

# Brookfield Infrastructure — Partners L.P.

2018 ANNUAL REPORT

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington D.C. 20549**  
**FORM 20-F**

- ☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**
- OR**
- ☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
- for the fiscal year ended December 31, 2018**
- OR**
- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
- OR**
- ☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-33632

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

*(Exact name of Registrant as specified in its charter)*

**Bermuda**

*(Jurisdiction of incorporation or organization)*

**73 Front Street**

**Hamilton, HM 12, Bermuda**

*(Address of principal executive offices)*

**Jane Sheere**

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**Hamilton, HM 12, Bermuda**

**+1-441-294-3309**

*(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)*

**Securities registered pursuant to Section 12(b) of the Act:**

Title of class	Name of each exchange on which registered
Limited Partnership Units	New York Stock Exchange; Toronto Stock Exchange

**Securities registered or to be registered pursuant to Section 12(g) of the Act:**

None

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:  
**277,347,890 Limited Partnership Units as of December 31, 2018**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or an emerging growth company. See definition of "accelerated filer", "large accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check one)

**Large accelerated filer** ☒

**Accelerated filer** ☐

**Non-accelerated filer** ☐

**Emerging growth company** ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

☐ **U.S. GAAP**

☒ **International Financial Reporting Standards as issued by the International Accounting Standards Board**

☐ **Other**

If "Other" has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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## INTRODUCTION AND USE OF CERTAIN TERMS

Unless the context requires otherwise, when used in this annual report on Form 20-F, the terms “Brookfield Infrastructure”, “we”, “us” and “our” refer to Brookfield Infrastructure Partners L.P., collectively with the Holding LP, the Holding Entities and the operating entities (each as defined below). All dollar amounts contained in this annual report on Form 20-F are expressed in U.S. dollars, unless specified otherwise, and references to “dollars”, “\$”, “US\$” or “USD” are to U.S. dollars, all references to “C\$” or “CAD” are to Canadian dollars, all references to “A\$” or “AUD” are to Australian dollars, all references to “CLP” are to Chilean pesos, all references to “COP” are to Colombian pesos, all references to “reais”, “BRL” or “R\$” are to Brazilian reais, all references to “rupees”, “INR” or “I\$” are to Indian rupees, and all references to “UF” are to Unidad de Fomento which is an inflation indexed Chilean peso monetary unit that is set daily, on the basis of the prior month’s inflation rate. In addition, all references to “£” or “GBP” are to pound sterling, all references to “NZD” are to New Zealand dollars, all references to “€” or “EUR” are to Euros, all references to “PEN” are to Peruvian Nuevo Sol and, unless the context suggests otherwise, references to:

- “Brookfield” are to Brookfield Asset Management and any affiliate of Brookfield Asset Management, other than us;
- “Brookfield Asset Management” are to Brookfield Asset Management Inc.;
- our “current operations” are to the businesses in which we hold an interest as described in Item 4.B “Business Overview”;
- our “data infrastructure operations” are to our interest in French communication tower and fiber infrastructure operations and data storage operations in North and South America, Europe and the Asia Pacific, as described in Item 4.B “Business Overview—Our Operations—Data Infrastructure—Overview”;
- our “energy operations” are to our interest in North American gas transmission operations in the United States, North American midstream energy and natural gas storage operations in the United States and Canada, North American district energy operations in the United States and Canada, and Australian energy distribution operations, as described in Item 4.B “Business Overview—Our Operations—Energy—Overview”;
- the “Exchange LP Units” are to the exchangeable units of Brookfield Infrastructure Partners Exchange LP (“Exchange LP”), a subsidiary of our partnership, which were issued in connection with our partnership’s acquisition of an effective 30% interest in Enercare Inc. (“Enercare”), and which provide holders with economic terms that are substantially equivalent to those of our units and are exchangeable, on a one-for-one basis, for our units;
- our “General Partner” are to Brookfield Infrastructure Partners Limited, which serves as our partnership’s general partner;
- “Holding Entities” are to certain subsidiaries of the Holding LP, from time-to-time, through which we hold all of our interests in the operating entities;
- the “Holding LP” are to Brookfield Infrastructure L.P.;
- the “Infrastructure General Partner” are to Brookfield Infrastructure Special GP Limited, which serves as the general partner of the Infrastructure Special LP;

- the “Infrastructure Special LP” are to Brookfield Infrastructure Special L.P., a subsidiary of Brookfield Asset Management, which is the special general partner of the Holding LP and “Special General Partner Units” refers to the units of the Holding LP that the Infrastructure Special LP holds in such capacity;
- “Licensing Agreements” are to the licensing agreements described in Item 7.B “Related Party Transactions—Licensing Agreements”;
- our “Limited Partnership Agreement” are to the amended and restated limited partnership agreement of our partnership, as amended from time to time;
- the “managing general partner” are to our partnership in its capacity as managing general partner of the Holding LP and “Managing General Partner Units” refers to the units of the Holding LP that our partnership holds in such capacity;
- “Master Services Agreement” are to the amended and restated master services agreement dated as of March 13, 2015, among the Service Recipients, Brookfield Asset Management, the Service Provider and others, as described in Item 6.A “Directors and Senior Management—Our Master Services Agreement”;
- “Merger Transaction” are to our acquisition of the ownership interests in Prime that were not already held by us, which was completed on December 8, 2010;
- “operating entities” are to the entities which directly or indirectly hold our current operations and assets that we may acquire in the future, including any assets held through joint ventures, partnerships and consortium arrangements;
- our “partnership” are to Brookfield Infrastructure Partners L.P.;
- “Prime” are to Prime Infrastructure, known collectively as Babcock & Brown Infrastructure Limited and Babcock & Brown Infrastructure Trust, or BBI, prior to its recapitalization on November 20, 2009;
- “rate base” are to a regulated or notionally stipulated asset base;
- the “Redemption-Exchange Mechanism” are to the mechanism by which Brookfield may request redemption of its limited partnership interests in the Holding LP in whole or in part in exchange for cash, subject to the right of our partnership to acquire such interests (in lieu of such redemption) in exchange for units of our partnership, as more fully set forth in Item 10.B “Memorandum and Articles of Association—Description of the Holding LP’s Limited Partnership Agreement—Redemption-Exchange Mechanism”;
- “Redeemable Partnership Unit” is a limited partnership unit of the Holding LP that has the rights of the Redemption-Exchange Mechanism. See Item 10.B “Memorandum and Articles of Association—Description of the Holding LP’s Limited Partnership Agreement”;
- “Relationship Agreement” are to the amended and restated relationship agreement dated as of March 28, 2014, as amended from time to time, by and among our partnership, the Holding LP, the Holding Entities, the Service Provider and Brookfield Asset Management, as described in Item 7.B “Related Party Transactions—Relationship Agreement”;

- the “Service Provider” are to Brookfield Infrastructure Group L.P., Brookfield Asset Management Private Institutional Capital Adviser (Canada), LP, Brookfield Asset Management Barbados Inc., Brookfield Global Infrastructure Advisor Limited, Brookfield Infrastructure Group (Australia) Pty Limited and, unless the context otherwise requires, includes any other affiliate of Brookfield Asset Management that provides services to us pursuant to the Master Services Agreement or any other service agreement or arrangement;
- “Service Recipients” are to our partnership, the Holding LP and certain of the Holding Entities in their capacity as recipients of services under the Master Services Agreement;
- “spin-off” are to the issuance of the special dividend by Brookfield Asset Management to its shareholders of 35,016,762 of our units on January 31, 2008;
- our “transport operations” are to our interests in Australian and Brazilian rail operations, port operations in the United States, the U.K., Europe, Australia, and New Zealand, toll road operations in Chile, Brazil, Peru and India, as described in Item 4.B “Business Overview—Our Operations—Transport—Overview”;
- “Chilean electricity transmission operation” means the 27.8% interest in ETC Transmission Holdings, S.L. the parent company of Transelec S.A., a regulated electricity transmission operation in Chile, with subsidiaries in Peru, that was sold by Brookfield Infrastructure in 2018;
- our “units” are to the limited partnership units in our partnership other than the preferred units, references to our “preferred units” are to preferred limited partnership units in our partnership and references to our “unitholders” and “preferred unitholders” are to the holders of our units and preferred units, respectively;
- “Class A Preferred Units”, “Series 1 Preferred Units”, “Series 2 Preferred Units”, “Series 3 Preferred Units”, “Series 4 Preferred Units”, “Series 5 Preferred Units”, “Series 6 Preferred Units”, “Series 7 Preferred Units”, “Series 8 Preferred Units”, “Series 9 Preferred Units”, “Series 10 Preferred Units”, “Series 11 Preferred Units” and “Series 12 Preferred Units” are to cumulative class A preferred limited partnership units, cumulative class A preferred limited partnership units, series 1, cumulative class A preferred limited partnership units, series 2, cumulative class A preferred limited partnership units, series 3, cumulative class A preferred limited partnership units, series 4, cumulative class A preferred limited partnership units, series 5, cumulative class A preferred limited partnership units, series 6, cumulative class A preferred limited partnership units, series 7, cumulative class A preferred limited partnership units, series 8 in our partnership, cumulative class A preferred limited partnership units, series 9 in our partnership, cumulative class A preferred limited partnership units, series 10 in our partnership, cumulative class A preferred limited partnership units, series 11 in our partnership, and cumulative class A preferred limited partnership units, series 12 in our partnership, respectively;
- “Holding LP Class A Preferred Units”, “Holding LP Series 1 Preferred Units”, “Holding LP Series 3 Preferred Units”, “Holding LP Series 5 Preferred Units”, “Holding LP Series 7 Preferred Units”, “Holding LP Series 9 Preferred Units” and “Holding LP Series 11 Preferred Units” are to cumulative class A preferred limited partnership units, cumulative class A preferred limited partnership units, series 1, cumulative class A preferred limited partnership units, series 3, cumulative class A preferred limited partnership units, series 5, cumulative class A preferred limited partnership units, series 7 of the Holding LP, cumulative class A preferred limited partnership units, series 9 of the Holding LP, and cumulative class A preferred limited partnership units, series 11 of the Holding LP, respectively;

- our “utilities operations” refer to our interests in an Australian regulated terminal operation, South American electricity transmission operations in Brazil and distribution operation in Colombia, European regulated distribution operation in the U.K. and South American natural gas transmission operation, as described in Item 4.B “Business Overview—Our Operations—Utilities—Overview”; and
- “Voting Agreements” are to the voting arrangements described in Item 7.B “Related Party Transactions—Voting Agreements”.

On September 14, 2016, we completed a three-for-two split of our units by way of a subdivision of units (the “Unit Split”), whereby unitholders received an additional one-half of a unit for each unit held, resulting in the issuance of approximately 115 million additional units. Our preferred units were not affected by the Unit Split. All historical per unit disclosures have been adjusted to effect for the change in units due to the Unit Split.

### FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains certain forward-looking statements and information concerning our business and operations. The forward-looking statements and information also relate to, among other things, our business, operations, objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates and anticipated events or trends. In some cases, you can identify forward-looking statements and information by terms such as “anticipate,” “believe,” “could,” “estimate,” “likely,” “expect,” “intend,” “may,” “continue,” “plan,” “potential,” “objective,” “tend,” “seek,” “target,” “foresee,” “aim to,” “outlook,” “endeavor,” “will,” “would” and “should” or the negative of those terms or other comparable terminology. These forward-looking statements and information are not historical facts but reflect our current expectations regarding future results or events and are based on information currently available to us and on assumptions we believe are reasonable.

Although we believe that our anticipated future results, performance or achievements expressed or implied by these forward-looking statements and information are based on reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve assumptions, known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements and information. 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 are within our control. If a change occurs, our business, financial condition, liquidity and results of operations and our plans and strategies may vary materially from those expressed in the forward-looking statements and information herein.

Factors that could cause our actual results to differ materially from those contemplated or implied by our forward-looking statements and information include, without limitation:

- our assets are or may become highly leveraged and we intend to incur indebtedness above the asset level;
- our partnership is a holding entity that relies on its subsidiaries to provide the funds necessary to pay our distributions and meet our financial obligations;
- future sales and issuances of our units, preferred units or securities exchangeable for our units, or the perception of such sales or issuances, could depress the trading price of our units or preferred units;



- pending acquisitions, dispositions and other transactions may not be completed on the timeframe or in the manner contemplated, or at all;
- deployment of capital for our committed backlog and other projects we are pursuing may be delayed, curtailed or redirected altogether;
- acquisitions may subject us to additional risks and the expected benefits of our acquisitions may not materialize;
- foreign currency risk and risk management activities;
- increasing political uncertainty, which may impact our ability to expand in certain markets;
- general economic conditions and risks relating to the economy;
- commodity risks;
- alternative technologies could impact the demand for, or use of, the businesses and assets that we own and operate and could impair or eliminate the competitive advantage of our businesses and assets;
- availability and cost of credit;
- government policy and legislation change;
- exposure to uninsurable losses and force majeure events;
- infrastructure operations may require substantial capital expenditures;
- labor disruptions and economically unfavorable collective bargaining agreements;
- exposure to occupational health and safety related accidents;
- exposure to increased economic regulation and adverse regulatory decisions;
- exposure to environmental risks, including increasing environmental legislation and the broader impacts of climate change;
- high levels of government regulation upon many of our operating entities, including with respect to rates set for our regulated businesses;
- First Nations claims to land, adverse claims or governmental claims may adversely affect our infrastructure operations;
- the competitive market for acquisition opportunities and the inability to identify and complete acquisitions as planned;
- our ability to renew existing contracts and win additional contracts with existing or potential customers;
- timing and price for the completion of unfinished projects;
- some of our current operations are held in the form of joint ventures or partnerships or through consortium arrangements;
- our infrastructure business is at risk of becoming involved in disputes and possible litigation;

- some of our businesses operate in jurisdictions with less developed legal systems and could experience difficulties in obtaining effective legal redress, which creates uncertainties;
- actions taken by national, state, or provincial governments, including nationalization, or the imposition of new taxes, could materially impact the financial performance or value of our assets;
- reliance on technology and exposure to cyber-security attacks;
- customers may default on their obligations;
- reliance on tolling and revenue collection systems;
- our ability to finance our operations due to the status of the capital markets;
- changes in our credit ratings;
- our operations may suffer a loss from fraud, bribery, corruption or other illegal acts;
- Brookfield's influence over our partnership and our partnership's dependence on the Service Provider;
- the lack of an obligation of Brookfield to source acquisition opportunities for us;
- our dependence on Brookfield and its professionals;
- interests in our General Partner may be transferred to a third party without unitholder or preferred unitholder consent;
- Brookfield may increase its ownership of our partnership;
- our Master Services Agreement and our other arrangements with Brookfield do not impose on Brookfield any fiduciary duties to act in the best interests of unitholders or preferred unitholders;
- conflicts of interest between our partnership, our preferred unitholders and our unitholders, on the one hand, and Brookfield, on the other hand;
- our arrangements with Brookfield may contain terms that are less favorable than those which otherwise might have been obtained from unrelated parties;
- our General Partner may be unable or unwilling to terminate the Master Services Agreement;
- the limited liability of, and our indemnification of, the Service Provider;
- our unitholders and preferred unitholders do not have a right to vote on partnership matters or to take part in the management of our partnership;
- market price of our units and preferred units may be volatile;
- dilution of existing unitholders;
- adverse changes in currency exchange rates;
- investors may find it difficult to enforce service of process and enforcement of judgments against us;

- we may not be able to continue paying comparable or growing cash distributions to unitholders in the future;
- our partnership may become regulated as an investment company under the *U.S. Investment Company Act of 1940*, as amended (“Investment Company Act”);
- we are exempt from certain requirements of Canadian securities laws and we are not subject to the same disclosure requirements as a U.S. domestic issuer;
- we may be subject to the risks commonly associated with a separation of economic interest from control or the incurrence of debt at multiple levels within an organizational structure;
- effectiveness of our internal controls over financial reporting;
- changes in tax law and practice; and
- other factors described in this annual report on Form 20-F, including, but not limited to, those described under Item 3.D “Risk Factors” and elsewhere in this annual report on Form 20-F.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements and information, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. In light of these risks, uncertainties and assumptions, the events described by our forward-looking statements and information might not occur. These risks could cause our actual results and our plans and strategies to vary from our forward-looking statements and information. We qualify any and all of our forward-looking statements and information by these cautionary factors. Please keep this cautionary note in mind as you read this annual report on Form 20-F. We disclaim any obligation to update or revise publicly any forward-looking statements or information, whether written or oral, as a result of new information, future events or otherwise, except as required by applicable law.

### **CAUTIONARY STATEMENT REGARDING THE USE OF NON-IFRS ACCOUNTING MEASURES**

To measure performance, we focus on net income, an IFRS measure, as well as certain non-IFRS measures, including Funds from Operations (“FFO”), Adjusted Funds from Operations (“AFFO”), adjusted EBITDA (“Adjusted EBITDA”), adjusted earnings (“Adjusted Earnings”), and invested capital (“Invested Capital”), along with other measures.

#### *FFO*

We define FFO as net income excluding the impact of depreciation and amortization, deferred income taxes, breakage and transaction costs, and non-cash valuation gains or losses. FFO is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by, International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). FFO is therefore unlikely to be comparable to similar measures presented by other issuers. FFO has limitations as an analytical tool. Specifically, our definition of FFO may differ from the definition used by other organizations, as well as the definition of Funds from Operations used by the Real Property Association of Canada (“REALPAC”) and the National Association of Real Estate Investment Trusts, Inc. (“NAREIT”), in part because the NAREIT definition is based on U.S. GAAP, as opposed to IFRS.

### *AFFO*

We define AFFO as FFO less capital expenditures required to maintain the current performance of our operations (maintenance capital expenditures). AFFO is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by, IFRS. AFFO is therefore unlikely to be comparable to similar measures presented by other issuers and has limitations as an analytical tool.

### *Adjusted EBITDA*

In addition to FFO and AFFO, we focus on Adjusted EBITDA, which we define as net income excluding the impact of depreciation and amortization, interest expense, current and deferred income taxes, breakage and transaction costs, and non-cash valuation gains or losses. Adjusted EBITDA is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by, IFRS. Adjusted EBITDA is therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted EBITDA has limitations as an analytical tool.

### *Adjusted Earnings*

We also focus on Adjusted Earnings, which we define as net income attributable to our partnership, excluding the impact of depreciation and amortization expense from revaluing property, plant and equipment and the effects of purchase price accounting, mark-to-market on hedging items and disposition gains or losses. Adjusted Earnings is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by, IFRS. Adjusted Earnings is therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted Earnings has limitations as an analytical tool.

### *Invested Capital*

Invested Capital, which tracks the amount of capital that has been contributed to our partnership, is a measure we utilize to assess returns on capital deployed, relative to targeted returns. Investment decisions are based on, amongst other measures and factors, targeted returns on Invested Capital of 12% to 15% annually over the long-term. We measure return on Invested Capital as Adjusted Funds From Operations (“AFFO”), less estimated returns of capital on operations that are not perpetual in life, divided by the weighted average Invested Capital for the period. We define Invested Capital as partnership capital removing the following items: non-controlling interest in operating subsidiaries, retained earnings or deficit, accumulated other comprehensive income and ownership changes.

For further details regarding our use of FFO, AFFO, Adjusted EBITDA, Adjusted Earnings, and Invested Capital, as well as a reconciliation of net income to these performance measures, please see the “Reconciliation of Non-IFRS Financial Measures” section in Item 5 “Operating and Financial Review and Prospects—Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

## PART I

### ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

### ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

### ITEM 3. KEY INFORMATION

#### 3.A SELECTED FINANCIAL DATA

The following table presents financial data for Brookfield Infrastructure as of and for the periods indicated:

US\$ MILLIONS, EXCEPT PER UNIT AMOUNTS	For the year ended December 31,				
	2018	2017	2016	2015	2014
<b>Statements of Operating Results</b>					
Revenue	\$ 4,652	\$ 3,535	\$ 2,115	\$ 1,855	\$ 1,924
Direct operating costs	(2,208)	(1,509)	(1,063)	(798)	(846)
General and administrative expenses	(223)	(239)	(166)	(134)	(115)
Depreciation and amortization expense	(801)	(671)	(447)	(375)	(380)
Interest expense	(555)	(428)	(392)	(367)	(362)
Share of (losses) earnings from investments in associates and joint ventures	(13)	118	248	69	50
Mark-to-market on hedging items	137	(66)	74	83	38
Gain on sale of associates	338	—	—	—	—
Other (expenses) income	(157)	7	174	54	(1)
Income before income tax	1,170	747	543	387	308
Current income tax expense	(318)	(106)	(33)	(22)	(30)
Deferred income tax (expense) recovery	(46)	(67)	18	26	(49)
Net income	\$ 806	\$ 574	\$ 528	\$ 391	\$ 229
Net income attributable to partnership <sup>(1)</sup>	410	125	487	301	184
Net income (loss) per limited partnership unit (basic and diluted) <sup>(2)</sup>	0.59	(0.04)	1.13	0.69	0.45
Funds from Operations (FFO) <sup>(3)</sup>	1,231	1,170	944	808	724
Per unit FFO <sup>(4)</sup>	3.11	3.11	2.72	2.39	2.30
Adjusted Funds from Operations (AFFO) <sup>(5)</sup>	982	941	771	672	593
Adjusted EBITDA <sup>(6)</sup>	1,613	1,564	1,322	1,177	1,142
Adjusted Earnings <sup>(7)</sup>	509	569	505	464	350
Adjusted Earnings per unit <sup>(4)</sup>	1.29	1.51	1.45	1.38	1.11
Per unit distributions	1.88	1.74	1.55	1.41	1.28

(1) Net income (loss) attributable to partnership includes net income (loss) attributable to non-controlling interests—Redeemable Partnership Units held by Brookfield, non-controlling interests—Exchange LP Units, general partner and limited partners.

(2) During the year ended December 31, 2018, on average there were 276.9 million limited partnership units outstanding (2017: 264.6 million, 2016: 244.7 million, 2015: 238.9 million, 2014: 225.4 million).

(3) FFO is defined as net income excluding the impact of depreciation and amortization, deferred income taxes, breakage and transaction costs, and non-cash valuation gains or losses. Along with net income and other measures, FFO is a key measure of our financial performance that we use to assess the operating results and performance of our operations on a segmented basis. It is not calculated in accordance with, and does not have any standardized meanings prescribed by IFRS. For further details regarding our use of FFO as well as a reconciliation of net income to this measure, please see the “Reconciliation of Non-IFRS Financial Measures” section in Item 5 “Operating and Financial Review and Prospects—Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

- (4) During the year ended December 31, 2018, on average there were 395.4 million units outstanding (2017: 376.8 million, 2016: 347.2 million, 2015: 337.4 million, 2014: 315.1 million), being inclusive of our units, the Redeemable Partnership Units, the Exchange LP Units and the Special General Partner Units.
- (5) AFFO is defined as FFO less capital expenditures required to maintain the current performance of our operations (maintenance capital expenditures). AFFO is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by, IFRS. AFFO is therefore unlikely to be comparable to similar measures presented by other issuers. AFFO has limitations as an analytical tool. For further details regarding our use of AFFO, as well as a reconciliation of net income to this measure, please see the “Reconciliation of Non-IFRS Financial Measures” section in Item 5 “Operating and Financial Review and Prospects—Management’s Discussion and Analysis of Financial Condition and Results of Operations”.
- (6) Adjusted EBITDA is defined as net income excluding the impact of depreciation and amortization, interest expense, current and deferred income taxes, breakage and transaction costs, and non-cash valuation gains or losses. Adjusted EBITDA is not calculated in accordance with, and does not have any standardized meaning prescribed by, IFRS. Adjusted EBITDA is therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted EBITDA has limitations as an analytical tool. For further details regarding our use of Adjusted EBITDA, as well as a reconciliation of net income to this measure, please see the “Reconciliation of Non-IFRS Financial Measures” section in Item 5 “Operating and Financial Review and Prospects—Management’s Discussion and Analysis of Financial Condition and Results of Operations”.
- (7) Adjusted Earnings is defined as net income attributable to our partnership, excluding the impact of depreciation and amortization expense from revaluing property, plant and equipment and the effects of purchase price accounting, mark-to-market on hedging items and disposition gains or losses. Adjusted Earnings is not calculated in accordance with, and does not have any standardized meaning prescribed by, IFRS. Adjusted Earnings is therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted Earnings has limitations as an analytical tool. For further details regarding our use of Adjusted Earnings, as well as a reconciliation of net income to this measure, please see the “Reconciliation of Non-IFRS Financial Measures” section in Item 5 “Operating and Financial Review and Prospects—Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

**US\$ MILLIONS**

**Statements of Financial Position Key Metrics**

	As of December 31,				
	2018	2017	2016	2015	2014
Cash and cash equivalents	\$ 540	\$ 374	\$ 786	\$ 199	\$ 189
Total assets	36,580	29,477	21,275	17,735	16,495
Corporate borrowings	1,993	2,101	1,002	1,380	588
Non-recourse borrowings	13,113	8,063	7,324	5,852	6,221
Partnership Capital	14,668	13,474	9,644	7,176	6,322

Net income is the most directly comparable IFRS measure to FFO and AFFO. The following table reconciles net income to FFO and AFFO.

US\$ MILLIONS, EXCEPT PER UNIT AMOUNTS <sup>(1)</sup>	For the year ended December 31,				
	2018	2017	2016	2015	2014
Net income	\$ 806	\$ 574	\$ 528	\$ 391	\$ 229
Add back or deduct the following:					
Depreciation and amortization	801	671	447	375	380
Share of losses (earnings) from investments in associates and joint ventures	13	(118)	(248)	(69)	(50)
FFO contribution from investments in associates and joint ventures	546	584	454	341	289
Income tax expense (recovery)	364	173	15	(4)	79
Mark-to-market on hedging items and other	20	59	(248)	(137)	(37)
Gain on sale of associates	(338)	—	—	—	—
Other (expense) income	(34)	(61)	95	36	11
Consolidated Funds from Operations	2,178	1,882	1,043	933	901
FFO attributable to non-controlling interests	(947)	(712)	(99)	(125)	(177)
FFO	1,231	1,170	944	808	724
Maintenance capital expenditures	(249)	(229)	(173)	(136)	(131)
AFFO	\$ 982	\$ 941	\$ 771	\$ 672	\$ 593

(1) See Item 5 “Operating and Financial Review and Prospects—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of Non-IFRS Financial Measures” for a detailed reconciliation of our proportionate results to our consolidated statements of operating results.

Please see Item 5 “Operating and Financial Review and Prospects—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of Non-IFRS Financial Measures” for a reconciliation of net income to Adjusted EBITDA and Adjusted Earnings.

### 3.B CAPITALIZATION AND INDEBTEDNESS

Not applicable.

### 3.C REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

### 3.D RISK FACTORS

You should carefully consider the following factors in addition to the other information set forth in this annual report on Form 20-F. If any of the following risks actually occur, our business, financial condition and results of operations and the value of our units and preferred units would likely suffer.

## **Risks Relating to Our Operations and the Infrastructure Industry**

***All of our operating entities are subject to general economic and political conditions and risks relating to the markets in which we operate.***

Many industries, including the industries in which we operate, are impacted by political and economic conditions, and in particular, adverse events in financial markets, which may have a profound effect on global or local economies. Some key impacts of general financial market turmoil include contraction in credit markets resulting in a widening of credit spreads, devaluations and enhanced volatility in global equity, commodity and foreign exchange markets and a general lack of market liquidity. A slowdown in the financial markets or other key measures of the global economy or the local economies of the regions in which we operate, including, but not limited to, new home construction, employment rates, business conditions, inflation, fuel and energy costs, commodity prices, lack of available credit, the state of the financial markets, interest rates and tax rates may adversely affect our growth and profitability.

The demand for services provided by our operating entities are, in part, dependent upon and correlated to general economic conditions and economic growth of the regions applicable to the relevant asset. Poor economic conditions or lower economic growth in a region or regions may, either directly or indirectly, reduce demand for the services provided by an asset.

For example, a credit/liquidity crisis, such as the global crisis experienced in 2008/2009, could materially impact the cost and availability of financing and overall liquidity; the volatility of commodity output prices and currency exchange markets could materially impact revenues, profits and cash flow; volatile energy, commodity input and consumables prices and currency exchange rates could materially impact production costs; poor local or regional economic conditions could materially impact the level of traffic on our toll roads or volume of commodities transported on our rail network and/or shipped through our ports; our U.K. regulated distribution business earns connection revenues that would be negatively impacted by an economic recession and a reduction of housing starts in the U.K.; and the devaluation and volatility of global stock markets could materially impact the valuation of our units and preferred units. Any one of these factors could have a material adverse effect on our business, financial condition and results of operations. If such increased levels of volatility and market turmoil were to continue, our operations and the trading price of our units and preferred units may be further adversely impacted.

In addition, we may be affected by political uncertainties in the United States and Europe, which may have global repercussions, including in markets where we currently operate or intend to expand into in the future.



***Some of our operations depend on continued strong demand for commodities, such as natural gas or minerals, for their financial performance. Material reduction in demand for these key commodities can potentially result in reduced value for assets, or in extreme cases, a stranded asset.***

Some of our operations are critically linked to the transport or production of key commodities. For example, our Australian regulated terminal operation relies on demand for coal exports, our Australian rail operation relies on demand for iron ore for steel production and our South and North American gas transmission operation relies on demand for natural gas and benefits from higher gas prices. While we endeavor to protect against short to medium term commodity demand risk wherever possible by structuring our contracts in a way that minimizes volume risk (e.g. minimum guaranteed volumes and ‘take-or-pay’ arrangements), these contract terms are finite and in some cases contracts contain termination or suspension rights for the benefit of the customer. Accordingly, a long-term and sustained downturn in the demand for or price of a key commodity linked to one of our operations may result in termination, suspension or default under a key contract, or otherwise have a material adverse impact on the financial performance or growth prospects of that particular operation, notwithstanding our efforts to maximize contractual protections.

If a critical upstream or downstream business ceased to operate, this could materially impact our financial performance or the value of one or more of our operating businesses. In extreme cases, our infrastructure could become redundant, resulting in an inability to recover a return on or of capital and potentially triggering covenants and other terms and conditions under associated debt facilities.

***Alternative technologies could impact the demand for, or use of, the business and assets that we own and operate and could impair or eliminate our competitive advantage of our businesses and assets.***

There are alternative technologies that may impact the demand for, or use of, the businesses and assets that we own and operate. While some such alternative technologies are in earlier stages of development, ongoing research and development activities may improve such alternative technologies. For example, changes in the materials used in construction may reduce the demand for thermal coal and iron ore. Additionally, off-grid energy solutions may reduce the need for electricity and gas generation networks and pipelines, and technologies that enable remote working opportunities could reduce traffic on our toll roads. If this were to happen, the competitive advantage of our businesses and assets may be significantly impaired or eliminated and our business, financial condition, results of operations and cash flow could be materially and adversely affected as a result.

***Acquisitions may subject us to additional risks and the expected benefits of our acquisitions may not materialize.***

A key part of Brookfield Infrastructure's strategy involves seeking acquisition opportunities. Acquisitions may increase the scale, scope and diversity of our operations. We depend on the diligence and skill of Brookfield's professionals to manage us, including integrating all of the acquired business' operations with our existing operations. These individuals may have difficulty managing the additional operations and may have other responsibilities within Brookfield's asset management business. If Brookfield does not effectively manage the additional operations, our existing business, financial condition and results of operations may be adversely affected.

Acquisitions will likely involve some or all of the following risks, which could materially and adversely affect our business, financial condition or results of operations: the difficulty of integrating the acquired operations and personnel into our current operations; the ability to achieve potential synergies; potential disruption of our current operations; diversion of resources, including Brookfield's time and attention; the difficulty of managing the growth of a larger organization; the risk of entering markets in which we have little experience; the risk of becoming involved in labor, commercial or regulatory disputes or litigation related to the new enterprise; the risk of environmental or other liabilities associated with the acquired business; and the risk of a change of control resulting from an acquisition triggering rights of third parties or government agencies under contracts with, or authorizations held by the operating business being acquired. While it is our practice to conduct extensive due diligence investigations into businesses being acquired, it is possible that due diligence may fail to uncover all material risks in the business being acquired, or to identify a change of control trigger in a material contract or authorization, or that a contractual counterparty or government agency may take a different view on the interpretation of such a provision to that taken by us, thereby resulting in a dispute. The discovery of any material liabilities subsequent to an acquisition, as well as the failure of an acquisition to perform according to expectations, could have a material adverse effect on Brookfield Infrastructure's business, financial condition and results of operations. In addition, if returns are lower than anticipated from acquisitions, we may not be able to achieve growth in our distributions in line with our stated goals and the market value of our units may decline.

***We operate in a highly competitive market for acquisition opportunities.***

Our acquisition strategy is dependent to a significant extent on the ability of Brookfield to identify acquisition opportunities that are suitable for us. We face competition for acquisitions primarily from investment funds, operating companies acting as strategic buyers, construction companies, commercial and investment banks, and commercial finance companies. Many of these competitors are substantially larger and have considerably greater financial, technical and marketing resources than are available to us. Some of these competitors may also have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of acquisitions and to offer terms that we are unable or unwilling to match. Due to the capital intensive nature of infrastructure acquisitions, in order to finance acquisitions we will need to compete for equity capital from institutional investors and other equity providers, including Brookfield, and our ability to consummate acquisitions will be dependent on such capital continuing to be available. Increases in interest rates could also make it more difficult to consummate acquisitions because our competitors may have a lower cost of capital which may enable them to bid higher prices for assets. In addition, because of our affiliation with Brookfield, there is a higher risk that when we participate with Brookfield and others in joint ventures, partnerships and consortiums on acquisitions we may become subject to antitrust or competition laws that we would not be subject to if we were acting alone. These factors may create competitive disadvantages for us with respect to acquisition opportunities.

We cannot provide any assurance that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations or that Brookfield will be able to identify and make acquisitions on our behalf that are consistent with our objectives or that generate attractive returns for our unitholders. We may lose acquisition opportunities if we do not match prices, structures and terms offered by competitors, if we are unable to access sources of equity or obtain indebtedness at attractive rates or if we become subject to antitrust or competition laws. Alternatively, we may experience decreased rates of return and increased risks of loss if we match prices, structures and terms offered by competitors.

***We may be unable to complete acquisitions, dispositions and other transactions as planned.***

Our acquisitions, dispositions and other transactions are subject to a number of closing conditions, including, as applicable, security holder approval, regulatory approval (including competition authorities) and other third party consents and approvals that are beyond our control and may not be satisfied. In particular, many jurisdictions in which we seek to invest (or divest) impose government consent requirements on investments by foreign persons. Consents and approvals may not be obtained, may be obtained subject to conditions which adversely affect anticipated returns, and/or may be delayed and delay or ultimately preclude the completion of acquisitions, dispositions and other transactions. Government policies and attitudes in relation to foreign investment may change, making it more difficult to complete acquisitions, dispositions and other transactions in such jurisdictions. Furthermore, interested stakeholders could take legal steps to prevent transactions from being completed. If all or some of our acquisitions, dispositions and other transactions are unable to be completed on the terms agreed, we may need to modify or delay or, in some cases, terminate these transactions altogether, the market value of our units may significantly decline and we may not be able to achieve the expected benefits of the transactions. Although we expect to generate \$1.5 to \$2 billion of net proceeds from asset sales in the next 12 to 18 months, we can provide no assurance that those sales will be completed on the anticipated time frame, or at all.

***Infrastructure assets may be subject to competition risk.***

Some assets may be affected by the existence of other competing assets owned and operated by other parties. There can be no assurance that our businesses can renew all their existing contracts or win additional contracts with their existing or potential customers. The ability of our businesses to maintain or improve their revenue is dependent on price, availability and customer service as well as on the availability of access to alternative infrastructure. In the case where the relevant business is unable to retain customers and/or unable to win additional customers to replace those customers it is unable to retain, the revenue from such assets will be reduced.

