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

Introduction

This management's discussion and analysis, or MD&A of Brookfield Business Partners L.P. and subsidiaries, (collectively, the partnership, or we, or our), covers the financial position as of June 30, 2016 and December 31, 2015 and results of operations for the three and six month periods ended June 30, 2016 and 2015 which are prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. The information in this MD&A should be read in conjunction with the Unaudited Interim Condensed Consolidated Financial Statements as of June 30, 2016 and December 31, 2015 and for the three and six months ended June 30, 2016 and June 30, 2015, or the interim financial statements. This MD&A was prepared as of August 11, 2016. 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 that could cause actual results to differ materially from those reflected in the forward-looking statements.

Forward-Looking Statements

This MD&A contains certain forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. Forward-looking statements in this MD&A include statements regarding the quality of our assets, our financial performance, and the partnership's future growth prospects. In some cases, you can identify forward-looking statements by terms such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "potential", "should", "will" and "would" or the negative of those terms or other comparable terminology.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. The following factors, among others, could cause our actual results to vary from our forward-looking statements:

- changes in the general economy;
- general economic and business conditions that could impact our ability to access capital markets and credit markets;
- the cyclical nature of most of our operations;
- exploration and development may not result in commercially productive assets;
- actions of competitors;
- foreign currency risk;
- 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;
- risks commonly associated with a separation of economic interest from control;
- failure to maintain effective internal controls;
- actions or potential actions that could be taken by Brookfield Asset Management Inc., or Brookfield Asset Management, and its subsidiaries (other than the partnership, and, together with Brookfield Asset Management, Brookfield or the parent company);

- the departure of some or all of Brookfield's key professionals;
- the threat of litigation;
- changes to legislation and regulations;
- possible environmental liabilities and other possible liabilities;
- our ability to obtain adequate insurance at commercially reasonable rates;
- our financial condition and liquidity;
- volatility in oil and gas prices;
- capital expenditures required in connection with finding, developing or acquiring additional reserves;
- downgrading of credit ratings and adverse conditions in the credit markets;
- changes in financial markets, foreign currency exchange rates, interest rates or political conditions;
- the impact of the potential break-up of political-economic unions (or the departure of a union member);
- the general volatility of the capital markets and the market price of our units; and
- other factors described elsewhere in this document and in our prospectus (dated May 13, 2016, or our prospectus), including those set forth under "Risk Factors".

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 relying on our forward-looking statements or information, investors and others 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 "Risk Factors" in our prospectus. 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. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements 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. These forward-looking statements are made as of the date of this MD&A.

Please refer to our prospectus available on SEDAR at www.sedar.com, and EDGAR at www.sec.gov for a more comprehensive list of risks and uncertainties under the heading "Risk Factors".

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"). Prior to the Spin-off on June 1, 2016, we acquired substantially all of the business services and industrial operations, or the Business, and received $250 million in cash from Brookfield. In consideration, Brookfield received (i) approximately 55% of the limited partnership units, or LP Units, and 100% of the general partner units, or GP Units, of Brookfield Business Partners L.P., (ii) special limited partnership units, or Special LP Units, and redemption-exchange units, or Redemption-Exchange Units, of Brookfield Business L.P., or the Holding LP, representing an approximate 52% limited partnership interest in the Holding LP, and (iii) $15 million of preferred shares of certain of our subsidiaries. Brookfield holds an approximate 79% of the partnership interest on a fully exchanged basis. Holders of the GP Units, LP Units and Redemption-Exchange

Units will be collectively referred to throughout this MD&A as "Unitholders". The GP Units, 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 of Brookfield Business Partners L.P.'s limited partnership units multiplied by the number of 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 our 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.

To reflect the continuity of interests, this MD&A provides comparative information of the Business for the periods prior to the Spin-off, as previously reported by Brookfield.

Basis of Presentation

The interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, or IAS 34, as issued by the IASB. The interim financial statements include the accounts of our partnership and its consolidated subsidiaries, which are the entities over which our partnership has control.

For the periods prior to June 20, 2016, our partnership's results represented a carve-out of the assets, liabilities, revenues, expenses, and cash flows of the Business that was contributed to our partnership and included allocations of general corporate expenses of the parent company. These expenses, prior to the Spin-off, relate to certain operations oversight functions and associated information technology, facilities and other overhead costs and have been allocated based on headcount. These allocated expenses have been included as appropriate in our partnership's interim condensed consolidated statement of operating results prior to the Spin-off. These allocations may not, however, reflect the expense our partnership would have incurred as an independent publicly-traded company for the periods presented. Subsequent to the Spin-off, our partnership is no longer allocated general corporate expenses of the parent company as the functions to which they related are now provided through the Master Services Agreement with Brookfield.

We also discuss the results of operations on a segment basis, consistent with how we manage and view our business. Our operating segments are construction services, other business services, energy, other industrial operations, and 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.

Overview of our Business

The partnership is a Bermuda exempted limited partnership registered under the Bermuda Limited Partnership Act of 1883, as amended, and the Bermuda Exempted Partnerships Act of 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 United Kingdom and the United States. 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 five operating segments which are organized based on how management views business activities within particular sectors:

i. Construction services, which include construction management and contracting services;

ii. Other business services, including commercial and residential real estate services, facilities management, logistics and financial services;

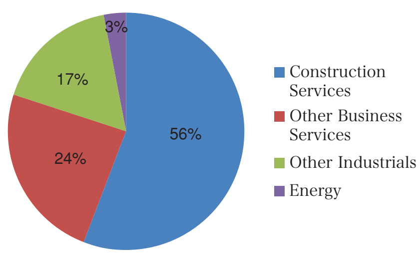
iii. Energy operations, including oil and gas production, and related businesses;

iv. Other industrial operations, including select manufacturing and mining operations; and

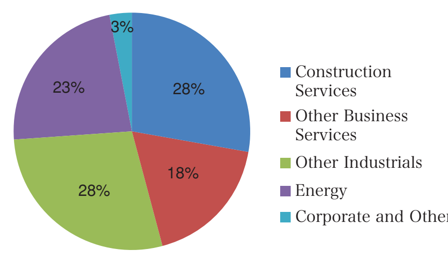
v. Corporate and Other, which includes corporate cash management and certain investing activities, and activities related to the management of the partnership's relationship with Brookfield.

The charts below provide a break-down by operating segment of total assets of $8.1 billion as of June 30, 2016 and of total revenues of $2.0 billion for the three months ended June 30, 2016.

Revenue



Total Assets



Construction Services

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. 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 sub-contracted to reputable specialists whose obligations mirror those contained within the main construction contract. A smaller part of the business is construction management whereby we charge a fee for coordination of the sub-trades employed by the client. We are typically required to provide warranties for completed works 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 and costs 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 majority of construction revenues and costs are earned and incurred in Australia and are impacted by the fluctuation in that currency. 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.

Other Business Services

We provide a variety of business services, principally commercial and residential real estate services and facilities management for corporate and government clients. Our business services operations are typically defined by medium to long-term contracts which include the services to be performed and the margin to be earned to perform such services. The majority of our revenue is generated through our facilities management and relocation business. Within our facilities management business we provide design and project management, professional services and strategic workplace consulting to customers across sectors including government, military, financial institutions, utilities, industrial and corporate offices. We are engaged in relocation and related consulting services to individuals and institutions on a global basis, and earn various fees by managing the relocating employees transfer process, as well as expense management on behalf of our clients. Our business service activity is seasonal in nature and is affected by the general level of economic activity and related volume of services purchased by our clients.

Energy

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. Our energy business also includes energy-related service operations in Canada.

Our Canadian properties produce approximately 50,000 barrels of oil equivalent[(1)], or boe/d, 95% of which is natural gas from our CBM platform. Our CBM properties are characterized by long-life, low-decline reserves located at shallow depths and are low-risk with low-cost drilling. Revenue from the sale of oil and gas is recognized when title to the product transfers to the purchasers based on volumes delivered and contractual delivery points and prices. Revenue from the production of gas in which we have an interest with other producers is recognized based on our working interest. Revenues are exposed to fluctuations in commodity prices, however we aim to enter into contracts to hedge production when appropriate.

Our Western Australian properties were acquired in June 2015 and are held through a joint venture. We account for these operations by the equity method of accounting. Production at our Western Australia oil and gas operations is approximately 55,000 boe/d[(2)], and we are one of the largest suppliers of gas into the Western Australian domestic market. The operations include critical infrastructure comprised of three domestic gas plants and two floating production, storage and offloading vessels. We recognize oil and natural gas revenues when working interest production is sold to a purchaser at fixed or determinable prices, when delivery has occurred and title has transferred and collectability of the revenue is reasonably assured. Revenues are exposed to fluctuations in commodity prices, however for our natural gas production we aim to enter into long term contracts and have hedged our shorter life conventional oil production through the first quarter of 2018. As of June 30, 2016 we had 132 million barrels of oil equivalent[2], or MMBOE[2] of natural gas under long-term contracts and 7.2 MMBOE[2] of oil and liquids financially hedged.

