Letter to Unitholders

Overview

We made excellent progress in our business this quarter, generating strong financial results and advancing initiatives that should crystalize considerable value for investors. Second quarter Adjusted EBITDA increased to $543 million, reflecting the resilience of our existing operations and strong contribution from businesses we acquired over the last 12 months.

While global business conditions are mixed, we are pleased with the continued resilience of our operations. Many of our largest operations – representing the majority of our overall earnings and cash flows – are market-leading providers of essential products and services. The earnings from these operations are underpinned by stable demand, pricing power or contracted volumes with built-in cost escalators. The durability of our cash flows, combined with the execution of our value creation plans, is serving us well in the current environment.

Our strong corporate liquidity position will continue to be enhanced by capital recycling initiatives currently underway. Although interest rates are increasing, they remain low relative to historical levels and we have been able to continue financing our growth at reasonable rates. We have also significantly de-risked our balance sheet over the last several years, fixing or hedging borrowings where appropriate and locking in long-term maturities to mitigate exposure to rising rates.

Monetizations

It often takes years for us to implement improvements, reposition operations and build value in our businesses. Along the way some of them will provide us with ongoing distributions, while others will reinvest cash flows to fund growth or pay down debt.

In some instances, we have been able to implement improvements and generate significant value in a relatively short period of time. Such is the case with Westinghouse, our nuclear technology services operation. Over the last four years we have made substantial operational enhancements in the business, improving annual EBITDA by $250 million. We have also continued to support reinvestment to enhance the business' technology capabilities, advance research and development and further strengthen its value proposition.

Westinghouse has come into its own over the last few years and conditions to support a monetization have improved markedly. In May we launched a process that generated robust interest from prospective buyers. We expect this will crystalize meaningful value and generate significant proceeds to support our future growth initiatives.

We have other businesses which have matured to the point where they could be candidates for monetization. The timing of any sale will depend on many factors including market conditions.

As an example, our water and wastewater operation in Brazil is one of our more mature businesses. At its core, it is a simple business. It connects new customers to its water and sewage networks, provides them with quality service and receives a tariff for that service. Since our acquisition five years ago, the business has added more than 3,700 kilometers of new pipeline, nearly 400,000 new customer connections to expand its service network, and increased EBITDA by approximately 15% annually.

As one of only a few water services companies in Brazil with the operational capabilities to execute large-scale capital projects, we have also benefited from federal regulatory changes designed to promote private investment and participation in the sanitation sector. On the heels of these changes, the business acquired a new 35-year concession to provide water services in Maceió, a city of 1.5 million people. The ramp-up of this concession is expected to become one of the business' largest operations.

With the significant progress made on our value creation plans, we are now exploring options to crystalize value for the business. One of those options includes a public listing of shares and the business recently filed its registration statement with the securities regulators in Brazil. While the public markets in Brazil are not suitable to execute an offering today, we are preparing the business for when conditions normalize. We expect that proceeds generated from a potential future offering will be used to fund growth opportunities, providing us a path to sell down our interest over time.

Canadian Housing

Our Canadian residential mortgage insurer has performed exceptionally well since we initially acquired control of the business in 2019. It has benefited from record levels of new underwriting activity, strong home price appreciation and low mortgage default rates. We have also made meaningful changes over the last few years to grow the business' market share, lower its expense ratio and optimize its capital structure. As a result, return on equity has improved to 20% from 13% when we acquired it and the business has provided us with approximately $500 million in dividends, representing over 50% of the capital we invested to acquire it less than three years ago.

Given recent increases in mortgage rates, housing sales and new mortgage insurance underwriting activity are expected to slow. While this will reduce the level of premiums earned compared to exceptionally strong levels of the last few years, the business should continue generating consistent earnings and reasonable returns as it has done throughout past economic and housing cycles. To put this in context – we would expect the business to still generate positive earnings and cash flows even if home prices were to fall by 40% and the national unemployment rate were to approach 10%, both of which would be well beyond any consensus economic forecasts.

As a reminder, our business provides insurance to mortgage lenders against homeowner default for which it receives a lump-sum, up front non-refundable premium on new policies. We typically cater to first-time home buyers with growing household incomes, insuring homes with an average price of approximately $320,000 (CAD $420,000).