***Investments in infrastructure projects prior to or during a construction or expansion phase are likely to be subject to increased risk.***

A key part of our growth strategy involves identifying and taking advantage of organic growth opportunities within our existing businesses. These opportunities typically involve development and construction of new infrastructure or expansion or upgrades to existing infrastructure. Investments in new infrastructure projects during a development or construction phase are likely to be subject to additional risk that the project will not receive all required approvals, will not be completed within budget, within the agreed timeframe and to the agreed specifications and, where applicable, will not be successfully integrated into the existing assets. During the construction phase, major risks include: (i) a delay in the projected completion of the project, which can result in an increase in total project construction costs through higher capitalized interest charges and additional labor, material expenses, and a resultant delay in the commencement of cash flow; (ii) the insolvency of the head contractor, a major subcontractor and/or a key equipment supplier; (iii) construction costs exceeding estimates for various reasons, including inaccurate engineering and planning, labor and building material costs in excess of expectations and unanticipated problems with project start-up; and (iv) defects in design, engineering or construction (including, without limitation, latent defects that do not materialize during an applicable warranty or limitation periods). Such unexpected increases may result in increased debt service costs, operations and maintenance expenses and damage payments for late delivery. This may result in the inability of project owners to meet the higher interest and principal repayments arising from the additional debt required.

In addition, construction projects may be exposed to significant liquidated damages to the extent that commercial operations are delayed beyond prescribed dates or that performance levels do not meet guaranteed levels. For example, a liquidated damages regime applies in respect of some of the expansion of works at our Brazilian toll road business.

We currently have approximately \$1.8 billion of committed backlog. Total capital to be commissioned in the next two to three years currently stands at approximately \$2.2 billion. We can provide no assurance that we will be able to complete these projects on time or within budget. In addition, we are pursuing a number of other organic growth opportunities that are not yet committed. Accordingly, we can provide no assurance that these projects will materialize on the terms currently contemplated, or at all.

***We are subject to foreign currency risk and our risk management activities may adversely affect the performance of our operations.***

A significant portion of our current operations are in countries where the U.S. dollar is not the functional currency. These operations pay distributions in currencies other than the U.S. dollar, which we must convert to U.S. dollars prior to making distributions, and certain of our operations have revenues denominated in currencies different from our expense structure, thus exposing us to currency risk. Fluctuations in currency exchange rates could reduce the value of cash flows generated by our operating entities or could make it more expensive for our customers to purchase our services and consequently reduce the demand for our services. In addition, a significant depreciation in the value of such foreign currencies may have a material adverse effect on our business, financial condition and results of operations.

When managing our exposure to such market risks, we may use forward contracts, options, swaps, caps, collars and floors or pursue other strategies or use other forms of derivative instruments. The success of any hedging or other derivative transactions that we enter into generally will depend on our ability to structure contracts that appropriately offset our risk position. As a result, while we may enter into such transactions in order to reduce our exposure to market risks, unanticipated market changes may result in poorer overall investment performance than if the derivative transaction had not been executed. Such transactions may also limit the opportunity for gain if the value of a hedged position increases.

***General economic and business conditions that impact the debt or equity markets could impact our ability to access credit markets.***

General economic and business conditions that impact the debt or equity markets could impact the availability of credit to, and cost of credit for, Brookfield Infrastructure. We have revolving credit facilities and other short-term borrowings. The amount of interest charged on these will fluctuate based on changes in short-term interest rates. Any economic event that affects interest rates or the ability to refinance borrowings could materially adversely impact our financial condition. Movements in interest rates could also affect the discount rates used to value our assets, which in turn could cause their valuations calculated under IFRS to be reduced resulting in a material reduction in our equity value.

In addition, some of our operations either currently have a credit rating or may have a credit rating in the future. A credit rating downgrade may result in an increase in the cost of debt for the relevant businesses and reduced access to debt markets.

Some assets in our portfolio have a requirement for significant capital expenditure. For other assets, cash, cash equivalents and short-term investments combined with cash flow generated from operations are believed to be sufficient for it to make the foreseeable required level of capital investment. However, no assurance can be given that additional capital investments will not be required in these businesses. If we are unable to generate enough cash to finance necessary capital expenditures through operating cash flow, then we may be required to issue additional equity or incur additional indebtedness. The issue of additional equity would be dilutive to existing unitholders at the time. Any additional indebtedness would increase our leverage and debt payment obligations, and may negatively impact our business, financial condition and results of operations.

Our business relies on continued access to capital to fund new investments and capital projects. While we aim to prudently manage our capital requirements and ensure access to capital is always available, it is possible we may overcommit ourselves or misjudge the requirement for capital or the availability of liquidity. Such a misjudgment may require capital to be raised quickly and the inability to do so could result in negative financial consequences or in extreme cases bankruptcy.

***All of our operating entities are subject to changes in government policy and legislation.***

Our financial condition and results of operations could also be affected by changes in economic or other government policies or other political or economic developments in each country or region, as well as regulatory changes or administrative practices over which we have no control such as: the regulatory environment related to our business operations, concession agreements and periodic regulatory resets; interest rates; benchmark interest rate reforms, including changes to the administration of the London Inter-bank Offered Rate (“LIBOR”); currency fluctuations; exchange controls and restrictions; inflation; tariffs; liquidity of domestic financial and capital markets; policies relating to climate change or policies relating to tax; and other political, social, economic, and environmental and occupational health and safety developments that may occur in or affect the countries in which our operating entities are located or conduct business or the countries in which the customers of our operating entities are located or conduct business or both.

In addition, operating costs can be influenced by a wide range of factors, many of which may not be under the control of the owner/operator, including the need to comply with the directives of central and local government authorities. For example, in the case of our utility, transport and energy operations, we cannot predict the impact of future economic conditions, energy conservation measures, alternative fuel requirements, or governmental regulation all of which could reduce the demand for or availability of commodities our transport and energy operations rely upon, most notably coal and natural gas. It is difficult to predict government policies and what form of laws and regulations will be adopted or how they will be construed by the relevant courts, or to the extent which any changes may adversely affect us.

The Financial Conduct Authority in the U.K. has announced that it will cease to compel banks to participate in LIBOR after 2021. This change to the administration of LIBOR, and any other reforms to benchmark interest rates, could create significant risks and challenges for us and our operating entities. The discontinuance of, or changes to, benchmark interest rates may require adjustments to agreements to which we and other market participants are parties, as well as to related systems and processes.

***We may be exposed to natural disasters, weather events, uninsurable losses and force majeure events.***

Force majeure is the term generally used to refer to an event beyond the control of the party claiming that the event has occurred, including but not limited to acts of God, fires, floods, earthquakes, wars and labor strikes. The assets of our infrastructure businesses are exposed to unplanned interruptions caused by significant catastrophic events such as cyclones, landslides, explosions, terrorist attacks, war, floods, earthquakes, fires, major plant breakdowns, pipeline or electricity line ruptures, accidents, extreme weather events or other disasters. Operational disruption, as well as supply disruption, could adversely affect the cash flow available from these assets. In addition, the cost of repairing or replacing damaged assets could be considerable and could give rise to third-party claims. In some cases, project agreements can be terminated if the force majeure event is so catastrophic as to render it incapable of remedy within a reasonable time period. Repeated or prolonged interruption may result in a permanent loss of customers, substantial litigation, damage, or penalties for regulatory or contractual non-compliance. Moreover, any loss from such events may not be recoverable in whole or in part under relevant insurance policies. Business interruption insurance is not always available, or available on reasonable economic terms to protect the business from these risks.

Given the nature of the assets operated by our operating entities, we may be more exposed to risks in the insurance market that lead to limitations on coverage and/or increases in premium. For example, many components of our South American toll roads are not insured or not fully insured against losses from earthquakes and our North American gas transmission operation, our Australian distribution operations and our European regulated distribution operations self-insure the majority of their line and pipe assets. Therefore, the occurrence of a major or uninsurable event could have a material adverse effect on financial performance. Even if such insurance were available, the cost may be prohibitive. The ability of the operating entities to obtain the required insurance coverage at a competitive price may have an impact on the returns generated by them and accordingly the returns we receive.

For example, our regulated energy distribution businesses generate revenue based on the volume transmitted through their systems. Weather that deviates materially from normal conditions could impact these businesses. A number of our businesses may be adversely impacted by extreme weather. Our Australian rail operation transports grain on its system, for which it is contracted on a volume basis. A drought could have a material negative impact on revenue from grain transportation.

***All of our infrastructure operations may require substantial capital expenditures in the future.***

Our utilities, transport and energy operations are capital intensive and require substantial ongoing expenditures for, among other things, additions and improvements, and maintenance and repair of plant and equipment related to our operations. Any failure to make necessary capital expenditures to maintain our operations in the future could impair the ability of our operations to serve existing customers or accommodate increased volumes. In addition, we may not be able to recover such investments based upon the rates our operations are able to charge.

In some of the jurisdictions in which we have utilities, transport or energy operations, certain maintenance capital expenditures may not be covered by the regulatory framework. If our operations in these jurisdictions require significant capital expenditures to maintain our asset base, we may not be able to recover such costs through the regulatory framework. In addition, we may be exposed to disallowance risk in other jurisdictions to the extent that capital expenditures and other costs are not fully recovered through the regulatory framework.

***Performance of our operating entities may be harmed by future labor disruptions and economically unfavorable collective bargaining agreements.***

Several of our current operations or other business operations have workforces that are unionized or that in the future may become unionized and, as a result, are required to negotiate the wages, benefits and other terms with many of their employees collectively. If an operating entity were unable to negotiate acceptable contracts with any of its unions as existing agreements expire, it could experience a significant disruption of its operations, higher ongoing labor costs and restrictions on its ability to maximize the efficiency of its operations, which could have a material adverse effect on its business, financial condition and results of operations.

In addition, in some jurisdictions where we have operations, labor forces have a legal right to strike, which may have an impact on our operations, either directly or indirectly, for example if a critical upstream or downstream counterparty was itself subject to a labor disruption which impacted our ability to operate.

***Our operations are exposed to occupational health and safety and accident risks.***

Infrastructure projects and operational assets are highly exposed to the risk of accidents that may give rise to personal injury, loss of life, disruption to service and economic loss. Some of the tasks undertaken by employees and contractors are inherently dangerous and have the potential to result in serious injury or death.

Our operating entities are subject to laws and regulations governing health and safety matters, protecting both members of the public and their employees and contractors. Occupational health and safety legislation and regulations differ in each jurisdiction. Any breach of these obligations, or serious accidents involving our employees, contractors or members of the public could expose them to adverse regulatory consequences, including the forfeit or suspension of operating licenses, potential litigation, claims for material financial compensation, reputational damage, fines or other legislative sanction, all of which have the potential to impact the results of our operating entities and our ability to make distributions. Furthermore, where we do not control a business, we have a limited ability to influence health and safety practices and outcomes.

***Many of our operations are subject to economic regulation and may be exposed to adverse regulatory decisions.***

Due to the essential nature of some of the services provided by our assets and the fact that some of these services are provided on a monopoly or near monopoly basis, many of our operations are subject to forms of economic regulation. This regulation can involve different forms of price control and can involve ongoing commitments to economic regulators and other governmental agencies. The terms upon which access to our facilities is provided, including price, can be determined or amended by a regulator periodically. Future terms to apply, including access charges that our operations are entitled to charge, cannot be determined with any certainty, as we do not have discretion as to the amount that can be charged. New legislation, regulatory determinations or changes in regulatory approaches may result in regulation of previously unregulated businesses or material changes to the revenue or profitability of our operations. In addition, a decision by a government or regulator to regulate non-regulated assets may significantly and negatively change the economics of these businesses and the value or financial performance of Brookfield Infrastructure. For example, in 2010 regulatory action taken by the Federal Energy Regulatory Commission (“FERC”) saw a significant reduction in annual cash flow expectations of our North American gas transmission operations. Similar periodic regulatory resets resulting in a decline in annual cash flows have occurred at our Australian coal terminal and our Texas electricity transmission operation in 2016 and 2018, respectively.



***Our operating entities are exposed to the risk of environmental damage.***

Many of Brookfield Infrastructure's assets are involved in using, handling or transporting substances that are toxic, combustible or otherwise hazardous to the environment. Furthermore, some of our assets have operations in or in close proximity to environmentally sensitive areas or densely populated communities. There is a risk of a leak, spillage or other environmental emission at one of these assets, which could cause regulatory infractions, damage to the environment, injury or loss of life. Such an incident if it occurred could result in fines or penalties imposed by regulatory authorities, revocation of licenses or permits required to operate the business or the imposition of more stringent conditions in those licenses or permits, or legal claims for compensation (including punitive damages) by affected stakeholders. In addition, some of our assets may be subject to regulations or rulings made by environmental agencies that conflict with existing obligations we have under concession or other permitting agreements. Resolution of such conflicts may lead to uncertainty and increased risk of delays or cost over-runs on projects. All of these have the potential to significantly impact the value or financial performance of Brookfield Infrastructure.

***Our operating entities are exposed to the risk of increasing environmental legislation and the broader impacts of climate change.***

With an increasing global focus and public sensitivity to environmental sustainability and environmental regulation becoming more stringent, Brookfield Infrastructure's assets could be subject to increasing environmental responsibility and liability. For example, many jurisdictions in which Brookfield Infrastructure operates are considering implementing, or have implemented, schemes relating to the regulation of carbon emissions. As a result, there is a risk that the consumer demand for some of the energy sources supplied by Brookfield Infrastructure will be reduced. For example, the United Kingdom's phasing out of analog meters and use of gas as a source of heating for residential customers could lead to a reduction in revenue and growth at our U.K. utility business. The nature and extent of future regulation in the various jurisdictions in which Brookfield Infrastructure's operations are situated is uncertain, but is expected to become more complex and stringent.

It is difficult to assess the impact of any such changes on Brookfield Infrastructure. These schemes may result in increased costs to our operations that may not be able to be passed onto our customers and may have an adverse impact on prospects for growth of some businesses. To the extent such regimes (such as carbon emissions schemes or other carbon emissions regulations) become applicable to the operations of Brookfield Infrastructure (and the costs of such regulations are not able to be fully passed on to consumers), our financial performance may be impacted due to costs applied to carbon emissions and increased compliance costs.

Our operating entities are also subject to laws and regulations relating to the protection of the environment and pollution. Standards are set by these laws and regulations regarding certain aspects of environmental quality and reporting, provide for penalties and other liabilities for the violation of such standards, and establish, in certain circumstances, obligations to remediate and rehabilitate current and former facilities and locations where our operations are, or were, conducted. These laws and regulations may have a detrimental impact on the financial performance of our infrastructure operations and projects through increased compliance costs or otherwise. Any breach of these obligations, or even incidents relating to the environment that do not amount to a breach, could adversely affect the results of our operating entities and their reputations and expose them to claims for financial compensation or adverse regulatory consequences.

Our operations may also be exposed directly or indirectly to the broader impacts of climate change, including extreme weather events, export constraints on commodities, increased resource prices and restrictions on energy and water usage.

***Our operating entities may be exposed to higher levels of regulation than in other sectors and breaches of such regulations could expose our operating entities to claims for financial compensation and adverse regulatory consequences.***

In many instances, our ownership and operation of infrastructure assets involves an ongoing commitment to a governmental agency. The nature of these commitments exposes the owners of infrastructure assets to a higher level of regulatory control than typically imposed on other businesses. For example, several of our utilities, transport and energy operations are subject to government safety and reliability regulations that are specific to their industries. The risk that a governmental agency will repeal, amend, enact or promulgate a new law or regulation or that a governmental authority will issue a new interpretation of the law or regulations, could affect our operating entities substantially.

Sometimes commitments to governmental agencies, for example, under toll road concession arrangements, involve the posting of financial security for performance of obligations. If obligations are breached these financial securities may be called upon by the relevant agency.

There is also the risk that our operating entities do not have, might not obtain, or may lose permits necessary for their operations. Permits or special rulings may be required on taxation, financial and regulatory related issues. Even though most permits and licenses are obtained before the commencement of operations, many of these licenses and permits have to be renewed or maintained over the life of the business. The conditions and costs of these permits, licenses and consents may be changed on any renewal, or, in some cases, may not be renewed due to unforeseen circumstances or a subsequent change in regulations. In any event, the renewal or non-renewal could have a material adverse effect on our business, financial condition and results of operations.

The risk that a government will repeal, amend, enact or promulgate a new law or regulation or that a regulator or other government agency will issue a new interpretation of the law or regulations, may affect our operations or a project substantially. This may also be due to court decisions and actions of government agencies that affect these operations or a project's performance or the demand for its services. For example, a government policy decision may result in adverse financial outcomes for us through directions to spend money to improve security, safety, reliability or quality of service.

***The lands used for our infrastructure assets may be subject to adverse claims or governmental or First Nations rights.***

Our operations require large areas of land on which to be constructed and operated. The rights to use the land can be obtained through freehold title, leases and other rights of use. Although we believe that we have valid rights to all material easements, licenses and rights of way for our infrastructure operations, not all of our easements, licenses and rights of way are registered against the lands to which they relate and may not bind subsequent owners. Additionally, different jurisdictions have adopted different systems of land title and in some jurisdictions it may not be possible to ascertain definitively who has the legal right to enter into land tenure arrangements with the asset owner. In some jurisdictions where we have operations, it is possible to claim indigenous or aboriginal rights to land and the existence or declaration of native title may affect the existing or future activities of our utilities, transport or energy operations and impact on their business, financial condition and results of operations.

In addition, a government, court, regulator, or indigenous or aboriginal group may make a decision or take action that affects an asset or project's performance or the demand for its services. In particular, a regulator may restrict our access to an asset, or may require us to provide third parties with access, or may affect the pricing structure so as to lower our revenues and earnings. In Australia, native title legislation provides for a series of procedures that may need to be complied with if native title is declared on relevant land. In Canada, for example, courts have recognized that First Nations peoples may possess rights at law in respect of land used or occupied by their ancestors where treaties have not been concluded to deal with these rights. In either case, the claims of a First Nations or similar group may affect the existing or future activities of our operations, impact on our business, financial condition and results of operations, or require that compensation be paid.

***Some of our transactions and current operations are structured as joint ventures, partnerships and consortium arrangements, and we intend to continue to operate in this manner in the future, which may reduce Brookfield's and our influence over our operations and may subject us to additional obligations.***

Some of our transactions and current operations are structured as joint ventures, partnerships and consortium arrangements. An integral part of our strategy is to participate with institutional investors in Brookfield-sponsored or co-sponsored consortiums for single asset acquisitions and as a partner in or alongside Brookfield-sponsored or co-sponsored partnerships that target acquisitions that suit our profile. These arrangements are driven by the magnitude of capital required to complete acquisitions of infrastructure assets, strategic partnering arrangements to access operating expertise, and other industry-wide trends that we believe will continue. Such arrangements involve risks not present where a third party is not involved, including the possibility that partners or co-venturers might become bankrupt or otherwise fail to fund their share of required capital contributions. Additionally, partners or co-venturers might at any time have economic or other business interests or goals different from us and Brookfield.

While our strategy is to structure these arrangements to afford our partnership certain protective rights in relation to operating and financing activities, joint ventures, partnerships and consortium investments may provide for a reduced level of influence over an acquired company because governance rights are shared with others. For example, these arrangements are structured to provide our partnership with veto rights over key operational activities and to require these arrangements to distribute available funds generated by the arrangement, subject to maintaining prudent reserves. Accordingly, decisions relating to the underlying operations and financing activities, including decisions relating to the management and operation, the investment of capital within the arrangement, and the timing and nature of any exit, will be made by a majority or supermajority vote of the investors or by separate agreements that are reached with respect to individual decisions. For example, when we participate with institutional investors in Brookfield-sponsored or co-sponsored consortiums for asset acquisitions and as a partner in or alongside Brookfield-sponsored or co-sponsored partnerships, there is often a finite term to the investment or a date after which partners are granted liquidity rights, which could lead to the investment being sold prior to the date we would otherwise choose. In addition, such operations may be subject to the risk that the company may make business, financial or management decisions with which we do not agree or the management of the company may take risks or otherwise act in a manner that does not serve our interests. Because we may have a reduced level of influence over such operations, we may not be able to realize some or all of the benefits that we believe will be created from our and Brookfield's involvement. If any of the foregoing were to occur, our business, financial condition and results of operations could suffer as a result.

In addition, because some of our transactions and current operations are structured as joint ventures, partnerships or consortium arrangements, the sale or transfer of interests in some of our operations are or may be subject to rights of first refusal or first offer, tag along rights or drag along rights and some agreements provide for buy-sell or similar arrangements. For example, some of our investments are subject to a shareholder agreement which allows for the sale of the assets without our consent. Such rights may be triggered at a time when we may not want them to be exercised and such rights may inhibit our ability to sell our interest in an entity within our desired time frame or on any other desired basis.

***Our infrastructure business is at risk of becoming involved in disputes and possible litigation.***

Our infrastructure business is at risk of becoming involved in disputes and possible litigation, the extent of which cannot be ascertained. Any material or costly dispute or litigation could adversely affect the value of the assets or future financial performance of Brookfield Infrastructure. In addition, as a result of the actions of the Holding Entities or the operating entities, Brookfield Infrastructure could be subject to various legal proceedings concerning disputes of a commercial nature, or to claims in the event of bodily injury or material damage. The final outcome of any proceeding could have a negative impact on the business, financial condition or results of operations of Brookfield Infrastructure during a given quarter or financial year.

***Some of our businesses operate in jurisdictions with less developed legal systems and could experience potential difficulties in obtaining effective legal redress and create uncertainties.***

Some of our businesses operate in jurisdictions with less developed legal systems than those in more established economies. In these jurisdictions, Brookfield Infrastructure could be faced with potential difficulties in obtaining effective legal redress; a higher degree of discretion on the part of governmental authorities; a lack of judicial or administrative guidance on interpreting applicable rules and regulations; inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; and relative inexperience of the judiciary and courts in such matters.

In addition, in certain jurisdictions, Brookfield Infrastructure may find that the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements could be uncertain, creating particular concerns with respect to permits, approvals and licenses required or desirable for, or agreements entered into in connection with, the Brookfield Infrastructure business in any such jurisdiction. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licenses, permits or approvals (or applications for licenses, permits or approvals) or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured.

***Action taken by national, state or provincial governments, including nationalization or the imposition of new taxes, could materially impact the financial performance or value of our assets.***

Our assets are located in many different jurisdictions, each with its own government and legal system. Different levels of political risk exist in each jurisdiction and it is possible that action taken by a national, state or provincial government, including the nationalization of a business or the imposition of new taxes, could materially impact our financial performance or in extreme cases deprive Brookfield Infrastructure of one or more of its businesses without adequate compensation.

***Our business relies on the use of technology, and as a result, we may be exposed to cyber-security attacks.***

Our business places significant reliance on information and other technology. This technology includes our computer systems used for information, processing, administrative and commercial operations and the operating plant and equipment used by our assets, including that on our toll roads, in our electricity transmission systems, coal terminal operations, ports, rail networks, and by our electricity and gas distribution companies. In addition, our business also relies upon telecommunication services to interface with its widely distributed business network and customers. The information and embedded systems of key business partners and regulatory agencies are also important to our operations. Our business relies on this technology functioning as intended.

Our computer systems may be subject to cybersecurity risks or other breaches of information technology security, noting the increasing frequency and severity of these kinds of incidents. In particular, our information technology systems may be subject to cyber terrorism intended to obtain unauthorized access to our proprietary information and that of our business partners, destroy data or disable, degrade or sabotage these systems, through the introduction of computer viruses, fraudulent emails, cyber-attacks and other means, and could originate from a variety of sources including our own employees or unknown third parties. Further, the operating equipment used by our assets may not continue to perform as it has in the past, and there is a risk of equipment failure due to wear and tear, latent defect, design or operator errors or early obsolescence, among other things.

A breach of our cyber/data security measures, the failure of any such computerized system or of the operating equipment used by our assets for a significant time period could have a material adverse effect on our business prospects, financial condition, results of operations and cash flow and it may not be possible to recover losses suffered from such incidents under our insurance policies. Although we are continuing to develop defenses to such attacks, we can provide no assurance they will be successful in preventing or ameliorating damage from such an attack on us and, as the manner in which cyber-attacks are undertaken has become more sophisticated, there is a risk that the occurrence of cyber-attack may remain undetected for an extended period.

Furthermore, our data infrastructure operations rely for their continued viability on the ongoing demand for tower infrastructure, which is uncertain and could be subject to bypass risk or obsolescence as a result of new or developing technologies.

***Many of our operations depend on relevant contractual arrangements.***

Many of our operations rely on revenue from customers under contracts. There is a risk that customers will default under these contracts. We cannot provide assurance that one or more customers will not default on their obligations to us or that such a default or defaults will not have a material adverse effect on our operations, financial position, future results of operations, or future cash flows. Furthermore, the bankruptcy of one or more of our customers, or some other similar proceeding or liquidity constraint, might make it unlikely that we would be able to collect all or a significant portion of amounts owed by the distressed entity or entities. In addition, such events might force such customers to reduce or curtail their future use of our products and services, which could have a material adverse effect on our business, financial condition and results of operations. For example, we have a single customer which represented a majority of contractual and regulated revenues of our Brazilian regulated gas transmission operation during 2018. As this accounts for a majority of its cash flow, our Brazilian regulated gas transmission operation could be materially adversely affected by any material change in the financial condition of that customer. Similarly, our rail business is party to several commercial track access agreements to provide access to our rail network for the haulage of commodities. The largest of these contracts currently accounts for a significant portion of forecast Adjusted EBITDA within the rail business and an event of default under this contract could have a materially adverse effect on that business.

We endeavor to minimize risk wherever possible by structuring our contracts in a way that minimizes volume risk (e.g. minimum guaranteed volumes and ‘take-or-pay’ arrangements), however it is possible that the take-or-pay arrangements may not be fully effective. In addition, the contract terms are finite and in some cases the contracts contain termination or suspension rights for the benefit of the customer.

Certain of our assets with revenues contracted under contracts will be subject to re-contracting risk in the future. We cannot provide assurance that we will be able to re-negotiate these contracts once their terms expire, or that even if we are able to do so, that we will be able to obtain the same prices or terms we currently receive. If we are unable to renegotiate these contracts, or unable to receive prices at least equal to the current prices we receive, our business, financial condition, results of operation and prospects could be adversely affected.

***We rely on tolling and revenue collection systems.***

Revenues at some of our assets depend on reliable and efficient tolling, metering or other revenue collection systems. There is a risk that, if one or more of our businesses are not able to operate and maintain these tolling, metering or other revenue collection systems in the manner expected, or if the cost of operation and maintenance is greater than expected, our assets, business, financial condition, and risks of operations could be materially adversely affected. Users of our facilities who do not pay tolls or other charges may be subject to either direct legal action from the relevant business, or in some cases may be referred to the state for enforcement action. We bear the ultimate risk if enforcement actions against defaulting customers are not successful or if enforcement actions are more costly or take more time than expected.

***Our ability to finance our operations is subject to various risks relating to the state of the capital markets.***

Our financing strategy involves both the issuance of partnership level equity and the issuance of corporate debt. For example, in September 2017, we issued approximately 16.6 million units at \$42.10 per unit in the United States and Canada, together with 7,423,000 additional Redeemable Partnership Units to Brookfield in a concurrent private placement. In September 2018, we raised C\$500 million of gross proceeds through the issuance of medium term notes and C\$250 million of gross proceeds through the issuance of Series 11 Preferred Units in Canada.

We have corporate debt and limited recourse project level debt, the majority of which is non-recourse that will need to be replaced from time to time. Our financings may contain conditions that limit our ability to repay indebtedness prior to maturity without incurring penalties, which may limit our capital markets flexibility. As such, a number of risks arise with respect to refinancing our existing indebtedness, including, among other factors, dependence on continued operating performance of our assets, future electricity market prices, future capital markets conditions, the level of future interest rates and investors' assessment of our credit risk at such time. In addition, certain of our financings are, and future financings may be exposed to floating interest rate risks, and if interest rates increase, an increased proportion of our cash flow may be required to service indebtedness.

Future acquisitions, development and construction of new facilities and other capital expenditures, including those arising from our committed backlog of organic growth projects, will be financed out of cash generated from our operations, borrowings and possible future sales of equity. Further, we may look to finance transactions through our capital recycling program, resulting in the disposition of certain of our assets. As a large portion of our capital is invested in physical assets and securities, relying on capital recycling as a means of financing could be difficult, as such assets can be hard to sell, especially if market conditions are poor. A lack of liquidity could limit our ability to vary our portfolio or assets promptly in response to changing economic or investment conditions. Additionally, if financial or operating difficulties of other owners result in distress sales, such sales could depress asset values in the markets in which we operate.

In addition to the above, our ability to obtain financing to finance our growth is dependent on, among other factors, the overall state of the capital markets, continued operating performance of our assets, future electricity market prices, the level of future interest rates and investors' assessment of our credit risk at such time, and investor appetite for investments in infrastructure assets in general and in our securities in particular. To the extent that external sources of capital become limited or unavailable or available on onerous terms, our ability to fund acquisitions and make necessary capital investments to construct new or maintain existing facilities will be impaired, and as a result, our business, financial condition, results of operations and prospects may be materially adversely affected.

***Changes in our credit ratings may have an adverse effect on our financial position and ability to raise capital.***

We cannot assure you that any credit rating assigned to us or any of our subsidiaries' debt securities will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating agency. A lowering or withdrawal of such ratings may have an adverse effect on our financial position and ability to raise capital.

***We may suffer a significant loss resulting from fraud, bribery, corruption other illegal acts, inadequate or failed internal processes or systems, or from external events.***

We may suffer a significant loss resulting from fraud, bribery, corruption, other illegal acts by our employees or those of Brookfield (including those in parts of the Brookfield group that do not engage or interact with Brookfield Infrastructure), inadequate or failed internal processes or systems, or from external events, such as security threats affecting our ability to operate. Both Brookfield and our partnership operate in different markets and rely on our employees to follow our policies and processes as well as applicable laws in their activities. Risk of illegal acts or failed systems is managed through our infrastructure, controls, systems and people, complemented by a focus on enterprise-wide management of specific operational risks such as fraud, bribery and corruption, as well as personnel and systems risks. Specific programs, policies, standards and methodologies have been developed to support the management of these risks, however these cannot guarantee that such conduct does not occur and if it does, it can result in direct or indirect financial loss, reputational impact or regulatory consequences.

#### **Risks Relating to Our Relationship with Brookfield**

***Brookfield exercises substantial influence over our partnership and we are highly dependent on the Service Provider.***

Brookfield is the sole shareholder of our General Partner. As a result of its ownership of our General Partner, Brookfield is able to control the appointment and removal of our General Partner's directors and, accordingly, exercise substantial influence over our partnership and over the Holding LP, for which our partnership is the managing general partner. In addition, the Service Provider, which includes wholly-owned subsidiaries of Brookfield, provides management and administration services to us pursuant to our Master Services Agreement. Our partnership and the Holding LP generally do not have any employees and depend on the management and administration services provided by the Service Provider. Brookfield personnel and support staff that provide services to us are not required to have as their primary responsibility the management and administration of our partnership or the Holding LP or to act exclusively for either of us. Any failure to effectively manage our current operations or to implement our strategy could have a material adverse effect on our business, financial condition and results of operations. For further information on our governance and management arrangements see Item 6.A "Directors and Senior Management", Item 6.C "Board Practices" and Item 7.B "Related Party Transactions—Conflicts of Interest and Fiduciary Duties".



***Brookfield has no obligation to source acquisition opportunities for us and we may not have access to all infrastructure acquisitions that Brookfield identifies.***

Our ability to grow depends on Brookfield's ability to identify and present us with acquisition opportunities. Brookfield established our partnership to own and operate certain infrastructure assets on a global basis. However, Brookfield has no obligation to source acquisition opportunities for us. In addition, Brookfield has not agreed to commit to us any minimum level of dedicated resources for the pursuit of infrastructure-related acquisitions. There are a number of factors which could materially and adversely impact the extent to which suitable acquisition opportunities are made available from Brookfield, for example:

- there is no accepted industry standard for what constitutes an infrastructure asset. For example, Brookfield may consider certain assets that have both real-estate related characteristics and infrastructure related characteristics to be real estate and not infrastructure;
- it is an integral part of Brookfield's (and our) strategy to pursue the acquisition of infrastructure assets through consortium arrangements with institutional investors, strategic partners and/or financial sponsors and to form partnerships (including private funds, joint ventures and similar arrangements) to pursue such acquisitions on a specialized or global basis. Although Brookfield has agreed with us that it will not enter any such arrangements that are suitable for us without giving us an opportunity to participate in them, there is no minimum level of participation to which we will be entitled;
- the same professionals within Brookfield's organization that are involved in sourcing and executing acquisitions that are suitable for us are responsible for sourcing and executing opportunities for the vehicles, consortiums and partnerships referred to above, as well as having other responsibilities within Brookfield's broader asset management business. Limits on the availability of such individuals will likewise result in a limitation on the availability of acquisition opportunities for us;
- Brookfield will only recommend acquisition opportunities that it believes are suitable and appropriate for us. Our focus is on assets where we believe that our operations-oriented approach can be deployed to create value. Accordingly, opportunities where Brookfield cannot play an active role in influencing the underlying assets may not be consistent with our acquisition strategy and, therefore, may not be suitable for us, even though they may be attractive from a purely financial perspective. Legal, regulatory, tax and other commercial considerations will likewise be an important consideration in determining whether an opportunity is suitable and/or appropriate for us and will limit our ability to participate in certain acquisitions; and
- in addition to structural limitations, the question of whether a particular acquisition is suitable and/or appropriate is highly subjective and is dependent on a number of portfolio construction and management factors including our liquidity position at the relevant time, the expected risk return profile of the opportunity, its fit with the balance of our investments and related operations, other opportunities that we may be pursuing or otherwise considering at the relevant time, our interest in preserving capital in order to secure other opportunities and/or to meet other obligations, and other factors. If Brookfield determines that an opportunity is not suitable or appropriate for us, it may still pursue such opportunity on its own behalf, or on behalf of a Brookfield-sponsored vehicle, partnership or consortium.

In making determinations about acquisition opportunities and investments, consortium arrangements or partnerships, Brookfield may be influenced by factors that result in a misalignment or conflict of interest and may take the interests of others into account, as well as our own interests. See Item 7.B “Related Party Transactions—Conflicts of Interest and Fiduciary Duties.”

Among others, we may pursue acquisition opportunities indirectly through investments in Brookfield-sponsored vehicles, consortiums and partnerships or directly (including by investing alongside such vehicles, consortiums and partnerships). Any references in this Item 3.D.—“Risk Factors” to our acquisitions, investments, assets, expenses, portfolio companies or other terms should be understood to mean such items held, incurred or undertaken directly by us or indirectly by us through our investment in such Brookfield-sponsored vehicles, consortiums and partnerships.

***The departure of some or all of Brookfield’s professionals could prevent us from achieving our objectives.***

We depend on the diligence, skill and business contacts of Brookfield’s professionals and the information and opportunities they generate during the normal course of their activities. Our future success will depend on the continued service of these individuals, who are not obligated to remain employed with Brookfield. Brookfield has experienced departures of key professionals in the past and may do so in the future, and we cannot predict the impact that any such departures will have on our ability to achieve our objectives. The departure of a significant number of Brookfield’s professionals for any reason, or the failure to appoint qualified or effective successors in the event of such departures, could have a material adverse effect on our ability to achieve our objectives. Our Limited Partnership Agreement and our Master Services Agreement do not require Brookfield to maintain the employment of any of its professionals or to cause any particular professionals to provide services to us or on our behalf.

***The control of our General Partner may be transferred to a third party without unitholder or preferred unitholder consent.***

Our General Partner may transfer its general partnership interest to a third party in a merger or consolidation or in a transfer of all or substantially all of its assets. Furthermore, at any time, the shareholder of our General Partner may sell or transfer all or part of its shares in our General Partner. Neither unitholder nor preferred unitholder consent will be sought in either case. If a new owner were to acquire ownership of our General Partner and to appoint new directors or officers of its own choosing, it would be able to exercise substantial influence over our partnership’s policies and procedures and exercise substantial influence over our management and the types of acquisitions that we make. Such changes could result in our partnership’s capital being used to make acquisitions in which Brookfield has no involvement or in making acquisitions that are substantially different from our targeted acquisitions. Additionally, our partnership cannot predict with any certainty the effect that any transfer in the ownership of our General Partner would have on the trading price of our units and preferred units or our partnership’s ability to raise capital or make investments in the future, because such matters would depend to a large extent on the identity of the new owner and the new owner’s intentions with regard to our partnership. As a result, the future of our partnership would be uncertain and our partnership’s business, financial condition and results of operations may suffer.

