September, we held our annual Investor Day where we provided deeper insight into our approach to operations and the growth initiatives underway to enhance the value of our business. If you missed it, the webcast is available on our website at <https://bbu.brookfield.com/events-and-presentations>.

On behalf of the BBU management team, we would like to thank all of our employees around the globe for their hard work and dedication during these challenging times. We would also like to thank all our unitholders for their ongoing interest and support.

Sincerely,



Cyrus Madon  
Chief Executive Officer  
November 3, 2020

### **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 Partners, 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, including as a result of the recent novel coronavirus outbreak (“COVID-19”); 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 and pandemics/epidemics; the possible impact of international conflicts and other developments including terrorist acts and cyber terrorism; and other risks and factors detailed from time to time in our documents filed with the securities regulators in Canada and the United States.*

*In addition, our future results may be impacted by the government mandated economic restrictions resulting from the ongoing 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 our Management’s Discussion and Analysis of Financial Condition and Results of Operations for the third quarter ended September 30, 2020 to be made available.*

*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 the Use of Non-IFRS Measures**

*This letter to unitholders contains references to Non-IFRS Measures. When determining Company FFO and Company EBITDA, we include our unitholders’ proportionate share of Company FFO and Company EBITDA for equity accounted investments. Company FFO and Company EBITDA are not generally accepted accounting measures under IFRS and therefore may differ from definitions used by other entities. We believe these metrics are useful supplemental measures that may assist investors in assessing the financial performance of Brookfield Business Partners and its subsidiaries. However, Company FFO and Company EBITDA should not be considered in isolation from, or as substitutes for, analysis of our financial statements prepared in accordance with IFRS.*

*References to Brookfield Business Partners are to Brookfield Business Partners L.P. together with its subsidiaries, controlled affiliates and operating entities. Brookfield Business Partners’ results include publicly held limited partnership units, redemption-exchange units, general partnership units and special limited partnership units. 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 quarter ended September 30, 2020.*