In our energy 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.

Our energy operations also include contract drilling and well-servicing operations primarily located in the Western Canadian Sedimentary Basin, or WCSB. We are the sixth-largest production servicing and drilling platform in Western Canada. Our energy-related contract drilling and well-servicing revenues are based upon orders and contracts with customers that include fixed or determinable prices and are based upon daily, hourly or contracted rates. A significant portion of the servicing revenue is derived from large national and international oil and gas companies which operate in Alberta, Canada. We experience seasonality in this business as the ability to move heavy equipment safely and efficiently in Western Canadian oil and gas fields is dependent on weather conditions. Activity levels during the first and fourth quarter are typically the most robust as the frost creates a stable ground mass that allows for easy access to well sites and easier drilling and service rig movement. The second quarter is traditionally the slowest due to road bans during spring break-up.

Other Industrial Operations

Our other industrial operations are focused on manufacturing and distribution activities in a variety of businesses. We manufacture and distribute bath and shower products for the residential housing market in North America. Results from this operation are generally correlated to the general housing market in North America. Our operations also include a leading manufacturer of graphite electrodes, advanced carbon and graphite materials and needle coke products used in the production of graphite electrodes. Graphite electrodes

(1) Net of interests to others, but before deduction of royalties.

(2) Represents full partnership interest, not the partnership's equity interest.

are primarily used in electric arc furnaces in mini-mill steelmaking and a significant portion of our sales is to the steel production industry. We completed the acquisition of this business in August 2015 at what we believe was a low point in the industry cycle driven primarily by the oversupply and downward price pressure in the steel market. This is a capital intensive business with significant barriers to entry and requires technical expertise to build and profitably operate. We are currently stream-lining our processes with shorter lead times, lower costs, higher quality products and superior service which should allow us to generate cash flows and returns as we come out of the trough in this cyclical business.

In June 2015, we acquired operations that manufacture and market a comprehensive range of infrastructure products and engineered construction solutions. We acquired these operations by converting our term loan position, which we held since 2011, into an ownership position pursuant to a plan of arrangement under the *Companies' Creditors Arrangement Act*. Prior to the recapitalization, our condensed and consolidated results included interest and fees on our loan position. We manufacture and market corrugated high-density polyethylene pipe, or HDPE, corrugated steel pipe, or CSP, and other drainage related products including small bridge structures. We also manufacture and market engineered precast concrete systems such as parking garages, bridges, sport venues and building envelopes as well as standard precast concrete products such as steps, paving stones and utility vaults. We service customers in a diverse cross-section of industries that are located in every region of Canada, including Canada's national and regional public infrastructure markets and private sector markets in agricultural drainage, building construction and natural resources. Growth and profitability in these operations are directly impacted by the demand for infrastructure but the diverse factors driving infrastructure investment activity generally result in relative stability of demand.

In addition, we hold interests in specialty metal and aggregates mining operations in Canada. Our mining operations currently consist of a limestone aggregates quarry located in northern Alberta, Canada and the Lac des Iles, or LDI Mine, in Ontario, Canada. The limestone mine has 459.2 million tonnes of proven mineral reserves and 539.5 million tonnes of probable mineral reserves. The LDI mine has approximately 918,000[(3)] ounces of proven palladium reserves which was comprised of 11.9 million tonnes of near surface ore with a palladium grade of 0.99 grams per tonne and 4.3 million tonnes of underground ore with a palladium grade of 3.86 grams per tonne. Our LDI Mine is currently one of only two primary producers of palladium in North America. Asset retirement obligations relating to legal and constructive obligations for future site reclamation and closure of the mine sites are recognized when incurred and a liability and corresponding asset are recorded at management's best estimate. Estimated closure and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs.

Corporate and Other

Corporate and other includes corporate cash management and activities related to the management of our partnership's relationship with Brookfield.

Outlook

Regions in which we operate are experiencing differing economic situations. In the United States, real gross domestic product, or GDP, increased 1.2% in the second quarter of 2016, driven by a surge in household spending in the quarter, but lower investment offset some of the growth. Core inflation continues to edge higher and headline inflation is following suit. The labour market has continued to strengthen in the U.S. as evidenced by record-low levels of jobless claims.

The Canadian economy contracted in the second quarter of 2016 with GDP decreasing by 1.1%, partly due to the wildfires in Alberta in May, which reduced oil production. Aside from the wildfires, a weaker currency has been effectively channeling economic growth through net exports, particularly for non-energy sectors.

GDP in the Eurozone is estimated to have grown by 1.6% in the second quarter of 2016. Across all of the major Eurozone economies, consumer spending is the primary driver of growth. Retail sales volumes continue to grow in the 2% to 4% range for most countries, after a long period of sluggish or negative growth across the region.

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(3) As of January 1, 2015.

United Kingdom ("U.K.") GDP is estimated to have grown at 2.2% in the second quarter, but the near-term outlook has significantly weakened after the United Kingdom voted to leave the European Union ("E.U."). The long-run impact of the referendum remains unclear, as there is still uncertainty surrounding key variables. Our exposure in the U.K at this time is related primarily to our construction business, with approximately one third of that business derived from the U.K. However, our risk in the near term is mitigated as our U.K. construction business has a remaining weighted average contract life of approximately 2 years. We believe that the U.K. will continue to be one of the great financial centers in the world, given it is in a central time zone, has excellent rule of law, a strong tax regime and a culture of respect for capital. We believe that the negotiations with the E.U. will eventually lead to strong relationships as these markets are inextricably linked and while there may be a period of softer construction activity in the near term that longer term fundamentals will remain strong.

Australia recorded second quarter GDP growth of 3.2%, driven primarily by steady household consumption and a surge in net exports from completed mining projects. However, this positive boost from exports is being largely offset by a decline in resource investment, as the projects are cancelled or delayed due to weak prices. Employment growth has slowed sharply in 2016, but despite this, retail sales volumes continue to grow.

The commodity pricing environment remains volatile. Steel and raw material prices fell after a rally in the first quarter, while oil prices rebounded to $50/barrel as the market moved from significant oversupply to moderate oversupply with production losses in Nigeria and Canada. While we expect demand growth to outpace supply growth by the end of 2016, it may take another 12 to 18 months before global oil storage levels return to their normal range. North American natural gas prices rallied in the second quarter, as Henry Hub rose close to $3 per million British thermal units, or MMBtu. In Canada, second quarter natural gas pricing was negatively impacted by high gas storage levels and the Alberta wildfires while positively impacted by atypical restrictions on major export pipelines. The end result was an AECO gas pricing rally through the second quarter to above C$2.30 per million cubic feet, or Mcf.

After peaking in late April, Chinese steel prices fell 26%, iron ore fell 24%, and metallurgical coal fell by 8% by late June. The rally early in the quarter, which seems to have been fueled by a mix of speculation on Chinese government stimulus and a quick re-stocking cycle, resulted in production growth but a commensurate rise in demand did not occur which ended up driving prices back down. Iron ore exports from Australia and Brazil continue to rise as some major projects ramp-up. Growth from these mega-projects will continue to push smaller, less efficient mines out of the market, and keep iron ore prices at cash-cost levels.

While the current commodity environment has and may continue to affect our energy and other industrials operations, it also provides us with opportunities to make some great acquisitions. Our structure, and the Brookfield platform, provide us the ability to invest across sectors and around the globe. In addition to North America, Europe and Australia, we are actively reviewing opportunities in Brazil and India. We continue to believe in Brazil's long-term potential and that the current scarcity of capital in the country creates an optimal market for us to invest. In India, banks are taking a hard line on underperforming loans given regulatory pressure, and this should create opportunities for us. Currently the partnership does not have material operations in emerging market jurisdictions.

Unaudited Interim Condensed Consolidated Results of Operations

Comparison of Three and Six Months Ended June 30, 2016 and 2015

The table below summarizes our results of operations for the three and six months ended June 30, 2016 and 2015. Further details on our results of operations and our financial positions are presented below under "Segment Analysis".