***Brookfield's ownership position of our partnership and the Holding LP entitles it to a significant percentage of our distributions, and Brookfield may increase its ownership relative to other unitholders.***

Brookfield beneficially owns, directly or indirectly, approximately 29.5% of our units, assuming exchange of 115,824,992 Redeemable Partnership Units of the Holding LP that are redeemable for cash or exchangeable for our units in accordance with the Redemption-Exchange Mechanism. See Item 10.B “Memorandum and Articles of Association—Description of the Holding LP’s Limited Partnership Agreement—Redemption-Exchange Mechanism.” In addition, Brookfield owns approximately 0.4% of the Holding LP through Special General Partner Units, which entitle Brookfield to receive distributions in proportion to its special general partnership interest, plus additional incentive distributions, as described in Item 7.B “Related Party Transactions—Special General Partner Distributions” and “—Incentive Distributions.” Accordingly, Brookfield’s ownership position of Redeemable Partnership Units and Special General Partner Units allows Brookfield to receive a substantial percentage of our distributions. See Item 10.B “Memorandum and Articles of Association.”

Brookfield may increase its ownership position in our partnership and the Holding LP. Under the distribution reinvestment plan of the Holding LP, Brookfield can reinvest distributions on its Redeemable Partnership Units for additional Redeemable Partnership Units. In addition, Brookfield may also elect to reinvest incentive distributions from its Special General Partner Units in exchange for additional Redeemable Partnership Units. Brookfield has advised us that it may from time to time reinvest these distributions for such additional Redeemable Partnership Units, which would increase its beneficial ownership percentage of our units and increase its share of distributions relative to public unitholders. To date, Brookfield has not elected to reinvest any of the distributions from its Redeemable Partnership Units or its Special General Partner Units for additional Redeemable Partnership Units, but it may elect to do so in the future.

Brookfield may also purchase additional units of our partnership in the open market or pursuant to private placement. Brookfield historically has purchased additional Redeemable Partnership Units in private placements concurrent with public offerings of our units. Most recently, it purchased 7,423,000 Redeemable Partnership Units in connection with our September 2017 offering. See Item 5.B “Liquidity and Capital Resources—Partnership Capital.”

Any of these events may result in Brookfield increasing its ownership of our units relative to other unitholders, which could reduce the amount of cash available for distribution to public unitholders.

***Our Master Services Agreement and our other arrangements with Brookfield do not impose on Brookfield any fiduciary duties to act in the best interests of our unitholders or preferred unitholders.***

Our Master Services Agreement and our other arrangements with Brookfield do not impose on Brookfield any duty (statutory or otherwise) to act in the best interests of the Service Recipients, nor do they impose other duties that are fiduciary in nature. As a result, our General Partner, a wholly-owned subsidiary of Brookfield Asset Management, in its capacity as our General Partner, has sole authority to enforce the terms of such agreements and to consent to any waiver, modification or amendment of their provisions, subject to approval by a majority of our independent directors in accordance with our conflicts protocol. See Item 7.B “Related Party Transactions—Conflicts of Interest and Fiduciary Duties”.

In addition, the Bermuda Limited Partnership Act of 1883 (“Bermuda Limited Partnership Act”), under which our partnership and the Holding LP were established, does not impose statutory fiduciary duties on a general partner of a limited partnership in the same manner that certain corporate statutes, such as the Canada Business Corporations Act (“Canada Business Corporations Act”), impose fiduciary duties on directors of a corporation. In general, under applicable Bermudian legislation, a general partner has a duty to: (i) act at all times in good faith; and (ii) subject to any express provisions of the partnership agreement to the contrary, act in the interests of the limited partnership. Applicable Bermuda legislation also provides that a general partner has certain limited duties to its limited partners, such as the duty to render accounts, account for private profits and not compete with the partnership in business. In addition, Bermudian common law recognizes that a general partner owes a duty of utmost good faith to its limited partners. These duties are, in most respects, similar to duties imposed on a general partner of a limited partnership under U.S. and Canadian law. However, to the extent that our General Partner owes any such fiduciary duties to our partnership, our preferred unitholders and unitholders, these duties have been modified pursuant to our Limited Partnership Agreement as a matter of contract law, with the exception of the duty of our General Partner to act in good faith, which cannot be modified. We have been advised by Bermudian counsel that such modifications are not prohibited under Bermudian law, subject to typical qualifications as to enforceability of contractual provisions, such as the application of general equitable principles. This is similar to Delaware law which expressly permits modifications to the fiduciary duties owed to partners, other than an implied contractual covenant of good faith and fair dealing.

Our Limited Partnership Agreement contains various provisions that modify the fiduciary duties that might otherwise be owed to our partnership, our preferred unitholders and unitholders, including when conflicts of interest arise. Specifically, our Limited Partnership Agreement states that no breach of our Limited Partnership Agreement or a breach of any duty, including fiduciary duties, may be found for any matter that has been approved by a majority of the independent directors of our General Partner. In addition, when resolving conflicts of interest, our Limited Partnership Agreement does not impose any limitations on the discretion of the independent directors or the factors which they may consider in resolving any such conflicts. The independent directors of our General Partner can, subject to acting in accordance with their own fiduciary duties in their capacity as a director of the General Partner, therefore take into account the interests of third parties, including Brookfield, and, where applicable, any Brookfield managed vehicle, consortium or partnership, when resolving conflicts of interest and may owe fiduciary duties to such third parties, or to such Brookfield managed vehicles, consortiums or partnerships. Additionally, any fiduciary duty that is imposed under any applicable law or agreement is modified, waived or limited to the extent required to permit our General Partner to undertake any affirmative conduct or to make any decisions, so long as such action is reasonably believed to be in, or not inconsistent with, the best interests of our partnership.

In addition, our Limited Partnership Agreement provides that our General Partner and its affiliates do not have any obligation under our Limited Partnership Agreement, or as a result of any duties stated or implied by law or equity, including fiduciary duties, to present business or investment opportunities to our partnership, the Holding LP, any Holding Entity or any other holding entity established by us. Our Limited Partnership Agreement also allows affiliates of our General Partner to engage in activities that may compete with us or our activities. Additionally, any failure by our General Partner to consent to any merger, consolidation or combination will not result in a breach of our Limited Partnership Agreement or any other provision of law. Our Limited Partnership Agreement prohibits our limited partners from advancing claims that otherwise might raise issues as to compliance with fiduciary duties or applicable law. These modifications to the fiduciary duties are detrimental to our unitholders and preferred unitholders because they restrict the remedies available for actions that might otherwise constitute a breach of fiduciary duty and permit conflicts of interest to be resolved in a manner that may not be or is not in the best interests of our partnership or the best interests of our unitholders and preferred unitholders. See Item 7.B “Related Party Transactions—Conflicts of Interest and Fiduciary Duties”.

***Our organizational and ownership structure may create significant conflicts of interest that may be resolved in a manner that is not in the best interests of our partnership or the best interests of our unitholders and preferred unitholders.***

Our organizational and ownership structure involves a number of relationships that may give rise to conflicts of interest between our partnership, our unitholders and preferred unitholders, on the one hand, and Brookfield, on the other hand. In certain instances, the interests of Brookfield may differ from the interests of our partnership, our preferred unitholders and our unitholders, including with respect to the types of acquisitions made, the timing and amount of distributions by our partnership, the reinvestment of returns generated by our operations, the use of leverage when making acquisitions and the appointment of outside advisors and service providers, including as a result of the reasons described under Item 7.B “Related Party Transactions”.

In addition, the Service Provider, an affiliate of Brookfield, provides management services to us pursuant to our Master Services Agreement. Pursuant to our Master Services Agreement, on a quarterly basis, we pay a base management fee to the Service Provider equal to 0.3125% (1.25% annually) of the market value of our partnership. For purposes of calculating the base management fee, the market value of our partnership is equal to the aggregate value of all our outstanding units (assuming full conversion of Brookfield’s limited partnership interests in Brookfield Infrastructure into units), preferred units and securities of the other Service Recipients (including the Exchange LP Units) that are not held by Brookfield Infrastructure, plus all outstanding third party debt with recourse to a Service Recipient, less all cash held by such entities. Infrastructure Special LP will also receive incentive distributions based on the amount by which quarterly distributions on the Holding LP’s units (other than Holding LP Class A Preferred Units) exceed specified target levels as set forth in the Holding LP’s limited partnership agreement. For a further explanation of the base management fee and incentive distributions, see Item 6.A “Directors and Senior Management—Management Fee” and Item 7.B “Related Party Transactions—Incentive Distributions”. This relationship may give rise to conflicts of interest between us, our unitholders and preferred unitholders, on the one hand, and Brookfield, on the other, as Brookfield’s interests may differ from the interests of Brookfield Infrastructure, our unitholders and preferred unitholders.

Our General Partner, the sole shareholder of which is Brookfield, has sole authority to determine whether we will make distributions and the amount of distributions on our units and timing of these distributions. The arrangements we have with Brookfield may create an incentive for Brookfield to take actions which would have the effect of increasing distributions and fees payable to it, which may be to the detriment of us, our unitholders and preferred unitholders. For example, because the base management fee is calculated based on the market value of our partnership, it may create an incentive for Brookfield to increase or maintain the market value of our partnership over the near-term when other actions may be more favorable to us or our unitholders and preferred unitholders. Similarly, Brookfield may take actions to increase distributions on our units in order to ensure Brookfield is paid incentive distributions in the near term when other investments or actions may be more favorable to us or our unitholders and preferred unitholders. Also, through Brookfield's ownership of our units and the Redeemable Partnership Units, it has an effective economic interest in our partnership of approximately 29.5% and therefore may be incentivized to increase distributions payable to our unitholders and thereby to Brookfield.

***Our arrangements with Brookfield were negotiated in the context of an affiliated relationship and may contain terms that are less favorable than those which otherwise might have been obtained from unrelated parties.***

The terms of our arrangements with Brookfield were effectively determined by Brookfield in the context of the spin-off. While our General Partner's independent directors are aware of the terms of these arrangements and have approved the arrangements on our behalf, they did not negotiate the terms. These terms, including terms relating to compensation, contractual or fiduciary duties, conflicts of interest and Brookfield's ability to engage in outside activities, including activities that compete with us, our activities and limitations on liability and indemnification, may be less favorable than otherwise might have resulted if the negotiations had involved unrelated parties. Under our Limited Partnership Agreement, persons who acquire our units or preferred units and their transferees will be deemed to have agreed that none of those arrangements constitutes a breach of any duty that may be owed to them under our Limited Partnership Agreement or any duty stated or implied by law or equity. See Item 10.B "Memorandum and Articles of Association—Description of our Units, Preferred Units, and our Limited Partnership Agreement".

***Our General Partner may be unable or unwilling to terminate the Master Services Agreement.***

The Master Services Agreement provides that the Service Recipients may terminate the agreement only if: (i) the Service Provider defaults in the performance or observance of any material term, condition or covenant contained in the agreement in a manner that results in material harm to us and the default continues unremedied for a period of 30 days after written notice of the breach is given to the Service Provider; (ii) the Service Provider engages in any act of fraud, misappropriation of funds or embezzlement against any Service Recipient that results in material harm to us; (iii) the Service Provider is grossly negligent in the performance of its duties under the agreement and such negligence results in material harm to the Service Recipients; or (iv) upon the happening of certain events relating to the bankruptcy or insolvency of the Service Provider. Our General Partner cannot terminate the agreement for any other reason, including if the Service Provider or Brookfield experiences a change of control, and there is no fixed term to the agreement. In addition, because our General Partner is an affiliate of Brookfield, it may be unwilling to terminate the Master Services Agreement, even in the case of a default. If the Service Provider's performance does not meet the expectations of investors, and our General Partner is unable or unwilling to terminate the Master Services Agreement, the market price of our units or preferred units could suffer. Furthermore, the termination of the Master Services Agreement would terminate our partnership's rights under the Relationship Agreement and our Licensing Agreements. See Item 7.B "Related Party Transactions—Relationship Agreement" and Item 7.B "Related Party Transactions—Licensing Agreements".

***The liability of the Service Provider is limited under our arrangements with it and we have agreed to indemnify the Service Provider against claims that it may face in connection with such arrangements, which may lead it to assume greater risks when making decisions relating to us than it otherwise would if acting solely for its own account.***

Under the Master Services Agreement, the Service Provider has not assumed any responsibility other than to provide or arrange for the provision of the services described in the Master Services Agreement in good faith and will not be responsible for any action that our General Partner takes in following or declining to follow its advice or recommendations. In addition, under our Limited Partnership Agreement, the liability of our General Partner and its affiliates, including the Service Provider, is limited to the fullest extent permitted by law to conduct involving bad faith, fraud or willful misconduct or, in the case of a criminal matter, action that was known to have been unlawful. The liability of the Service Provider under the Master Services Agreement is similarly limited, except that the Service Provider is also liable for liabilities arising from gross negligence. In addition, our partnership has agreed to indemnify the Service Provider to the fullest extent permitted by law from and against any claims, liabilities, losses, damages, costs or expenses incurred by an indemnified person or threatened in connection with our operations, investments and activities or in respect of or arising from the Master Services Agreement or the services provided by the Service Provider, except to the extent that the claims, liabilities, losses, damages, costs or expenses are determined to have resulted from the conduct in respect of which such persons have liability as described above. These protections may result in the Service Provider tolerating greater risks when making decisions than otherwise would be the case, including when determining whether to use leverage in connection with acquisitions. The indemnification arrangements to which the Service Provider is a party may also give rise to legal claims for indemnification that are adverse to our partnership, our unitholders and preferred unitholders. See Item 6.A “Directors and Senior Management—Our Master Services Agreement—Indemnification and Limitations on Liability”.

## **Risks Relating to Our Partnership Structure**

***Brookfield Infrastructure and our operating entities use leverage and such indebtedness may result in Brookfield Infrastructure or our operating entities being subject to certain covenants which restrict our ability to engage in certain types of activities or to make distributions to equity.***

The Holding LP and many of our Holding Entities and operating entities have entered into credit facilities or have incurred other forms of debt, including for the purposes of acquisitions and investments as well as for general corporate purposes. The total quantum of exposure to debt within Brookfield Infrastructure is significant, and we may become more highly leveraged in the future. Some facilities are fully drawn, while some have amounts of principal which are undrawn.

Highly leveraged assets are inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. A leveraged company’s income and net assets also tend to increase or decrease at a greater rate than would otherwise be the case if money had not been borrowed. As a result, the risk of loss associated with a leveraged company, all other things being equal, is generally greater than for companies with comparatively less debt. In addition, the use of indebtedness in connection with an acquisition may give rise to negative tax consequences to certain investors. Leverage may also result in a requirement for short-term liquidity, which may force the sale of assets at times of low demand and/or prices for such assets. This may mean that we are unable to realize fair value for the assets in a sale.

Our credit facilities also contain covenants applicable to the relevant borrower and events of default. Covenants can relate to matters including limitations on financial indebtedness, dividends, investments, or minimum amounts for interest coverage, Adjusted EBITDA, cash flow or net worth. If an event of default occurs, or minimum covenant requirements are not satisfied, this can result in a requirement to immediately repay any drawn amounts or the imposition of other restrictions including a prohibition on the payment of distributions to equity.

Our credit facilities or other debt or debt-like instruments may or may not be rated. Should such debt or debt-like instruments be rated, a credit downgrade may have an adverse impact on the cost of such debt.

***Our partnership is a holding entity and currently we rely on the Holding LP and, indirectly, the Holding Entities and our operating entities to provide us with the funds necessary to pay distributions and meet our financial obligations.***

Our partnership is a holding entity and its sole material asset is its managing general partnership interest and preferred limited partnership interest in the Holding LP, which owns all of the common shares of the Holding Entities, through which we hold all of our interests in the operating entities. Our partnership has no independent means of generating revenue. As a result, we depend on distributions and other payments from the Holding LP and, indirectly, the Holding Entities and our operating entities to provide us with the funds necessary to pay distributions on our units and preferred units and to meet our financial obligations. The Holding LP, the Holding Entities and our operating entities are legally distinct from us and some of them are or may become restricted in their ability to pay dividends and distributions or otherwise make funds available to us pursuant to local law, regulatory requirements and their contractual agreements, including agreements governing their financing arrangements, such as the Holding LP's credit facilities and other indebtedness incurred by the Holding Entities and operating entities. Any other entities through which we may conduct operations in the future will also be legally distinct from us and may be similarly restricted in their ability to pay dividends and distributions or otherwise make funds available to us under certain conditions. The Holding LP, the Holding Entities and our operating entities will generally be required to service their debt obligations before making distributions to us or their parent entities, as applicable, thereby reducing the amount of our cash flow available to pay distributions, fund working capital and satisfy other needs.

Our partnership anticipates that the only distributions that it will receive in respect of our partnership's managing general partnership interest in the Holding LP will consist of amounts that are intended to assist our partnership in making distributions to our unitholders in accordance with our partnership's distribution policy and to allow our partnership to pay expenses as they become due. Distributions received in respect of our partnership's preferred limited partnership interest in the Holding LP will consist of amounts that are intended to assist our partnership in making distributions to our preferred unitholders in accordance with the terms of our preferred units. The declaration and payment of cash distributions by our partnership is at the discretion of our General Partner. Our partnership is not required to make such distributions and neither our partnership nor our General Partner can assure you that our partnership will make such distributions as intended.



While we plan to review our partnership's distributions to our unitholders periodically, there is no guarantee that we will be able to increase, or even maintain the level of distributions that are paid. Historically, as a result of this review, we decided to increase distributions in each of the last ten years. However, such historical increases in distribution payments may not be reflective of any future increases in distribution payments which will be subject to review by the board of directors of our General Partner taking into account prevailing circumstances at the relevant time. Although we intend to make distributions on our units in accordance with our distribution policy, our partnership is not required to pay distributions on our units and neither our partnership nor our General Partner can assure you that our partnership will be able to increase or even maintain the level of distributions on our units that are made in the future.

***Future sales or issuances of our units, preferred units or securities exchangeable into our units, or the perception of such sales or issuances, could depress the trading price of our units and/or preferred units.***

The sale or issuance of our units, preferred units or securities exchangeable into our units, or the exchange of Exchange LP Units, or the perception of such sales, issuances or exchanges, could depress the trading price of our units or preferred units and impair our ability to raise capital through the sale of additional units or preferred units. For example, in September 2017, we issued 16,628,000 units in a public offering in the United States and Canada, together with 7,423,000 additional Redeemable Partnership Units to Brookfield in a concurrent private placement. In October 2018, we issued 5,726,170 Exchange LP Units in connection with our acquisition of Enercare. We cannot predict the effect that future sales, issuances or exchanges of our units, preferred units or securities exchangeable into our units, or the perception of such sales, issuances or exchanges, would have on the market price of our units or preferred units.

***Our partnership is not, and does not intend to become, regulated as an investment company under the Investment Company Act (and similar legislation in other jurisdictions) and if our partnership was deemed an “investment company” under the Investment Company Act, applicable restrictions could make it impractical for us to operate as contemplated.***

The Investment Company Act (and similar legislation in other jurisdictions) provide certain protections to investors and impose certain restrictions on companies that are required to be regulated as investment companies. Among other things, such rules limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities and impose certain governance requirements. Our partnership has not been and does not intend to become regulated as an investment company and our partnership intends to conduct its activities so it will not be deemed to be an investment company under the Investment Company Act (and similar legislation in other jurisdictions). In order to ensure that we are not deemed to be an investment company, we may be required to materially restrict or limit the scope of our operations or plans. We will be limited in the types of acquisitions that we may make, and we may need to modify our organizational structure or dispose of assets of which we would not otherwise dispose. Moreover, if anything were to happen which causes our partnership to be deemed an investment company under the Investment Company Act, it would be impractical for us to operate as contemplated. Agreements and arrangements between and among us and Brookfield would be impaired, the type and amount of acquisitions that we would be able to make as a principal would be limited and our business, financial condition and results of operations would be materially adversely affected. Accordingly, we would be required to take extraordinary steps to address the situation, such as the amendment or termination of the Master Services Agreement, the restructuring of our partnership and the Holding Entities, the amendment of our Limited Partnership Agreement or the termination of our partnership, any of which could materially adversely affect the value of our units and preferred units. In addition, if our partnership were deemed to be an investment company under the Investment Company Act, it would be taxable as a corporation for U.S. federal income tax purposes, and such treatment could materially adversely affect the value of our units and preferred units.

***Our partnership is an “SEC foreign issuer” under Canadian securities regulations and is exempt from certain requirements of Canadian securities laws and a “foreign private issuer” under U.S. securities laws and as a result is subject to disclosure obligations different from requirements applicable to U.S. domestic registrants listed on the New York Stock Exchange (“NYSE”).***

Although our partnership is a reporting issuer in Canada, it is an “SEC foreign issuer” and is exempt from certain Canadian securities laws relating to disclosure obligations and proxy solicitation, subject to certain conditions. Therefore, there may be instances where publicly available information in Canada about our partnership is either different or presented in a different manner than would be the case if we were a typical Canadian reporting issuer.

Although our partnership is subject to the periodic reporting requirement of the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (“Exchange Act”), the periodic disclosure required of foreign private issuers under the Exchange Act is different from periodic disclosure required of U.S. domestic registrants. Therefore, there may be instances where publicly available information about our partnership is either different or presented in a different manner than what is typically published by or about other public limited partnerships in the United States that are U.S. domestic issuers. As a foreign private issuer, our partnership is exempt from certain other sections of the Exchange Act to which U.S. domestic issuers are subject, including the requirement to provide our unitholders with information statements or proxy statements that comply with the Exchange Act. In addition, insiders and large unitholders of our partnership are not obligated to file reports under Section 16 of the Exchange Act, and certain corporate governance rules imposed by the NYSE are inapplicable to our partnership as it is a foreign private issuer.

***We may be subject to the risks commonly associated with a separation of economic interest from control or the incurrence of debt at multiple levels within an organizational structure.***

Our ownership and organizational structure is similar to structures whereby one company controls another company which in turn holds controlling interests in other companies; thereby, the company at the top of the chain may control the company at the bottom of the chain even if its effective equity position in the bottom company is less than a controlling interest. Brookfield controls the sole shareholder of our General Partner and, as a result of such ownership of our General Partner, Brookfield is able to control the appointment and removal of our General Partner's directors and, accordingly, exercises substantial influence over us. In turn, we often have a majority controlling interest or a significant influence in our investments. Even though Brookfield currently has an effective economic interest in our partnership of approximately 29.5% as a result of ownership of our units and the Redeemable Partnership Units, over time Brookfield may reduce this economic interest while still maintaining its controlling interest, and, therefore, Brookfield may use its control rights in a manner that conflicts with the economic interests of our other unitholders and preferred unitholders. For example, despite the fact that we have a conflicts protocol in place, which addresses the requirement for independent approval and other requirements for transactions in which there is greater potential for a conflict of interest to arise, including transactions with affiliates of Brookfield, because Brookfield will be able to exert substantial influence over us, and, in turn, over our investments, there is a greater risk of transfer of assets of our investments at non-arm's length values to Brookfield and its affiliates. In addition, debt incurred at multiple levels within the chain of control could exacerbate the separation of economic interest from controlling interest at such levels, thereby creating an incentive to leverage us and our investments. Any such increase in debt would also make us more sensitive to declines in revenues, increases in expenses and interest rates, and adverse market conditions. The servicing of any such debt would also reduce the amount of funds available to pay distributions to us and ultimately to our unitholders and preferred unitholders.

***Our failure to maintain effective internal controls could have a material adverse effect on our business in the future and the price of our units and preferred units.***

Any failure to maintain adequate internal controls over financial reporting or to implement required, new or improved controls, or difficulties encountered in their implementation, could cause us to report material weaknesses or other deficiencies in our internal controls over financial reporting and could result in errors or misstatements in our consolidated financial statements that could be material. If we or our independent registered public accounting firm were to conclude that our internal controls over financial reporting were not effective, investors could lose confidence in our reported financial information and the price of our units and preferred units could decline. Our failure to achieve and maintain effective internal controls could have a material adverse effect on our business in the future, our access to the capital markets and investors' perception of us. In addition, material weaknesses in our internal controls could require significant expense and management time to remediate.

## **Risks Relating to Our Units and Preferred Units**

***Our unitholders and preferred unitholders do not have a right to vote on partnership matters or to take part in the management of our partnership.***

Under our Limited Partnership Agreement, our unitholders and preferred unitholders are not entitled to vote on matters relating to our partnership, such as acquisitions, dispositions or financing, or to participate in the management or control of our partnership. In particular, our unitholders and preferred unitholders do not have the right to remove our General Partner, to cause our General Partner to withdraw from our partnership, to cause a new general partner to be admitted to our partnership, to appoint new directors to our General Partner's board of directors, to remove existing directors from our General Partner's board of directors or to prevent a change of control of our General Partner. In addition, except for certain fundamental matters and as prescribed by applicable laws, our unitholders' and preferred unitholders consent rights apply only with respect to certain amendments to our Limited Partnership Agreement. As a result, unlike holders of common stock of a corporation, our unitholders are not able to influence the direction of our partnership, including its policies and procedures, or to cause a change in its management, even if they are unsatisfied with the performance of our partnership. Consequently, our unitholders may be deprived of an opportunity to receive a premium for their units in the future through a sale of our partnership and the trading price of our units may be adversely affected by the absence or a reduction of a takeover premium in the trading price. Unitholders and preferred unitholders only have a right to vote under limited circumstances as described in Item 10.B "Memorandum and Articles of Association—Description of Our Units, Preferred Units and Our Limited Partnership Agreement."

***The market price of our units and preferred units may be volatile.***

The market price of our units and preferred units may be highly volatile and could be subject to wide fluctuations. Some of the factors that could negatively affect the price of our units and preferred units include: general market and economic conditions, including disruptions, downgrades, credit events and perceived problems in the credit markets; actual or anticipated variations in our quarterly operating results or distributions on our units; actual or anticipated variations or trends in market interest rates; changes in our investments or asset composition; write-downs or perceived credit or liquidity issues affecting our assets; market perception of our partnership, our business and our assets; our level of indebtedness and/or adverse market reaction to any indebtedness we incur in the future; our ability to raise capital on favorable terms or at all; loss of any major funding source; the termination of our Master Services Agreement or additions or departures of our or Brookfield's key personnel; changes in market valuations of similar infrastructure companies; speculation in the press or investment community regarding us or Brookfield; and changes in U.S. tax laws that make it impractical or impossible for our partnership to continue to be taxable as a partnership for U.S. federal income tax purposes. Securities markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies or partnerships. Any broad market fluctuations may adversely affect the trading price of our units and preferred units.

***We may need additional funds in the future and we may issue additional units or preferred units in lieu of incurring indebtedness which may dilute existing holders of our units or we may issue securities that have rights and privileges that are more favorable than the rights and privileges accorded to our unitholders and preferred unitholders.***

Under our Limited Partnership Agreement subject to the terms of any preferred units then outstanding, we may issue additional partnership securities, including units, preferred units and options, rights, warrants and appreciation rights relating to partnership securities for any purpose and for such consideration and on such terms and conditions as our General Partner may determine. Subject to the terms of any preferred units outstanding, our General Partner's board of directors will be able to determine the class, designations, preferences, rights, powers and duties of any additional partnership securities, including any rights to share in our profits, losses and distributions, any rights to receive partnership assets upon our dissolution or liquidation and any redemption, conversion and exchange rights. Subject to the terms of any preferred units outstanding, our General Partner may use such authority to issue additional units or preferred units, which could dilute holders of our units, or to issue securities with rights and privileges that are more favorable than those of our units or preferred units. Subject to the terms of any preferred units then outstanding, holders of units and preferred units will not have any pre-emptive right or any right to consent to or otherwise approve the issuance of any such securities or the terms on which any such securities may be issued.

***Non-U.S. unitholders will be subject to foreign currency risk associated with Brookfield Infrastructure's distributions.***

A significant number of our unitholders will reside in countries where the U.S. dollar is not the functional currency. Our distributions are denominated in U.S. dollars but may be settled in the local currency of the unitholder receiving the distribution. For each non-U.S. unitholder, the value received in the local currency from the distribution will be determined based on the exchange rate between the U.S. dollar and the applicable local currency at the time of payment. As such, if the U.S. dollar depreciates significantly against the local currency of the non-U.S. unitholder, the value received by such unitholder in its local currency will be adversely affected.

***U.S. investors in our units and preferred units may find it difficult or impossible to enforce service of process and enforcement of judgments against us and directors and officers of our General Partner and the Service Provider.***

We were established under the laws of Bermuda, and most of our subsidiaries are organized in jurisdictions outside of the United States. In addition, our directors and senior management identified in this annual report on Form 20-F are located outside of the United States. Certain of the directors and officers of our General Partner and the Service Provider reside outside of the United States. A substantial portion of our assets are, and the assets of the directors and officers of our General Partner and the Service Provider identified in this annual report on Form 20-F may be, located outside of the United States. It may not be possible for investors to effect service of process within the United States upon the directors and officers of our General Partner and the Service Provider. It may also not be possible to enforce against us or the directors and officers of our General Partner and the Service Provider judgments obtained in U.S. courts predicated upon the civil liability provisions of applicable securities law in the United States.

***Canadian investors in our units and preferred units may find it difficult or impossible to enforce service of process and enforcement of judgments against us and the directors and officers of our General Partner and the Service Provider.***

We were established under the laws of Bermuda, and most of our subsidiaries are organized in jurisdictions outside of Canada. Certain of the directors and officers of our General Partner and the Service Provider reside outside of Canada. A substantial portion of our assets are, and the assets of the directors and officers of our General Partner and the Service Provider and the experts identified in this annual report on Form 20-F may be, located outside of Canada. It may not be possible for investors to effect service of process within Canada upon the directors and officers of our General Partner and the Service Provider. It may also not be possible to enforce against us, the experts identified in this annual report on Form 20-F, or the directors and officers of our General Partner and the Service Provider judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

***We may not be able to continue paying comparable or growing cash distributions to our unitholders in the future.***

The amount of cash we can distribute to our unitholders depends upon the amount of cash we receive from the Holding LP and, indirectly, the Holding Entities and the operating entities. The amount of cash the Holding LP, the Holding Entities and the operating entities generate will fluctuate from quarter to quarter and will depend upon, among other things: the weather in the jurisdictions in which they operate; the level of their operating costs; and prevailing economic conditions. In addition, the actual amount of cash we will have available for distribution will also depend on other factors, such as: the level of costs related to litigation and regulatory compliance matters; the cost of acquisitions, if any; our debt service requirements; fluctuations in our working capital needs; our ability to borrow under our credit facilities; our ability to access capital markets; restrictions on distributions contained in our debt agreements; and the amount, if any, of cash reserves established by our General Partner in its discretion for the proper conduct of our business. As a result of all these factors, we cannot guarantee that we will have sufficient available cash to pay a specific level of cash distributions to our unitholders. Furthermore, unitholders should be aware that the amount of cash we have available for distribution depends primarily upon the cash flow of the Holding LP, the Holding Entities and the operating entities, and is not solely a function of profitability, which is affected by non-cash items. As a result, we may declare and/or pay cash distributions on our units during periods when we record net losses.

## **Risks Related to Taxation**

### **General**

***Changes in tax law and practice may have a material adverse effect on the operations of our partnership, the Holding Entities, and the operating entities and, as a consequence, the value of our assets and the net amount of distributions payable to our unitholders.***

Our structure, including the structure of the Holding Entities and the operating entities, is based on prevailing taxation law and practice in the local jurisdictions in which we operate. Any change in tax legislation (including in relation to taxation rates) and practice in these jurisdictions could adversely affect these entities, as well as the net amount of distributions payable to our unitholders. Taxes and other constraints that would apply to our operating entities in such jurisdictions may not apply to local institutions or other parties, and such parties may therefore have a significantly lower effective cost of capital and a corresponding competitive advantage in pursuing such acquisitions.

***Our partnership's ability to make distributions depends on it receiving sufficient cash distributions from its underlying operations, and we cannot assure our unitholders that our partnership will be able to make cash distributions to them in amounts that are sufficient to fund their tax liabilities.***

Our Holding Entities and operating entities may be subject to local taxes in each of the relevant territories and jurisdictions in which they operate, including taxes on income, profits or gains and withholding taxes. As a result, our partnership's cash available for distribution is indirectly reduced by such taxes, and the post-tax return to our unitholders is similarly reduced by such taxes. We intend for future acquisitions to be assessed on a case-by-case basis and, where possible and commercially viable, structured so as to minimize any adverse tax consequences to our unitholders as a result of making such acquisitions.

In general, a unitholder that is subject to income tax in Canada or the United States must include in income its allocable share of our partnership's items of income, gain, loss and deduction (including, so long as it is treated as a partnership for tax purposes, our partnership's allocable share of those items of the Holding LP) for each of our partnership's fiscal years ending with or within such unitholder's tax year. See Item 10.E "Taxation—Certain Material Canadian Federal Income Tax Considerations" and "Taxation—Certain Material U.S. Federal Income Tax Considerations". However, the cash distributed to a unitholder may not be sufficient to pay the full amount of such unitholder's tax liability in respect of its investment in our partnership, because each unitholder's tax liability depends on such unitholder's particular tax situation and the tax treatment of the underlying activities or assets of our partnership. If our partnership is unable to distribute cash in amounts that are sufficient to fund our unitholders' tax liabilities, each of our unitholders will still be required to pay income taxes on its share of our partnership's taxable income.

***As a result of holding our units, our unitholders may be subject to U.S. federal, state, local or non-U.S. taxes and return filing obligations in jurisdictions in which they are not resident for tax purposes or otherwise not subject to tax.***

Our unitholders may be subject to U.S. federal, state, local and non-U.S. taxes, including unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which our partnership entities do business or own property now or in the future, even if our unitholders do not reside in any of those jurisdictions. Our unitholders may be required to file income tax returns and pay income taxes in some or all of these jurisdictions. Further, our unitholders may be subject to penalties for failure to comply with these requirements. Although our partnership will attempt, to the extent reasonably practicable, to structure our partnership operations and investments so as to minimize income tax filing obligations by our unitholders in such jurisdictions, there may be circumstances in which our partnership is unable to do so. It is the responsibility of each unitholder to file all U.S. federal, state, local, and non-U.S. tax returns that may be required of such unitholder.

***Our unitholders may be exposed to transfer pricing risks.***

To the extent that our partnership, the Holding LP, the Holding Entities or the operating entities enter into transactions or arrangements with parties with whom they do not deal at arm's length, including Brookfield, the relevant tax authorities may seek to adjust the quantum or nature of the amounts included or deducted from taxable income by such entities if they consider that the terms and conditions of such transactions or arrangements differ from those that would have been made between persons dealing at arm's length. This could result in more tax (and penalties and interest) being paid by such entities, and therefore the return to investors could be reduced. For Canadian tax purposes, a transfer pricing adjustment may in certain circumstances result in additional income being allocated to a unitholder with no corresponding cash distribution or in a dividend being deemed to be paid by a Canadian-resident to a non-arm's length non-resident, which is subject to Canadian withholding tax.

Our General Partner believes that the base management fee and any other amount that is paid to the Service Provider will be commensurate with the value of the services being provided by the Service Provider and comparable to the fees or other amounts that would be agreed to in an arm's length arrangement. However, no assurance can be given in this regard.

If the relevant tax authority were to assert that an adjustment should be made under the transfer pricing rules to an amount that is relevant to the computation of the income of the Holding LP or our partnership, such assertion could result in adjustments to amounts of income (or loss) allocated to our unitholders by our partnership for tax purposes. In addition, we might also be liable for transfer pricing penalties in respect of transfer pricing adjustments unless reasonable efforts were made to determine, and use, arm's length transfer prices. Generally, reasonable efforts in this regard are only considered to be made if contemporaneous documentation has been prepared in respect of such transactions or arrangements that support the transfer pricing methodology.