The Canadian mortgage lending environment itself has historically been very stable, with mortgage delinquency rates over long periods of time trending meaningfully lower than comparable levels in the U.S. Mortgage underwriting rules in Canada are designed to be conservative and result in higher quality borrowers. Additional oversight and regulation including mandatory loan amortization, limits on maximum amortization periods, full borrower recourse and debt service stress tests for all insured borrowers have helped mitigate the risk of borrower default.

Years of increasingly stringent underwriting requirements have contributed to a high-quality insurance portfolio. Today the insurance book is backed primarily by stable fixed-rate mortgages and has benefited from a growing amount of embedded equity, resulting in a loan-to-value ratio of less than 60%. Notwithstanding loss ratios increasing from current historical low levels – most borrowers should be able to absorb an expected 10% to 15% correction in housing prices and only 5% of our insured borrowers would be at risk of their monthly mortgage payments increasing because of an increase in interest rates.

Acquisitions and Capital Position

So far this year, we have invested $2.3 billion to acquire several companies that both expand our global operations and enhance our long-term cash flows. These acquisitions are all different but share similar characteristics we are attracted to: leading industry positions, durable competitive advantages, strong returns on capital and highly cash generative operations. These acquisitions have increased our annual Adjusted EBITDA on a run-rate basis to approximately $2.5 billion. We expect this will grow further as we execute on our value creation plans.

In July we acquired a leading provider of technology services and software solutions to the automotive dealer industry. The business' subscription-based software model, recurring contracted revenues and low ongoing capital requirements underpin a track record of high margins and resilient cash flow generation. Its strong relationships with large dealer customers position it well to benefit from additional consolidation across the dealership industry. We are currently in the early stages of implementing plans to enhance the business' services and productivity to grow margins and cash flows. While credit spreads have widened meaningfully since the beginning of the year, we were able to finance this acquisition at favorable rates supported by the overall quality of the business.

In addition we closed on two smaller acquisitions over the last few months. These include the acquisition of an Australian residential mortgage lender and a slate roofing products provider. Our total share of the equity commitment for these two acquisitions was approximately $350 million. We are in the process of onboarding these businesses and implementing value creation plans.

Our capital position remains strong. After accounting for our funding of recently announced and closed acquisitions, we ended the quarter with approximately $1.1 billion of liquidity at the corporate level which provides us ample capacity to support future growth activities.

With central banks turning to policy normalization to combat inflation, the balance sheets of our individual operations are in good shape. We have only modest maturities over the next few years and about half of the non-recourse debt within our business is hedged or fixed, while the overall term to maturity of our total borrowings is approximately five years.

Operating Results

Infrastructure Services

Our Infrastructure Services segment generated second quarter Adjusted EBITDA of $205 million.

Our nuclear technology services operations remain on track to generate strong full-year EBITDA and cash flow. Performance during the quarter reflected expected seasonality and the disruptions caused by the conflict in Ukraine. In May, the business completed its acquisition of BHI Energy, creating the nuclear industry's first fully integrated outage, maintenance and modification services business. The business funded the acquisition with a combination of committed debt financing and existing liquidity on hand.

We are progressing onboarding activities at our lottery services and technology operations following the completion of our acquisition in April. Underlying demand remains resilient, and we are focused on mitigating the impacts of supply chain delays and increased input costs. Since closing our acquisition, we have achieved several customer wins, including a 10-year contract to provide products and services to the operator of the U.K. National Lottery concession.

Utilization levels at our modular building leasing services operation are continuing to benefit from customers extending the use of existing units on rent. Increasing penetration of value-added products and services is also supporting margin expansion as we execute on our broader value creation plans. We are assisting the business in reviewing add-on acquisition opportunities and evaluating plans to accelerate organic fleet growth.

Industrials

Our Industrials segment generated second quarter Adjusted EBITDA of $204 million.

Performance at our advanced energy storage operations benefited from ongoing pricing actions, cost reductions and a favorable mix of higher margin advanced battery sales. Overall battery volumes were impacted by ongoing production challenges at auto manufacturers during the quarter. Prior year levels benefited from strong aftermarket demand as global lockdowns and travel restrictions eased.