	Three Months Ended June 30,		Six Months Ended June 30,	
(US$ Millions)	**2016**	**2015**	**2016**	**2015**
Revenues	**$ 2,008**	$ 1,630	**$ 3,685**	$ 2,776
Direct operating costs	**(1,865)**	(1,484)	**(3,434)**	(2,507)
General and administrative expenses	**(64)**	(48)	**(126)**	(89)
Depreciation and amortization expense	**(76)**	(61)	**(148)**	(114)
Interest expense	**(23)**	(10)	**(47)**	(20)
Equity accounted income, net	**20**	6	**47**	9
Impairment expense, net	**(106)**	—	**(106)**	—
Gain on acquisitions/dispositions	**28**	7	**28**	269
Other expenses, net	**(21)**	(14)	**(31)**	(18)
Income before income tax	**(99)**	26	**(132)**	306
Current income tax (expense)	**(7)**	(10)	**(10)**	(21)
Deferred income tax expense (recovery)	**15**	3	**22**	10
Net (loss) income	**$ (91)**	$ 19	**$ (120)**	$ 295
Net (loss) income attributable to parent company and unitholders(1)	**$ (33)**	$ 8	**$ (38)**	$ 186
Net (loss) income attributable to non-controlling interest(2)	**$ (58)**	$ 11	**$ (82)**	$ 109
Basic and diluted earnings (loss) per limited partner unit	**$ (0.03)**	$ —	**$ (0.03)**	$ —

(1) Includes net income (loss) attributable to Brookfield prior to the Spin-off and to limited partnership unitholders, general partnership unitholders and redemption-exchange unitholders post Spin-off.

(2) Includes net income (loss) attributable to the interests of others in our operating subsidiaries.

For the three months ended June 30, 2016, we reported net loss of $91 million with $33 million of net loss attributable to parent company and unitholders. This compares to net income of $19 million and $8 million of net income attributable to the parent company for the three months ended June 30, 2015. The decrease in net income was mainly due to an impairment charge recognized in our other industrials segment and an unrealized loss on hedge contracts in our energy segment in the current quarter which were partially offset by gains recognized on the sale of certain investment securities. Depreciation and amortization expenses were higher for the three months ended June 30, 2016 compared to the same period in the prior year as a result of the acquisitions in the latter half of 2015 which increased Property, Plant and Equipment, or PP&E. Earnings from equity accounted investments increased by $14 million for the three months ended June 30, 2016 compared to the three months ended June 30, 2015 as a result of the acquisition of our Western Australia energy operation which was completed in June 2015.

For the six months ended June 30, 2016, we reported a net loss of $120 million and $38 million of net loss attributable to parent company and unitholders. This compares to net income of $295 million and $186 million of net income attributable to the parent company for the six months ended June 30, 2015. Six months ended June 30, 2016 results reflect similar variations as those described above, including, an impairment recognized in our other industrials segment in the quarter partially offset by gains recognized on the sale of certain investment securities. Net income in 2015 included $269 million of one-time gains on three acquisitions completed during the six month period, including the acquisition of significant Cold Bed Methane, or CBM, assets in the Clearwater region in Alberta, the acquisition of our facilities management business from our joint venture partner, and the acquisition of our infrastructure support manufacturing business.

Revenues and Direct Operating Costs

Comparison of Three and Six Months Ended June 30, 2016 and 2015

The following tables present consolidated revenues and direct operating costs for the three and six months ended June 30, 2016 and 2015, which we have disaggregated into our operating segments in order to facilitate a review of period-over-period variances:

	Three Months Ended June 30,		Six Months Ended June 30,	
(US$ Millions)	**2016**	**2015**	**2016**	**2015**
Revenues				
Construction services	**$1,119**	$ 904	**$2,007**	$1,600
Other business services	**482**	490	**933**	760
Energy	**63**	85	**129**	176
Other industrial operations	**344**	151	**616**	240
Corporate and Other	**—**	—	**—**	—
Total revenues	**$2,008**	$1,630	**$3,685**	$2,776

	Three Months Ended June 30,		Six Months Ended June 30,	
(US$ Millions)	**2016**	**2015**	**2016**	**2015**
Direct operating costs				
Construction services	**$1,082**	$ 877	**$1,938**	$1,531
Other business services	**429**	443	**847**	692
Energy	**44**	53	**87**	108
Other industrial operations	**309**	111	**561**	176
Corporate and Other	**1**	—	**1**	—
Total direct operating costs	**$1,865**	$1,484	**$3,434**	$2,507

Comparison of Three and Six Months Ended June 30, 2016 and 2015

Construction services: revenues and direct operating costs for the three months ended June 30, 2016 increased by $215 million (24%) and $205 million (23%), respectively. Revenues and direct operating costs for the six months ended June 30, 2016 increased by $407 million (25%) and $407 million (27%), respectively. Revenue and costs increased primarily as a result of additional project work secured and progressed in the current year compared to prior year. In addition during the three months ended June 30, 2016, we earned $5 million of revenue from the settlement of a project negotiation. On a regional basis, Australia contributed 51% of revenue, the Middle East contributed 14%, United Kingdom contributed 32% and Canada contributed 3% of revenues in the second quarter of 2016. Our Australia region continues to be our largest contributor reflecting our continued strong market presence.

Other business services: revenues and direct operating costs for the three months ended June 30, 2016 decreased by $8 million (2%) and $14 million (3%), respectively. Revenues and direct operating costs for the six months ended June 30, 2016 increased by $173 million (23%) and $155 million (22%), respectively. Our real estate services revenues were lower for the three months ending June 30, 2016 compared to the prior year period as a result of lower volumes in the U.S. in our relocations business. Despite lower volumes, gross margin contribution increased due to lower servicing costs and a benefit from foreign exchange. The decrease in revenue and costs in our real estate services operations for the three month period ending June 30, 2016 was offset by an increase in our facilities management operations as we completed onboarding of projects won earlier in the year and are starting to see some higher margin contribution. For the six months ending June 30, 2016 the increases in revenue and direct operating costs were primarily related to an increase in ownership of our facilities management operations which has been consolidated in the current period, and were acquired part way through the comparative period.

Energy: revenues and direct operating costs for the three months ended June 30, 2016 decreased by $22 million (26%) and $9 million (17%), respectively. Revenues and direct operating costs for the six months ended June 30, 2016 decreased by $47 million (27%) and $21 million (19%), respectively. Our operations are primarily focused in Alberta, Canada where the second quarter is typically expected to be the weakest financial and operating quarter as a result of the weather, as ground conditions are impacted by spring breakup. In addition, this quarter revenues were significantly impacted due to weaker natural gas prices. Our realized pricing was 47% lower in the second quarter of 2016 compared to 2015, and volume was 4% lower. This decrease was partially offset by interest income received on investment securities.

Other industrial operations: revenues and direct operating costs for the three months ended June 30, 2016 increased by $193 million (128%) and $198 million (178%), respectively and revenues and direct operating costs for the six months ended June 30, 2016 increased by $376 million (157%) and $385 million (219%), respectively. The increase is due to additional acquisitions completed in the latter half of 2015. In June 2015, we acquired an infrastructure support manufacturing business. In August 2015, we acquired a palladium mining operation and we also completed the acquisition of our graphite electrode manufacturing operations. Results from these acquisitions are currently below historical results as we made these acquisitions at a low point in the business and/or industry cycle. In addition, revenues and direct operating costs in our bath and shower products manufacturing operations increased by 5% and 1% respectively. In these operations we have been focused on improved profitability through price increases and cost reductions.

General and Administrative Expenses

General and administrative expenses for the three months ended June 30, 2016 were $64 million, an increase of $16 million compared to $48 million for the three months ended June 30, 2015. General and administrative expenses for the six months ended June 30, 2016 were $126 million, an increase of $37 million compared to $89 million for the three months ended June 30, 2015. General and administrative expenses increased in both periods primarily due to the acquisitions completed within our other industrials segment in 2015.

Depreciation and Amortization Expense

Depreciation and amortization expense, or D&A, includes depletion related to oil and gas assets, depreciation of PP&E, as well as the amortization of intangible assets. The highest contribution to D&A is from our energy segment and specifically from our oil and gas assets where PP&E is depleted on a unit-of-production basis over the proved plus probable reserves. We use NI 51-101 — *Standards of Disclosure for Oil and Gas Activities*, or NI 51-101, as the basis for defining and calculating proved and probable reserves for purposes of the D&A calculations. D&A is generally consistent year-over-year with large changes typically due to the addition or disposal of depreciable assets.

Depreciation and amortization expenses for the three months ended June 30, 2016 were $76 million, an increase of $15 million compared to $61 million for the three months ended June 30, 2015. For the six months ended June 30, 2016, depreciation and amortization expenses were $148 million, an increase of $34 million compared to the $114 million for the six month period ended June 30, 2015. The increase in both periods is a result of the acquisition of our graphite electrode manufacturing operations which resulted in significant PP&E additions. The increase in depreciation within our other industrials segment was partially offset by a decrease in our energy operations due to lower production in 2016.

Interest Expense, net

For the three and six months ended June 30, 2016, interest expense was $23 million and $47 million respectively, an increase of $13 million and $27 million, respectively, when compared to $10 million and $20 million for the three and six months ended June 30, 2015. The increase was primarily due to debt within our graphite electrode manufacturing operation acquired in August 2015.

Equity Accounted Income

For the three and six months ended June 30, 2016, equity accounted income increased by $14 million and $38 million, respectively, when compared to the same periods in the prior year. We acquired our Western Australia energy operations in June 2015 which contributed to the increase in income during such periods. This business is currently over 80% hedged on oil production and has long term natural gas contracts in place counteracting the weakness in oil and gas pricing.