For Canadian tax purposes, the general tax risks described above are equally relevant to preferred unitholders in respect of their preferred units.

***The U.S. Internal Revenue Service ("IRS") or Canada Revenue Agency ("CRA") may not agree with certain assumptions and conventions that our partnership uses in order to comply with applicable U.S. and Canadian federal income tax laws or that our partnership uses to report income, gain, loss, deduction, and credit to our unitholders.***

Our partnership will apply certain assumptions and conventions in order to comply with applicable tax laws and to report income, gain, deduction, loss, and credit to a unitholder in a manner that reflects such unitholder's beneficial ownership of partnership items, taking into account variation in ownership interests during each taxable year because of trading activity. However, these assumptions and conventions may not be in compliance with all aspects of the applicable tax requirements. A successful IRS or CRA challenge to such assumptions or conventions could adversely affect the amount of tax benefits available to our unitholders and could require that items of income, gain, deduction, loss, or credit, including interest deductions, be adjusted, reallocated or disallowed in a manner that adversely affects our unitholders. See Item 10.E "Taxation—Certain Material Canadian Federal Income Tax Considerations" and "Taxation—Certain Material U.S. Federal Income Tax Considerations".



## ***United States***

***If our partnership or the Holding LP were to be treated as a corporation for U.S. federal income tax purposes, the value of our units might be adversely affected.***

The value of our units to unitholders will depend in part on the treatment of our partnership and the Holding LP as partnerships for U.S. federal income tax purposes. However, in order for our partnership to be treated as a partnership for U.S. federal income tax purposes, under present law, 90% or more of our partnership's gross income for every taxable year must consist of qualifying income, as defined in Section 7704 of the U.S. Internal Revenue Code of 1986, as amended ("U.S. Internal Revenue Code"), and our partnership must not be required to register, if it were a U.S. corporation, as an investment company under the Investment Company Act and related rules. Although our General Partner intends to manage our partnership's affairs so that our partnership will not need to be registered as an investment company if it were a U.S. corporation and so that it will meet the 90% test described above in each taxable year, our partnership may not meet these requirements, or current law may change so as to cause, in either event, our partnership to be treated as a corporation for U.S. federal income tax purposes. If our partnership (or the Holding LP) were treated as a corporation for U.S. federal income tax purposes, adverse U.S. federal income tax consequences could result for our unitholders and our partnership (or the Holding LP, as applicable), as described in greater detail in Item 10.E "Taxation—Certain Material U.S. Federal Income Tax Considerations—Partnership Status of Our Partnership and the Holding LP".

***We may be subject to U.S. backup withholding tax or other U.S. withholding taxes if any unitholder fails to comply with U.S. tax reporting rules or if the IRS or other applicable state or local taxing authority does not accept our withholding methodology, and such excess withholding tax cost will be an expense borne by our partnership and, therefore, by all of our unitholders on a pro rata basis.***

We may become subject to U.S. "backup" withholding tax or other U.S. withholding taxes with respect to any unitholder who fails to timely provide our partnership (or the applicable clearing agent or other intermediary) with an IRS Form W-9 or IRS Form W-8, as the case may be, or if the withholding methodology we use is not accepted by the IRS or other applicable state or local taxing authority. See Item 10.E "Taxation—Certain Material U.S. Federal Income Tax Considerations—Administrative Matters—Withholding and Backup Withholding". To the extent that any unitholder fails to timely provide the applicable form (or such form is not properly completed), or should the IRS or other applicable state or local taxing authority not accept our withholding methodology, our partnership might treat such U.S. backup withholding taxes or other U.S. withholding taxes as an expense, which would be borne indirectly by all of our unitholders on a pro rata basis. As a result, our unitholders that fully comply with their U.S. tax reporting obligations may bear a share of such burden created by other unitholders that do not comply with the U.S. tax reporting rules.

***Tax-exempt organizations may face certain adverse U.S. tax consequences from owning our units.***

Our General Partner intends to use commercially reasonable efforts to structure the activities of our partnership and the Holding LP, to avoid generating income connected with the conduct of a trade or business (which income generally would constitute “unrelated business taxable income” (“UBTI”) to the extent allocated to a tax-exempt organization). However, neither our partnership nor the Holding LP is prohibited from incurring indebtedness, and no assurance can be provided that neither our partnership nor the Holding LP will generate UBTI attributable to debt-financed property in the future. In particular, UBTI includes income attributable to debt-financed property, and neither our partnership nor the Holding LP is prohibited from financing the acquisition of property with debt. The potential for income to be characterized as UBTI could make our units an unsuitable investment for a tax-exempt organization. Each tax-exempt organization should consult its own tax adviser to determine the U.S. federal income tax consequences of an investment in our units.

***If our partnership were engaged in a U.S. trade or business, non-U.S. persons would face certain adverse U.S. tax consequences from owning our units.***

Our General Partner intends to use commercially reasonable efforts to structure the activities of our partnership and the Holding LP to avoid generating income treated as effectively connected with a U.S. trade or business, including effectively connected income attributable to the sale of a “United States real property interest”, as defined in the U.S. Internal Revenue Code. If our partnership were deemed to be engaged in a U.S. trade or business, or to realize gain from the sale or other disposition of a U.S. real property interest, Non-U.S. Holders (as defined in Item 10.E “Taxation—Certain Material U.S. Federal Income Tax Considerations”) generally would be required to file U.S. federal income tax returns and could be subject to U.S. federal withholding tax at the highest marginal U.S. federal income tax rates applicable to ordinary income. If, contrary to expectation, our partnership were engaged in a U.S. trade or business, then gain or loss from the sale of our units by a Non-U.S. Holder would be treated as effectively connected with such trade or business to the extent that such Non-U.S. Holder would have had effectively connected gain or loss had our partnership sold all of its assets at their fair market value as of the date of such sale. In such case, any such effectively connected gain generally would be taxable at the regular graduated U.S. federal income tax rates, and the amount realized from such sale generally would be subject to a 10% U.S. federal withholding tax. See Item 10.E “Taxation—Certain Material U.S. Federal Income Tax Considerations—Consequences to Non-U.S. Holders”.

***To meet U.S. federal income tax and other objectives, our partnership and the Holding LP may invest through U.S. and non-U.S. Holding Entities that are treated as corporations for U.S. federal income tax purposes, and such Holding Entities may be subject to corporate income tax.***

To meet U.S. federal income tax and other objectives, our partnership and the Holding LP may invest through U.S. and non-U.S. Holding Entities that are treated as corporations for U.S. federal income tax purposes, and such Holding Entities may be subject to corporate income tax. Consequently, items of income, gain, loss, deduction, or credit realized in the first instance by the operating entities will not flow, for U.S. federal income tax purposes, directly to the Holding LP, our partnership, or our unitholders, and any such income or gain may be subject to a corporate income tax, in the United States or other jurisdictions, at the level of the Holding Entity. Any such additional taxes may adversely affect our partnership’s ability to maximize its cash flow.

***Our unitholders taxable in the United States may be viewed as holding an indirect interest in an entity classified as a “passive foreign investment company” or “controlled foreign corporation” for U.S. federal income tax purposes.***

U.S. Holders may face adverse U.S. tax consequences arising from the ownership of an indirect interest in a “passive foreign investment company” (“PFIC”) or “controlled foreign corporation” (“CFC”). These investments may produce taxable income prior to the receipt of cash relating to such income, and U.S. Holders will be required to take such income into account in determining their gross income subject to tax. In addition, all or a portion of any gain realized upon the sale of a CFC may be taxable at ordinary income rates. Further, with respect to gain realized upon the sale of and excess distributions from a PFIC for which an election for current inclusions is not made, such income would be taxable at ordinary income rates and subject to an additional tax equivalent to an interest charge on the deferral of income inclusions from the PFIC. See Item 10.E “Taxation—Certain Material U.S. Federal Income Tax Considerations—Consequences to U.S. Holders—Passive Foreign Investment Companies” and “Taxation—Certain Material U.S. Federal Income Tax Considerations—Consequences to U.S. Holders—Controlled Foreign Corporations”. Each U.S. Holder should consult its own tax adviser regarding the implications of the PFIC and CFC rules for an investment in our units.

***Tax gain or loss from the disposition of our units could be more or less than expected.***

Upon the sale of our units, a U.S. Holder generally will recognize gain or loss for U.S. federal income tax purposes equal to the difference between the amount realized and such holder’s adjusted tax basis in such units. Prior distributions to a U.S. Holder in excess of the total net taxable income allocated to such holder will have decreased such unitholder’s tax basis in our units. Therefore, such excess distributions will increase a U.S. Holder’s taxable gain or decrease such unitholder’s taxable loss when our units are sold, and may result in a taxable gain even if the sale price is less than the original cost. A portion of the amount realized, whether or not representing gain, could be ordinary income to such U.S. Holder.

***Our partnership structure involves complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. The tax characterization of our partnership structure is also subject to potential legislative, judicial, or administrative change and differing interpretations, possibly on a retroactive basis.***

The U.S. federal income tax treatment of our unitholders depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Unitholders should be aware that the U.S. federal income tax rules, particularly those applicable to partnerships, are constantly under review by the Congressional tax-writing committees and other persons involved in the legislative process, the IRS, the Treasury Department and the courts, frequently resulting in changes which could adversely affect the value of our units or cause our partnership to change the way it conducts its activities. For example, changes to the U.S. federal tax laws and interpretations thereof could make it more difficult or impossible for our partnership to be treated as a partnership that is not taxable as a corporation for U.S. federal income tax purposes, change the character or treatment of portions of our partnership’s income, reduce the net amount of distributions available to our unitholders, or otherwise affect the tax considerations of owning our units. In addition, our partnership’s organizational documents and agreements permit our General Partner to modify our Limited Partnership Agreement, without the consent of our unitholders, to address such changes. These modifications could have a material adverse impact on our unitholders. See Item 10.E “—Taxation—Certain Material U.S. Federal Income Tax Considerations—Administrative Matters—New Legislation or Administrative or Judicial Action”.

***Our partnership's delivery of required tax information for a taxable year may be subject to delay, which could require a unitholder who is a U.S. taxpayer to request an extension of the due date for such unitholder's income tax return.***

Our partnership has agreed to use commercially reasonable efforts to provide U.S. tax information (including IRS Schedule K-1 information needed to determine a unitholder's allocable share of our partnership's income, gain, losses, and deductions) no later than 90 days after the close of each calendar year. However, providing this U.S. tax information to our unitholders will be subject to delay in the event of, among other reasons, the late receipt of any necessary tax information from lower-tier entities. It is therefore possible that, in any taxable year, a unitholder will need to apply for an extension of time to file such unitholder's tax returns. In addition, unitholders that do not ordinarily have U.S. federal tax filing requirements will not receive a Schedule K-1 and related information unless such unitholders request it within 60 days after the close of each calendar year. See Item 10.E "Taxation—Certain Material U.S. Federal Income Tax Considerations—Administrative Matters—Information Returns and Audit Procedures".

***If the IRS makes an audit adjustment to our income tax returns, it may assess and collect any taxes (including penalties and interest) resulting from such audit adjustment directly from us, in which case cash available for distribution to our unitholders might be substantially reduced.***

For taxable years beginning after December 31, 2017, if the IRS makes an audit adjustment to our income tax returns, it may assess and collect any taxes (including penalties and interest) resulting from such audit adjustment directly from our partnership instead of unitholders (as under prior law). We may be permitted to elect to have our General Partner and our unitholders take such audit adjustment into account in accordance with their interests in us during the taxable year under audit. However, there can be no assurance that we will choose to make such election or that it will be available in all circumstances. If we do not make the election, and we pay taxes, penalties, or interest as a result of an audit adjustment, then cash available for distribution to our unitholders might be substantially reduced. As a result, our current unitholders might bear some or all of the cost of the tax liability resulting from such audit adjustment, even if our current unitholders did not own our units during the taxable year under audit. The foregoing considerations also apply with respect to our partnership's interest in the Holding LP.

***Under the Foreign Account Tax Compliance ("FATCA") provisions of the Hiring Incentives to Restore Employment Act of 2010, certain payments made or received by our partnership may be subject to a 30% federal withholding tax, unless certain requirements are met.***

Under FATCA, a 30% withholding tax may apply to certain payments of U.S.-source income made to our partnership, the Holding LP, the Holding Entities, or the operating entities, or by our partnership to a unitholder, unless certain requirements are met, as described in greater detail in Item 10.E "Taxation—Certain Material U.S. Federal Income Tax Considerations—Administrative Matters—Foreign Account Tax Compliance". To ensure compliance with FATCA, information regarding certain unitholders' ownership of our units may be reported to the IRS or to a non-U.S. governmental authority. Unitholders should consult their own tax advisers regarding the consequences under FATCA of an investment in our units.

***The effect of comprehensive U.S. tax reform legislation on our partnership and unitholders, whether adverse or favorable, is uncertain.***

U.S. federal income tax reform legislation known as the “Tax Cuts and Jobs Act”, which was signed into law on December 22, 2017, has resulted in fundamental changes to the U.S. Internal Revenue Code. Among such changes, the Tax Cuts and Jobs Act reduces the marginal U.S. corporate income tax rate from 35% to 21%, limits the deduction for net interest expense, shifts the United States toward a modified territorial tax system, and imposes new taxes to combat erosion of the U.S. federal income tax base. The effect of the Tax Cuts and Jobs Act on our partnership, the Holding LP, the Holding Entities, the operating entities, and our unitholders, whether adverse or favorable, is uncertain, and may not become evident for some period of time. Unitholders are urged to consult their own tax advisers regarding the implications of the Tax Cuts and Jobs Act for an investment in our units.

### ***Canada***

For purposes of the following Canadian tax risks, references to our “units” are to the limited partnership units in our partnership, including the preferred units, and references to our “unitholders” are to the holders of our units and preferred units.

***If the subsidiaries that are corporations (“Non-Resident Subsidiaries”) and that are not resident or deemed to be resident in Canada for purposes of the Income Tax Act (Canada) (together with the regulations thereunder, “Tax Act”) and that are “controlled foreign affiliates” (as defined in the Tax Act and referred to herein as “CFAs”) in which the Holding LP directly invests earned income that is “foreign accrual property income” (as defined in the Tax Act and referred to herein as “FAPI”), our unitholders may be required to include amounts allocated from our partnership in computing their income for Canadian federal income tax purposes even though there may be no corresponding cash distribution.***

Any of the Non-Resident Subsidiaries in which the Holding LP directly invests are expected to be CFAs of the Holding LP. If any CFA of the Holding LP or any direct or indirect subsidiary thereof that is itself a CFA of the Holding LP (an “Indirect CFA”) earns income that is characterized as FAPI in a particular taxation year of the CFA or Indirect CFA, the FAPI allocable to the Holding LP must be included in computing the income of the Holding LP for Canadian federal income tax purposes for the fiscal period of the Holding LP in which the taxation year of that CFA or Indirect CFA ends, whether or not the Holding LP actually receives a distribution of that FAPI. Our partnership will include its share of such FAPI of the Holding LP in computing its income for Canadian federal income tax purposes and our unitholders will be required to include their proportionate share of such FAPI allocated from our partnership in computing their income for Canadian federal income tax purposes. As a result, our unitholders may be required to include amounts in their income for Canadian federal income tax purposes even though they have not and may not receive an actual cash distribution of such amounts. The Tax Act contains anti-avoidance rules to address certain foreign tax credit generator transactions (the “Foreign Tax Credit Generator Rules”). Under the Foreign Tax Credit Generator Rules, the “foreign accrual tax” (as defined in the Tax Act) applicable to a particular amount of FAPI included in the Holding LP’s income in respect of a particular “foreign affiliate” (as defined in the Tax Act) of the Holding LP may be limited in certain specified circumstances. See Item 10.E “Taxation—Certain Material Canadian Federal Income Tax Considerations”.

***Unitholders may be required to include imputed amounts in their income for Canadian federal income tax purposes in accordance with section 94.1 of the Tax Act.***

Section 94.1 of the Tax Act contains rules relating to interests in entities that are not resident or deemed to be resident in Canada for purposes of the Tax Act or not situated in Canada, other than a CFA of the taxpayer (the “Non-Resident Entities”), that could in certain circumstances cause income to be imputed to unitholders for Canadian federal income tax purposes, either directly or by way of allocation of such income imputed to our partnership or to the Holding LP. See Item 10.E “Taxation—Certain Material Canadian Federal Income Tax Considerations”.

***Unitholders’ foreign tax credits for Canadian federal income tax purposes will be limited if the Foreign Tax Credit Generator Rules apply in respect of the foreign “business-income tax” or “non-business-income tax” (each as defined in the Tax Act) paid by our partnership or the Holding LP to a foreign country.***

Under the Foreign Tax Credit Generator Rules, the foreign “business-income tax” or “non-business-income tax” for Canadian federal income tax purposes for any taxation year may be limited in certain circumstances. If the Foreign Tax Credit Generator Rules apply, the allocation to a unitholder of foreign “business-income tax” or “non-business-income tax” paid by our partnership or the Holding LP, and therefore, such unitholder’s foreign tax credits for Canadian federal income tax purposes, will be limited. See Item 10.E “Taxation—Certain Material Canadian Federal Income Tax Considerations”.

***Unitholders who are not and are not deemed to be resident in Canada for purposes of the Tax Act and who do not use or hold, and are not deemed to use or hold, their units of our partnership in connection with a business carried on in Canada (“non-Canadian limited partners”), may be subject to Canadian federal income tax with respect to any Canadian source business income earned by our partnership or the Holding LP if our partnership or the Holding LP were considered to carry on business in Canada.***

If our partnership or the Holding LP were considered to carry on business in Canada for purposes of the Tax Act, non-Canadian limited partners would be subject to Canadian federal income tax on their proportionate share of any Canadian source business income earned or considered to be earned by our partnership, subject to the potential application of the safe harbor rule in section 115.2 of the Tax Act and any relief that may be provided by any relevant income tax treaty or convention.

Our General Partner intends to manage the affairs of our partnership and the Holding LP, to the extent possible, so that they do not carry on business in Canada and are not considered or deemed to carry on business in Canada for purposes of the Tax Act. Nevertheless, because the determination of whether our partnership or the Holding LP is carrying on business and, if so, whether that business is carried on in Canada, is a question of fact that is dependent upon the surrounding circumstances, the CRA might contend successfully that either or both of our partnership and the Holding LP carries on business in Canada for purposes of the Tax Act.

If our partnership or the Holding LP is considered to carry on business in Canada or is deemed to carry on business in Canada for the purposes of the Tax Act, non-Canadian limited partners that are corporations would be required to file a Canadian federal income tax return for each taxation year in which they are a non-Canadian limited partner regardless of whether relief from Canadian taxation is available under an applicable income tax treaty or convention. Non-Canadian limited partners who are individuals would only be required to file a Canadian federal income tax return for any taxation year in which they are allocated income from our partnership from carrying on business in Canada that is not exempt from Canadian taxation under the terms of an applicable income tax treaty or convention.

***Non-Canadian limited partners may be subject to Canadian federal income tax on capital gains realized by our partnership or the Holding LP on dispositions of “taxable Canadian property” (as defined in the Tax Act).***

A non-Canadian limited partner will be subject to Canadian federal income tax on its proportionate share of capital gains realized by our partnership or the Holding LP on the disposition of “taxable Canadian property” other than “treaty-protected property” (as defined in the Tax Act). “Taxable Canadian property” includes, but is not limited to, property that is used or held in a business carried on in Canada and shares of corporations that are not listed on a “designated stock exchange” (as defined in the Tax Act) if more than 50% of the fair market value of the shares is derived from certain Canadian properties during the 60-month period immediately preceding the particular time. Property of our partnership and the Holding LP generally will be “treaty-protected property” to a non-Canadian limited partner if the gain from the disposition of the property would, because of an applicable income tax treaty or convention, be exempt from tax under the Tax Act. Our General Partner does not expect our partnership or the Holding LP to realize capital gains or losses from dispositions of “taxable Canadian property”. However, no assurance can be given in this regard. Non-Canadian limited partners will be required to file a Canadian federal income tax return in respect of a disposition of “taxable Canadian property” by our partnership or the Holding LP unless the disposition is an “excluded disposition” for the purposes of section 150 of the Tax Act. However, non-Canadian limited partners that are corporations will still be required to file a Canadian federal income tax return in respect of a disposition of “taxable Canadian property” that is an “excluded disposition” for the purposes of section 150 of the Tax Act if tax would otherwise be payable under Part I of the Tax Act by the non-Canadian limited partners in respect of the disposition but is not because of an applicable income tax treaty or convention (otherwise than in respect of a disposition of “taxable Canadian property” that is “treaty-protected property” of the corporation). In general, an “excluded disposition” is a disposition of property by a taxpayer in a taxation year where (a) the taxpayer is a non-resident of Canada at the time of the disposition; (b) no tax is payable by the taxpayer under Part I of the Tax Act for the taxation year; (c) the taxpayer is not liable to pay any amounts under the Tax Act in respect of any previous taxation year (other than certain amounts for which the CRA holds adequate security); and (d) each “taxable Canadian property” disposed of by the taxpayer in the taxation year is either (i) “excluded property” (as defined in subsection 116(6) of the Tax Act) or (ii) property in respect of the disposition of which a certificate under subsection 116(2), (4) or (5.2) of the Tax Act has been issued by the CRA. Non-Canadian limited partners should consult their own tax advisors with respect to the requirements to file a Canadian federal income tax return in respect of a disposition of “taxable Canadian property” by our partnership or the Holding LP.

***Non-Canadian limited partners may be subject to Canadian federal income tax on capital gains realized on the disposition of our units if our units are “taxable Canadian property”.***

Any capital gain arising from the disposition or deemed disposition of our units by a non-Canadian limited partner will be subject to taxation in Canada, if, at the time of the disposition or deemed disposition, our units are “taxable Canadian property” of the non-Canadian limited partner, unless our units are “treaty-protected property” to such non-Canadian limited partner. In general, our units will not constitute “taxable Canadian property” of any non-Canadian limited partner at the time of disposition or deemed disposition, unless (a) at any time in the 60-month period immediately preceding the disposition or deemed disposition, more than 50% of the fair market value of our units was derived, directly or indirectly (excluding through a corporation, partnership or trust, the shares or interests in which were not themselves “taxable Canadian property”), from one or any combination of (i) real or immovable property situated in Canada; (ii) “Canadian resource properties” (as defined in the Tax Act); (iii) “timber resource properties” (as defined in the Tax Act); and (iv) options in respect of, or interests in, or for civil law rights in, such property, whether or not such property exists, or (b) our units are otherwise deemed to be “taxable Canadian property”. Since our partnership’s assets will consist principally of units of the Holding LP, our units would generally be “taxable Canadian property” at a particular time if the units of the Holding LP held by our partnership derived, directly or indirectly (excluding through a corporation, partnership or trust, the shares or interests in which were not themselves “taxable Canadian property”) more than 50% of their fair market value from properties described in (i) to (iv) above, at any time in the 60-month period preceding the particular time. Our General Partner does not expect our units to be “taxable Canadian property” of any non-Canadian limited partner at any time but no assurance can be given in this regard. See Item 10.E “Taxation—Certain Material Canadian Federal Income Tax Considerations”. Even if our units constitute “taxable Canadian property”, our units will be “treaty-protected property” if the gain on the disposition of our units is exempt from tax under the Tax Act under the terms of an applicable income tax treaty or convention. If our units constitute “taxable Canadian property”, non-Canadian limited partners will be required to file a Canadian federal income tax return in respect of a disposition of our units unless the disposition is an “excluded disposition” (as discussed above). If our units constitute “taxable Canadian property”, non-Canadian limited partners should consult their own tax advisors with respect to the requirement to file a Canadian federal income tax return in respect of a disposition of our units.

***Non-Canadian limited partners may be subject to Canadian federal income tax reporting and withholding tax requirements on the disposition of “taxable Canadian property”.***

Non-Canadian limited partners who dispose of “taxable Canadian property”, other than “excluded property” and certain other property described in subsection 116(5.2) of the Tax Act, (or who are considered to have disposed of such property on the disposition of such property by our partnership or the Holding LP), are obligated to comply with the procedures set out in section 116 of the Tax Act and obtain a certificate pursuant to the Tax Act. In order to obtain such certificate, the non-Canadian limited partner is required to report certain particulars relating to the transaction to CRA not later than 10 days after the disposition occurs. Our General Partner does not expect our units to be “taxable Canadian property” of any non-Canadian limited partner and does not expect our partnership or the Holding LP to dispose of property that is “taxable Canadian property” but no assurance can be given in these regards.



***Payments of dividends or interest (other than interest not subject to Canadian federal withholding tax) by residents of Canada to the Holding LP will be subject to Canadian federal withholding tax and we may be unable to apply a reduced rate taking into account the residency or entitlement to relief under an applicable income tax treaty or convention of our unitholders.***

Our partnership and the Holding LP will each be deemed to be a non-resident person in respect of certain amounts paid or credited or deemed to be paid or credited to them by a person resident or deemed to be resident in Canada, including dividends or interest. Dividends or interest (other than interest not subject to Canadian federal withholding tax) paid or deemed to be paid by a person resident or deemed to be resident in Canada to the Holding LP will be subject to withholding tax under Part XIII of the Tax Act at the rate of 25%. However, the CRA's administrative practice in similar circumstances is to permit the rate of Canadian federal withholding tax applicable to such payments to be computed by looking through the partnership and taking into account the residency of the partners (including partners who are resident in Canada) and any reduced rates of Canadian federal withholding tax that any non-Canadian limited partners may be entitled to under an applicable income tax treaty or convention, provided that the residency status and entitlement to treaty benefits can be established. In determining the rate of Canadian federal withholding tax applicable to amounts paid by the Holding Entities to the Holding LP, our General Partner expects the Holding Entities to look-through the Holding LP and our partnership to the residency of the partners of our partnership (including partners who are resident in Canada) and to take into account any reduced rates of Canadian federal withholding tax that non-Canadian limited partners may be entitled to under an applicable income tax treaty or convention in order to determine the appropriate amount of Canadian federal withholding tax to withhold from dividends or interest paid to the Holding LP. However, there can be no assurance that the CRA will apply its administrative practice in this context. If the CRA's administrative practice is not applied and the Holding Entities withhold Canadian federal withholding tax from applicable payments on a look-through basis, the Holding Entities may be liable for additional amounts of Canadian federal withholding tax plus any associated interest and penalties. Under the Canada-United States Tax Convention (1980) (the "Treaty"), a Canadian-resident payer is required in certain circumstances to look-through fiscally transparent partnerships, such as our partnership, and the Holding LP to the residency and Treaty entitlements of their partners and take into account the reduced rates of Canadian federal withholding tax that such partners may be entitled to under the Treaty. Under our Limited Partnership Agreement, the amount of any taxes withheld or paid by our partnership, the Holding LP or the Holding Entities in respect of our units may be treated either as a distribution to our unitholders or as a general expense of our partnership, as determined by our General Partner in its sole discretion. However, our General Partner's current intention is to treat all such amounts as a distribution to our unitholders.

While our General Partner expects the Holding Entities to look-through our partnership and the Holding LP in determining the rate of Canadian federal withholding tax applicable to amounts paid or deemed to be paid by the Holding Entities to the Holding LP, we may be unable to accurately or timely determine the residency of our unitholders for purposes of establishing the extent to which Canadian federal withholding taxes apply or whether reduced rates of withholding tax apply to some or all of our unitholders. In such a case, the Holding Entities will withhold Canadian federal withholding tax from all payments made to the Holding LP that are subject to Canadian federal withholding tax at the rate of 25%. Canadian-resident unitholders will be entitled to claim a credit for such taxes against their Canadian federal income tax liability but non-Canadian limited partners will need to take certain steps to receive a refund or credit in respect of any such Canadian federal withholding taxes withheld equal to the difference between the withholding tax at a rate of 25% and the withholding tax at the reduced rate they are entitled to under an applicable income tax treaty or convention. See Item 10.E "Taxation—Certain Material Canadian Federal Income Tax Considerations" for further detail. Unitholders should consult their own tax advisors concerning all aspects of Canadian federal withholding taxes.

***Our units may or may not continue to be “qualified investments” under the Tax Act for registered plans.***

Provided that our units are listed on a “designated stock exchange” (which currently includes the NYSE and the Toronto Stock Exchange (“TSX”)), our units will be “qualified investments” under the Tax Act for a trust governed by a registered retirement savings plan (“RRSP”), deferred profit sharing plan, registered retirement income fund (“RRIF”), registered education savings plan (“RESP”), registered disability savings plan (“RDSP”), and a tax-free savings account (“TFSA”). However, there can be no assurance that our units will continue to be listed on a “designated stock exchange”. There can also be no assurance that tax laws relating to “qualified investments” will not be changed. Taxes may be imposed in respect of the acquisition or holding of non-qualified investments by such registered plans and certain other taxpayers and with respect to the acquisition or holding of “prohibited investments” (as defined in the Tax Act) by an RRSP, RRIF, TFSA, RDSP or RESP.

Notwithstanding the foregoing, an annuitant under an RRSP or RRIF, a holder of a TFSA or RDSP or a subscriber of an RESP, as the case may be, will be subject to a penalty tax if our units held in an RRSP, RRIF, TFSA, RDSP or RESP are “prohibited investments” for the RRSP, RRIF, TFSA, RDSP or RESP as the case may be. Generally, our units will not be a “prohibited investment” for a trust governed by an RRSP, RRIF, TFSA, RDSP or RESP, provided that the annuitant under the RRSP or RRIF, the holder of the TFSA or RDSP or the subscriber of the RESP, as the case may be, deals at arm’s length with our partnership for purposes of the Tax Act and does not have a “significant interest” (as defined in the Tax Act for purposes of the prohibited investment rules) in our partnership. Unitholders who will hold our units in an RRSP, RRIF, TFSA, RDSP or RESP should consult with their own tax advisors regarding the application of the foregoing prohibited investment rules having regard to their particular circumstances.

***The Canadian federal income tax consequences to our unitholders could be materially different in certain respects from those described in this Form 20-F if our partnership or the Holding LP is a “SIFT partnership” (as defined in the Tax Act).***

Under the rules in the Tax Act applicable to a “SIFT partnership” (the “SIFT Rules”), certain income and gains earned by a “SIFT partnership” will be subject to income tax at the partnership level at a rate similar to a corporation, and allocations of such income and gains to its partners will be taxed as a dividend from a “taxable Canadian corporation” (as defined in the Tax Act). In particular, a “SIFT partnership” will be required to pay a tax on the total of its income from businesses carried on in Canada, income from “non-portfolio properties” (as defined in the Tax Act) other than taxable dividends, and taxable capital gains from dispositions of “non-portfolio properties”. “Non-portfolio properties” include, among other things, equity interests or debt of corporations, trusts or partnerships that are resident in Canada, and of non-resident persons or partnerships the principal source of income of which is one or any combination of sources in Canada (other than a “portfolio investment entity”, as defined in the Tax Act), that are held by the “SIFT partnership” and have a fair market value that is greater than 10% of the equity value of such entity, or that have, together with debt or equity that the “SIFT partnership” holds of entities affiliated (within the meaning of the Tax Act) with such entity, an aggregate fair market value that is greater than 50% of the equity value of the “SIFT partnership”. The tax rate that is applied to the above mentioned sources of income and gains is set at a rate equal to the “net corporate income tax rate”, plus the “provincial SIFT tax rate” (each as defined in the Tax Act).

A partnership will be a “SIFT partnership” throughout a taxation year if at any time in the taxation year (i) it is a “Canadian resident partnership” (as defined in the Tax Act), (ii) “investments” (as defined in the Tax Act) in the partnership are listed or traded on a stock exchange or other public market, and (iii) it holds one or more “non-portfolio properties”. For these purposes, a partnership will be a “Canadian resident partnership” at a particular time if (a) it is a “Canadian partnership” (as defined in the Tax Act) at that time, (b) it would, if it were a corporation, be resident in Canada (including, for greater certainty, a partnership that has its central management and control located in Canada), or (c) it was formed under the laws of a province. A “Canadian partnership” for these purposes is a partnership all of whose members are resident in Canada or are partnerships that are “Canadian partnerships”.

Under the SIFT Rules, our partnership and the Holding LP could each be a “SIFT partnership” if it is a “Canadian resident partnership”. However, the Holding LP would not be a “SIFT partnership” if our partnership is a “SIFT partnership” regardless of whether the Holding LP is a “Canadian resident partnership” on the basis that the Holding LP would be an “excluded subsidiary entity” (as defined in the Tax Act). Our partnership and the Holding LP will be a “Canadian resident partnership” if the central management and control of these partnerships is located in Canada. This determination is a question of fact and is expected to depend on where our General Partner is located and exercises central management and control of the respective partnerships. Our General Partner will take appropriate steps so that the central management and control of these entities is not located in Canada such that the SIFT Rules should not apply to our partnership or the Holding LP at any relevant time. However, no assurance can be given in this regard. If our partnership or the Holding LP is a “SIFT partnership”, the Canadian federal income tax consequences to our unitholders could be materially different in certain respects from those described in Item 10.E. “Taxation—Certain Material Canadian Federal Income Tax Considerations”. In addition, there can be no assurance that the SIFT Rules will not be revised or amended in the future such that the SIFT Rules will apply.

## **ITEM 4. INFORMATION ON THE COMPANY**

### **4.A HISTORY AND DEVELOPMENT OF BROOKFIELD INFRASTRUCTURE**

#### **Overview**

Brookfield Infrastructure owns and operates high quality, long-life assets that generate stable cash flows, require relatively minimal maintenance capital expenditures and, by virtue of barriers to entry and other characteristics, tend to appreciate in value over time. Our current operations consist of utilities, transport, energy and data infrastructure businesses in North and South America, Europe and Asia Pacific. Brookfield Infrastructure has appointed the Service Provider to provide certain management, administrative and advisory services for a fee under the Master Services Agreement. Brookfield owns an approximate 29.5% interest in our partnership assuming exchange of the Redeemable Partnership Units.

Our mission is to own and operate a globally diversified portfolio of high quality infrastructure assets that will generate sustainable and growing distributions over the long-term for our unitholders. To accomplish this objective, we will seek to leverage our operating segments to acquire infrastructure assets and actively manage them to extract additional value following our initial investment. An integral part of our strategy is to participate along with institutional investors in Brookfield-sponsored infrastructure funds that target acquisitions that suit our profile. We focus on investments in which Brookfield has sufficient influence or control to deploy an operations-oriented approach.

We target a total return of 12% to 15% per annum on the infrastructure assets that we own, measured over the long-term. We intend to generate this return from the in-place cash flows of our operations plus growth through investments in upgrades and expansions of our asset base, as well as acquisitions. We determine our distributions to unitholders based primarily on an assessment of our operating performance. FFO is used to assess our operating performance and can be used on a per unit basis as a proxy for future distribution growth over the long-term. See Item 5 “Operating and Financial Review and Prospects—Management’s Discussion and Analysis of Financial Condition and Results of Operations” for more detail.

Our distributions are underpinned by stable, highly regulated and contracted cash flows generated from operations. Our partnership’s objective is to pay a distribution that is sustainable on a long-term basis. Our partnership has set its target payout ratio target at 60-70% of FFO. In sizing what we believe to be a conservative payout ratio, we typically retain approximately 15-20% of AFFO that we utilize to fund some or all of our recurring growth capital expenditures.

In February 2019, the board of directors of our General Partner approved a 7% increase in our annual distribution to \$2.01 per unit, or \$0.5025 per unit quarterly. Distributions have grown at a compound annual growth rate of 10% since inception of our partnership in 2008. We target a 5% to 9% annual distribution growth in light of the growth that we foresee in our operations. We intend to review our distribution per unit in the first quarter of each year in the normal course. Please refer to Item 3.D “Risk Factors—Risks Relating to Our Partnership Structure—Our partnership is a holding entity and currently we rely on the Holding LP and, indirectly, the Holding Entities and our operating entities to provide us with the funds necessary to pay distributions and meet our financial obligations”.