Our engineered components manufacturer generated strong performance during the quarter driven by the benefits of recent acquisitions and increased pricing. While volumes have been stable, we are anticipating some softening of demand through the balance of the year. The business continues to review a strong pipeline of add-on acquisition opportunities to support its growth plans.

Business Services

Our Business Services segment generated second quarter Adjusted EBITDA of $166 million.

Strong performance at our residential mortgage insurer benefited from continued low mortgage default rates and higher premiums earned. The business remains well capitalized and in June distributed $60 million through a special dividend to shareholders. Our share of the distribution was approximately $25 million.

The environment at our Australian healthcare services operations remains challenging. Activity levels at our hospitals were impacted by high COVID-19 infection rates of both patients and doctors, resulting in delays and cancellations of planned surgical procedures. The business also continues to incur higher-than-normal labor costs associated with overtime pay and agency expenses required to cover staff shortages and sick leave. We remain hopeful that activity levels in the business will improve as COVID-19 infection rates in Australia decline.

We continue to be pleased with the stable performance of our construction operations supported by strong project execution.

Our Brazilian fleet management operations also continue to perform well. In June the business agreed to acquire Unidas, a leading full-service rent-a-car platform in Brazil. The business became available as regulators demanded its sale for anti-trust purposes which allowed us to opportunistically acquire it for value. The acquisition will double the size of our existing fleet management platform in Brazil and provide meaningful opportunities to continue scaling the combined operations.

Outlook

The trading price of our shares is at levels materially disconnected from our view of intrinsic value. While we do not manage the business based on near-term market fluctuations, we know this dislocation affects many of you. Our focus is on what we can control and on building long-term value in our business – and as we execute on our plans, we are confident that the trading discount will close over time. We will also continue to repurchase our units and shares as an attractive use of capital when they trade at levels materially below our view of intrinsic value.

The launch earlier this year of Brookfield Business Corporation (BBUC), our paired corporate entity, is also providing opportunities to grow our investor base. In June, BBUC was added to the Russell 2000 market index as part of its annual index reconstitution which should broaden our appeal with passive investors primarily in the U.S. and further strengthen our capital markets following.

The recent sell-off in capital markets has resulted in a slowdown in private market transactions. However, there may be opportunities to acquire debt and equity securities in companies we know well at attractive valuations. We are also well positioned to provide high-quality businesses with capital that otherwise may be more challenging to raise in conventional ways.

We would like to thank all our unit and shareholders for their ongoing interest and support, especially those of you who have taken time to provide us with suggestions as partners in our business. We look forward to speaking with you all at our annual Investor Day in September.

Sincerely,

Cyrus Madon
Chief Executive Officer

August 5, 2022

Cautionary Statement Regarding Forward-looking Statements and Information

Note: This letter to unitholders contains "forward-looking information" within the meaning of Canadian provincial securities laws and "forward-looking statements" within the meaning of applicable Canadian and U.S. securities laws. 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 ongoing novel coronavirus (SARS-CoV-2) pandemic, including any SARS-CoV-2 variants (collectively, "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; hurricanes and pandemics/epidemics; the possible impact of international conflicts, wars and related developments including Russia's military operation in Ukraine, 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 including in the "Risks Factors" section included in our Management's Discussion and Analysis of Financial Condition and Results of Operations in our Form 20-F for the year ended December 31, 2021 ("2021 Annual Report").

In addition, our future results may be impacted by various 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 Factors" section included in our 2021 Annual Report.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements and information, 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. Adjusted EBITDA is not a generally accepted accounting measure under IFRS and therefore may differ from definitions used by other entities. We believe this measure is a useful supplemental measure that may assist investors in assessing the financial performance of Brookfield Business Partners and its subsidiaries. However, Adjusted EBITDA 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 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, BBUC exchangeable shares and special limited partnership units. More detailed information on certain references made in this news release will be available in our Management's Discussion and Analysis of Financial Condition and Results of Operations in our interim report for the second quarter ended June 30, 2022 furnished on Form 6-K.