Impairment Expense, net

An impairment expense of $106 million was recorded in the three and six months ended 30 June 2016 respectively. The impairment expense attributable to the parent company is $40 million. The impairment charge in the current quarter is related to the intended disposition of non-core assets in our graphite electrode manufacturing business. There was no impairment expense recorded for the three and six months ended June 30, 2015.

The partnership identifies cash generating units, or CGUs, as groups of assets that are largely independent of the cash inflows from other assets or groups of assets. For goodwill impairment testing, the partnership has aggregated groups of CGUs, that represent the lowest level at which the partnership monitors goodwill for internal management purposes. The partnership's groups of CGUs are not larger than the partnership's operating segments.

As of June 30, 2016 the goodwill balance of $1,142 million (December 31, 2015 — $1,124 million) was allocated between our construction services business $762 million (December 31, 2015 — $751 million), our other business services operations $206 million (December 31, 2015 — $198 million) and other industrial operations $174 million (December 31, 2015 — $175 million).

There were no indicators of goodwill impairment during the three and six months ended June 30, 2016. The change in the balance of goodwill between periods related to foreign currency movements.

Gain on Acquisitions/Dispositions

For the three and six months ended June 30, 2016, we recorded a net $28 million gain primarily related to the sale of investments. We sold corporate bonds and equity securities held as available for sale investments during the period.

For the six months ended June 30, 2015, we recorded a gain on acquisitions of $269 million related to three acquisitions during the period. $171 million of the gain related to the acquisition of oil and gas assets within our Canadian CBM platform and we also recorded a gain on the step-up acquisition of our facilities management operations. Also, in June 2015 we recorded a $7 million gain on the acquisition of our infrastructure support manufacturing business.

Other Expenses, net

For the three and six months ended June 30, 2016, other expense was $21 million and $31 million respectively. The expense relates to an unrealized loss on a hedge in our Canadian energy operations, partially offset by an unrealized gain on an investment within our industrial operations.

For the three and six months ended June 30, 2015, other expense was $14 million and $18 million, respectively, due to an energy derivative loss which was only partially offset by fee income on a loan investment.

Income Tax Expense

For the three and six months ended June 30, 2016, current income tax expense was $7 million and $10 million, respectively, compared to $10 million and $21 million for the same periods in 2015, respectively, and deferred income taxes recovery of $15 million and $22 million, respectively, compared to an expense of $3 million and $10 million for the same periods in 2015, respectively.

Our income tax recovery of $8 million for the three months ended June 30, 2016 resulted in an effective tax rate of 8%, while at our composite income tax rate of 26%, we would expect a tax recovery of $26 million.

One of the reasons for this variance is a result of our ownership structure, where our consolidated net income includes income attributable to non-controlling ownership interest, and our consolidated tax expense in some circumstances only includes only our proportionate share of the tax expense. This gave rise to a $10 million increase in our tax recovery, compared to our expected income tax recovery. In addition, losses incurred during the quarter in our industrials sector were not recognized, which gave rise to a $32 million reduction in our income tax recovery, compared to our expected income tax recovery.

Summary of Results

Quarterly Results

Total revenues and net income for the eight most recent quarters are as follows:

(US$ Millions)	2016		2015				2014	
Three months ended	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	$ 2,008	$ 1,677	$ 2,087	$ 1,891	$ 1,630	$ 1,145	$ 1,325	$ 1,188
Direct operating costs	(1,865)	(1,569)	(1,909)	(1,716)	(1,484)	(1,023)	(1,179)	(1,047)
General and administrative expenses	(64)	(62)	(68)	(67)	(48)	(41)	(46)	(46)
Depreciation and amortization expense	(76)	(72)	(70)	(73)	(61)	(53)	(41)	(38)
Interest expense	(23)	(24)	(29)	(16)	(10)	(10)	(8)	(7)
Equity accounted income, net	20	27	(35)	30	6	3	5	9
Impairment expense, net	(106)	—	(7)	(88)	—	—	(45)	—
Gain on acquisitions/ dispositions	28	—	—	—	7	262	—	—
Other income (expense), net	(21)	(10)	21	66	(14)	(3)	7	6
Income before income tax	(99)	(33)	(10)	27	26	280	18	65
Current income tax (expense)/recovery	(7)	(3)	(17)	(11)	(10)	(11)	(6)	(11)
Deferred income tax (expense)/recovery	15	7	(14)	(1)	3	7	6	—
Net income (loss)	$ (91)	$ (29)	$ (41)	$ 15	$ 19	$ 276	$ 18	$ 54
Net income (loss) attributable to parent company and unitholders[(1)]	$ (33)	$ (5)	$ 2	$ 20	$ 8	$ 178	$ 15	$ 40
Net income (loss) attributable to non-controlling interest[(2)]	(58)	(24)	(43)	(5)	11	98	3	14
	$ (91)	$ (29)	$ (41)	$ 15	$ 19	$ 276	$ 18	$ 54
Basic and diluted earnings (loss) per limited partner unit	$ (0.03)	$ —	$ —	$ —	$ —	$ —	$ —	$ —

(1) Includes net income (loss) attributable to Brookfield prior to the Spin-off and to limited partnership unitholders, general partnership unitholders and redemption-exchange unitholders post Spin-off.

(2) Includes net income (loss) attributable to the interests of others in our operating subsidiaries.

Revenue and operating cost varies from quarter to quarter primarily due to acquisitions of businesses, fluctuations in foreign exchange rates, business and economic cycles, weather and seasonality in underlying operations. Broader economic factors and commodity market volatility in particular has a significant impact on a number of our operations specifically within our energy and other industrials segment. Seasonality primarily affects our construction operations and some of our other business services, which typically have stronger performance in the latter half of the year. Our energy operations are also impacted by seasonality, usually generating stronger results in the first and fourth quarters. Net income is impacted by periodic gains and losses on acquisitions, monetizations and impairments.

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. The key measure used by the CODM in assessing performance and in making resource allocation decisions is funds from operations, or Company FFO. Company FFO 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 is presented net to unitholders. When determining Company FFO, we include our proportionate share of Company FFO of equity accounted investments. Company FFO is considered an appropriate measure for our operations as it provides an estimate of the overall operations of our businesses including the impact of borrowings within each of our operations and earnings where we do not control the underlying business.

Construction Services

The following table presents Company FFO for our construction services segment for the three and six month periods ending June 30, 2016 and 2015.

	Three Months Ended June 30,		Six Months Ended June 30,	
(US$ Millions)	**2016**	**2015**	**2016**	**2015**
Revenues	**$ 1,119**	$ 904	**$ 2,007**	$ 1,600
Direct operating costs	**(1,082)**	(877)	**(1,938)**	(1,531)
General and administrative expenses	**(10)**	(9)	**(20)**	(16)
Interest expense	**(1)**	—	**(1)**	(1)
Equity accounted income	**—**	—	**—**	—
Current income taxes	**(1)**	(1)	**(1)**	(8)
Company FFO before non-controlling interests	**$ 25**	$ 17	**$ 47**	$ 44
Company FFO attributable to non-controlling interests[2]	**—**	—	**—**	—
Company FFO[1]	**$ 25**	$ 17	**$ 47**	$ 44

The following table presents total equity for our construction services segment as of June 30, 2016 and December 31, 2015.

(US$ Millions)	**June 30, 2016**	**December 31, 2015**
Total assets	**$ 2,304**	$ 2,125
Total liabilities	**(1,451)**	(1,372)
Non-controlling interests[2]	**(6)**	(8)
Equity attributable to unitholders[1]	**$ 847**	$ 745

(1) Attributable to parent company prior to the Spin-off on June 20, 2016 and to limited partnership unitholders, general partnership unitholders, and redemption-exchange unitholders post Spin-off. Post Spin-off, equity is also attributable to preferred shareholders and Special LP unitholders.

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

Comparison of the Three and Six Months Ended June 30, 2016 and 2015

We recognized $25 million of Company FFO from our construction operations for the three months ended June 30, 2016 compared to $17 million for the three months ended June 30, 2015. This increase in Company FFO is due to continued strong performance in the business and revenue earned from the settlement of a project negotiation.

Our construction workbook has been robust with new projects secured during the year replacing the value of work performed. We have 13 additional projects in progress in 2016 compared to 2015. During the second quarter of 2016, we signed a number of substantial projects in Australia and the United Kingdom including six residential and commercial developments, and one mixed-use project. Backlog of secured projects yet to reach completion increased from a count of 91 ($6.8 billion) at June 30, 2015 to 104 ($7.3 billion) at June 30, 2016, which translates to a weighted average of just under two years of activity. The increase in backlog is primarily due to new projects secured in Australia and in the United Kingdom. Our pipeline of preferred projects representing potential future workbook opportunities remains strong across all regions.