### **History and Development of our Business**

Our partnership, Brookfield Infrastructure Partners L.P., is a Bermuda exempted limited partnership that was established on May 21, 2007 under the provisions of the Bermuda Exempted Partnership Act of 1992 (“Bermuda Exempted Partnerships Act”) and the Bermuda Limited Partnership Act. Our registered office is 73 Front Street, Hamilton HM 12, Bermuda and our telephone number at this address is +1-441-294-3309. Our partnership was spun-off from Brookfield on January 31, 2008.

The following table outlines the formative events in the history and development of our business:

Date	Segment	Event
May 2007	<i>Corporate:</i>	Prior to the spin-off, Brookfield acquired the following interests in our utilities and timber operations: (i) a 100% interest in our North American electricity transmission operations, in 1982; (ii) a 50% interest in our Canadian freehold timberlands, in May 2005; (iii) a 28% interest in our Chilean electricity transmission operation, in June 2006; (iv) 7%-18% interests in TBE, a group of five related transmission investments in Brazil, in 2006; and (v) a 100% interest in our U.S. freehold timberlands, in April 2007.
May 2007	<i>Utilities:</i>	Our Chilean electricity transmission operation was acquired by Brookfield on June 30, 2006 by a consortium of buyers led by Brookfield. As part of the stock purchase agreement between the parties, the buyers agreed to pay a purchase price adjustment of \$160 million that was determined on April 4, 2008 following the final resolution of the 2006 transmission rate proceeding. In conjunction with our disproportionate funding of this purchase price adjustment, our ownership in our Chilean electricity transmission operation increased to approximately 18% from approximately 11% at the time of the spin-off.
May 2007	<i>Utilities &amp; Timber:</i>	In conjunction with the spin-off, Brookfield contributed the following interests in our utilities and timber operations to us: (i) a 100% interest in our North American electricity transmission operations; (ii) a 38% interest in our Canadian freehold timberlands; (iii) an 11% interest in our Chilean electricity transmission operation; (iv) 7%-18% interests in TBE; and (v) a 30% interest in our U.S. freehold timberlands.
January 2008	<i>Corporate:</i>	On January 31, 2008, our partnership was spun off from Brookfield and its units began trading on the NYSE under the symbol “BIP”.
November 2008	<i>Timber:</i>	On November 4, 2008, we invested \$103 million into our U.S. freehold timberlands. The proceeds were used to partially fund the add-on acquisition of a 67,661 acre tree farm in Washington State for \$163 million and repay an outstanding bridge loan whose principal amount was approximately \$250 million.
January 2009	<i>Utilities</i>	In January 2009, Brookfield and its partner Isolux, through their joint venture company, Wind Energy Texas Transmission LLC (“WETT”), were awarded the right to build \$500 million of transmissions lines in Texas to facilitate the delivery of wind power to population centers as part of the Texas Competitive Renewable Energy Zones program. In the third quarter of 2009, Brookfield contributed its interest in WETT to a Brookfield sponsored infrastructure fund in which we own an interest. Upon finalization of the route selection and determination of the number of substations that comprise our system, this investment opportunity increased to approximately \$750 million.
June 2009	<i>Utilities</i>	On June 30, 2009, we completed the sale of our interest in our Brazilian transmission operations for after-tax proceeds of \$275 million, including proceeds from foreign exchange currency hedges. The sale resulted in the recognition of an approximately \$68 million after-tax gain over book value.
September 2009	<i>Corporate:</i>	On September 10, 2009, our partnership’s units commenced trading on the TSX under the symbol “BIP.UN”.

Date	Segment	Event
November 2009	<i>Corporate:</i>	On November 20, 2009, we invested \$941 million to acquire an interest in Prime, and direct interests in two assets from Prime (collectively, the “BBI Transaction”). In total, our investment in Prime was part of a comprehensive recapitalization in which Prime raised over \$1.6 billion from our partnership, Brookfield and other investors to repay debt. The first direct investment was in a U.K. port operation, which is one of the largest in the U.K. The second investment was an economic interest in an Australian terminal operation, one of the largest coal export terminals in the world. Our interests in North American gas transmission operations, Australian regulated distribution operations, U.K. regulated distribution operations, European energy distribution operations, Australian energy distribution operations, Australian rail operations, European port operations and an additional interest in the Australian terminal operations were held through Prime.
November 2009	<i>Corporate:</i>	Our participation in the BBI Transaction was financed in part by a public offering of 40.7 million units at a price of C\$15.55 per unit that closed in November 2009. The net proceeds of the public offering, inclusive of the exercise of the underwriters’ over-allotment option, were approximately C\$601 million. We funded the balance of the \$940 million investment in the BBI Transaction through the issuance of Redeemable Partnership Units and general partner units of the Holding LP to Brookfield at a price of approximately \$13.71 per unit, representing the price of our units issued under the public offering net of underwriting commissions payable by our partnership.
September 2010	<i>Corporate:</i>	On September 20, 2010, Brookfield closed a \$2.7 billion infrastructure fund. Brookfield manages the fund and has committed to the fund’s total capital commitments, with Brookfield Infrastructure participating in the fund to the extent target acquisitions suit Brookfield Infrastructure’s profile. We hold all or a portion of our interests in our Australian regulated terminal operations, our U.K. port operations, our Texas electricity transmission project, our high-voltage direct current (“HVDC”) submarine transmission line, our South American toll road operations, our Colombian distribution utility, our gas storage operations and our district heating and cooling operations through this fund.
December 2010	<i>Corporate:</i>	On December 8, 2010, Brookfield Infrastructure increased its ownership of Prime from 40% to 100% through a Merger Transaction whereby Prime security holders received 0.24 of our units per Prime security held and a special distribution of A\$0.20 per Prime security. Pursuant to the merger, approximately 50.7 million units were issued, including 0.9 million Redeemable Partnership Units to Brookfield.
October 2011	<i>Corporate:</i>	On October 26, 2011, Brookfield Infrastructure issued approximately 19.4 million units at \$24.75 per unit under its shelf registrations in the United States and Canada. Brookfield acquired approximately 8.3 million Redeemable Partnership Units at the offering price net of commissions to maintain its interest assuming exchange of the Redeemable Partnership Units. Net proceeds from this equity offering totaled approximately \$657 million. The proceeds were used to fund an equity investment in our Australian rail operation, including the pay down of our corporate credit facility, which had been primarily drawn over the previous nine months to fund the investment in our rail expansion program, and a \$160 million investment in Chilean toll road assets.

Date	Segment	Event
December 2011	<i>Transport:</i>	On December 15, 2011 we invested approximately \$160 million to purchase an ownership stake in two related Chilean toll road assets comprised of a 33 kilometer toll road and tunnel that form part of a key ring road in the transportation network of Santiago, Chile. The toll road and tunnel are long-life assets that have concessions with expirations in 2033 and 2037, respectively. This investment seeded our toll road platform with high quality assets in a high growth country with a favorable concession regime.
January 2012	<i>Utilities:</i>	On January 27, 2012, we purchased an ownership interest in a Colombian regulated distribution utility. This utility serves a predominantly residential load in Boyacá, a region of 1.3 million inhabitants located 150 kilometers north of Bogotá with emerging cement, steel and coal industries.
April 2012	<i>Energy:</i>	On April 27, 2012, we purchased an ownership interest in a natural gas storage facility in northeastern Alberta for \$16 million.
August 2012	<i>Corporate:</i>	In August 2012, Brookfield Infrastructure issued approximately 11.1 million units at an offering price of \$33.25 per unit under its shelf registrations in the United States and Canada. Brookfield acquired approximately 4.4 million Redeemable Partnership Units at the offering price net of commissions to maintain its interest assuming exchange of the Redeemable Partnership Units. Net proceeds from this equity offering totaled \$497 million. The net proceeds were used by Brookfield Infrastructure to partially fund several strategic initiatives further described below.
October 2012	<i>Utilities:</i>	On October 1, 2012, Brookfield Infrastructure acquired Brookfield's interest in its Chilean transmission system for \$235 million. Following this transaction, Brookfield Infrastructure's ownership interest was 28%.
October 2012	<i>Transport:</i>	On October 1, 2012, we closed the acquisition of an additional interest in our Chilean toll road for \$170 million, increasing our ownership to 51%.
October 2012	<i>Corporate:</i>	On October 10, 2012, Brookfield Infrastructure issued C\$400 million of five-year corporate bonds in the Canadian market with a 3.5% interest rate, which was swapped into U.S. dollars at an effective interest rate of 2.7%. Proceeds were used primarily to refinance holding company debt.
October 2012	<i>Energy:</i>	On October 31, 2012, we invested approximately \$75 million in a district energy system that serves commercial customers in downtown Toronto, which we acquired in partnership with institutional investors.
November 2012	<i>Utilities:</i>	On November 13, 2012, we completed the merger of our existing U.K. regulated distribution business with a U.K. regulated distribution business that we acquired in the third quarter of 2012. In conjunction with the merger, we invested \$525 million of equity to recapitalize the combined business. On November 30, 2012, Brookfield Infrastructure closed the sale of a 20% interest in the combined business to an institutional investor for proceeds of approximately \$235 million. Brookfield Infrastructure maintained control of this business, while bringing on board a respected global infrastructure investor as a minority partner who we believe is well-suited to work with us in support of the growth of the combined business over the long-term.

Date	Segment	Event
December 2012	<i>Transport:</i>	On December 4, 2012, Brookfield Infrastructure purchased a controlling interest in a Brazilian toll road platform, along with Abertis Infraestructuras and institutional partners. Following this acquisition, Brookfield Infrastructure owns interests in 11 toll roads in Brazil and Chile. Its 3,200 kilometer network is diversified with a balance of light and heavy vehicles and urban and interurban traffic. As one of the largest owner/operators of toll roads in the region, Brookfield Infrastructure is well positioned to invest in additional expansions and upgrades of the system as well as add-on acquisitions and development opportunities in two of the highest growth countries in the region. As required by law, Brookfield Infrastructure and its partners made a tender offer to acquire the interests of the minority holders of the Brazilian toll roads, which resulted in Brookfield Infrastructure acquiring an additional interest in the Brazilian toll road business in September 2013.
December 2012	<i>Corporate:</i>	In December, 2012, Brookfield Infrastructure closed an upsizing of its corporate credit facilities, increasing commitments to \$855.6 million from \$700 million. Following a second close in January 2013, commitments increased to \$900 million. The incremental \$200 million of commitments have substantially the same terms as the previous facilities. These corporate credit facilities continue to be available to provide short-term liquidity for investments and acquisitions as well as general corporate purposes.
December 2012	<i>Timber:</i>	On December 31, 2012, Brookfield Infrastructure completed its sale of a 12.5% interest of its Canadian timberlands for \$85 million, and retained a 25% interest in this business.
May 2013	<i>Corporate:</i>	In May 2013, Brookfield Infrastructure issued approximately 6.6 million units at an offering price of \$37.75 per unit under its shelf registrations in the United States and Canada. Brookfield acquired approximately 2.6 million Redeemable Partnership Units at the offering price net of commissions in order to maintain its interest assuming exchange of the Redeemable Partnership Units. Net proceeds from this equity offering totaled approximately \$330 million. The proceeds were used for the repayment of amounts outstanding under revolving credit facilities, investment opportunities, working capital and other general corporate purposes.
June 2013	<i>Timber:</i>	On June 7, 2013, Brookfield Infrastructure completed the sale of its remaining 25% interest in its Canadian timberlands for proceeds of approximately \$170 million.
July 2013	<i>Timber:</i>	On July 23, 2013, Brookfield Infrastructure completed the sale of its interest in its U.S. Pacific Northwest timberlands for approximately \$790 million. The buyer agreed to assume Brookfield Infrastructure's proportionate debt of approximately \$320 million resulting in net proceeds from the transaction of approximately \$470 million.
August 2013	<i>Corporate:</i>	In August 2013, Brookfield Infrastructure closed an upsizing of its corporate credit facilities, increasing commitments to \$1.4 billion. The incremental \$545 million of commitments have substantially the same terms as the previous facilities. These corporate credit facilities continue to be available to provide short-term liquidity for investments and acquisitions as well as general corporate purposes.
September 2013	<i>Transport:</i>	On September 6, 2013, Brookfield Infrastructure invested approximately \$490 million in its Brazilian toll road platform, increasing its ownership to approximately 31%.



Date	Segment	Event
October 2013	<i>Corporate:</i>	On October 30, 2013, Brookfield closed a \$7 billion infrastructure fund. Brookfield manages the fund and has committed to the fund's total capital commitments, with Brookfield Infrastructure participating in the fund to the extent target acquisitions suit Brookfield Infrastructure's profile. We hold all or a portion of our interests in our Brazilian rail and port logistics business, North American west coast container terminal, European telecommunications infrastructure operation, U.S. district energy operation and our North American gas storage operations through this fund.
November 2013	<i>Utilities:</i>	On November 29, 2013, Brookfield Infrastructure announced that it completed the sale of its 42% interest in its Asia Pacific regulated distribution business for approximately \$415 million.
December 2013	<i>Energy:</i>	On December 2, 2013, Brookfield Infrastructure invested approximately \$40 million in a district energy system that serves commercial customers in New Orleans and Houston, which we acquired in partnership with institutional investors. Brookfield Infrastructure owns an approximate 40% interest in the business.
March 2014	<i>Transport:</i>	On March 26, 2014, Brookfield Infrastructure acquired alongside institutional investors an approximate 50% equity stake in Mitsui O.S.K. Lines, Ltd. container terminals in Los Angeles and Oakland, of which Brookfield Infrastructure invested 40% for a total investment of approximately \$125 million.
March 2014	<i>Corporate:</i>	On March 28, 2014, Brookfield Infrastructure effected a restructuring pursuant to which the Holding LP's limited partnership agreement was amended to make our partnership the managing general partner of the Holding LP and to make the Infrastructure Special LP, the former general partner of the Holding LP, a special limited partner of the Holding LP. This change was made in order to simplify the Holding LP's governance structure and to more clearly delineate our partnership's governance rights in respect of the Holding LP. As a result, the voting agreement between Brookfield Infrastructure and Brookfield, which required Brookfield to exercise certain of its voting rights in respect of the Holding LP's former general partner as directed by Brookfield Infrastructure, was terminated and related changes were made to our Limited Partnership Agreement and the Master Services Agreement. Because Brookfield is a party to these agreements, all of the amendments were approved by a special committee of independent directors of the General Partner and the former general partner of the Holding LP. The economic interests of Brookfield Infrastructure were not affected by these changes.
August 2014	<i>Energy:</i>	On August 7, 2014, Brookfield Infrastructure invested alongside institutional investors to acquire two district energy businesses serving Chicago and Las Vegas, and on November 21, 2014, Brookfield Infrastructure invested alongside institutional investors to acquire a district energy business serving Seattle. Brookfield Infrastructure invested approximately \$50 million in aggregate for the three businesses and it owns an approximate 40% interest in each business.
August 2014	<i>Transport:</i>	On August 19, 2014, Brookfield Infrastructure invested approximately \$370 million, alongside institutional investors to acquire an approximately 11% interest in VLI, one of Brazil's largest rail and port logistics businesses.

Date	Segment	Event
August 2014	<i>Corporate</i>	In August 2014, Brookfield Infrastructure closed an extension of its corporate credit facilities to June 30, 2019 and decreased the annual interest rate spread applicable on LIBOR and the unused commitment fee to 120 basis points and 18 basis points, respectively.
December 2014	<i>Energy:</i>	On December 3, 2014, Brookfield Infrastructure acquired alongside institutional investors a 50% interest in Tres Palacios Gas Storage in Texas for approximately \$100 million, of which Brookfield Infrastructure invested approximately \$40 million.
December 2014	<i>Energy:</i>	On December 31, 2014, Brookfield Infrastructure acquired alongside institutional investors a 100% stake in Lodi Gas Storage in California for approximately \$105 million, of which Brookfield Infrastructure invested approximately \$40 million.
March 2015	<i>Corporate:</i>	On March 11, 2015, Brookfield Infrastructure issued C\$450 million of seven-year corporate bonds in the Canadian market with a 3.5% interest rate, which was swapped into \$360 million on a matched maturity basis at an effective rate of 3.9%. Proceeds were used for general corporate purposes, including to fund new investments that were previously announced and repay amounts outstanding under credit facilities.
March 2015	<i>Corporate:</i>	On March 12, 2015, our Limited Partnership Agreement was amended to permit the authorization and issuance of preferred units, authorize and create the Class A Preferred Units, Series 1 Preferred Units and Series 2 Preferred Units and to make certain consequential changes resulting from such authorization and creation. On March 12, 2015, the limited partnership agreement of the Holding LP was also amended to permit the authorization and issuance of Holding LP Class A Preferred Units, Holding LP Series 1 Preferred Units and Holding LP Series 2 Preferred Units, with terms substantially mirroring the Class A Preferred Units, Series 1 Preferred Units and Series 2 Preferred Units, respectively.
March 2015	<i>Corporate:</i>	On March 12, 2015, our partnership issued 5 million Series 1 Preferred Units at an offering price of C\$25.00 per Series 1 Preferred Unit under its shelf registration in Canada. Our Partnership acquired 5 million Holding LP Series 1 Preferred Units at the offering price. Holders of the Series 1 Preferred Units and Holding LP Series 1 Preferred Units will be entitled to receive a cumulative quarterly fixed distribution at a rate of 4.50% annually for the initial period ending June 30, 2020. Proceeds were used for general corporate purposes, including to fund new investments that were previously announced and repay amounts outstanding under credit facilities. Net proceeds from this offering totaled approximately \$95 million.
March 2015	<i>Data Infrastructure:</i>	On March 31, 2015, Brookfield Infrastructure, through a Brookfield sponsored fund, acquired a 21% interest in TDF, a European telecommunications infrastructure operation, for approximately \$415 million.

Date	Segment	Event
April 2015	<i>Corporate:</i>	In April 2015, Brookfield Infrastructure issued approximately 13.4 million units at an offering price of \$45.00 per unit under its shelf registrations in the United States and Canada. Brookfield acquired approximately 8.1 million Redeemable Partnership Units at the offering price net of commissions in order to maintain its interest in our partnership. Net proceeds from this equity offering totaled approximately \$926 million. The proceeds were used for the repayment of amounts outstanding under revolving credit facilities, investment opportunities, working capital and other general corporate purposes.
June 2015	<i>Corporate:</i>	On June 12, 2015, Brookfield Infrastructure amended its corporate credit facilities to, among other things, effect an extension of those corporate credit facilities to June 30, 2020. These corporate credit facilities continue to be available to provide short-term liquidity for investments and acquisitions as well as general corporate purposes.
June 2015	<i>Energy:</i>	In June 2015, Brookfield Infrastructure, along with institutional partners, signed definitive agreements to acquire all of the outstanding common units of Rockpoint Gas Storage Partners LLC (“Rockpoint”). The total equity investment for all parties was \$175 million of which Brookfield Infrastructure agreed to invest approximately \$70 million for an effective 40% ownership stake. Rockpoint is North America’s largest independent natural gas storage operator with approximately 250 billion cubic feet of natural gas storage.
August 2015	<i>Utilities:</i>	On August 21, 2015, Brookfield Infrastructure completed the sale of its 23% interest in its New England electricity transmission operation for gross proceeds of approximately \$65 million and net proceeds of approximately \$28 million.
October 2015	<i>Corporate:</i>	On October 30, 2015, Brookfield Infrastructure issued two tranches of corporate bonds in the Canadian market: C\$125 million of three-year bonds with a 3.0% interest rate and C\$375 million of five-year bonds with an interest rate of 3.5%. The three-year and five-year bonds were swapped into a combined \$378 million bond on a matched maturity basis at an effective rate of 3.8%. The proceeds were used for investment opportunities, working capital and other general corporate purposes.
November 2015	<i>Transport:</i>	On November 5, 2015, an Australian subsidiary of our partnership (the “Acquirer”) acquired 188 million shares in Asciano Limited representing a 14.9% interest. Concurrently, the Acquirer entered into arrangements to acquire an indirect economic interest of an additional 4.3%, for a total direct and indirect interest of 19.3%. Total consideration paid for the interest in Asciano Limited was approximately \$1.2 billion, with Brookfield Infrastructure’s share of that investment being approximately \$900 million.
December 2015	<i>Corporate:</i>	On December 8, 2015 our partnership issued 5 million Series 3 Preferred Units at an offering price of C\$25.00 per Series 3 Preferred Unit under its shelf registration in Canada. Our Partnership acquired 5 million Holding LP Series 3 Preferred Units at the offering price. Holders of the Series 3 Preferred Units and Holding LP Series 3 Preferred Units will be entitled to receive a cumulative quarterly fixed distribution at a rate of 5.50% annually for the initial period ending December 31, 2020. Proceeds were used for investment opportunities, working capital and other general corporate purposes. Net proceeds from this offering totaled approximately \$90 million.

Date	Segment	Event
December 2015	<i>Energy:</i>	On December 10, 2015, Kinder Morgan, Inc and Brookfield Infrastructure jointly acquired, from Myria Holdings, Inc., the 53% equity interest in Natural Gas Pipeline Company of America LLC (“NGPL”) not already owned by them for a total purchase price of approximately \$242 million. Brookfield Infrastructure paid approximately \$106 million and increased its ownership from 26.5% to 50%.
December 2015	<i>Corporate:</i>	On December 11, 2015, Brookfield Infrastructure closed an upsizing of its corporate credit facilities, increasing commitments to \$1.875 billion. The incremental \$450 million of commitments have substantially the same terms as the previous facilities. These corporate credit facilities continue to be available to provide short-term liquidity for investments and acquisitions as well as general corporate purposes.
January 2016	<i>Utilities:</i>	On January 29, 2016, Brookfield Infrastructure signed binding agreements to sell its 100% interest in its Ontario electricity transmission operation for gross proceeds of approximately C\$370 million, resulting in net proceeds of approximately C\$220 million.
February 2016	<i>Transport:</i>	On February 18, 2016, the takeover bid for Asciano Limited made by our partnership, together with institutional partners, lapsed, following the withdrawal of its recommendation by the board of directors of Asciano Limited. This change of recommendation triggered an A \$88 million payment to the Brookfield consortium.
March 2016	<i>Transport:</i>	On March 1, 2016, Brookfield Infrastructure expanded its toll road business through the acquisition of a 40% interest in a toll road business in India from Gammon Infrastructure Projects Limited for consideration of \$42 million through a Brookfield-sponsored infrastructure fund.
March 2016	<i>Corporate:</i>	On March 29, 2016, Brookfield Infrastructure closed an upsizing of its corporate credit facilities, increasing commitments to \$1.975 billion. The incremental \$100 million of commitments have substantially the same terms as the previous facilities. These corporate credit facilities continue to be available to provide short-term liquidity for investments and acquisitions as well as general corporate purposes.
April 2016	<i>Energy:</i>	On April 7, 2016, Brookfield Infrastructure and its partner in its North American gas transmission operation each injected \$312 million into the business to pay down operating level debt.
May 2016	<i>Transport:</i>	In May 2016, Brookfield Infrastructure, alongside an institutional investor and a partner in the business, executed a privatization of its Brazilian toll road operation. The privatization resulted in our partnership’s ownership interest increasing from 40% to 48% in exchange for cash consideration of \$73 million. Subsequent to the privatization, Brookfield Infrastructure, alongside an institutional partner, injected \$114 million into the Brazilian toll road operation for growth capital expenditure requirements.
May 2016	<i>Energy:</i>	On May 26, 2016, Brookfield Infrastructure completed the sale of its 100% interest in its European energy distribution operation to a third party for gross proceeds of approximately \$135 million and net proceeds of approximately \$127 million.

Date	Segment	Event
June 2016	<i>Corporate:</i>	On June 17, 2016, Brookfield Infrastructure amended its corporate credit facilities to, among other things, effect an extension of those corporate credit facilities to June 30, 2021.
June 2016	<i>Transport:</i>	On June 28, 2016, Brookfield Infrastructure acquired a 17% interest in Rutas de Lima S.A.C, through a Brookfield-sponsored infrastructure fund, for total consideration of \$127 million, comprised of \$118 million of cash and an amount payable of \$9 million.
June 2016	<i>Utilities:</i>	In June 2016, Brookfield Infrastructure and its partners agreed to construct approximately 2,800 kilometers of greenfield transmission lines in Brazil and establish a business with substantial scale in the country. These are long-life, 30-year concession assets that earn cash flows under a stable, availability-based regulatory framework.
July 2016	<i>Corporate:</i>	On July 8, 2016, Brookfield closed a \$14 billion infrastructure fund. Brookfield manages the fund and has committed \$4 billion to the fund's total capital commitments, with Brookfield Infrastructure participating in the fund to the extent target acquisitions suit Brookfield Infrastructure's investment profile.
July 2016	<i>Energy:</i>	On July 19, 2016, Brookfield Infrastructure acquired a 40% interest in Rockpoint for consideration of \$227 million through a Brookfield-sponsored infrastructure fund. This consideration was comprised of \$141 million of Rockpoint senior notes currently owned by Brookfield Infrastructure, which Brookfield Infrastructure paid \$104 million to acquire, \$19 million of a working capital credit facility provided to Rockpoint by Brookfield Infrastructure prior to the acquisition date, and cash of \$67 million.
August 2016	<i>Corporate:</i>	On August 2, 2016, our partnership issued 10 million Series 5 Preferred Units at an offering price of C\$25.00 per Series 5 Preferred Unit in a public offering in Canada. Our partnership acquired 10 million Holding LP Series 5 Preferred Units at the offering price. Holders of the Series 5 Preferred Units and Holding LP Series 5 Preferred Units will be entitled to receive a cumulative quarterly fixed distribution at a rate of 5.35% annually for the initial period ending September 30, 2021. Proceeds were used for investment opportunities, working capital and other general corporate purposes. Net proceeds from this offering totaled approximately \$186 million.
August 2016	<i>Transport:</i>	On August 18, 2016, Brookfield Infrastructure acquired a 27% interest in Linx Cargo Care and a 13% interest in Patrick Terminals and Logistics ("Patrick") from Asciano Limited, through a Brookfield-sponsored infrastructure fund, along with institutional partners, for total consideration of \$145 million and \$202 million, respectively, resulting in the expansion of Brookfield Infrastructure's ports business to Australia.
September 2016	<i>Corporate:</i>	On September 14, 2016, our partnership completed a three-for-two split of our units by way of a subdivision of units, whereby unitholders received an additional one-half of a unit for each unit held, resulting in the issuance of an additional approximately 115 million units. Any fractional units otherwise issuable to registered holders as a result of the Unit Split were rounded up to the nearest whole unit. Our preferred units were not affected by the Unit Split. The Managing General Partner Units, Special Limited Partner Units and Redeemable Partnership Units of the Holding LP were concurrently split to reflect the Unit Split.

Date	Segment	Event
September 2016	<i>Utilities</i>	On September 23, 2016, Brookfield Infrastructure, together with institutional clients of Brookfield Asset Management announced that they had reached an agreement to acquire a 90% controlling stake in Nova Transportadora do Sudeste S.A. (“NTS”) a system of natural gas transmission assets in the southeast of Brazil owned by Petrobras, for approximately \$5.3 billion.
October 2016	<i>Utilities:</i>	In October 2016, Brookfield Infrastructure and its partners agreed to construct an additional 1,400 kilometers of greenfield transmission lines in Brazil, bringing the total development to 4,200 kilometers. Brookfield Infrastructure will deploy approximately \$300 million during the construction period. Construction of these projects is underway and they are expected to be commissioned over the subsequent five years.
October 2016	<i>Utilities:</i>	On October 31, 2016, we completed the sale of our 100% interest in the Ontario electricity transmission operation to a third party for gross proceeds of approximately C\$370 million and net proceeds of approximately C\$220 million.
December 2016	<i>Corporate:</i>	On December 2, 2016, we issued 15,625,000 units at an offering price of \$32.00 per unit in public offerings in the U.S. and Canada. In a concurrent private placement, Brookfield acquired 8,139,000 Redeemable Partnership Units at the offering price net of commissions. Gross proceeds from this equity offering totaled approximately \$750 million (\$730 million net of issuance costs). Our partnership used the net proceeds to partially fund its investment in the NTS acquisition and to deploy our backlog of organic growth projects.
December 2016	<i>Transport:</i>	On December 12, 2016, Brookfield Infrastructure invested a further approximately \$124 million in its Brazilian toll road business, increasing its ownership to approximately 49%.
January 2017	<i>Corporate:</i>	On January 26, 2017, our partnership issued 12 million Series 7 Preferred Units at an offering price of C\$25.00 per Series 7 Preferred Unit in a public offering in Canada. Holders of the Series 7 Preferred Units will be entitled to receive a cumulative quarterly fixed distribution at a rate of 5.00% annually for the initial period ending March 31, 2022. Net proceeds from this offering totaled approximately \$220 million.
February 2017	<i>Corporate:</i>	On February 22, 2017, our partnership completed a C\$300 million corporate bond issuance through a public offering in Canada. Proceeds were used to partially refinance indebtedness that matured in October 2017.
April 2017	<i>Utilities:</i>	On April 4, 2017, Brookfield Infrastructure, alongside institutional partners and a Brookfield-sponsored infrastructure fund, acquired an effective 28% interest in NTS, a system of natural gas transmission assets in the southeast of Brazil, for \$1.6 billion. \$1.3 billion was due on closing and the balance payable on the fifth anniversary of closing.
April 2017	<i>Corporate:</i>	On April 17, 2017, our partnership completed a C\$400 million corporate bond issuance through a public offering in Canada. Proceeds were used for investment opportunities, working capital and other general corporate purposes and to partially refinance indebtedness that matured in October 2017.

Date	Segment	Event
May 2017	<i>Energy:</i>	On May 31, 2017, Brookfield Infrastructure and its partner in its North American gas transmission operation each injected \$200 million into the business to pay down operating level debt.
September 2017	<i>Corporate:</i>	On September 15, 2017, our partnership issued 16,628,000 units at an offering price of \$42.10 per unit in public offerings in the United States and Canada. In a concurrent private placement, Brookfield acquired 7,423,000 Redeemable Partnership Units at the offering price net of commissions. Gross proceeds from this equity offering totaled approximately \$1 billion (\$972 million net of issuance costs). Net proceeds were used primarily to fund future investment opportunities and to deploy our backlog of organic growth projects.
October 2017	<i>Transport:</i>	On October 9, 2017, our partnership, alongside an institutional partner, injected approximately \$240 million in our Brazilian toll road operation, increasing our ownership interest to 44.5%.
October 2017	<i>Corporate:</i>	On October 10, 2017, our partnership repaid C\$400 million of medium term notes issued in 2012.
November 2017	<i>Corporate:</i>	On November 17, 2017, Brookfield Infrastructure, through a Brookfield-sponsored infrastructure fund, reached agreements to acquire at least 15% of Gas Natural SDG, S.A.'s equity interest in its Colombian natural gas distribution and commercialization business Gas Natural, S.A. ESP and certain affiliates ("Gas Natural"). Brookfield Infrastructure has agreed to pay approximately \$100 million for this interest.
December 2017	<i>Corporate:</i>	On December 22, 2017, Brookfield Infrastructure, through a Brookfield-sponsored infrastructure fund, acquired an effective 3% interest in Gas Natural, for approximately \$30 million.
December 2017	<i>Utilities:</i>	Brookfield Infrastructure signed definitive agreements to sell its 27.8% interest in its Chilean electricity transmission operation for \$1.3 billion.
January 2018	<i>Corporate:</i>	On January 23, 2018, our partnership issued eight million Series 9 Preferred Units at an offering price of C\$25.00 per unit in a public offering in Canada. Holders of the Series 9 Preferred Units will be entitled to receive a cumulative quarterly fixed distribution at a rate of 5.00% annually for the initial period ending March 31, 2023. Net proceeds from this offering totaled approximately C\$194 million.
March 2018	<i>Utilities:</i>	On March 15, 2018, Brookfield Infrastructure completed the sale of its 27.8% interest in a Chilean electricity transmission operation to a third party for gross proceeds of approximately \$1.3 billion and net proceeds of approximately \$1.1 billion.

Date	Segment	Event
May 2018	<i>Utilities:</i>	On May 15, 2018, Brookfield Infrastructure's Brazilian regulated gas transmission business completed the issuance of approximately \$1.5 billion five-year senior notes in the local market at a rate of approximately 7.1% at the time of issuance. The proceeds of approximately \$440 million were distributed to our partnership.
June 2018	<i>Utilities:</i>	On June 1, 2018, Brookfield Infrastructure, alongside institutional partners, acquired an effective 16% interest in Gas Natural S.A. ESP ("GN"), a Colombian natural gas distribution business for \$150 million.
July 2018	<i>Energy:</i>	On July 4, 2018, Brookfield Infrastructure, alongside institutional partners, agreed to acquire Enbridge Inc.'s Western Canadian natural gas gathering and processing business for total consideration of approximately \$3.3 billion (Brookfield Infrastructure's share of equity, approximately \$540 million). The transaction is expected to close in two phases. The facilities subject to provincial regulation reached financial close in October 2018 and the facilities subject to federal regulation are expected to close in mid-2019. Completion of the second phase is subject to certain closing conditions and regulatory approvals.
September 2018	<i>Transport:</i>	On September 7, 2018, Brookfield Infrastructure, alongside institutional partners (the "Indian toll roads consortium"), expanded its toll road operations through the acquisition of an effective 29% interest in Simhapuri Expressway Ltd, a toll road business in India, for total consideration of \$53 million. Subsequently, on November 5, 2018, the Indian toll roads consortium acquired an effective 26% interest in Rayalseema Expressway Private Limited, a second toll road business in India, for total consideration of \$5 million.
September 2018	<i>Corporate:</i>	On September 10, 2018, our partnership completed a C\$500 million corporate bond issuance through a public offering in Canada. Proceeds were used to fund an active pipeline of new investment opportunities and a growing backlog of committed organic growth capital expenditure projects.
September 2018	<i>Corporate:</i>	On September 12, 2018, our partnership issued 10 million Series 11 Preferred Units at an offering price of C\$25.00 per Series 11 Preferred Unit in a public offering in Canada. Holders of the Series 11 Preferred Units are entitled to receive a cumulative quarterly fixed distribution at a rate of 5.10% annually for the initial period ending December 31, 2023. Net proceeds from this offering totaled approximately C\$244 million or \$185 million.
October 2018	<i>Energy:</i>	On October 1, 2018, Brookfield Infrastructure, alongside institutional partners, acquired an effective 29% interest in the provincially regulated portion of Enbridge Inc.'s Western Canadian natural gas gathering and processing business for \$281 million. Under Brookfield Infrastructure's ownership, the business was renamed NorthRiver Midstream Inc.



Date	Segment	Event
October 2018	<i>Energy:</i>	On October 16, 2018, Brookfield Infrastructure, alongside institutional partners, acquired an effective 30% interest in Enercare Inc. (“Enercare”), a North American residential energy infrastructure business, for \$427 million. As part of the transaction, certain Enercare shareholders were given the right to elect to receive, in lieu of cash consideration, 0.5509 Exchange LP Units to be issued by Exchange LP for each share of Enercare. \$232 million of Exchange LP Units, or 5.7 million Exchange LP Units were issued by Exchange LP. The Exchange LP Units provide holders with economic terms that are substantially equivalent to those of our units and are exchangeable, on a one-for-one basis, for our units.
October 2018	<i>Corporate:</i>	On October 30, 2018, our partnership repaid C\$125 million of medium term notes issued in 2015.
December 2018	<i>Data Infrastructure:</i>	On December 31, 2018, Brookfield Infrastructure, alongside institutional partners, acquired an effective 29% interest in AT&T’s large-scale, multi-tenant data center portfolio for approximately \$164 million.
January 2019	<i>Data Infrastructure:</i>	On January 4, 2019, Brookfield Infrastructure, alongside institutional partners, acquired DCI Data Centers, an Australian data storage business, for approximately \$48 million.
February 2019	<i>Corporate:</i>	On February 5, 2019, a wholly-owned subsidiary of our partnership issued four million Senior Preferred Shares, Series 1 (“Series 1 Shares”), at an offering price of C\$25.00 per share in a public offering in Canada. Holders of the Series 1 Shares are entitled to receive a cumulative quarterly fixed dividend at a rate of 5.85% annually for the initial period ending March 31, 2024. Net proceeds from this offering totaled approximately C\$97 million or \$73 million.
February 2019	<i>Transport:</i>	On February 7, 2019, Brookfield Infrastructure completed the sale of a third of its interest (approximately 17%) in the Chilean toll roads business for total consideration of approximately \$195 million.