We recognized $47 million of Company FFO from our construction operations for the six months ended June 30, 2016 compared to $44 million for the six months ended June 30, 2015. In the first quarter of 2015 we completed a large project in the United Kingdom which resulted in the collection of the associated revenues and increased Company FFO for the six months ending June 30, 2015. During 2016 these revenues were replaced with an expansion in our operations across existing regions and the collection of settlement fees discussed above.

Other Business Services

The following table presents Company FFO for our other business services segment for the three and six month periods ending June 30, 2016 and 2015.

(US$ Millions)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Revenues	**$ 482**	$ 490	**$ 933**	$ 760
Direct operating costs	**(429)**	(443)	**(847)**	(692)
General and administrative expenses	**(26)**	(26)	**(50)**	(45)
Interest expense	**(3)**	(2)	**(7)**	(4)
Equity accounted income	**7**	6	**10**	9
Current income taxes	**(4)**	(8)	**(6)**	(10)
Company FFO before non-controlling interests	**$ 27**	$ 17	**$ 33**	$ 18
Company FFO attributable to non-controlling interests[2]	**(12)**	(3)	**(16)**	(2)
Company FFO[1]	**$ 15**	$ 14	**$ 17**	$ 16

The following table presents total equity for our other business services segment as of June 30, 2016 and December 31, 2015.

(US$ Millions)	June 30, 2016	December 31, 2015
Total assets	**$1,484**	$1,429
Total liabilities	**(981)**	(958)
Non-controlling interests[2]	**(181)**	(162)
Equity attributable to unitholders[1]	**$ 322**	$ 309

(1) Attributable to parent company prior to the Spin-off on June 20, 2016 and to limited partnership unitholders, general partnership unitholders, and redemption-exchange unitholders post Spin-off. Post Spin-off, equity is also attributable to preferred shareholders and Special LP unitholders.

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

Comparison of the Three and Six Months Ended June 30, 2016 and 2015

Company FFO for our other business services segment for the three months ended June 30, 2016 was $15 million compared to $14 million for the same period in 2015. Company FFO from our facilities management operations increased for the three months ended June 30, 2016 as we are seeing benefits from new contracts on boarded earlier in the year. Company FFO also benefitted from cost containment measures put in place within our real estate services operations and from the impact of foreign exchange compared to the prior period. These increases were partially offset by lower contributions from our financial advisory services business which had an exceptional year in 2015.

We recognized $17 million of Company FFO from our other business services operations for the six months ended June 30, 2016 compared to $16 million for the six months ended June 30, 2015. Our real estate services business generated lower Company FFO in the first quarter of 2016 as many of its customers were impacted by the weak oil and gas market. The business has shown improvement in the second quarter. The 2016 period included a full period of results from our facilities management business acquired in the first quarter of 2015.

Energy

The following table presents Company FFO for our energy segment for the three and six month periods ending June 30, 2016 and 2015.

(US$ Millions)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Revenues	**$ 63**	$ 85	**$129**	$ 176
Direct operating costs	**(44)**	(53)	**(87)**	(108)
General and administrative expenses	**(4)**	(3)	**(8)**	(9)
Interest expense	**(7)**	(6)	**(15)**	(11)
Equity accounted income	**34**	—	**87**	—
Realized disposition gain, net	**19**	—	**19**	—
Current income taxes	**—**	—	**(1)**	(1)
Company FFO before non-controlling interests	**$ 61**	$ 23	**$124**	$ 47
Company FFO attributable to non-controlling interests(2)	**(44)**	(21)	**(89)**	(35)
Company FFO(1)	**$ 17**	$ 2	**$ 35**	$ 12

The following table presents total equity for our energy segment as of June 30, 2016 and December 31, 2015.

(US$ Millions)	June 30, 2016	December 31, 2015
Total assets	**$1,848**	$ 1,867
Total liabilities	**(993)**	(1,097)
Non-controlling interest(2)	**(529)**	(455)
Equity attributable to unitholders(1)	**$ 326**	$ 315

(1) Attributable to parent company prior to the Spin-off on June 20, 2016 and to limited partnership unitholders, general partnership unitholders, and redemption-exchange unitholders post Spin-off. Post Spin-off, equity is also attributable to preferred shareholders and Special LP unitholders.

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

Comparison of Three and Six Months Ended June 30, 2016 and 2015

Company FFO in our energy segment for the three and six months ended June 30, 2016 was $17 million and $35 million, respectively compared to $2 million and $12 million, respectively for the three and six months ended June 30, 2015. The increase in Company FFO is attributable to our equity accounted Western Australia energy operations which contributed $10 million of Company FFO during the three months ended June 30, 2016. We acquired these operations in the second quarter last year and have hedged over 80% of the oil exposure and have fixed price long term natural gas contracts in place. In addition, we realized a net gain of $19 million on the sale of corporate bond securities during the quarter which were held as financial assets. These increases were partially offset by lower revenues and Company FFO in our Canadian operations for the three and six month period ending June 30, 2016, due to a reduction in pricing and volume. Our realized pricing was 47% lower in the second quarter of 2016 compared to 2015, and our realized pricing was 46% lower in the first six months of 2016 compared to 2015.

Other Industrial Operations

The following table presents Company FFO for our other industrial operations segment for the three and six month periods ending June 30, 2016 and 2015.

(US$ Millions)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Revenues	**$ 344**	$ 151	**$ 616**	$ 240
Direct operating costs	**(309)**	(111)	**(561)**	(176)
General and administrative expenses	**(24)**	(10)	**(48)**	(19)
Interest expense	**(12)**	(2)	**(24)**	(4)
Realized disposition gain, net	**9**	—	**9**	—
Current income taxes	**(2)**	(1)	**(2)**	(2)
Company FFO before non-controlling interests	**$ 6**	$ 27	**$ (10)**	$ 39
Company FFO attributable to non-controlling interests[2]	**(4)**	(19)	**7**	(28)
Company FFO[1]	**$ 2**	$ 8	**$ (3)**	$ 11

The following table presents total equity for our other industrial operations segment as of June 30, 2016 and December 31, 2015.

(US$ Millions)	June 30, 2016	December 31, 2015
Total assets	**$ 2,249**	$ 2,214
Total liabilities	**(1,188)**	(1,124)
Non-controlling interests[2]	**(698)**	(672)
Equity attributable to unitholders[1]	**$ 363**	$ 418

(1) Attributable to parent company prior to the Spin-off on June 20, 2016 and to limited partnership unitholders, general partnership unitholders, and redemption-exchange unitholders post Spin-off. Post Spin-off, equity is also attributable to preferred shareholders and Special LP unitholders.

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

Comparison of Three and Six Months Ended June 30, 2016 and 2015

Company FFO for our other industrial operations segment for the three months ended June 30, 2016 was $2 million compared to $8 million for the three months ended June 30, 2015. Company FFO for our other industrial operations segment for the six months ended June 30, 2016 was a loss of $3 million compared to an income of $11 million for the six months ended June 30, 2015.

For the three months ended June 30, 2016, our graphite electrode manufacturing business contributed negative Company FFO of $4 million. Comparative results for 2015 do not include these operations as the acquisition was completed in August 2015. Results from this operation are currently below historical results as we made the acquisition at a low point in the business and industry cycle. In addition, Company FFO from our palladium operations decreased by $3 million. These operations contributed interest income in the previous period as a loan investment but were consolidated in the current period and were negatively impacted by a low pricing environment. We are proactively making operational improvements in both these businesses and intend to execute on the sale of non-core assets in our graphite electrode business. We believe the combination of our operational improvements and an improvement in the market environment should enable the businesses to return to historical level Company FFO.

Within Company FFO for the three months ended June 30, 2016 are $3 million of gains attributable to the parent company and unitholders realized on the sale of public security investments and higher contributions from our bath and shower manufacturing operations as a result of price increases and cost reductions.

During 2015, we were able to implement price increases which were supported by improved market conditions and demand for new products. Our cost reduction initiatives increased operation margins, supported by improved labour productivity and lower fuel and input costs.

For the six months ended June 30, 2016, our graphite electrode manufacturing business contributed negative Company FFO of $7 million. Comparative results for 2015 do not include these operations as the acquisition was completed in August 2015. Results from this operation are currently below historical as discussed above.

General and administrative expenses for other industrial operations for the three months ended June 30, 2016 were $24 million, an increase of $14 million compared to $10 million for the three months ended June 30, 2015. General and administrative expenses for other industrial operations for the six months ended June 30, 2016 were $48 million, an increase of $29 million compared to $19 million for the three months ended June 30, 2015. The increase in general and administrative expenses relates to acquisitions made in 2015. In June 2015 we completed the acquisition of a Canadian infrastructure support manufacturing business as a result of a recapitalization whereby our debt position was converted into an equity interest in the business. In August 2015 we completed the acquisition of our graphite electrode manufacturing operations.

Interest expense for other industrial operations for the three months ended June 30, 2016 was $12 million, an increase of $10 million compared to $2 million for the three months ended June 30, 2015. Interest expense for other industrial operations for the six months ended June 30, 2016 was $24 million, an increase of $20 million compared to $4 million for the six months ended June 30, 2015. The increase in interest expense relates to our graphite electrode manufacturing operations where we assumed debt when we acquired this business.

Corporate and Other

The following table presents Company FFO for our corporate segment for the three and six month periods ending June 30, 2016 and 2015.

(US$ Millions)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Revenues	**$—**	$—	**$—**	$—
Direct operating costs	**(1)**	—	**(1)**	—
General and administrative expenses	**—**	—	**—**	—
Interest expense	**—**	—	**—**	—
Current income taxes	**—**	—	**—**	—
Company FFO before non-controlling interests	**$ (1)**	$—	**$ (1)**	$—
Company FFO attributable to non-controlling interests[(2)]	**—**	—	**—**	—
Company FFO[(1)]	**$ (1)**	$—	**$ (1)**	$—

The following table presents total equity for our other corporate segment as of June 30, 2016 and December 31, 2015.

(US$ Millions)	June 30, 2016	December 31, 2015
Total assets	**$262**	$—
Total liabilities	**(1)**	—
Non-controlling interests[(2)]	**—**	—
Equity attributable to unitholders[(1)]	**$261**	$—

(1) Attributable to parent company prior to the Spin-off on June 20, 2016 and to limited partnership unitholders, general partnership unitholders, and redemption-exchange unitholders post Spin-off. Post Spin-off, equity is also attributable to preferred shareholders and Special LP unitholders.

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

(3) Comparative numbers are attributable to the parent company, as these are in respect of the period prior to the Spin-off on June 20, 2016.Post Spin-off includes equity attributable to limited partners, general partner and non-controlling interests related to redemption-exchange unit holders.

Pursuant to our Master Services Agreement, we pay Brookfield a quarterly Base Management Fee equal to 1.25% annually of our market value, plus third party debt with recourse net of cash held by corporate entities. The fees for the three months ended June 30, 2016 are related to the 10 day period between Spin-off (June 20, 2016) to June 30, 2016.

As part of the Spin-off, our partnership entered into a Deposit Agreement with Brookfield. From time to time, the partnership may place funds on deposit of up to $250 million with Brookfield. The deposit balance is due on demand and earns an agreed upon rate of interest, to be determined in connection with any such deposit. The terms of any such deposit are expected to be on market terms. As of June 30,2016, the amount of the deposit was $250 million and was included in cash and cash equivalents.

Reconciliation of Non-IFRS Measures

To measure our performance, amongst other measures, we focus on Company FFO. Company FFO is a non-IFRS measure we use to assess operating results and the performance of our businesses on a segmented basis. See "Segment Analysis" above for additional information.

Company FFO has limitations as an analytical tool as it does not include depreciation and amortization expense, deferred income taxes and non-cash valuation gains/losses and impairment charges. Because Company FFO has 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. We do not use Company FFO as a measure of cash generated from our operations. However, Company FFO is a key measure that we use to evaluate the performance of our operations.

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

(US$ Millions)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Company FFO[(1)]	**$ 58**	$ 41	**$ 95**	$ 83
Other expenses, net	**(21)**	(14)	**(31)**	(18)
Depreciation and amortization expense	**(76)**	(61)	**(148)**	(114)
Impairment expense	**(106)**	—	**(106)**	—
Gain on acquisitions/dispositions	**—**	7	**—**	269
Deferred income taxes	**15**	3	**22**	10
Non-cash items attributable to equity accounted investments	**(21)**	—	**(50)**	—
Non-cash items attributable to non-controlling interest[(2)]	**118**	32	**180**	(44)
Net (loss) income attributable to unitholders[(1)]	**$ (33)**	$ 8	**$ (38)**	$ 186

(1) Attributable to parent company prior to the Spin-off on June 20, 2016 and to limited partnership unitholders, general partnership unitholders, and redemption-exchange unitholders post Spin-off. Post Spin-off, equity is also attributable to preferred shareholders and Special LP unitholders.

(2) Non-cash items attributable to the interests of others in our operating subsidiaries.

The following table reconciles equity attributable to limited partner units, general partner units, the parent company, redemption-exchange units, preferred shares and special limited partnership units to equity in net assets attributable to unitholders for the periods indicated:

(US$ Millions)	June 30, 2016	December 31, 2015
Limited partners(1)	**$1,016**	$ —
General partner(1)	**—**	—
Brookfield Asset Management Inc.(2)	**—**	1,787
Non-controlling interest attributable to:		
Redemption-Exchange Units, Preferred Shares and Special Limited Partnership Units held by Brookfield(1)	**1,103**	—
Equity in net assets attributable to unitholders(3)	**$2,119**	$1,787

The following table reconciles net (loss) income attributable to limited partner units, general partner units, the parent company, and redemption-exchange units to net (loss) income attributable to parent company and unitholders for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(US$ Millions)	2016	2015	2016	2015
Limited partners(1)	**$ (1)**	$—	**$ (1)**	$—
General partner(1)	**—**	—	**—**	—
Brookfield Asset Management Inc.(2)	**(30)**	8	**(35)**	186
Non-controlling interest attributable to:				
Redemption-Exchange Units, Preferred Shares and Special Limited Partnership Units held by Brookfield(1)	**(2)**	—	**(2)**	—
Net (loss) income attributable to parent company and unitholders(3)	**$(33)**	$ 8	**$(38)**	$186

The following table reconciles net (loss) income attributable to limited partner units, general partner units, the parent company, and redemption-exchange units to net (loss) income attributable to parent company and unitholders for the periods indicated:

(US$ Millions)	2016		2015				2014	
Three months ended	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Limited partners(1)	$ (1)	$—	$—	$—	$—	$—	$—	$—
General partner(1)	—	—	—	—	—	—	—	—
Brookfield Asset Management Inc.(2)	(30)	(5)	2	20	8	178	15	40
Non-controlling interest attributable to:								
Redemption-Exchange Units, Preferred Shares and Special Limited Partnership Units held by Brookfield(1)	(2)	—	—	—	—	—	—	—
Net (loss) income attributable to parent company and unitholders(3)	$(33)	$(5)	$ 2	$20	$ 8	$178	$15	$40

(1) For the period from June 20, 2016 to June 30, 2016

(2) For the periods prior to June 20, 2016

(3) Attributable to parent company prior to the Spin-off on June 20, 2016 and to limited partnership unitholders, general partnership unitholders, and redemption-exchange unitholders post Spin-off. Post Spin-off, equity is also attributable to preferred shareholders and Special LP unitholders.

Unaudited Interim Condensed Consolidated Statements of Financial Position

The following is a summary of the Unaudited Interim Condensed Consolidated Statements of Financial Position:

(US$ Millions)	June 30, 2016	December 31, 2015
Assets		
Cash and cash equivalents	**$ 709**	$ 354
Financial assets	**606**	409
Accounts receivable, net	**1,799**	1,635
Inventory and other assets	**716**	748
Property, plant and equipment	**2,287**	2,364
Deferred income tax assets	**92**	64
Intangible assets	**426**	445
Equity accounted investments	**370**	492
Goodwill	**1,142**	1,124
Total assets	**$8,147**	$7,635
Liabilities and equity		
Liabilities		
Accounts payable and other	**$2,466**	$2,375
Borrowings	**2,058**	2,074
Deferred income tax liabilities	**90**	102
Total liabilities	**4,614**	4,551
Equity		
Equity in net assets attributable to unitholders(1)	**$2,119**	$1,787
Non-controlling interests(2)	**1,414**	1,297
Total equity	**3,533**	3,084
Total liabilities and equity	**$8,147**	$7,635

(1) Attributable to parent company prior to the Spin-off on June 20, 2016 and to limited partnership unitholders, general partnership unitholders, and redemption-exchange unitholders post Spin-off. Post Spin-off, equity is also attributable to preferred shareholders and Special LP unitholders.

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

Financial Assets

Financial assets increased by $197 million from $409 million as of December 31, 2015 to $606 million as of June 30, 2016. The increase is primarily related to corporate bonds and public company security investments made in 2016 in our other industrial and energy segments.

The following table presents financial assets by segment as of June 30, 2016 and December 31, 2015:

(US$ Millions)	Construction Services	Other Business Services	Energy	Other Industrial Operations	Corporate and Other	Total
June 30, 2016	**$68**	**$60**	**$327**	**$151**	**$—**	**$606**
December 31, 2015	$84	$91	$214	$ 20	$—	$409

Accounts Receivable

Accounts receivable increased by $164 million from $1,635 million as of December 31, 2015 to $1,799 million as of June 30, 2016. The increase was related to higher receivables in our construction services business and our facilities management business due to higher project volumes within the operations.