For a description of our principal capital expenditures in the last three fiscal years, see Item 5.B, “Liquidity and Capital Resources—Capital Reinvestment” and Note 30, “Contractual Commitments” in our financial statements included in this annual report on Form 20-F.

## 4.B BUSINESS OVERVIEW

### Our Operations

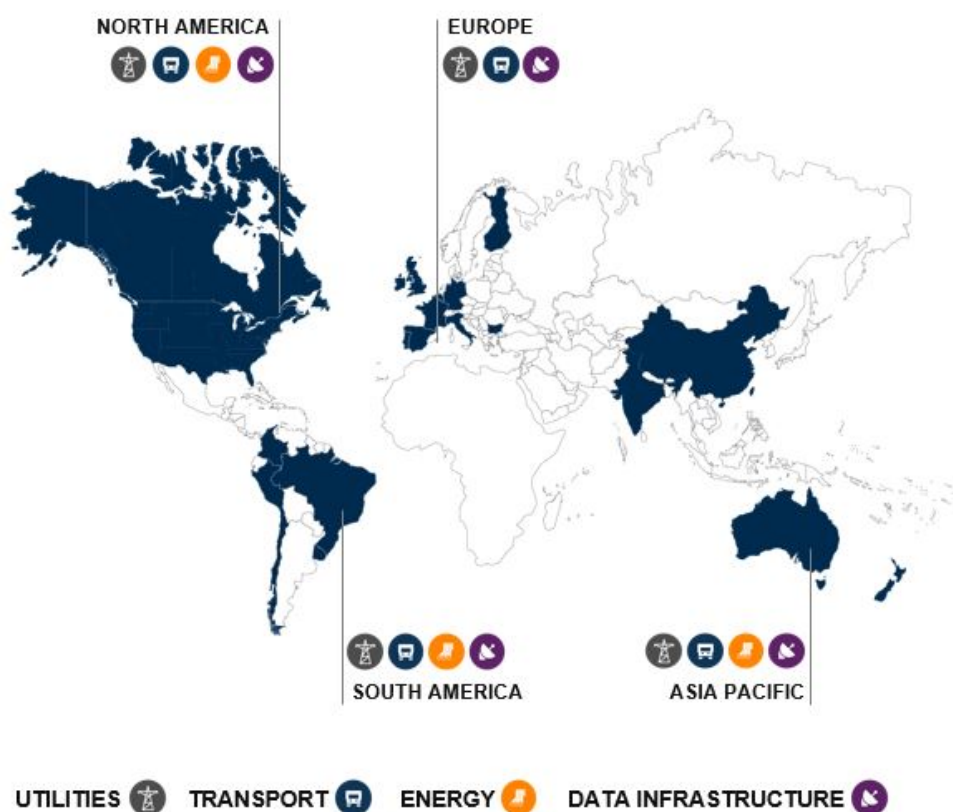
We own a portfolio of infrastructure assets that are diversified by sector and by geography. We have a stable cash flow profile with approximately 95% of our Adjusted EBITDA supported by regulated or contracted revenues. In order to assist our unitholders and preferred unitholders in evaluating our performance and assessing our value, we group our businesses into operating segments based on similarities in their underlying economic drivers.

Our operating segments are summarized below:

<b><u>Operating Segment</u></b> <sup>(1)</sup>	<b><u>Asset Type</u></b>	<b><u>Primary Location</u></b> <sup>(1)</sup>
<b>Utilities</b> <i>Regulated or contractual businesses which earn a return on their asset base</i>	<ul style="list-style-type: none"> <li>• Regulated Transmission</li> <li>• Regulated Distribution</li> <li>• Regulated Terminal</li> </ul>	<ul style="list-style-type: none"> <li>• North &amp; South America</li> <li>• Europe &amp; South America</li> <li>• Asia Pacific</li> </ul>
<b>Transport</b> <i>Provide transportation for freight, bulk commodities and passengers</i>	<ul style="list-style-type: none"> <li>• Rail</li> <li>• Toll Roads</li> <li>• Ports</li> </ul>	<ul style="list-style-type: none"> <li>• Asia Pacific &amp; South America</li> <li>• Asia Pacific &amp; South America</li> <li>• Europe, North America &amp; Asia Pacific</li> </ul>
<b>Energy</b> <i>Systems that provide energy transmission, gathering, processing and storage services</i>	<ul style="list-style-type: none"> <li>• Natural Gas Midstream and Storage</li> <li>• Distributed Energy Control Infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• North America</li> <li>• North America &amp; Asia Pacific</li> </ul>
<b>Data Infrastructure</b> <i>Provide critical infrastructure and services to global communication companies</i>	<ul style="list-style-type: none"> <li>• Telecommunications and Fiber</li> <li>• Data Storage</li> </ul>	<ul style="list-style-type: none"> <li>• Europe</li> <li>• North &amp; South America, Asia Pacific, Europe</li> </ul>

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(1) See Item 5 “Operating and Financial Review and Prospects—Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Item 18 “Financial Statements” for information regarding revenue by segments and geographic market.



## Utilities

### Overview

Our utilities segment is comprised of regulated transmission (natural gas and electricity), regulated utilities businesses, including regulated distribution (electricity and natural gas connections), and a regulated terminal (coal export terminal). These businesses earn a return on a regulated or notionally stipulated asset base, which we refer to as rate base, or from revenues in accordance with long-term concession agreements, private bilateral contracts approved or ratified by the regulator, or price control frameworks. Our rate base increases with capital that we invest to upgrade and expand our systems. Depending on the jurisdiction, our rate base may also increase by inflation and maintenance capital expenditures and decrease by regulatory depreciation. The return that we earn is typically determined by a regulator for prescribed periods of time. Thereafter, it may be subject to customary reviews based upon established criteria. Our diversified portfolio of assets allows us to mitigate exposure to any single regulatory regime. In addition, due to the franchise frameworks and economies of scale of our businesses, we often have significant competitive advantages in competing for projects to expand our rate base and earn incremental revenues. Accordingly, we expect this segment to produce stable revenue and margins over time that should increase with investment of additional capital and inflation. Nearly all of our utilities segment's Adjusted EBITDA is supported by regulated or contractual revenues.

The objectives for our utilities segment are to invest capital in the expansion of our rate base, as well as to provide safe and reliable service for our customers on a cost-efficient basis. If we do so, we will be in a position to earn an appropriate return on our rate base. Our performance can be measured by the growth in our rate base, the return on our rate base, and the growth in our AFFO.

Our utilities segment is comprised of the following:

*Regulated Transmission*

- Approximately 2,000 kilometers of natural gas pipelines in Brazil
- Approximately 2,200 kilometers of operating transmission lines in North and South America with an additional 2,700 kilometers of greenfield electricity transmission under development in South America

*Regulated Distribution*

- Approximately 6.6 million connections, predominantly electricity and natural gas, and approximately 1.1 million smart meters

*Regulated Terminal*

- One of the world's largest metallurgical coal export terminals, with 85 million tons per annum ("mtpa") of capacity

***Regulated Transmission***

Our regulated gas transmission operation in Brazil operates over 2,000 km of natural gas transportation pipelines in the states of Rio de Janeiro, Sao Paulo and Minas Gerais. The total capacity of 158 million cubic meters is fully contracted under long-term "ship-or-pay", inflation adjusted gas transportation agreements ("GTAs") that have an average remaining life of 12 years. These assets operate as authorizations that expire between 2039 and 2041.

Our regulated electricity transmission operations are comprised of approximately 2,200 kilometers of operating electricity transmission lines in North and South America. Our North American electricity transmission operations consist of approximately 600 kilometers of 345 kilovolt ("kV") transmission lines in Texas. Our South American electricity transmission system is comprised of approximately 1,600 kilometers of 500 kV and 230 kV transmission lines in Brazil. In March 2018, we sold our electricity transmission systems in Chile for \$1.3 billion.

We have already invested \$140 million in greenfield transmission development in Brazil and expect to further invest \$365 million. 1,600 kilometers of greenfield transmission have been commissioned to date, with an additional 2,700 kilometers to be commissioned over the next four years, in projects that were recently awarded to us under government auctions. These are attractive 30-year concession assets that earn inflation indexed cash flows under an availability-based regulatory framework.

### *Strategic Position*

Our regulated transmission operations occupy key positions in the markets in which we operate. In North America, our transmission lines facilitate the delivery of wind power to population centers as part of Texas' competitive renewable energy zone program. In Brazil, our lines under development are located in the northeast and center east including in the states of Bahia, Ceará, Rio Grande do Norte, Piauí, Paraíba and Minas Gerais. These lines will support the region's growing demand for electricity and facilitate the delivery of power from renewable generation resources to population centers in the South. Our natural gas transmission operation in Brazil provides the backbone of Brazil's southeast natural gas transportation system, supplying natural gas to a region responsible for 50% of Brazil's demand, including Rio de Janeiro and Sao Paulo's growing supply regions.

All of our regulated transmission operations benefit from stable long-term cash flows. Our Texas operations have a broad customer base with revenues assessed on system-wide demand and collected on a state-wide basis, mitigating our volume and credit risk. In Brazil, we earn inflation protected revenue streams on our transmission lines, with no volume risk, that commence upon completion of construction under 30-year concession agreements which expire between 2044 and 2047. Our Brazilian natural gas transmission operation has 100% of its capacity fully contracted under long-term "ship-or-pay", inflation adjusted gas transportation agreements that have an average remaining life of 12 years.

### *Regulatory Environment*

All of our regulated transmission operations are located in regions with stable regulatory environments. In Brazil, electricity transmission is regulated by the Brazilian Electricity Regulatory Agency ("ANEEL"). Transmission lines are auctioned by ANEEL, which grants the right to construct, maintain and operate the transmission lines under a concession agreement. Concessions are awarded for a period of 30 years based on the lowest regulated revenue ("RAP") bid by the market. RAP is adjusted for inflation annually and updated every five years to reflect changes in third-party cost of capital. The natural gas transmission industry in the country is regulated by the Brazilian National Agency of Petroleum, Natural Gas, and Biofuels ("ANP"). Each GTA provides owners with a return on regulatory asset base ("RAB") and tariffs calculated on an inflation adjusted regulatory weighted average cost of capital ("WACC") fixed for the term of the agreement. These assets operate as authorizations that expire between 2039 and 2041, upon which the assets will revert back to the government.

Our Texas transmission business operates under a historical cost of service regulatory regime overseen by the Public Utility Commission of Texas. Our Texas transmission business is allowed to earn a 9.6% return on equity which is deemed to be 40% of our rate base. Our rate base is equal to the historic cost of the system's assets plus any capital expenditures less depreciation and other deductibles. Our operating revenues do not fluctuate with usage of our system but do fluctuate annually based on total system peak annual electric loads, which are measured by the Electric Reliability Council of Texas, a not-for-profit corporate entity that is responsible for the day to day operation of Texas' electrical system.

### *Growth Opportunities*

We believe that attractive growth opportunities exist for our transmission operations.

Our electricity transmission concessions in Brazil are required for the expansion of the region's transmission system grid to connect new electricity generation resources, including wind located in the northeast and hydro in the north to satisfy growing demand. We believe that due to the geographic location of our concessions, there are opportunities to secure system reinforcements which will generate incremental RAP, as well as secure new concessions at upcoming auctions.

Generation in Texas is expected to be developed in the western area of the state which is away from population centers in the east. In addition, strong economic growth and an aging infrastructure will drive the need for further expansions and upgrades of the existing transmission system. We are favorably positioned to take advantage of these opportunities due to our geographical location in west Texas, as well as our incumbent status.

Our natural gas transmission operation in Brazil is strategically located in the region where the majority of Brazilian economic activity and pre-salt offshore oil production occurs. This operation is well positioned to absorb increasing demand at natural gas-fueled thermal plants as hydro energy production normalizes and the production of natural gas generated from pre-salt oil fields increases.

### ***Regulated Distribution***

Our regulated distribution operations have approximately 6.6 million electricity and natural gas connections in the U.K. and Colombia. In the U.K., our operation is the leading independent “last-mile”, multi-utility connection provider, with approximately 3 million connections. In South America, our electricity distribution business is in the Boyacá province of Colombia, a region that is approximately 150 kilometers north of the capital, Bogotá. Our natural gas distribution business primarily services Bogotá, which represents approximately 80% of the total system rate base with the remaining 20% located across various municipalities.

### ***Strategic Position***

Our regulated distribution operations are critical to the markets in which they are located. In the U.K., our system is currently a market leader in terms of new gas and electricity connection sales to the new-build housing market, and total installed connections among independent utilities. Our South American regulated electricity and natural gas distribution businesses provide reliable power to approximately 480,000 and 3.1 million customers, respectively.

Our regulated distribution operations generate stable cash flow in the geographies in which we operate. Our U.K. operation has a diverse customer base throughout England, Scotland and Wales, which underpins its cash flow. Our U.K. customers consist primarily of large energy retailers who serve residential and business users. Our South American regulated electricity distribution operations provide power to a customer base that is primarily residential, with nearly 100% urban electrification and 92% rural electrification in the areas we service. Our South American regulated natural gas business supplies approximately one third of Colombia’s natural gas distribution demand spanning a network of approximately 22,000 kilometers.

### ***Regulatory Environment***

Our U.K. regulated distribution operations compete with other connection providers to secure contracts to construct, own and operate connections to the home for six product lines which include: natural gas, electricity, fiber, water, wastewater, and district heating. Once connections are established, we charge retailers rates based on the tariff of the distribution utility with which we are interconnected. These tariffs are set on the basis of a regulated asset base. The connection rate is typically adjusted annually and provides inflation protection as it escalates at inflation minus a factor determined by the U.K. regulator. During the first 20 years after the commissioning of a connection, the gas connection rate is subject to a cap and floor that escalates by an inflation factor. Connections revenue does not vary materially with volume transported over our system.

Both our South American electricity distribution and natural gas distribution businesses operate under the same Colombian regulatory framework and earn a regulated return on the replacement cost of the system plus a charge to cover operating expenses. Our rates are determined during tariff reviews which commence every five years. Our annual regulated return at both our electricity and natural gas distribution businesses is approximately 13%, and is adjusted by an inflation factor between rate reviews. During 2018, the regulator announced a new framework, effective in the second quarter of 2019. Overall, we believe that the new regulatory framework will have minimal impact on our electricity distribution business as the changes to the methodology should result in us earning a similar return on our investment. Going forward, remuneration is calculated based on a depreciated rate base with recognition of new investments at the beginning of each year. We expect investments to increase commensurate with demand growth as the network will require system expansion and quality improvements. Operating revenues will be based on a volume cap model, which removes customer demand risk as compared to the previous regulation which used a price cap. At our regulated natural gas distribution business, we believe that the new framework will lower the headline regulated return but provide operators with additional revenue opportunities that will help offset any potential reduction.

### *Growth Opportunities*

We believe that our regulated distribution operations will be able to grow organically in each of the regions in which we operate. Growth in our U.K. operations are expected to benefit from (i) the progressive build out of our large existing backlog of connections, (ii) continued strong momentum in the new-build housing sector, and (iii) the establishment of new product offerings such as water and district energy, which will increase our bundled service offering to new and existing customers. In addition, we continue to benefit from participation in the U.K. smart meter roll out program as we adopted approximately 300,000 smart meters from U.K. energy retailers in 2018, bringing our total adopted meters to 1.1 million to date. We have the opportunity to bring the total portfolio to 3.6 million meters based on existing agreements. In South America, our regulated electricity distribution operations have an operating license which allows us to expand vertically into the generation, transmission, and retail sectors. The business is located in a region that is home to emerging industries and is experiencing strong economic growth, which will drive the need for further build-out of our distribution system and regional expansion of the transmission system. Our South American regulated natural gas distribution business is capable of handling future growth and operates in an industry with significant barriers of entry. In the city of Bogotá, we serve 2.1 million customers and are positioned to capture future growth through higher residential consumption from growing demand for natural gas home appliances. There are further growth opportunities within our residential and commercial service companies that will benefit from a growing regulated customer base such as repair, maintenance, financing and inspection services. Finally, the unregulated market presents various opportunities to leverage the existing network, operating expertise and reputation of the business including expansion in the natural gas vehicle market driven by cleaner fuel solutions. Overall, we believe we are well positioned for future growth opportunities.

### *Regulated Terminal*

Our regulated terminal operation comprises inloading, stockyard and outloading facilities that handle metallurgical and thermal coal mined in the central Bowen Basin region of Queensland, Australia, a high quality and low cost source of predominately metallurgical coal. Our terminal is one of the world's largest export terminals, accounting for approximately 18% of global seaborne metallurgical coal exports and 5% of total global seaborne coal exports.

The regulated terminal operation generates revenues under a regulatory regime that provides us with take-or-pay contracts. These contracts include: (i) a capacity charge that is allocated to users based on the percentage of total capacity for which they contract and (ii) a fixed and variable handling charge associated with operating and maintaining the terminal. The capacity charge is paid by users irrespective of their use of our terminal facility. The handling charge (both fixed and variable) is structured to be a complete pass through of the costs charged for terminal operations and maintenance. In the event that any user no longer requires their capacity and allows their contract to expire, or defaults on their contract, the regulatory regime re-socializes this capacity amongst the other users, thereby providing protection for the full recovery of capital investments.

### *Strategic Position*

The Bowen Basin is a high quality, low cost, prolific series of metallurgical coal deposits, where there are few cost efficient options to access export markets other than through our terminal operations. We have take-or-pay contracts with some of the world's largest mining companies that operate in the Bowen Basin. Our regulated terminal operation is substantially contracted through 2023. Existing customers hold evergreen options to extend their capacity by a further five years and based on their past actions are expected to exercise renewal options for most of our regulated terminal operation's contracted capacity.

### *Regulatory Environment*

The terminal's operation is regulated by the Queensland Competition Authority ("QCA"). The current regulatory period is set for five years ending June 30, 2021. The QCA utilizes a return on regulated asset base methodology to calculate our annual revenue with a current weighted average cost of capital allowed by the QCA of 5.8%. Our coal terminal's regulated rate base increases each year with inflation and capital expenditures and decreases by depreciation.

### *Growth Opportunities*

Over the past 30 years, our terminal's capacity has been expanded from 15 mtpa to 85 mtpa to meet ongoing customer demand. Potential exists to further grow our operations to facilitate future mine expansions in the Bowen Basin. Our coal terminal has completed feasibility studies which show the viability of further expansions within the terminal precinct which could take capacity in excess of 100 mtpa.





## Transport

### **Overview**

Our transport segment is comprised of open access systems that provide transportation, storage and handling services for freight, bulk commodities and passengers, for which we are paid an access fee or for services provided. Profitability is based on the volume and price achieved for the provision of these services. This operating segment is comprised of businesses with price ceilings as a result of regulation, such as our rail and toll road operations, as well as unregulated businesses, such as our ports. Transport businesses typically have high barriers to entry and, in many instances, have very few substitutes in their local markets. While these businesses have greater sensitivity to market prices and volume than our utilities segment, revenues are generally stable and, in many cases, are supported by contracts or customer relationships. The diversification within our transport segment mitigates the impact of fluctuations in demand from any particular sector, commodity or customer. Approximately 85% of our transport segment's Adjusted EBITDA is supported by contractual or regulated revenues.

Our objectives for our transport segment are to provide safe and reliable service to our customers and to satisfy their growth requirements by increasing the utilization of our assets and expanding our capacity in a capital efficient manner. If we do so, we will be able to charge an appropriate price for our services and earn an attractive return on the capital deployed. Our performance can be measured by our revenue growth and our Adjusted EBITDA margin.

Our transport segment is comprised of the following:

#### ***Rail***

- Sole provider of rail network in southern half of Western Australia with approximately 5,500 kilometers of track and operator of approximately 4,800 kilometers of rail in South America

#### ***Toll Roads***

- Approximately 4,200 kilometers of motorways in Brazil, Chile, Peru and India

#### ***Ports***

- 37 terminals in North America, U.K., Australia and across Europe

#### ***Rail***

Our Australian rail network is comprised of over 5,500 kilometers of below rail track and related infrastructure in the southern half of Western Australia under a long-term lease with the State Government. There are approximately 31 years remaining on this lease and this rail system is a crucial transport link in the region. Our Australian rail operation's revenue is derived from access charges paid by underlying customers, either directly or via the above rail operators. Stability of revenue is underpinned by rail transport being a relatively small yet essential component of the overall value of the commodities and freight transported, as well as the strong contractual framework that exists with underlying customers or the above rail operators.

Our Brazilian rail operations are part of an integrated system with transshipment terminals, rail, port terminal operations, and approximately 25,000 locomotives and wagons. They provide below and above rail services for approximately 4,800 kilometers of track. Our Brazil rail operates under a regulatory framework that establishes productivity standards, volume goals and price caps. There are approximately eight years (with an option to renew for 30 years) and 19 years, respectively, remaining on the two rail concession agreements with the local government. Additional revenue is earned by offering complementary services including inland transshipment terminals and port services, which for the most part, are not subject to any tariff regimes.

### *Strategic Position*

Our Australian rail network is the only freight rail network providing access to the region's six State Government-owned ports for minerals and grain, as well as interstate intermodal terminals connecting Western Australia with national and global markets. The majority of our customers are leading commodity exporters with the top 10 customers contributing approximately 93% of revenue, through long dated track access contracts.

Our Brazilian rail operations span nine states and operate in three main corridors serving Brazil's center-north, center-east and center-southeast regions, including the most important agricultural and industrial regions in the country. Main sources of revenue are derived from grains, sugar, fertilizer, industrial and steel sectors and are generated from a diversified customer base.

### *Regulatory Environment*

In Western Australia, the Economic Regulatory Authority ("ERA") is the independent economic regulator, responsible for the gas, electricity, water and rail industries. For the rail industry, an access regime exists with the ERA determining the revenue ceiling and floor boundaries by track segment for parties to negotiate within. These boundaries are established using a methodology based on a regulated rate of return on asset replacement value. Across the majority of the network, current revenue is well below the regulated ceiling. As a result, no contracted revenue is currently exposed to reduction under this access regime. Our Australian rail network operates its track on an open access basis consistent with the rail access regime and its lease obligations.

Our Brazilian rail concessions are governed by Brazil's transportation regulator, Agência Nacional de Transportes Terrestres ("ANTT"), which is also responsible for the tariff regime in that country. In addition, we access rail networks controlled by Vale S.A., Brazil's largest mining company, and other major Brazilian rail players, in arrangements governed by long-term agreements. The regulatory regime requires concession holders to provide open access to all track users. Since most of our port operations are privately held, they are not subject to regulated tariffs and are able to move third party cargo with no regulatory pricing limitations.

### *Growth Opportunities*

Our Australian rail operation is a critical component of the logistics chain in its region and is the backbone of freight transport in Western Australia. In many cases, it is the only mode of transportation for freight that is economically viable. As a result, the business is well positioned to benefit from the economic growth of the region and also to benefit through the development of new agriculture or mining projects, which would require access to the rail network to facilitate export.

Our Brazilian rail business is undergoing an approximately R\$4 billion capital investment program to upgrade and expand our integrated network. The expansion should allow it to capture volume growth by attracting cargo volumes that currently are transported by more expensive alternatives such as trucks. This business is focused on improving network connectivity in the system by capturing the growing demand for integrated transportation services in Brazil. In addition, over R\$2 billion has been invested in a port terminal expansion project located at Latin America's largest port. The project has added three berths to handle over 14 mtpa of grain and sugar exports and fertilizer imports, which will significantly benefit our rail operation by increasing volumes and improving our strategic position as an integrated logistics provider. Future projects include the purchase of locomotives and wagons, improvements to rail infrastructure including inland terminals, railway and yards, and investments into further logistical integration.

### ***Toll Roads***

Our toll road operations are comprised of urban and interurban toll roads in Chile, Brazil, Peru and India. Our Chilean operations include 33 kilometers of free flowing roads that form a key part of the ring road network of Santiago. Our Brazilian operations comprise of approximately 3,415 kilometers of inter-urban toll roads, located in the Southeast and South regions of Brazil crossing or connecting the states of São Paulo, Rio de Janeiro, Minas Gerais, Espírito Santo, Parana and Santa Catarina. Our Peruvian operations consist of 96 kilometers of existing roads and the greenfield construction of 19 kilometers of new roads, which together form three segments that are key transportation arteries in Lima. Our Indian operations include approximately 620 kilometers of existing roads which form part of India's most important national highways. Our toll road portfolio operates under long-term concessions with staggered maturities and an average remaining term of approximately 14 years.

Our toll roads are expected to generate stable, growing cash flows as a result of their strategic locations, favorable long-term economic trends in the countries where we operate and inflation-linked tariffs. These markets have all experienced significant economic growth over the last 20 years, leading to increased motorization rates and trade, which have driven increases in traffic volumes. We expect these trends to continue in the long-term, resulting in significant future traffic growth on our roads.

### ***Strategic Position***

Our Chilean toll road is a key artery in Santiago's urban road network as it connects the affluent business center of east Santiago with Chile's international airport, the Ports of Valparaiso and San Antonio, and the north of Chile. The primary users of the road are commuters getting to and from work. Conversely, our Brazilian toll roads are part of the inter-urban Brazilian toll road network, whose traffic is a mix of heavy industrial users and cars. Our roads are used in the transportation of goods in states of Brazil, which represent approximately 65% of Brazilian GDP. Our Peruvian toll roads are key arteries within Lima's road network that connect 23 districts and serve as the main access to the city from the north, south and east regions. Our Indian toll roads span the country and include some of India's most important national highways.

Our toll roads are critical infrastructure for the economies of Chile, Brazil, Peru and India, with few viable alternative routes available. Building new competing routes would be limited by environmental restrictions, difficulty to expropriate urban land and physical restrictions.

### *Regulatory Environment*

Our Chilean assets are governed by the Ministerio de Obras Publicas (“MOP”). Chile has an established concession program which has been in place for more than 20 years. To date, 88 concession agreements have been awarded, of which 71 concessions are active, representing a total investment of approximately \$21.7 billion within the country. Specifically, the ministerial regime for urban toll roads allows operators to raise tariffs annually at a level equal to inflation plus 3.5% with additional increases in the form of congestion premiums which can be up to three times the base tariff during periods.

Our Brazilian assets are governed by Agência Reguladora de Serviços Públicos Delegados de Transporte do Estado de São Paulo (“ARTESP”) and ANTT, the São Paulo State and Federal regulators, respectively. The country has a widely developed toll road program, both at the Federal and State level, which has been in place for approximately 17 years. As of December 31, 2018, there were 58 motorway concessions in Brazil totaling over 19,000 kilometers. Brazilian concession agreements provide operators with annual tariff increases indexed to inflation and additional investments not considered in the initial concession agreements are compensated with real tariff increases or an extension of the concession period.

The concession for our Peruvian toll roads was granted by the Municipalidad Metropolitana de Lima (“MML”) and is supervised by MML’s municipal arm, Gerencia de Promoción de la Inversión Privada (“GPIP”), through Fondo Metropolitano de Inversiones (“Invermet”). Invermet is responsible for overseeing maintenance, conservation, and construction activities. The concession agreement includes tariff increases in excess of inflation until the end of 2018, at which point tariffs will be linked to inflation.

Our Indian assets are governed by the National Highways Authority of India, which has been operational for approximately 30 years and has responsibility to develop, maintain and manage the national highways vested or entrusted to it by the Central Government of India. Revenues at four of the seven toll roads are derived from annuity concession payments, while the other earns revenue from traffic linked toll road tariffs. The annuity concession payments provide stable and predictable cash flows from a government related entity while the toll road tariffs are linked to inflation which is expected to benefit from India’s growing economy.

### *Growth Opportunities*

We believe that long-term growth in the South American and Indian economies will trigger increases in traffic volumes. Coupled with tariff increases from inflation and congestion tariffs, this should drive significant future cash flow growth for our toll road businesses. In addition, Brazil, Chile and Peru are seeking to expand our respective paved road network by improving existing roads and developing new roads as opportunities for new and expiring concessions become available. These planned expansions should present opportunities for us to invest additional capital in these attractive markets, given the scale of our existing network.

## ***Ports***

Our port operations are located primarily in the U.K., Australia, North America, and across Europe. Our U.K. port is one of the largest operators in the country by volume and is a statutory harbor authority (“SHA”) for the Port of Tees and Hartlepool in the north of the U.K. Our U.K. port’s status as the SHA gives it the right to charge vessel and cargo owners conservancy tariffs (toll-like dues) for use of the River Tees. At our U.K. port, our revenue is primarily generated from port handling services for bulk and container volumes. In addition, approximately 25% of our revenue is earned from conservancy and pilotage tariffs. Furthermore, we have a freehold land base of approximately 2,200 acres that is strategically located in close proximity to our port, which generates income from long-term property leases that account for approximately 15% of our revenue.

Our Australian operations include gateway container terminals in Australia’s four largest container ports, a regional city port, and storage, handling and logistics operations at over 70 locations throughout Australia and New Zealand. The container terminal operations handled approximately 3.5 million Twenty-Foot Equivalent Units (“TEUs”) in 2018, with the storage, handling and logistics businesses handling over 24.3 million tonnes of bulk and general cargo, 20.5 million tonnes of forestry products and over 580,000 vehicles per annum.

Our North American port operation is comprised of gateway container terminals in the ports of Los Angeles and Oakland, which operate under long-term leases with the Los Angeles and Oakland port authorities. These terminals handled approximately 1.2 million TEUs in 2018. In North America, our revenue is generated from port handling services for container volumes. A portion of our volumes are underpinned by a long-term minimum volume guarantee arrangement provided by our partner in this business, Mitsui O.S.K. Lines, Ltd.

Our European port operations are comprised of a portfolio of concessions in key strategic locations throughout Europe and China that handle bulk, breakbulk, liquid, and containerized goods across multiple industries. Our European port operations handle over 60 mtpa of cargo at 22 port terminals located throughout seven European countries. The portfolio has a long-term concession profile with an established track record of concession extensions.

## ***Strategic Position***

Our port operations are strategically located. In the U.K., Teesport is a large, deep-water port located in a well-developed industrial area in Northern England. The SHA status, as well as the established infrastructure which includes rail and road access, create barriers to entry for potential competitors.

Our Australian container port terminals operate under long-term leases, with over 175 hectares of land within the ports of Melbourne, Sydney, Brisbane and Fremantle, the four largest container ports by TEU in Australia. Our storage, handling and logistics business benefits from diversification both geographically, with operations at over 70 sites across Australia and New Zealand. It provides services and integrated logistics solutions to customers from a diverse range of industries across the region, from agriculture, aluminum, automotive, forestry, food and beverage, mining, marine, oil and gas, major retail and resources.

Our North American port operations are located in the ports of Los Angeles and Oakland, the largest and seventh largest ports in North America, respectively. These deep-water ports are in close proximity to irreplaceable, land-side infrastructure for intermodal and transloading services and are capable of handling the largest vessels currently in service.

Our European port operations are located in 22 terminals across continental Europe and two in China, and consist of over 34 kilometers of quay length with long-term, key strategic concessions having between 20 and 70 years of remaining life. With substantial infrastructure that is often integrated with our customers' facilities, including cranes, berths, warehouses, inloading and outloading equipment, our European port operations are protected by significant barriers to entry. Additionally, our operations provide logistical services for our customers that would be difficult for potential competitors to replicate.

Our U.K., Australian and North American port operations have a number of long-term contracts with established parties, including large multinational corporations. The majority of our revenues are derived from customers with significant investment in industrial infrastructure at or within close proximity to these ports. Our Australian port operation's main customers represent major shipping lines who utilize the multiple ports located nationally. Our North American port operations serve major international shipping lines, many of which work collaboratively as part of a global shipping alliance. Our European port operations mainly serve industrial customers in the immediate vicinity of our terminals under varied contract terms. Many key customers have been long-term customers continuously for between 10 and 40 years.

#### *Regulatory Environment*

Our U.K. port is unregulated, but its status as the SHA for the River Tees provides the statutory right to collect conservancy tariffs (toll-like dues) payable by ships using the river and the requirement to maintain navigability of the waterway. The port has the statutory authority to set tariffs which are determined through consultation with users of the river and indexed to inflation. Our North American, European and Australian port operations conduct business in an unregulated environment.

#### *Growth Opportunities*

Our U.K. port's flexible, multi-purpose capacity positions it to benefit from numerous growth initiatives. The ongoing expansion of our container handling facilities, in addition to improvements to our quay and rail capacity, have driven new customer contracts for container cargo and bulk commodities and positioned our U.K. port to be the main entry point for container cargo destined for the northern England market. Similarly, our sizeable freehold land base, strategic location and extensive port infrastructure, has enabled us to attract new energy-related customers, which are investing significant capital to build new plant and equipment on our land. As these new investments are commissioned, our U.K. port will benefit from increased cargo handling revenue, property rental income and conservancy fees.

Our North American port operations completed a significant modernization project in Los Angeles that has almost doubled capacity and increased efficiency. This project makes our terminal in Los Angeles one of the lowest cost and most automated terminals in North America with surplus capacity to facilitate future volume growth. Our terminal in Oakland also completed an expansion of its facilities this year, which doubled its capacity and significantly enhanced its ability to service incremental demand.

In Australia and Europe, our port operations are well positioned to capitalize on increasing demand for bulk and general commodities as well as cross-selling opportunities with existing customers.



### **Overview**

Our energy segment is comprised of systems that provide natural gas midstream (transmission, gathering and processing) and storage services, as well as distributed energy control infrastructure. Profitability is based on the volume and price achieved for the provision of these services. This operating segment is comprised of businesses that are subject to regulation, such as our natural gas transmission business whose services are subject to price ceilings, and businesses that are essentially unregulated like our district energy business. Energy businesses typically have high barriers to entry as a result of significant fixed costs combined with economies of scale or unique positions in their local markets. Our energy segment is expected to benefit from forecasted increases in demand for energy. Although these businesses have greater sensitivity to market prices and volume than our utilities segment, revenues are typically contracted with varying durations and are relatively stable.

Our objectives for our energy segment are to provide safe and reliable service to our customers and to satisfy their growth requirements by increasing the utilization of our assets and expanding our capacity in a capital efficient manner. If we do so, we will be able to charge an appropriate price for our services and earn an attractive return on the capital deployed. Our performance can be measured by our revenue growth, our Adjusted EBITDA margin and our growth in AFFO.

Our energy segment is comprised of the following:

#### *Natural Gas Midstream and Storage*

- Approximately 15,000 kilometers of natural gas transmission pipelines
- Approximately 600 billion cubic feet (“Bcf”) of natural gas storage in the United States and Canada
- 13 natural gas processing plants with approximately 1.0 Bcf per day of total processing capacity and approximately 1,200 kilometers of gas gathering pipelines in Canada

#### *Distributed Energy Control Infrastructure*

- Delivers heating and cooling to customers from centralized systems including heating plants capable of delivering 3,380,000 pounds per hour of heating capacity, centralized gas distribution and cogeneration for heating, cooling and energy, 336,000 tons of contracted cooling capacity, as well as servicing approximately 24,900 natural gas, water and wastewater connections
- Provides residential energy infrastructure, including water heater rentals, heating, ventilation, and air conditioner (“HVAC”) rentals, as well as other essential home services to approximately 1.6 million customers annually in Canada and the United States, and delivers approximately 270,000 contracted sub-metering services within Canada

#### *Natural Gas Midstream and Storage*

Our natural gas midstream and storage operations include approximately 15,000 kilometers of natural gas transmission and pipeline systems in the United States, significant natural gas storage capacity in the United States and Canada and one of the largest natural gas gathering and processing portfolios in western Canada.

Our natural gas transmission pipelines comprise one of the largest systems in the United States, extending from the Gulf Coast in Texas and Oklahoma to Chicago. The majority of revenues are generated under contracts and are well positioned to benefit from forecasted increases in demand for clean energy.

Our natural gas storage facilities are needed to reallocate excess natural gas supply from periods of low demand to periods of high demand. Our assets are located in key North American natural gas producing and consuming regions providing access to multiple end-use markets.