Inventory and Other Assets

Inventory and other assets decreased by $32 million from $748 million as of December 31, 2015 to $716 million as of June 30, 2016. The decrease was primarily related to our real estate services business which had higher home inventory turnover in the period. Our construction operations had a lower work in progress (unbilled revenue) balance at June 30, 2016 compared to December 31, 2015.

Property, Plant & Equipment (PP&E)

PP&E is primarily related to our industrial operations and our energy operations segments. PP&E decreased by $77 million from $2,364 million as of December 31, 2015 to $2,287 million as of June 30, 2016. This decrease is primarily due to an impairment charge recognized at our graphite electrode operations due to the classification of certain operations as held for sale and in our Canadian oil and gas properties where PP&E decreased due to a change in the asset retirement obligation, or ARO, estimate. We recorded a change in the timing of future remediation costs resulting in a lower ARO liability and a corresponding reduction to the PP&E balance. The decline was partially offset by a positive impact of foreign exchange on our Canadian operations which have a large PP&E balance. There were no significant additions to PP&E.

Intangible Assets

Our intangible assets balance is primarily from our industrial operations and our other business services segments. Intangible assets decreased by $19 million from $445 million as of December 31, 2015 to $426 million as of June 30, 2016. This decrease is primarily due to amortization of intangible assets within our graphite electrode operations.

Equity Accounted Investment

Equity accounted investments decreased by $122 million from $492 million as of December 31, 2015 to $370 million as of June 30, 2016 primarily due to the sale of a portion of our Western Australia energy operations during the quarter.

Goodwill

Goodwill increased by $18 million from $1,124 million as of December 31, 2015 to $1,142 million as of June 30, 2016. This increase is due to a positive impact of foreign exchange on goodwill balances within our Canadian and Australian operations.

Accounts Payable and Other

Accounts payable and other increased by $91 million from $2,375 million as of December 31, 2015 to $2,466 million as of June 30, 2016 primarily due to an increase in our construction operations and our facilities management business in line with higher contract volumes in the quarter. This increase was partially offset by a decrease in accounts payable in our energy operations as we settled investments during the period.

Equity Attributable to Unitholders

As of June 30, 2016, Brookfield Business Partners L.P.'s capital structure was comprised of two classes of partnership units: limited partnership units, and general partnership units. Limited partnership units entitle the holder to their proportionate share of distributions. General partnership units entitle the holder the right to govern the financial and operating policies of Brookfield Business Partners L.P.

Holding LP's capital structure is comprised of three classes of partnership units: special limited partner units, managing general partner units and Redemption Exchange Units held by Brookfield. In its capacity as the holder of the special limited partner units of the Holding LP, the special limited partner is entitled to incentive distribution rights which are based on a 20% increase in the unit price of our partnership over an initial threshold of $25/unit.

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

The total number of partnership units outstanding are as follows:

UNITS	June 30, 2016	December 31, 2015
General partner units	4	—
Limited partner units	43,845,298	—
Redemption-Exchange units, held by Brookfield	48,150,497	—
Special Limited partner units	4	—

There have been no changes in partnership units between June 30, 2016 and August 11, 2016.

On August 2, 2016, the Toronto Stock Exchange accepted a notice filed by the partnership of its intention to commence a normal course issuer bid ("NCIB") for its limited partnership units. Under the NCIB, the Board of Directors of the general partner of BBU authorized the partnership to repurchase up to 5% of the issued and outstanding units, or 2,192,264 units. No repurchases have been made under the NCIB as of August 11, 2016.

Liquidity and Capital Resources

The following table presents borrowings by segment as of June 30, 2016 and December 31, 2015:

(US$ Millions)	Construction Services	Other Business Services	Energy	Other Industrial Operations	Corporate and Other	Total
June 30, 2016	**$23**	**$450**	**$785**	**$800**	**$—**	**$2,058**
December 31, 2015	$18	$503	$808	$745	$—	$2,074

As of June 30, 2016, the partnership had outstanding debt of $2,058 million as compared to $2,074 million as of December 31, 2015. The borrowings consist of the following:

(US$ Millions)	June 30, 2016	December 31, 2015
Term loans and credit facilities	**$1,578**	$1,518
Securitization program	**245**	287
Senior notes	**235**	269
Total Borrowings	**$2,058**	$2,074

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 on-going operations. On a consolidated basis, our operations had borrowings totaling $2,058 million as of June 30, 2016 compared to $2,074 million at December 31, 2015. The decrease of $16 million was primarily due to a decrease in our senior notes and our securitization program partially offset by debt used to acquire financial assets in our energy and other industrials operations in the quarter.

We finance our assets principally at the operating company level with debt that generally is not recourse to either the partnership or 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 lines of credit, term loans and debt securities with varying maturities ranging from 1-7 years. The weighted average maturity at

June 30, 2016 was 2.2 years and the weighted average interest rate on debt outstanding was 3.8%. As of June 30, 2016, the maximum borrowing capacity of our credit facilities was $2.8 billion, of which $1.6 billion was drawn.

The use of the term loans and credit facilities is primarily related to on-going operations and capital expenditures, and to fund acquisitions. The interest rates charged on these facilities are based on market interest rates. These borrowings include customary covenants based on fixed charge coverage and debt to EBITDA ratios. Our operations are currently in compliance with or have obtained waivers related to all material covenant requirements of their term loans and credit facilities. However, due to economic conditions, including challenging commodity pricing, we are currently undertaking proactive measures to avoid having any of our energy and other industrial operations default under the terms of their facilities, including amending such debt instruments or, if necessary, seeking waivers from the lenders. Our ability to enter into an amendment or, if needed, obtain a waiver or otherwise refinance any such indebtedness will depend on, among other things, the conditions of the capital markets and our financial conditions at such time. We do not expect any of our current facilities to default prior to finding a path to resolution.

One of our real estate services businesses has a securitization program under which it transfers an undivided co-ownership interest in eligible receivables on a fully serviced basis, for cash proceeds, at their fair value under the terms of the agreement. While the sale of the co-ownership interest is considered a legal sale, the partnership has determined that the asset derecognition criteria has not been met, as substantially all risk and rewards of ownership are not transferred. The program contains covenants related to maximum loss and default ratios (as defined by the agreement) and receivables turnover ratios as the debt is secured by the business's receivables. The partnership was in compliance with the covenants under the securitization program as of June 30, 2016.

Our graphite electrode manufacturing operations have senior unsecured notes that rank pari passu with all of its existing and future senior unsecured indebtedness. The indenture governing the senior notes contains customary covenants relating to limitations on liens and sale/leaseback transactions and we were in compliance with such covenants as of June 30, 2016. The senior notes bear interest at a rate of 6.375% per year, payable semi-annually in arrears and mature on November 15, 2020. We paid $27 million to acquire bonds with a carrying value of $37 million during 2016.

We have entered into a credit agreement with Brookfield providing for two, three-year revolving credit facilities. One constitutes an operating credit facility that permits borrowings of up to $200 million for working capital purposes and the other constitutes an acquisition facility that permits borrowings of up to $300 million for purposes of funding our acquisitions and investments. As of June 30, 2016, no amounts have been drawn under these credit facilities.

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 acquisition facility (which can then be redrawn to fund future investments). Both credit facilities will be available for an initial term of three years and will be extendible at our option by two, one-year renewals, subject to our paying an extension fee and being in compliance with the credit agreement.

The credit facilities are guaranteed by the partnership, and each direct wholly-owned (in terms of outstanding common equity) subsidiary of the partnership or Brookfield Business L.P., that is not otherwise a borrower. As of June 30, 2016, no amounts have been drawn under these credit facilities. The credit facilities are 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 $200 million operating facility bears interest at the specified LIBOR or bankers' acceptance rate plus 2.75%, or the specified base rate or prime rate plus 1.75%. The $300 million acquisition facility bears interest at the specified LIBOR or bankers' acceptance rate plus 3.75%, or the specified base rate or prime rate plus 2.75%.

The credit facilities require us to maintain a minimum deconsolidated net worth, and contain 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 Debt to Capitalization Ratio

The table below outlines the partnership's consolidated net debt to capitalization as of June 30, 2016 and December 31, 2015.

(US$ Millions)	June 30, 2016	December 31, 2015
Borrowings	**$2,058**	$2,074
Cash and cash equivalents	**(709)**	(354)
Net debt	**1,349**	1,720
Total equity	**3,533**	3,084
Total capital and net debt	**4,882**	4,804
Net debt to capitalization ratio	**27.6%**	35.8%

We manage our liquidity and capital requirements through cash flows from operations, opportunistically monetizing mature operations, refinancing existing debt and through the use of credit facilities. We aim to maintain sufficient financial liquidity to be able to meet our on-going operating requirements and to maintain a modest distribution.