Our natural gas gathering and processing operations collect raw natural gas from our customers in the field for aggregation to centralized processing facilities, and remove impurities from the raw gas stream including water, carbon dioxide and hydrogen sulfide. These activities provide our customers with pipeline quality natural gas and natural gas liquids (“NGL”) for sale in downstream markets. Our facilities are located in one of the highest producing natural gas regions in western Canada. We serve our customers through a mix of long-term fee-for-service and take-or-pay contracts, with no direct exposure to commodity price risk.

### *Strategic Position*

Our North American natural gas transmission system is one of the largest and most geographically extensive natural gas pipeline systems in North America. It is the largest provider of natural gas transmission to the Chicago and northern Indiana markets and has significant interconnectivity with local distribution companies, natural gas liquefaction facilities, industrial users and gas-fired power plants. The system is also well connected to other pipelines accessing additional downstream markets, which increases demand for our transportation and storage services.

We operate or contract for more than 600 Bcf of working gas capacity at our natural gas storage facilities. We have 16 facilities that are connected at strategic points on the North American natural gas transmission network and provide access to multiple end-use markets and provide us and our customers with substantial liquidity to buy and sell natural gas. Our facilities are located in the United States and Canada.

Our natural gas gathering and processing facilities are ideally situated to serve the Montney shale gas basin in northeast British Columbia (“B.C.”) and northwest Alberta. This basin continues to see significant industry development and represents one of the lowest supply cost regions in North America. Our facilities have diverse connectivity to major downstream markets including the U.S. Pacific Northwest, the U.S. Midwest, B.C. and Alberta through direct connections to long-haul pipelines. These markets are projected to continue exhibiting strong annual demand growth primarily driven by new industrial gas demands, including petrochemical expansions, and recently announced liquefied natural gas (“LNG”) export projects.

### *Regulatory Environment*

Our natural gas midstream and storage operations are subject to varied regulation that differs across our regions of operation. Our North American natural gas transmission system, including its storage operations, and our natural gas storage facility in Texas are regulated by FERC under the *Natural Gas Act of 1938*. FERC provides a regulated framework for shippers and natural gas pipeline owners to reach commercial agreement with customers without regulatory intervention under a maximum rate regime, and there is no periodic rate case obligation.



Our Canadian natural gas storage facilities are regulated by the Alberta Energy and Resources Conservation Board, which provides operational and environmental oversight. Our California natural gas storage facilities are subject to California Public Utilities Commission oversight and our Oklahoma facility is regulated by the Oklahoma Corporation Commission. These facilities are not subject to any economic regulation.

Our natural gas gathering and processing facilities in B.C. are regulated by the B.C. Oil and Gas Commission, the B.C. Ministry of Environment and the B.C. Utilities Commission and our facilities in Alberta are regulated by the Alberta Energy Regulator. These facilities are not subject to any economic regulation.

### *Growth Opportunities*

Within our North American natural gas transmission operations, we are progressing a number of organic growth opportunities that will expand our service offerings through capital projects supported by long-term contracts. During the year, the first of two large-scale expansions provided additional deliverability to the Gulf Coast market to support increasing LNG development in the region. These projects are backed by a long-term take-or-pay contract with no volume risk.

Our gathering and processing operations continue to advance several customer driven growth initiatives supporting further development of the Montney resource in Northeast B.C. and Northwest Alberta. These capital projects include the expansion of existing processing plants and gathering pipelines and are underpinned by long-term, take-or-pay contracts with high quality customers. With continued development of existing take-away capacity and firm industry announcements on an LNG project in B.C., our business is well positioned to serve the growing requirements of our customer base in a cost-effective manner.

Our natural gas midstream and storage operations are well positioned to benefit from changing supply and demand dynamics in the North American natural gas market. We believe that there will be further opportunities to deploy capital at attractive risk-adjusted returns.

### *Distributed Energy Control Infrastructure*

Our North American district energy operations are located in eleven cities that are among the most populated markets in the United States and Canada. These operations consist of plants capable of delivering 3,380,000 pounds per hour of heating capacity in key areas such as downtown Toronto, the medical district of New Orleans, and in the central business district of Seattle. In Charlottetown, Prince Edward Island, we produce heat through the incineration of municipal waste, providing both a service to our customers, as well as the municipality, which is constrained by landfill space. We also have 336,000 tons of contracted cooling capacity provided through an innovative deep lake cooling system in Toronto, thermal ice storage in Chicago, Houston and New Orleans, and from more conventional cooling technologies in markets such as Los Angeles and Las Vegas. In addition to heating and cooling, we generate electricity as a by-product to our heating business through combined heat and power plants in Toronto and London, Ontario.

Our Australian district energy operations provide heating, cooling and energy solutions and distributed natural gas, water and wastewater services, in the states of Tasmania, New South Wales, Queensland and Victoria. The natural gas network includes over 800 kilometers of pipeline, bringing approximately 100 million cubic meters of natural gas to homes and businesses each year, with availability to provide this service to approximately 59,000 commercial and residential customers.

Our residential energy infrastructure business operates an unregulated distribution business that owns and maintains a large installed base of essential heating, ventilation and air conditioning (“HVAC”) assets leased under long-term contracts (average of 13 years) to both residential and commercial customers across Canada and the United States. In addition, the business provides meters and metering services under 10 to 20-year contracts for electricity, thermal, gas and water to condominiums and multi-tenant commercial buildings in the provinces of Ontario and Alberta. The business also provides other complementary services such as protection plans, plumbing, electrical and related maintenance services. With a 50-year operating history, over 1.1 million water heater customers, 0.5 million service contracts and over 250,000 sub-metering clients, the business has a growing annuity asset base and it is well established in each of its core markets.

### *Strategic Position*

District Energy primarily provides thermal energy services at scale, which enables our businesses to achieve higher efficiencies and incorporate technologies that would not be feasible for an individual building. Our business is the largest district energy provider in North America and provides essential heating and cooling services to over 700 customers across various sectors including commercial towers, retail, governments, universities, hospitals and sporting arenas in major cities. We are able to offer solutions to our customers that lower life-cycle costs, improve resiliency and reliability, and assist them in achieving their sustainability goals. Our Australian district energy business is comprised of an established natural gas distribution and retail business, supplying approximately 13,800 residential, commercial and industrial customers currently connected to our network in Tasmania and Victoria. We are also operating and developing projects to supply energy solutions, as well as water and wastewater services, to approximately 3,000 residential and commercial customers. In most cases our district energy businesses offer the only feasible source of energy and water services to those customers who are connected to our network. In addition, we are able to realize synergies across this segment through the sharing of best practices for customer contracting and due diligence, and financing strategies.

Our residential energy infrastructure business is one of the largest home and commercial energy solutions businesses in North America. Our strategy is to meaningfully grow the business by leveraging our scale and service capabilities, particularly to drive HVAC asset growth in the United States. Over time, we will leverage investments we are making in technology that will provide us with significant operational and market data that will further allow us to service our customers on a proactive basis and meet additional home infrastructure needs our clients have in the future. With a large in-place book of assets and service capabilities that is difficult to replicate, combined with our ability to enter new markets, we expect to expand our portfolio of long term contracted revenue streams that provide highly predictable, stable cash flows that escalate annually with inflation.

### *Regulatory Environment*

Our district energy business in Toronto is governed by the Ontario Public Utilities Act of 1913 and Toronto District Heating Corporation Act, 1998. However, the business is not subject to rate regulation but receives the rights of a utility in Ontario, allowing it to access and expand its network of underground pipes in downtown Toronto. In other North American markets, our operations are enabled by long-term franchise agreements with the respective municipalities and are also not rate regulated. Our district energy business in Australia is currently not subject to any economic regulation. The fact that our businesses are not rate regulated enables them to contract based on financial terms and solutions that best serve the needs of our customers or districts.

The sub-metering services operations within our residential infrastructure business is governed by sub-metering legislation in Ontario. The legislation sets out a high-level framework for individual suite sub-metering in prescribed apartment buildings and condominium complexes in Ontario, and provides the Ontario Energy Board with regulatory oversight. The remaining operations within our residential infrastructure business operate in unregulated environments.

### *Growth Opportunities*

We have significant organic growth opportunities in our various district energy businesses, primarily through system expansions in North America. As there are high barriers to entry in markets where we are established, we are well positioned to add new developments in these markets, as well as attract buildings that are under renovation or have existing equipment nearing the end of their useful life. We also bring expertise from our other operations, as well as significant capital, to provide solutions to districts that are under development or seeking to convert to a district energy model. Finally, the district energy industry is highly fragmented, with assets often held by municipalities and institutions, or as non-core components of larger portfolios. We are able to acquire these smaller systems, integrate them into our operating platform, and grow them organically. The Australian district energy business is developing into a multi-asset energy and water provider, offering combined services for heating, cooling and energy as well as water and wastewater services.

There are significant barriers to entry in these businesses, as there are limited opportunities for customers to support competing businesses once connected to our systems. Once a system is established, we are well positioned to capture further organic growth opportunities.

Our residential energy infrastructure business is focused on growing its business through organic growth opportunities, strategic acquisitions and expanding its product and service offerings. One of our key priorities is to expand our annuity-based cash flow streams through new leases as well as extending existing leases when they come due. As part of this initiative, we have rolled-out water heater and HVAC leasing in the United States. Today, the home services market in the United States is highly fragmented which provides significant opportunities for acquisitions in both complementary and adjacent lines of business. Also, our sub-metering segment is focused on expanding offerings in the under-penetrated commercial sub-metering market. Additionally, there are several Brookfield-managed businesses in the homebuilding, condominium management and retail power sectors that we believe can be leveraged to further enhance growth prospects.



## Data Infrastructure

### **Overview**

Our data infrastructure segment is comprised of critical infrastructure servicing customers in the telecommunications, fiber and data storage sectors. Our telecommunications and fiber operations provide essential services and infrastructure to the media broadcasting and telecom sectors, while our data storage operations provide services and infrastructure to enterprise customers. These services and access to infrastructure are contracted on a medium to long-term basis with inflation escalation mechanisms, leading to predictable recurring revenues and cash flows.

These operations generate stable, inflation-linked cash flows, which are underpinned by medium to long-term contracts (up to 20 years in both our telecommunications business and data center operations). Our customer base is comprised of large, prominent telecommunications companies in France, as well as a high-quality base of approximately 1,100 colocation customers that are diversified across multiple industries.

Our objectives for the data infrastructure segment are to invest capital to enhance and expand our service offerings while providing safe, reliable and secure access to our properties. If we are able to achieve these objectives, we will be able to attract new customers and maintain low levels of churn on existing customers. Our performance in both our telecommunications and fiber and data storage businesses can be measured by the growth in revenues and Adjusted EBITDA margin improvements.

Our data infrastructure segment is comprised of the following:

#### *Telecommunications and Fiber*

- Approximately 7,000 multi-purpose towers and active rooftop sites
- 5,500 kilometers of fiber backbone located in France

#### *Data Storage*

- 33 data centers, with approximately 1.3 million square feet of raised floors
- 103 megawatts (“MWs”) of critical load capacity

#### *Telecommunications and Fiber*

Our telecommunications and fiber business is comprised of approximately 7,000 multi-purpose towers and active rooftop sites and 5,500 kilometers of fiber backbone located in France. The business can be divided into three segments: (i) telecom site hosting, (ii) wholesale fiber-to-the-home (“FTTH”) networks and (iii) television and radio broadcasting. Our customers (i) pay upfront and/or recurring fees to lease space on our towers to host their equipment, (ii) lease capacity on our fiber network to deliver ultra-fast broadband solutions to customers or (iii) pay us fees for transmitting television and radio content to end users. The key objective for our telecommunications business is to actively participate in the expansion of telecom site hosting requirements of mobile network operators due to the increased demand for densification and to roll out and commercialize our fiber networks to low density population areas where we have secured tenders.

#### *Strategic Position*

Our telecommunications and fiber business is the leading independent data infrastructure operator in France. Its sites cover the entire French territory, with some in the very best locations. Our coverage and location enable us to be a leader across all of the segments in which we operate. Its scale in telecommunications sites makes it the number one independent tower operator in France and a preferred partner of mobile network operators. In television, it provides coverage to 97% of the French population, one of Europe’s largest television markets. In radio, we are the reference provider for services in France with an approximately 55% share of FM analog radio frequencies. Our business participated in the government-led initiative to provide lower population density areas in France with access to ultra-fast broadband through the deployment of FTTH networks. These investments in FTTH networks present a unique opportunity for our business to leverage its existing asset bases and technical expertise from operating a high-speed fiber backbone. After securing four tenders, we are currently engaged in the roll out and commercialization of fiber networks to over 720,000 households and businesses across France.

## *Regulatory Environment*

Our telecommunications site hosting operations are unregulated with pricing determined directly with the users of our tower infrastructure. Our FTTH networks have been granted under either 25-year concessions or perpetual ownership frameworks, with the former benefiting from government subsidies. These networks are operated on a wholesale and open-access basis to help ensure commercialization by all internet service providers. Pricing is based on tariff guidelines published by the regulator which sets a price floor. In the television broadcast business, a small proportion of the sites (currently approximately 70) are considered to be non-replicable because either (i) they benefit from a remarkable location, often on an elevated point or area where the construction of a second tower in practice would be very complex, (ii) the equipment attachment height is greater than 100 meters or (iii) a set of exceptional circumstances prevent the site from being replicated. On these sites the regulator considers the business to have significant market power and as a result regulates the prices that can be charged. In total, these regulated revenues account for approximately 40% of our television broadcast revenues. On the residual television sites, deemed replicable, access prices are subject to a price floor and cap established by the regulator.

## *Growth Opportunities*

We see growth opportunities in the telecom infrastructure segment as mobile network operators are expected to increase the coverage and capacity of their networks to support four main trends: (i) growing wireless data usage, (ii) next evolution of wireless standards, (iii) increased mobile network operator competition through network quality and reliability, and (iv) minimum spectrum license coverage obligations. We believe that the size and scope of our portfolio positions us to take advantage of these favorable trends through construction and acquisition of additional assets. With regards to fiber, our existing tenders will be rolled out over the next two to four years. We will continue to pursue, on a selective and measured basis, potential partnerships with large service providers to build out and operate segments of their network to achieve attractive risk-adjusted returns.

## *Data Storage*

Our data storage operations provide colocation services, offering customers secure and reliable space and power within our portfolio of data centers for their essential information technology infrastructure needs. In nearly all cases, our customers pay an upfront installation fee and recurring monthly fees for services. As a result, we are able to earn a stable, recurring revenue stream and an attractive return on capital. Our data center portfolio is comprised of 33 data centers, with 1.3 million square feet of raised floors, and 103 MWs of critical load capacity.

## *Strategic Position*

Our North American data storage business operates in five continents, 11 countries and 26 metropolitan areas, with a presence in nearly all major global financial hubs in North America, Europe and Asia Pacific. It is one of the largest colocation providers in the United States with operations in most major cities. Our facilities provide best-in-class connectivity options, with pre-built access to the AT&T global network, one of the strongest in the world, and access to over 100 cloud providers. Our Australian data storage business is an owner and operator of two data center facilities in Australia. The data centers have a combined utilization of 97% and a weighted average contract life of 10 years, servicing Australian and global investment grade companies. Given the business is one of only five large-scale data center providers in Australia, with sufficient land to pursue near-term brownfield expansion opportunities, the business is well positioned to capture growth opportunities from these strong market tail-winds.

### *Regulatory Environment*

Our data storage operations conduct business in an unregulated environment. The fact that our businesses are not regulated enables them to contract based on financial terms and solutions that best serve the needs of our customers.

### *Growth Opportunities*

We see both in-market expansions and acquisitions as growth opportunities for our data storage businesses. In-market expansions are expected to be driven by favorable long-term trends in data communications and transmission, which should lead to growing demand for our services. We believe that our size and presence in key markets positions us well to benefit from these trends through selective expansion projects. In addition, the data center market remains highly fragmented, and we believe there are opportunities to further expand our presence through strategic acquisitions.

### **Acquisition Strategy**

Over the past few years, we have established operating segments with scale in the utilities, transport, energy and data infrastructure sectors. As we look to grow our businesses, we will primarily target acquisitions that utilize existing operating segments to acquire high quality assets that we can actively manage to achieve a total return of 12% to 15% per annum, and extend our operations into new geographies in which Brookfield has a presence. We intend to utilize existing liquidity and capital recycling program to fund acquisitions and prudently access capital markets if capital deployment exceeds our expectations. As we grow our asset base, we will primarily target acquisitions in the following infrastructure sectors:

- Utilities: electricity, gas and water distribution and transmission operations;
- Transport: railroads, ports, toll roads and airports;
- Energy: oil and gas pipelines, gathering, processing and storage operations, district energy systems and residential energy infrastructure; and
- Data infrastructure: telecommunication towers, fiber networks and data centers.

An integral part of our acquisition strategy is to participate along with institutional investors and Brookfield-sponsored private funds that target acquisitions that suit our profile. We will focus on consortiums and partnerships where Brookfield has sufficient influence or control to deploy our operations oriented approach. Brookfield has a strong track record of leading such transactions.

Brookfield has agreed that it will not sponsor transactions that are suitable for us in the infrastructure sector unless we are given an opportunity to participate. See Item 7.B “Related Party Transactions—Relationship Agreement”. Since Brookfield has large, well-established operations in real estate and renewable power that are separate from us, Brookfield will not be obligated to provide us with any opportunities in these sectors. In addition, since Brookfield has granted an affiliate the right to act as the exclusive vehicle for Brookfield’s timberland acquisitions in Eastern Canada and the Northeastern U.S., we will not be entitled to participate in timberland acquisitions in those geographic regions.

## Capital Recycling Strategy

One of the key sources of capital in our partnership's overall funding plan are proceeds from the disposition of mature assets. We believe that the re-investment of proceeds from the sale of mature, de-risked businesses into higher yielding investment strategies is one of the best ways to enhance returns for unitholders. Capital recycling also provides an alternate form of funding, that supplements capital raises in the public debt and equity markets. Our partnership has established a strong track record of recycling capital through the sale of 11 businesses since inception. These sales have generated over \$3.5 billion of total proceeds which represents, on average, a 30% premium to our partnership's previously recorded carrying value. In February 2019, we completed the sale of 33% of our existing interest in a Chilean toll road operation for total proceeds of approximately \$195 million. With the maturing profile of a number of our businesses, proceeds from asset sales are expected to remain a key part of our overall funding plan. Our partnership is focused on executing the next phase of our capital recycling program.

## Environmental, Social and Governance ("ESG") Management

Grounded in Brookfield Infrastructure's history as owners and operators of real assets, strong ESG management has always been an integral part of our asset management approach. We believe that having a robust ESG strategy is crucial for us to create long-term value for our unitholders, and we understand that well-run businesses are those that have a solid moral authority from all stakeholders to execute their business plans.

As described under Item 4.A "History and Development of Brookfield Infrastructure" and Item 4.C "Organizational Structure - Brookfield and the Service Provider," Brookfield has an approximate 29.5% interest in our partnership and affiliates of Brookfield Asset Management provide services to us under the Master Services Agreement.

Brookfield employs a framework of having a common set of ESG principles across its business, while at the same time recognizing that the geographic and sector diversity of our portfolio requires a tailored approach. The following are Brookfield's and our partnership's ESG principles:

- Mitigate the Impact of our Operations on the Environment
  - Minimize our environmental impact and improve our efficient use of resources over time.
- Ensure the Well-Being and Safety of Employees
  - Strive to meet or exceed all applicable labor laws in jurisdictions where we operate and aim to have zero serious safety incidents within our businesses by encouraging consistent health and safety principles.
- Conduct Business According to the Highest Ethical and Legal/Regulatory Standards
  - Operate with high ethical standards by conducting business in compliance with applicable legal and regulatory requirements and in line with our Code of Business Conduct and Ethics, while being accessible to our investors and stakeholders.
- Be Good Stewards in the Communities in Which We Operate
  - Engage with external stakeholders to ensure that their interests are appropriately integrated into our decision making, and empower our employees, along with our resources, to give back to the communities in which we operate.

ESG management is embedded throughout Brookfield Infrastructure's investment process, starting with the due diligence of a potential investment through to the exit process. During the initial due diligence phase, we utilize our operating expertise to identify material ESG risks and opportunities relevant to a potential investment. In completing these initial assessments, we utilize internal experts and, as needed, third-party consultants.

To ensure ESG considerations are fully integrated in the due diligence phase, our investment team prepares a detailed memorandum outlining the merits of the transaction and disclosing potential risks, mitigants and opportunities. Senior management discusses material ESG issues and potential mitigation strategies, including bribery and corruption risks, health and safety risks, and legal risks, as well as environmental and social risks.

Post-acquisition, the management teams at our portfolio companies are accountable for the preparation and implementation of ESG initiatives within their operations. This is consistent with our overall approach to overseeing our businesses and it ensures full alignment between responsibility, authority, experience and execution. This approach is particularly important given the wide range of industries and locations in which we invest that require tailored ESG risk identification and management systems to mitigate unique risks and capitalize on distinct opportunities.

Given the size of our portfolio, our businesses execute a significant number of ESG initiatives on an annual basis. Below are a few examples of key initiatives.

### ***Environmental Initiatives***

Brookfield Infrastructure's businesses continuously strive to mitigate the impact of their operations on the environment.

Our Canadian district energy operation, Enwave Energy Corporation, is one of the largest district energy systems in the City of Toronto providing heating and cooling services to more than 150 buildings in the downtown area. Enwave Energy Corporation has always understood the need to provide low carbon solutions to its customers and developed the world's largest lake-source cooling system, which reduces the energy consumed in providing heating and cooling services. This unique and innovative sustainable solution takes cold water from the depths of Lake Ontario to generate its cooling needs. Through this clean, renewable, and reliable cooling source, Enwave Energy Corporation has reduced its electricity and fuel usage by 90% as compared to a conventional district energy system.

In addition, our Brazilian toll road commenced construction on Brazil's first green highway overpass to help wildlife in the surrounding areas safely pass across its highways. This has been a growing priority, as approximately 3,200 wildlife in Brazil have been fatally injured attempting to cross highways over the past ten years. Our Brazilian toll road's green overpass spans approximately 50 meters in length, with plants, trees, and other vegetation native to the area to safely connect wildlife from one side of the highway to the other.

### ***Social Initiatives***

Brookfield Infrastructure's priority is ensuring a safe, inclusive, and diverse workplace for our employees and portfolio companies.



The health and safety of our operating employees, including our contractors, is integral to our success. This is why we target zero serious safety incidents and encourage a culture of safe practice and leadership. To ensure this message is effectively and consistently communicated, we hold a quarterly forum with all our portfolio companies to share best practices and lessons learned. Through this forum, our Indian toll roads learned of an electromechanical “robot” flagmen used at our toll roads in South America to stand in place of employees and contractors. Our Indian toll roads have since adopted the “robot” flagmen, minimizing the potential for incidents and improving its overall safety approach.

We are also deeply aware of the benefits that diversity and inclusion add to a workplace and to our ability to achieve better business outcomes. Brookfield released a Positive Work Environment Policy for use by our portfolio companies, which consolidates Brookfield’s previous regional harassment policies into one global policy and sets a consistent and high standard across all jurisdictions by explicitly expressing commitment to maintaining a workplace free from discrimination, violence and harassment. Further, to ensure that protecting a positive work environment is everyone’s responsibility, the policy requires all employees to report violations experienced or witnessed. Each of Brookfield Infrastructure’s portfolio companies requires compliance with the Positive Work Environment Policy to ensure it is meeting these standards.

### ***Governance Initiatives***

On the governance side, Brookfield Infrastructure undertook several initiatives in key areas. In recent years, data privacy and cybersecurity have become key ESG priorities for global companies. We have continued to focus on strengthening our risk mitigation in this area through a number of measures. For example, we have established an information security steering committee, which ensures that our cybersecurity efforts are aligned across the organization. In addition, our cybersecurity program consists of key internal and external initiatives, from vulnerability scanning of our data systems to improving our employees’ cybersecurity awareness through mandatory firm-wide training sessions.

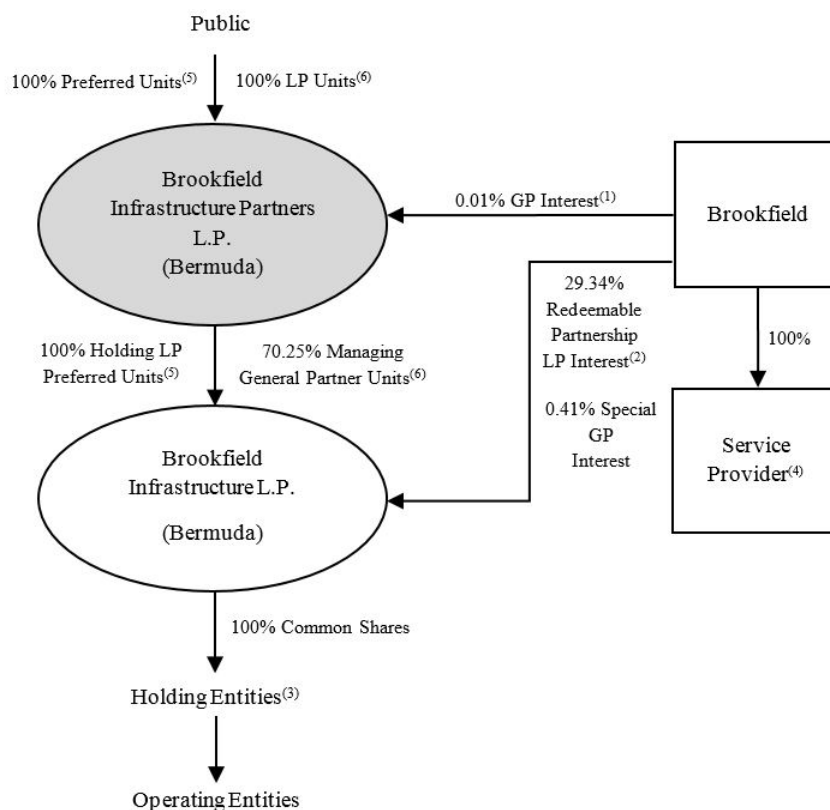
### ***Intellectual Property***

Our partnership, as licensee, has entered into a Licensing Agreement with Brookfield pursuant to which Brookfield has granted us a non-exclusive, royalty-free license to use the name “Brookfield” and the Brookfield logo in connection with marketing activities. Other than under this limited license, we do not have a legal right to the “Brookfield” name or the Brookfield logo. Brookfield may terminate our Licensing Agreement immediately upon termination of our Master Services Agreement and it may be terminated in the circumstances described under Item 7.B “Related Party Transactions—Licensing Agreements.”

## 4.C ORGANIZATIONAL STRUCTURE

### Organizational Charts

The chart below presents a summary of our ownership and organizational structure. Please note that on this chart all interests are 100% unless otherwise indicated and “GP Interest” denotes a general partnership interest and “LP Interest” denotes a limited partnership interest. These charts should be read in conjunction with the explanation of our ownership and organizational structure below and the information included under Item 4.B “Business Overview,” Item 6.C “Board Practices” and Item 7.B “Related Party Transactions.”



- (1) Brookfield’s general partner interest is held through Brookfield Infrastructure Partners Limited, a Bermuda company that is indirectly wholly-owned by Brookfield Asset Management.
- (2) Brookfield’s limited partnership interest in the Holding LP, held in Redeemable Partnership Units, is redeemable for cash or exchangeable for our units in accordance with the Redemption-Exchange Mechanism, which could result in Brookfield eventually owning approximately 29.5% of our partnership’s issued and outstanding units assuming exchange of the Redeemable Partnership Units (and including the issued and outstanding units that Brookfield currently also owns). See Item 10.B “Memorandum and Articles of Association—Description of the Holding LP’s Limited Partnership Agreement—Redemption—Exchange Mechanism.”
- (3) Brookfield has provided an aggregate of \$20 million of working capital to certain Holding Entities through a subscription for preferred shares. See Item 4.C “Organizational Structure—The Holding LP and Holding Entities”.
- (4) The Service Provider provides services to the Service Recipients pursuant to the Master Services Agreement.
- (5) On March 12, 2015, our partnership issued five million Series 1 Preferred Units to the public and acquired five million Holding LP Series 1 Preferred Units. On December 8, 2015, our partnership issued five million Series 3 Preferred Units to the public and acquired five million Holding LP Series 3 Preferred Units. On August 2, 2016, our partnership issued ten million Series 5 Preferred Units to the public and acquired ten million Holding LP Series 5 Preferred Units. On January 19, 2017, our partnership issued twelve million Series 7 Preferred Units to the public and acquired twelve million Holding LP Series 7 Preferred Units. On January 23, 2018, our partnership issued eight million Series 9 Preferred Units to the public and acquired eight million Holding LP Series 9 Preferred Units. On September 12, 2018, our partnership issued ten million Series 11 Preferred Units to the public and acquired ten million Holding LP Series 11 Preferred Units.
- (6) As of December 31, 2018, our partnership had outstanding 277,347,890 units. An equal number of Managing General Partner Units are held by our partnership in the Holding LP.

## **Our Partnership**

We own and operate high quality, long-life assets that generate stable cash flows, require relatively minimal maintenance capital expenditures and, by virtue of barriers to entry and other characteristics, tend to appreciate in value over time.

Our partnership is a Bermudian exempted limited partnership that was established on May 21, 2007 and spun off from Brookfield on January 31, 2008. See Item 4.D “Property, Plant and Equipment” for information regarding our partnership’s head office.

Our partnership’s sole material asset is its managing general partnership interest and preferred limited partnership interest in the Holding LP. Our partnership serves as the Holding LP’s managing general partner and has sole authority for the management and control of the Holding LP. Our partnership anticipates that the only distributions that it will receive in respect of our partnership’s managing general partnership interest and preferred limited partnership interest in the Holding LP will consist of amounts that are intended to assist our partnership in making distributions to our unitholders in accordance with our partnership’s distribution policy, to our preferred unitholders in accordance with the terms of our preferred units and to allow our partnership to pay expenses as they become due. The declaration and payment of cash distributions by our partnership is at the discretion of our General Partner. Our partnership is not required to make such distributions and neither our partnership nor our General Partner can assure you that our partnership will make such distributions as intended.

## **Brookfield and the Service Provider**

Brookfield has an approximate 29.5% interest in our partnership assuming exchange of the Redeemable Partnership Units. Our partnership and the other Service Recipients have each appointed affiliates of Brookfield Asset Management as their Service Provider to provide certain management, administrative and advisory services, for a fee, under the Master Services Agreement.

Brookfield is a global asset management company focused on property, renewable energy, infrastructure and private equity assets with over \$350 billion of assets under management, 100,000 operating employees and 750 investment professionals worldwide. Brookfield’s strategy is to combine best-in-class operating segments and transaction execution capabilities to acquire and invest in targeted assets and actively manage them in order to achieve superior returns on a long-term basis.

To execute our vision of being a leading owner and operator of high quality infrastructure assets that produce an attractive risk-adjusted total return for our unitholders, we will seek to leverage our relationship with Brookfield and in particular, its operations-oriented approach, which is comprised of the following attributes:

- strong business development capabilities, which benefit from deep relationships within, and in-depth knowledge of, its target markets;
- technical knowledge and industry insight used in the evaluation, execution, risk management and financing of development projects and acquisitions;
- project development capabilities, with expertise in negotiating commercial arrangements (including offtake arrangements and engineering, procurement and construction contracts), obtaining required permits and managing construction of network upgrades and expansions, as well as greenfield projects;
- operational expertise, with considerable experience optimizing sales of its products and structuring and executing contracts with end users to enhance the value of its assets; and

- development and retention of the highest quality people in its operations.

Our partnership does not employ any of the individuals who carry out the current management of our partnership. The personnel that carry out these activities are employees of Brookfield, and their services are provided to our partnership or for our benefit under the Master Services Agreement. For a discussion of the individuals from Brookfield's management team that are expected to be involved in our infrastructure business, see Item 6.A "Directors and Senior Management—Our Management."

### **Our General Partner**

Our General Partner serves as our partnership's general partner and has sole authority for the management and control of our partnership, which is exercised exclusively by its board of directors in Bermuda. Our partnership's managing general partnership interest in the Holding LP, which consists of Managing General Partner Units, entitles our partnership to serve as the Holding LP's managing general partner, with sole authority for management and control of the Holding LP, which is exercised exclusively through the board of directors of our General Partner.

See also the information contained in this annual report on Form 20-F under Item 3.D "Risk Factors—Risks Relating to Our Partnership Structure," Item 3.D "Risk Factors—Risks Relating to our Relationship with Brookfield," Item 6.A "Directors and Senior Management," Item 7.B "Related Party Transactions," Item 10.B "Memorandum and Articles of Association—Description of Our Units, Preferred Units and Our Limited Partnership," Item 10.B "Memorandum and Articles of Association—Description of the Holding LP's Limited Partnership Agreement" and Item 7.A "Major Shareholders."

### **The Holding LP and Holding Entities**

Our partnership indirectly holds its interests in operating entities through the Holding LP and the Holding Entities. The Holding LP owns all of the common shares of the Holding Entities. Brookfield has provided an aggregate of \$20 million of working capital to certain Holding Entities through a subscription for preferred shares of such Holding Entities. These preferred shares are entitled to receive a cumulative preferential dividend equal to 6% of their redemption value as and when declared by the board of directors of the applicable Holding Entity and are redeemable at the option of the Holding Entity, subject to certain limitations, at any time after the tenth anniversary of their issuance. Except for the preferred share of our primary U.S. Holding Entity, which is entitled to one vote, the preferred shares are not entitled to vote, except as required by law.

### **Infrastructure Special LP**

The Infrastructure Special LP is entitled to receive incentive distributions from the Holding LP as a result of its ownership of Special General Partner Units of the Holding LP. See Item 7.B "Related Party Transactions—Incentive Distributions."

The following table sets forth for each of our partnership's significant subsidiaries, the jurisdiction of incorporation and the percentage ownership held by our partnership.

Defined Name	Name of entity	Jurisdiction of Organization	Ownership Interest	Voting Interest
			2018 %	2018 %
Holding LP	Brookfield Infrastructure L.P.	Bermuda	70 <sup>(1)</sup>	100
Australian rail operation	Arc Infrastructure Holdings No. 1 Pty Ltd	Australia	100 <sup>(2)</sup>	100
Regulated terminal operations	DBCT Management Pty Ltd	Australia	71 <sup>(2)</sup>	100
U.K. regulated distribution operations	Brookfield Utilities UK Holdings Limited	United Kingdom	80 <sup>(2)</sup>	80
Brazilian natural gas transmission operation	Nova Transportadora do Sudeste S.A.	Brazil	28 <sup>(2)</sup>	90
North American residential energy infrastructure operation	Enercare Inc.	Canada	30 <sup>(2)</sup>	100

(1) Ownership interest held directly by our partnership.

(2) Ownership interest held indirectly by the Holding LP.

#### 4.D PROPERTY, PLANT AND EQUIPMENT

Our partnership's principal office and its registered office is at 73 Front Street, Hamilton HM 12, Bermuda, and is subject to a lease expiring on December 31, 2020. We do not directly own any real property.

See also the information contained in this annual report on Form 20-F under Item 3.D "Risk Factors—Risks Relating to Our Operations and the Infrastructure Industry—All of our infrastructure operations may require substantial capital expenditures in the future," "—Investments in infrastructure projects prior to or during a construction or expansion phase are likely to be subject to increased risk," "—All of our operating entities are subject to changes in government policy and legislation," Item 5 "Operating and Financial Review and Prospects—Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 18 "Financial Statements" regarding information on Property, Plant and Equipment on a consolidated basis.

#### ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

## ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

#### Performance Targets and Key Measures

We target a total return of 12% to 15% per annum on the infrastructure assets that we own, measured over the long term. We intend to generate this return from the in-place cash flows from our operations plus growth through investments in upgrades and expansions of our asset base, as well as acquisitions. We determine our distributions to unitholders based primarily on an assessment of our operating performance. FFO is used to assess our operating performance and can be used on a per unit basis as a proxy for future distribution growth over the long-term. In addition, we have performance measures that track the key value drivers for each of our operating segments. See "Segmented Disclosures" on page 110 for more detail.