Our principal liquidity needs for the next year include funding recurring expenses, meeting debt service payments, funding required capital expenditures and funding attractive acquisition opportunities as they arise. Our principal sources of liquidity are financial assets, undrawn credit facilities, cash flow from our operations and access to public and private capital markets. In addition, an integral part of our strategy is to pursue acquisitions through consortium arrangements with institutional investors, strategic partners or financial sponsors and to form partnerships to pursue acquisitions on a specialized or global basis. Brookfield has a strong track record of leading such consortiums and partnerships and actively managing underlying assets to improve performance.

Our general partner has adopted a distribution policy pursuant to which the partnership intends to make quarterly cash distributions in an initial amount currently anticipated to be approximately $0.25 per unit on an annualized basis. On August 1, 2016, the partnership's Board of Directors declared a dividend of $0.07 per unit payable on September 30, 2016 to unitholders of record as at close of business on August 31, 2016. The distribution will cover the period from June 20, 2016, the Spin-off date, to September 30, 2016.

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 and proceeds from potential future debt issues or equity offerings, if required.

The following table presents cash and cash equivalents by segment as of June 30, 2016 and December 31, 2015:

(US$ Millions)	Construction Services	Other Business Services	Energy	Other Industrial Operations	Corporate and Other	Total
June 30, 2016	**$240**	**$170**	**$11**	**$26**	**$262**	**$709**
December 31, 2015	$139	$171	$ 5	$39	$—	$354

As of June 30, 2016, 50% of our cash was held in Canada, and about 35% was approximately evenly allocated between Australia and the United Kingdom. The remaining 15% is approximately spread evenly between the United Arab Emirates, the United States, and other nations. As of December 31, 2015, 45% of our cash was held in Canada, and about 50% was approximately evenly allocated between Australia, the United Arab Emirates, and the United Kingdom. Funds held in Canada, Australia, the United Arab Emirates, the United Kingdom and the United States can generally be repatriated to the partnership without the imposition of tax on the partnership itself, because the partnership, as a limited partnership, generally is not a taxpayer. In some cases, the repatriation of funds to the partnership may result in withholding tax with respect to a unitholder.

As of June 30, 2016, we had cash and cash equivalents of $709 million, compared to $354 million as of December 31, 2015. Our financing plan is to fund our recurring growth capital expenditures with cash flow generated by our operations, as well as debt financing that is sized to maintain our credit profile. To fund acquisitions, we will evaluate a variety of capital sources including proceeds from the sale of mature assets, as well as equity and debt financings. The table below highlights the sources and uses of cash for three month period ending June 30, 2015 and June 30, 2016.

	Six Months Ended	
(US$ Millions)	**June 30, 2016**	**June 30, 2015**
Cash flows provided by operating activities	**$ 138**	$ 127
Cash flows used in investing activities	**(138)**	(1,151)
Cash flows provided by financing activities	**354**	1,120
Effect of foreign exchange rates on cash	**1**	(5)
	$ 355	$ 91

Cash Flow Provided by Operating Activities

Total cash flows provided by operating activities for the six months ended June 30, 2016 was $138 million compared to $127 million for the six months ended June 30, 2015. The cash provided by operating activities in the six months ended June 30, 2016 were primarily attributable to increased activity in our construction services business and increased cash at our real estate services and financial advisory business.

Cash Flow Used in Investing Activities

Total cash flows used in investing activities was $138 million for the six months ended June 30, 2016 compared to $1,151 million for the six months ended June 30, 2015. In the second quarter of 2016 our investing activities were related to the acquisition of corporate bond and equity securities in our energy and other industrials segments.

Cash Flow Provided by Financing Activities

Total cash flows provided by financing activities was $354 million for the six months ended June 30, 2016 compared to $1,120 million for the six months ended June 30, 2015. The corporate bond and equity securities investments we acquired in the first two quarters of 2016 were primarily acquired through financing. In addition, as part of the Spin-off, we received $250 million in consideration for limited partnership units issued to Brookfield, which was on deposit with Brookfield and included in cash and cash equivalents at June 30, 2016.

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 of June 30, 2016, the total outstanding amount was $0.9 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.

From time to time we may be contingently liable with respect to litigation and claims that arise in the normal course of operations.

Related Party Transactions

We will enter into a number of related party transactions with Brookfield as described in our prospectus under the heading "Relationship with Brookfield." Refer to Note 15 in the interim financial statements for additional information.

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.

Critical judgments made by management and utilized in the normal course of preparing the partnership's Unaudited Interim Condensed Consolidated Financial Statements are outlined below.

For further reference on accounting policies, critical judgments and estimates, see our significant accounting policies contained in Note 2 of our Unaudited Interim Condensed Consolidated Financial Statements as of June 30, 2016 and Note 2 of our Combined Carve-out Financial Statements as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013, included in our prospectus.

Business combinations

The partnership accounts for business combinations using the acquisition method of accounting. The allocation of fair values to assets acquired and liabilities assumed through an acquisition requires numerous estimates that affect the valuation of certain assets and liabilities acquired including discount rates, operating costs, revenue estimates, commodity prices, future capital costs and other factors. The determination of the fair values may remain provisional for up to 12 months from the date of acquisition due to the time required to obtain independent valuations of individual assets and to complete assessments of provisions. When the accounting for a business combination has not been completed as of the reporting date, this is disclosed in the financial statements, including observations on the estimates and judgments made as of the reporting date.

Common control transactions

IFRS 3 *Business Combinations* does not include specific measurement guidance for transfers of businesses or subsidiaries between entities under common control. Accordingly, the partnership has developed an accounting policy to account for such transactions taking into consideration other guidance in the IFRS framework and pronouncements of other standard-setting bodies. The partnership's policy is to record assets and liabilities recognized as a result of transactions between entities under common control at the carrying values in the transferor's financial statements.

Indicators of impairment

Judgment is applied when determining whether indicators of impairment exist when assessing the carrying values of the partnership's assets, including: the determination of the partnership's ability to hold financial assets; the estimation of a cash generating unit's future revenues and direct costs; and the determination of discount rates, and when an asset's carrying value is above the value derived using publicly traded prices which are quoted in a liquid market.

For some of our assets forecasting the recoverability and economic viability of property and equipment requires an estimate of reserves. The process for estimating reserves is complex and requires significant interpretation and judgment. It is affected by economic conditions, production, operating and development activities, and is performed using available geological, geophysical, engineering and economic data.

Revenue recognition

Certain of the partnership's subsidiaries use the percentage-of-completion method to account for contract revenue. The stage of completion is measured by reference to actual costs incurred to date as a percentage of estimated total costs for each contract. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience or where necessary, the work of experts.

Financial instruments

Judgments inherent in accounting policies relating to derivative financial instruments relate to applying the criteria to the assessment of the effectiveness of hedging relationships. Estimates and assumptions used in determining the fair value of financial instruments are: equity and commodity prices; future interest rates; the credit worthiness of the partnership relative to its counterparties; the credit risk of the partnership's counterparties; estimated future cash flows; discount rates and volatility utilized in option valuations.

Income taxes

The determination of future tax rates applicable to subsidiaries and identifying the temporary differences that relate to each subsidiary requires judgment. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply during the period when the assets are realized or the liabilities settled, using the tax rates and laws enacted or substantively enacted at the Unaudited Interim Condensed Consolidated Statement of Financial Position dates.

Decommissioning liabilities

Decommissioning costs will be incurred at the end of the operating life of some of our oil and gas facilities and properties. These obligations are typically many years in the future and require judgment to estimate. The estimate of decommissioning costs can vary in response to many factors including changes in relevant legal, regulatory and environmental requirements, the emergence of new restoration techniques or experience at other production sites. Inherent in the calculations of these costs are assumptions and estimates including the ultimate settlement amounts, inflation factors, discount rates and timing of settlements.

Oil and Gas Properties

The process of estimating the partnership's proved and probable oil and gas reserves requires significant judgment and estimates. Factors such as the availability of geological and engineering data, reservoir performance data, acquisition and divestment activity, drilling of new wells, development costs and commodity prices all impact the determination of the partnership estimates of its oil and gas reserves. Future development costs are based on estimated proved and probable reserves and include estimates for the cost of drilling, completing and tie in of the proved undeveloped and probable additional reserves and may vary based on geography, geology, depth, and complexity. Any changes in these estimates are accounted for on a prospective basis. Oil and natural gas reserves also have a direct impact on the assessment of the recoverability of asset carrying values reported in the financial statements.

Other

Other estimates and assumptions utilized in the preparation of the partnership's financial statements are: the assessment or determination of net recoverable amounts; depreciation and amortization rates and useful lives; estimation of recoverable amounts of cash-generating units for impairment assessments of goodwill and intangible assets; and ability to utilize tax losses and other tax measurements.

Other critical judgments include the determination of functional currency and determination of control.

Controls and Procedures

As the partnership became a reporting issuer during the second quarter, we have elected to file abbreviated CEO and CFO certifications available to issuers in the first interim period ended after becoming a reporting issuer.