#### Performance Measures Used by Management

To measure performance, we focus on net income, an IFRS measure, as well as certain non-IFRS measures, including Funds from Operations ("FFO"), Adjusted Funds from Operations ("AFFO"), adjusted EBITDA ("Adjusted EBITDA"), adjusted earnings ("Adjusted Earnings") and invested capital ("Invested Capital"), along with other measures.

##### *FFO*

We define FFO as net income excluding the impact of depreciation and amortization, deferred income taxes, breakage and transaction costs, and non-cash valuation gains or losses. FFO is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by, International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). FFO is therefore unlikely to be comparable to similar measures presented by other issuers. FFO has limitations as an analytical tool. Specifically, our definition of FFO may differ from the definition used by other organizations, as well as the definition of Funds from Operations used by the Real Property Association of Canada ("REALPAC") and the National Association of Real Estate Investment Trusts, Inc. ("NAREIT"), in part because the NAREIT definition is based on U.S. GAAP, as opposed to IFRS.

##### *AFFO*

We define AFFO as FFO less capital expenditures required to maintain the current performance of our operations (maintenance capital expenditures). AFFO is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by, IFRS. AFFO is therefore unlikely to be comparable to similar measures presented by other issuers and has limitations as an analytical tool.

##### *Adjusted EBITDA*

In addition to FFO and AFFO, we focus on Adjusted EBITDA, which we define as net income excluding the impact of depreciation and amortization, interest expense, current and deferred income taxes, breakage and transaction costs, and non-cash valuation gains or losses. Adjusted EBITDA is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by, IFRS. Adjusted EBITDA is therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted EBITDA has limitations as an analytical tool.

### *Adjusted Earnings*

We also focus on Adjusted Earnings, which we define as net income attributable to our partnership, excluding the impact of depreciation and amortization expense from revaluing property, plant and equipment and the effects of purchase price accounting, mark-to-market on hedging items and disposition gains or losses. Adjusted Earnings is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by, IFRS. Adjusted Earnings is therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted Earnings has limitations as an analytical tool.

### *Invested Capital*

Invested Capital, which tracks the amount of capital that has been contributed to our partnership, is a measure we utilize to assess returns on capital deployed, relative to targeted returns. Investment decisions are based on, amongst other measures and factors, targeted returns on Invested Capital of 12% to 15% annually over the long-term. We define Invested Capital as partnership capital removing the following items: non-controlling interest - in operating subsidiaries, retained earnings or deficit, accumulated other comprehensive income and ownership changes. We measure return on Invested Capital as AFFO, less estimated returns of capital on operations that are not perpetual in nature, divided by the weighted average Invested Capital for the period.

### *Benefits and Uses of Non-IFRS Measures*

We believe our presentation of FFO, AFFO, Adjusted EBITDA, Adjusted Earnings and Invested Capital are useful to investors because it supplements investors' understanding of our operating performance by providing information regarding our ongoing performance that excludes items we believe do not directly affect our core operations. Our presentation of FFO, AFFO, Adjusted EBITDA, Adjusted Earnings and return on Invested Capital also provide investors enhanced comparability of our ongoing performance across periods.

In deriving FFO, AFFO and Adjusted EBITDA, we add back depreciation and amortization to net income. Specifically, in our financial statements we use the revaluation approach in accordance with IAS 16, *Property, Plant and Equipment*, whereby depreciation expense is determined based on a revalued amount, thereby reducing comparability with our peers who do not report under IFRS as issued by the IASB or who do not employ the revaluation approach to measuring property, plant and equipment. We add back deferred income taxes on the basis that we do not believe this item reflects the present value of the actual tax obligations that we expect to incur over our long-term investment horizon. We add back non-cash valuation gains or losses recorded in net income as well as breakage and transaction costs as these items are not reflective of our ongoing sustainable performance.

To provide a supplemental understanding of the performance of our business and to enhance comparability across periods and relative to our peers we utilize Adjusted EBITDA. Adjusted EBITDA excludes the impact of interest expense and current income taxes to assist in assessing the operating performance of our business by eliminating for the effect of its current capital structure and tax profile.

While FFO provides a basis for assessing current operating performance, it does not take into consideration the cost to sustain the operating performance of our partnership's asset base. In order to assess the long-term, sustainable operating performance of our businesses, we observe that investors take into account the impact of maintenance capital expenditures to derive AFFO, in addition to FFO.

In deriving Adjusted Earnings we add back depreciation due to the revaluation of property, plant and equipment and acquisition accounting. As we own capital assets with finite lives, depreciation and amortization expense recognizes the fact that we must maintain or replace our asset base in order to preserve our revenue generating capability. We observe that certain of our investors view depreciation based on historical cost, rather than a revalued amount, as a more relevant proxy of the expenditures necessary to maintain the service capacity of our assets. Adjusted Earnings also does not include mark-to-market on hedging items recorded in net income or disposition gains or losses. We add back mark-to-market on hedging items recorded in net income as these indicate a point in time approximation of value on long-term positions. We also add back disposition gains or losses as these items are not reflective of the ongoing performance of our underlying operations.

For further details regarding our use of FFO, AFFO, Adjusted EBITDA, Adjusted Earnings and Invested Capital, as well as a reconciliation of net income to these measures, see the “Reconciliation of Non-IFRS Financial Measures” section of this MD&A.

### Distribution Policy

Our distributions are underpinned by stable, highly regulated and contracted cash flows generated from operations. Our partnership’s objective is to pay a distribution that is sustainable on a long-term basis. Our partnership has set its target payout ratio target at 60-70% of FFO. In sizing what we believe to be a conservative payout ratio, we typically retain approximately 15-20% of AFFO that we utilize to fund some or all of our internally funded growth capital expenditures.

The following table presents our partnership’s payout ratios over the past three years:

US\$ MILLIONS	For the year ended December 31,		
	2018 <sup>(2)</sup>	2017	2016
Funds from Operations (FFO)	\$1,231	\$ 1,170	\$ 944
Adjusted Funds from Operations (AFFO)	982	941	771
Distributions <sup>(1)</sup>	919	794	628
FFO payout ratio	75%	68%	67%
AFFO payout ratio	94%	84%	81%

(1) Includes distributions to limited partners, the general partner, holders of Exchange LP Units, preferred unitholders, incentive distributions, and distributions on Redeemable Partnership Units held by Brookfield.

(2) Our payout ratio was impacted during the year predominantly by the timing related to deploying capital generated from the sale of our Chilean electricity transmission business and the financing at our Brazilian regulated gas transmission business.

Our partnership’s annual distribution is reviewed with the board of directors of our General Partner in the first quarter of each year giving consideration to the following:

- The results from the prior year as well as the budget for the upcoming year and the 5-year business plan based on our partnership’s share of FFO generated by our assets
- Our partnership’s group-wide liquidity and its ability to fund committed capital investments

In light of the current prospects for our business, the board of directors of our General Partner approved a 7% increase in our annual distribution to \$2.01 per unit, or \$0.5025 per unit quarterly, starting with the distribution to be paid in March 2019. This increase reflects the forecasted contribution from our recently commissioned capital projects, as well as the expected cash yield on acquisitions that we closed in the past year. Since the spin-off, we have increased our quarterly distribution from \$0.18 per unit to \$0.5025 per unit, a compound annual growth rate of 10%. We target 5% to 9% annual distribution growth in light of the per unit growth we foresee in our operations.



## **Basis of Presentation**

Our consolidated financial statements are prepared in accordance with IFRS, as issued by the IASB. Our consolidated financial statements include the accounts of Brookfield Infrastructure and the entities over which it has control. Brookfield Infrastructure accounts for investments over which it exercises significant influence or joint control, but does not control, using the equity method.

Our partnership's equity interests include units held by public unitholders and the Redeemable Partnership Units held by Brookfield. Our units and the Redeemable Partnership Units have the same economic attributes in all respects, except that the Redeemable Partnership Units provide Brookfield the right to request that its units be redeemed for cash consideration. In the event that Brookfield exercises this right, our partnership has the right, at its sole discretion, to satisfy the redemption request with our units, rather than cash, on a one-for-one basis. As a result, Brookfield, as holder of Redeemable Partnership Units, participates in earnings and distributions on a per unit basis equivalent to the per unit participation of the limited partnership units of our partnership. However, given the redeemable feature referenced above, we present the Redeemable Partnership Units as a component of non-controlling interests. In addition, Exchange LP, a subsidiary of our partnership, issued Exchange LP Units in connection with the privatization of Enercare Inc. in October 2018. Exchange LP Units provide holders with economic terms that are substantially equivalent to those of our units and are exchangeable, on a one-for-one basis, for our units. Given the exchangeable feature, we present the Exchange LP Units as a separate component of non-controlling interests.

When we discuss the results of our operating segments, we present Brookfield Infrastructure's proportionate share of results for operations accounted for using consolidation and the equity method, in order to demonstrate the impact of key value drivers of each of these operating segments on our partnership's overall performance. As a result, segment revenues, costs attributable to revenues, other income, interest expense, depreciation and amortization, deferred taxes, fair value adjustments and other items will differ from results presented in accordance with IFRS as they (1) include Brookfield Infrastructure's proportionate share of earnings from investments in associates attributable to each of the above noted items, and (2) exclude the share of earnings of consolidated investments not held by Brookfield Infrastructure apportioned to each of the above noted items. However, net income attributable to the partnership for each segment is consistent with results presented in accordance with IFRS. See "Reconciliation of Operating Segment Measures" on page 133 for a reconciliation of segment results to our partnership's statement of operating results in accordance with IFRS.

On September 14, 2016, our partnership completed a three-for-two split of our units by way of a subdivision of units (the "Unit Split"), whereby unitholders received an additional one-half of a unit for each unit held, resulting in the issuance of approximately 115 million additional units. All historical per unit disclosures have been adjusted to effect for the change in units due to the Unit Split.

## **Critical Accounting Policies and Estimates**

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 Brookfield Infrastructure's consolidated financial statements are outlined below.

#### *Revaluation of property, plant and equipment*

Property, plant and equipment is revalued on a regular basis. The critical estimates and assumptions underlying the valuation of property, plant and equipment are set out in Note 13, "Property, Plant and Equipment" in our financial statements included in this annual report on Form 20-F. Our partnership's property, plant, and equipment is measured at fair value on a recurring basis with an effective date of revaluation for all asset classes of December 31, 2018 and 2017. Brookfield Infrastructure determined fair value under the income method with due consideration to significant inputs such as the discount rate, terminal value multiple and overall investment horizon.

#### *Impairment of goodwill, intangibles with indefinite lives and investment in associates and joint ventures*

Our partnership assesses the impairment of goodwill and intangible assets with indefinite lives by reviewing the value-in-use or fair value less costs of disposal of the cash-generating units to which goodwill or the intangible asset has been allocated. Brookfield Infrastructure uses the following critical assumptions and estimates: the circumstances that gave rise to the goodwill, timing and amount of future cash flows expected from the cash-generating unit; discount rates; terminal capitalization rates; terminal valuation dates; useful lives and residual values.

The impairment assessment of investments in associates and joint ventures requires estimation of the recoverable amount of the asset.

Other estimates utilized in the preparation of our partnership's financial statements are: depreciation and amortization rates and useful lives; recoverable amount of goodwill and intangible assets; ability to utilize tax losses and other tax measurements.

#### *Recently adopted accounting standards*

Brookfield Infrastructure applied, for the first time, certain new standards applicable to our partnership that became effective January 1, 2018. The impact of adopting these new standards on our partnership's accounting policies are as follows:

#### ***IFRS 15 Revenue from Contracts with Customers ("IFRS 15")***

Our partnership adopted the standard on January 1, 2018, on a modified retrospective basis. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. Brookfield Infrastructure's accounting policies related to revenue are described in Note 3(l), Revenue Recognition. Apart from additional disclosure requirements, the adoption did not have a significant impact on our partnership's consolidated financial statements and therefore has not been included in the "Cumulative effect of changes" section below.

#### ***IFRS 9 Financial Instruments ("IFRS 9")***

Our partnership has adopted IFRS 9 as of January 1, 2018 retrospectively with no restatement of comparative periods. Certain hedge accounting relationships relating to aggregated foreign currency exposures now qualify for hedge accounting under this new standard. Consequently, our partnership has applied hedge accounting to these relationships prospectively commencing on January 1, 2018. In addition, our partnership has elected certain gas storage contracts to be measured at fair value through profit or loss. A cumulative catch-up adjustment has been recorded through equity upon initial adoption as described in the cumulative effect of changes section. Brookfield Infrastructure's accounting policies related to financial instruments are described in Note 3(m), Financial Instruments and Hedge Accounting.

## ***IFRIC 22 Foreign Currency Transactions (“IFRIC 22”)***

In December 2016, the IASB issued IFRIC 22, effective for annual periods beginning on or after January 1, 2018. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. Our partnership has adopted the standard as of January 1, 2018 prospectively. The adoption did not have a significant impact on our partnership’s consolidated financial statements.

### ***Cumulative effect of changes***

The changes made to our January 1, 2018 consolidated statement of financial position for the adoption of IFRS 9 was driven by our North American gas storage business, which elected to account for certain physical commodity contracts as financial instruments under IFRS 9. This election resulted in the recognition of the contracts as financial assets or financial liabilities at fair value and the cumulative mark-to-market gains directly in partnership capital. The impacts of this election were increases of \$25 million, \$9 million and \$16 million in total assets, total liabilities and total partnership capital, respectively.

The adoption of all other accounting standards did not have an impact to our January 1, 2018 assets, liabilities or partnership capital.

## **Future Changes in Accounting Policies**

### ***Standards issued but not yet adopted***

#### ***IFRS 16 Leases—(“IFRS 16”)***

In January 2016, the IASB published a new standard, IFRS 16. The new standard brings most leases on balance sheet, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17, Leases and related interpretations and is effective for periods beginning on or after January 1, 2019.

Our partnership is adopting the standard using a modified retrospective approach, whereby any transitional impact is recorded in equity as at January 1, 2019, and comparative periods are not restated. We will apply certain transition reliefs, practical expedients and policy choice options on adoption of the new standard. Specifically, we have elected to apply practical expedients associated with short-term leases.

After leading strategic planning sessions with its subsidiaries and associates, our partnership implemented an adoption project plan. Using the population of existing contractual arrangements, we have completed the identification of leases that are required to be recognized in the Consolidated Statements of Financial Position under the new standard. Additionally, our partnership has substantially completed quantifying the present value of the identified lease contracts to determine the impact on adoption, except for acquisitions that closed in the fourth quarter of 2018. At this time, our partnership has nearly finalized the documented analysis and assessment of the potential impact to IT systems and internal controls and has drafted a preliminary version of the disclosures required by the new standard.

The estimated range of the transitional impact of the new standard, excluding the impact of acquisitions closed in the last quarter of the year, are increases in total assets and liabilities of \$0.4 billion to \$0.6 billion, and no significant impact to partnership capital. These are preliminary estimates and subject to change as we complete our adoption procedures. Certain acquisitions completed in the last quarter of the year include significant lease arrangements and given proximity of the closing date to our fiscal year end we are still in the progress of completing the evaluation and quantification of impact, which could be significant.

*Interpretations and amendments issued but not yet adopted*

***IFRIC 23 Uncertainty over Income Tax Treatments—(“IFRIC 23”)***

In June 2017, the IASB published IFRIC 23, effective for annual periods beginning on or after January 1, 2019. The interpretation requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. An entity also has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The interpretation may be applied on either a fully retrospective basis or a modified retrospective basis without restatement of comparative information. The interpretation will be adopted on a modified retrospective basis and it is not anticipated that the impact will be material.

***IFRS 3 Business Combinations (“IFRS 3”)***

In October 2018, the IASB issued an amendment to IFRS 3, effective for annual periods beginning on or after January 1, 2020. The amendment clarifies the definition of a business and assists companies in determining whether an acquisition is a business combination or an acquisition of a group of assets. The amendment emphasizes that the output of a business is to provide goods and services to customers and also provides supplementary guidance. Our partnership will adopt the standard prospectively and is currently evaluating the impact of this amendment on its consolidated financial statements.

## **5.A OPERATING RESULTS**

### **Consolidated Results**

In this section we review our consolidated performance and financial position as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016. Further details on the key drivers of our operations and financial position are contained within the “Segmented Disclosures” section on page 110.

The following table summarizes the financial results of Brookfield Infrastructure for the years ended December 31, 2018, 2017 and 2016:

<u>US\$ MILLIONS, EXCEPT PER UNIT INFORMATION</u>	<u>For the year ended</u> <u>December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Summary Statements of Operating Results</b>			
Revenues	<b>\$4,652</b>	\$3,535	\$2,115
Direct operating costs	<b>(2,208)</b>	(1,509)	(1,063)
General and administrative expenses	<b>(223)</b>	(239)	(166)
Depreciation and amortization expense	<b>(801)</b>	(671)	(447)
Interest expense	<b>(555)</b>	(428)	(392)
Share of (losses) earnings from investments in associates and joint ventures	<b>(13)</b>	118	248
Mark-to-market on hedging items	<b>137</b>	(66)	74
Gain on sale of associates	<b>338</b>	—	—
Income tax expense	<b>(364)</b>	(173)	(15)
Net income	<b>806</b>	574	528
Net income attributable to our partnership <sup>(1)</sup>	<b>410</b>	125	487
Net income (loss) per limited partnership unit	<b>\$ 0.59</b>	\$ (0.04)	\$ 1.13

(1) Includes net income attributable to limited partners, non-controlling interests—Redeemable Partnership Units held by Brookfield, non-controlling interests—Exchange LP Units, and general partner.

## **2018 vs. 2017**

For the year ended December 31, 2018, we reported net income of \$806 million, of which \$410 million was attributable to our partnership. This compares to net income of \$574 million for the year ended December 31, 2017, of which \$125 million was attributable to our partnership. The increase in net income reflects improved operating performance across the majority of our operations, contributions from recent acquisitions completed across each of our operating segments, and a gain of \$209 million (net of tax) realized on the sale of our investment in an electricity transmission business. These positive impacts were partially offset by higher depreciation, a one-time charge in our transport segment, and the impact of foreign exchange which lowered earnings in U.S. dollars in the current period.

Revenues for the year ended December 31, 2018 were \$4,652 million, which represents an increase of \$1,117 million compared to the prior year. Our utilities segment contributed additional revenue of \$917 million as a result of the recent acquisition of a Colombian natural gas distribution business and the benefit of a full year of ownership of our Brazilian regulated gas transmission business acquired in April 2017. Our utilities segment also benefited from inflation-indexation and various organic growth initiatives, primarily at our U.K. regulated distribution operation. Our energy segment contributed additional revenue of \$319 million as a result of the acquisitions of a North American residential energy infrastructure operation and Western Canadian natural gas gathering and processing operation in the fourth quarter of 2018. Our transport operations contributed an additional \$75 million of revenue, primarily due to the benefit of inflationary tariff increases, and the incremental revenue earned at our recently acquired Indian toll roads business. These items were partially offset by an \$18 million decrease in revenue at our North American gas storage operation due to a weaker spread environment, a \$15 million reduction at our Australian rail operation caused by the curtailment of iron ore tasks by two customers and the impact of foreign exchange which lowered revenues in U.S. dollars by \$161 million.

Direct operating expenses for the year ended December 31, 2018 were \$2,208 million, which represents an increase of \$699 million compared to the year ended December 31, 2017. The current period included \$618 million of costs related to new businesses acquired during the year and \$119 million of incremental costs associated with the organic growth initiatives described above. These increases were partially offset by the impact of foreign exchange which reduced direct costs by \$38 million.

General and administrative expenses totaled \$223 million for the year ended December 31, 2018, a decrease of \$16 million compared to the same period in 2017. This line item primarily consists of the annual base management fee that is paid to Brookfield, which is equal to 1.25% of our partnership's market value plus preferred units outstanding and net recourse debt. The base management fee decreased from the prior year due to a lower unit price, partially offset by the issuance of debt, preferred units and Exchange LP Units over the last 12 months, the proceeds of which were used to fund new investments and organic growth initiatives.

Depreciation and amortization expense for the year ended December 31, 2018 was \$801 million, an increase of \$130 million compared to the prior year. The increase is predominantly due to incremental charges at businesses acquired in the last year, the impact of higher asset values from our annual revaluation process, and capital expenditures made during the year.

Interest expense for the year ended December 31, 2018 was \$555 million, an increase of \$127 million compared to the same period in 2017. Interest expense increased predominantly due to the issuance of \$1.5 billion of five-year senior notes at our Brazilian regulated gas transmission business and borrowing costs associated with businesses acquired in the last twelve months.

Losses from investments in associates and joint ventures were \$13 million for the year ended December 31, 2018, compared to income of \$118 million for the same period in 2017. The current period has benefited from stronger underlying performance at our associates and joint ventures, most notably at our North American gas transmission business. These benefits were more than offset by a \$35 million loss as a result of the reclassification of foreign exchange losses previously recognized in other comprehensive income related to the Chilean electricity transmission business we sold in March 2018, the impact of a truck driver strike on traffic volumes at our Brazilian toll road operations, and a one-time charge recorded in our transport segment.

Mark-to-market gains on hedging items for the year ended December 31, 2018 were \$137 million compared to a loss of \$66 million for the twelve-month period ended December 31, 2017. Amounts in both the current and comparative periods consist primarily of mark-to-market movements on foreign exchange hedging at the corporate level. The current year's gain is the result of a strengthening of the U.S. dollar relative to the Australian dollar, British pound, Euro, and Canadian dollar.

Income tax expense for the twelve-month period ended December 31, 2018 was \$364 million, an increase of \$191 million from the prior year. The increase is primarily due to taxes associated with the gain recorded on the sale of our Chilean electricity transmission business in the current year, acquisitions completed during the past year and higher taxable earnings generated by our operations.

## **2017 vs. 2016**

For the year ended December 31, 2017, we reported net income of \$574 million, of which \$125 million was attributable to our partnership. This is compared to net income of \$528 million for the year ended December 31, 2016, of which \$487 million was attributable to our partnership. The increase in consolidated net income was primarily due to acquisitions made during the year and organic growth at our existing businesses. Net income attributable to our partnership decreased despite an increase in consolidated net income, as the aforementioned positive factors were offset by the impact of non-cash movements on foreign currency hedges, which are recorded in our corporate segment. The prior year also included non-recurring gains attributable to our partnership of \$190 million related to our toll road and ports businesses.

Revenues for the year ended December 31, 2017 were \$3,535 million, which represented an increase of \$1,420 million compared to the prior year. Our utilities segment contributed additional revenue of \$1,008 million as a result of the 2017 acquisition of a Brazilian regulated gas transmission business and the benefits of inflation-indexation and various growth initiatives, primarily at our U.K. regulated distribution operation. Our transport operations contributed an additional \$390 million of revenue, primarily due to higher iron ore prices, which resulted in lower tariff relief extended to one of our clients at our Australian rail operation, the benefit of inflationary tariff increases and the impact of higher volumes at our South American toll roads. Additionally, revenues benefited from a full year's contribution from the acquisitions of toll roads in Peru and an Australian ports business, both of which were completed during 2016. Organic growth initiatives within our district energy business and the expansion of our North American gas storage business contributed incremental revenue of \$96 million relative to the prior year, and foreign exchange contributed a further \$12 million increase across our businesses. These items were partially offset by a \$19 million impact of a rate reset at our Australian regulated terminal operation and a \$67 million decrease due to revenues associated with assets sold in 2016.

Direct operating expenses for the year ended December 31, 2017 were \$1,509 million, which represented an increase of \$446 million compared to the year ended December 31, 2016. 2017 included \$460 million of costs related to new businesses acquired during the year, \$5 million of incremental costs associated with the organic growth initiatives described above and the impact of foreign exchange of \$9 million. These increases were partially offset by a \$28 million reduction in costs associated with assets sold mid-way through 2016.

General and administrative expenses totaled \$239 million for the year ended December 31, 2017, an increase of \$73 million compared to the same period in 2016. This line item primarily consisted of the annual base management fee that is paid to Brookfield, which is equal to 1.25% of our partnership's market value plus our preferred units and net recourse debt. The base management fee increased from prior year due to a higher unit price and the issuance of medium-term notes, partnership units and preferred units, the proceeds from which were used to fund new investments and organic growth initiatives.

Depreciation and amortization expense for the year ended December 31, 2017 was \$671 million, an increase of \$224 million compared to the prior year. Depreciation and amortization expense increased due to higher asset values resulting from our annual revaluation process and capital expenditures, and incremental charges associated with new businesses acquired during the year.

Interest expense for the year ended December 31, 2017 was \$428 million, an increase of \$36 million compared to the same period in 2016. Interest expense was higher due to additional corporate borrowings used to fund new investments and the impact of foreign exchange, partially offset by a reduction in interest expense associated with businesses sold in the prior year.

Earnings from investments in associates and joint ventures were \$118 million for the year ended December 31, 2017, representing a decrease of \$130 million compared to the same period in 2016. The decrease was predominantly associated with \$122 million of non-recurring gains recorded in the prior year. These decreases were partially offset by the benefits of refinancing activities completed during 2017 at our North American natural gas transmission operation, inflationary tariff increases, increased traffic volumes and an increased ownership in our Brazilian toll road operations. Additionally, our 2017 earnings benefited from a full year contribution from our Australian ports business acquired in 2016, as well as foreign exchange.

Mark-to-market loss on hedging items for the year ended December 31, 2017 was \$66 million compared to a gain of \$74 million for the twelve-month period ended December 31, 2016. Both the current and comparative periods consist primarily of mark-to-market movements relating to foreign exchange hedging activities at the corporate level, primarily relating to the Australian dollar, British pound and Euro.

Income tax expense for the twelve-month period ended December 31, 2017 was \$173 million, an increase of \$158 million from the prior year. The increase was primarily due to acquisitions made during the year and higher income earned by our operations.

The following table summarizes the statement of financial position of Brookfield Infrastructure for the years ended December 31, 2018 and December 31, 2017.

<u>US\$ MILLIONS</u>	<u>As of</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<b>Summary Statements of Financial Position Key Metrics</b>		
Cash and cash equivalents	\$ 540	\$ 374
Total assets	36,580	29,477
Corporate borrowings	1,993	2,101
Non-recourse borrowings	13,113	8,063
Total liabilities	21,912	16,003
Partnership's capital <sup>(1)</sup>	6,429	7,004
Total partnership's capital	14,668	13,474

(1) Includes partnership capital attributable to limited partners, non-controlling interests—Redeemable Partnership Units held by Brookfield, non-controlling interests—Exchange LP Units, and general partner.

Total assets were \$36.6 billion at December 31, 2018, compared to \$29.5 billion at December 31, 2017. The increase was primarily due to acquisitions completed during the year and organic growth initiatives which have increased total assets by \$10.8 billion. These increases were partially offset by depreciation and amortization charges of \$0.8 billion and the impact of foreign exchange which reduced total assets by \$2.9 billion as most currencies in which we operate weakened relative to the U.S. dollar.

Corporate borrowings decreased to \$2.0 billion at December 31, 2018, compared to \$2.1 billion at December 31, 2017. The decrease in borrowings is due to net repayments of our corporate credit facility of \$0.3 billion, \$0.1 billion of medium-term notes maturing during the year, and the impact of foreign exchange. These decreases were partially offset by the \$0.4 billion medium-term note issuance completed in September 2018.



Non-recourse borrowings increased by \$5.0 billion to \$13.1 billion at December 31, 2018 from \$8.1 billion at December 31, 2017. The increase is attributable to additional borrowings of \$4.0 billion associated with acquisitions completed during the year, the issuance of \$1.5 billion five-year senior notes at our Brazilian regulated gas transmission business and debt funding of growth capital projects at our businesses. These increases were partially offset by a decrease in foreign denominated debt as the U.S. dollar strengthened relative to a majority of the currencies in which we operate during the year.

Our partnership capital decreased by \$0.6 billion to \$6.4 billion at December 31, 2018. The decrease was due to distributions paid to our unitholders and preferred unitholders of \$0.9 billion, and other comprehensive losses attributable to our partnership of \$0.3 billion. These decreases were partially offset by income attributable to our partnership of \$0.4 billion and the issuance of \$0.2 billion of Exchange LP Units.

Preferred unitholders' equity increased by \$0.3 billion to \$0.9 billion at December 31, 2018 due to new issuances completed in January and September of this year.

### Foreign Currency Translation

Due to the nature of our global operations, current period financial results may be impacted by foreign currency movements. The most significant currency exchange rates that impact our business are shown in the following table:

	Period End Rate					Average Rate				
	As of December 31,					For the year ended December 31,				
	2018	2017	2016	2018 vs 2017	2017 vs 2016	2018	2017	2016	2018 vs 2017	2017 vs 2016
Brazilian real . . . .	<b>0.2581</b>	0.3023	0.3068	<b>(15)%</b>	(1)%	<b>0.2736</b>	0.3132	0.2865	<b>(13)%</b>	9 %
Canadian dollar . .	<b>0.7331</b>	0.7953	0.7439	<b>(8)%</b>	7 %	<b>0.7718</b>	0.7711	0.7555	— %	2 %
British pound . . . .	<b>1.2760</b>	1.3521	1.2357	<b>(6)%</b>	9 %	<b>1.3350</b>	1.2889	1.3554	<b>4 %</b>	(5)%
Australian dollar .	<b>0.7050</b>	0.7809	0.7197	<b>(10)%</b>	9 %	<b>0.7475</b>	0.7669	0.7441	<b>(3)%</b>	3 %

As at December 31, 2018, our consolidated partnership capital of \$14.7 billion was invested in the following currencies: Brazilian reais - 26%; Canadian dollars - 24%; British pounds - 12%; Australian dollars - 11%; United States dollars - 6%; and other currencies - 21%. As a result of our currency hedging program, approximately 70% of our partnership capital is effectively denominated in U.S. dollars. Currency exchange rates relative to the U.S. dollar at the end of 2018 were lower than December 31, 2017 for most of our significant non-U.S. dollar investments, which decreased the carrying values of our operations in these regions.

The following table disaggregates the impact of foreign currency translation on our partnership capital by the most significant non-U.S. currencies:

<u>US\$ MILLIONS</u>	<u>For the year ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Brazilian real .....	\$ (978)	\$ (297)	\$ 228
British pound .....	(91)	128	(256)
Australian dollar .....	(176)	39	(85)
Canadian dollar .....	(100)	(52)	25
Other .....	(232)	220	51
	<u>(1,577)</u>	<u>38</u>	<u>(37)</u>
Currency hedges .....	26	(129)	168
	<u>\$ (1,551)</u>	<u>\$ (91)</u>	<u>\$ 131</u>
Attributable to:			
Unitholders .....	\$ (719)	\$ (36)	\$ 172
Non-controlling interests .....	(832)	(55)	(41)
	<u>\$ (1,551)</u>	<u>\$ (91)</u>	<u>\$ 131</u>

The impact of foreign currency translation on partnership capital, including those attributable to non-controlling interests for the twelve-month period ended December 31, 2018 was a reduction to partnership capital of \$1.6 billion. The reduction of partnership capital in the current period was primarily the result of the Brazilian real weakening relative to the U.S. dollar by 15% in the year.

We use financial contracts and locally denominated debt to hedge most foreign currency exposures. Accordingly, changes in currency hedging valuations include changes in the value of these instruments. Our partnership's capital is mostly hedged against the Australian, British, Canadian and European currencies and as a result, the losses in the year were partially offset by the appreciation of our currency hedges. We have also entered into hedges to reduce foreign currency exposures to the Chilean and Colombian pesos.

Average currency exchange rates impact revenues and net income in U.S. dollars from non-U.S. operations on a comparative basis. During the year ended December 31, 2018, the Brazilian real and Australian dollar have weakened relative to the U.S. dollar, decreasing revenue and net income in U.S. dollars by \$192 million and \$68 million, respectively.

## SEGMENTED DISCLOSURES

In this section, we review the results of our principal operating segments: utilities, transport, energy, data infrastructure, and corporate. Each segment is presented on a proportionate basis, taking into account Brookfield Infrastructure's ownership in operations accounted for using the consolidation and equity methods, whereby our partnership either controls or exercises significant influence or joint control over its investments. See "Reconciliation of Non-IFRS Financial Measures" on page 125 for a discussion of the importance of proportionate information, the limitations associated with such information and a reconciliation of segment results to our partnership's statement of operating results in accordance with IFRS.



## Utilities

### Results of Operations

The following table presents our proportionate share of the key metrics of our utilities segment:

US\$ MILLIONS	For the year ended December 31,		
	2018	2017	2016
Rate Base	\$ 4,511	\$ 5,638	\$ 3,788
Funds from Operations (FFO) <sup>(1)</sup>	576	610	399
Maintenance capital expenditures	(17)	(15)	(15)
Adjusted Funds from Operations (AFFO) <sup>(1)</sup>	\$ 559	\$ 595	\$ 384
Return on rate base <sup>(2),(3)</sup>	11%	11%	11%

(1) Non-IFRS measure. Refer to the “Reconciliation of Non-IFRS Financial Measures” and “Reconciliation of Operating Segment Measures” sections of this MD&A for reconciliation from net income.

(2) Return on rate base is Adjusted EBITDA divided by time weighted average rate base.

(3) Return on rate base excludes impact of connections revenues at our U.K. regulated distribution operation.

The following table presents our utilities segment’s proportionate share of financial results:

US\$ MILLIONS	For the year ended December 31,		
	2018	2017	2016
Adjusted EBITDA <sup>(1)</sup>	\$ 733	\$ 738	\$ 524
Funds from Operations (FFO) <sup>(1)</sup>	576	610	399

The following table presents our proportionate Adjusted EBITDA and FFO for the businesses in this operating segment:

US\$ MILLIONS	Adjusted EBITDA <sup>(1)</sup>			FFO <sup>(1)</sup>		
	2018	2017	2016	2018	2017	2016
Regulated Transmission	\$ 324	\$ 352	\$ 135	\$ 266	\$ 308	\$ 105
Regulated Distribution	304	282	257	242	235	213
Regulated Terminal	105	104	132	68	67	81
Total	\$ 733	\$ 738	\$ 524	\$ 576	\$ 610	\$ 399

(1) Non-IFRS measure. Refer to the “Reconciliation of Non-IFRS Financial Measures” and “Reconciliation of Operating Segment Measures” sections of this MD&A for reconciliation from net income.

The following table presents the roll-forward of our rate base:

<u>US\$ MILLIONS</u>	<u>For the year ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Rate base, start of period	<b>\$5,638</b>	\$3,788	\$4,018
Acquisitions	<b>63</b>	1,498	—
Impact of asset sales	<b>(969)</b>	—	(162)
Capital expenditures commissioned	<b>395</b>	305	226
Inflation and other indexation	<b>65</b>	34	63
Regulatory depreciation	<b>(68)</b>	(48)	(44)
Foreign exchange and other	<b>(613)</b>	61	(313)
Rate base, end of period	<b><u>\$4,511</u></b>	<b><u>\$5,638</u></b>	<b><u>\$3,788</u></b>

The following table presents the roll-forward of our proportionate share of capital backlog and capital to be commissioned:

<u>US\$ MILLIONS</u>	<u>For the year ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Capital backlog, start of period	<b>\$1,140</b>	\$ 761	\$ 452
Impact of asset sales	<b>(124)</b>	—	—
Additional capital project mandates	<b>365</b>	776	793
Less: capital expenditures	<b>(402)</b>	(449)	(428)
Foreign exchange and other	<b>(164)</b>	52	(56)
Capital backlog, end of period	<b>815</b>	1,140	761
Construction work in progress	<b>190</b>	310	225
Total capital to be commissioned	<b><u>\$1,005</u></b>	<b><u>\$1,450</u></b>	<b><u>\$ 986</u></b>

### **2018 vs. 2017**

Adjusted EBITDA and FFO for our utilities segment benefitted from a full year contribution from our regulated gas transmission business in Brazil, strong connections activity at our U.K. regulated distribution business, inflation-indexation and capital commissioned into rate base. These positive impacts were more than offset by the impacts of the sale of our Chilean electricity transmission business, a debt financing at our Brazilian regulated gas transmission business and foreign exchange which reduced U.S. dollar earnings by over \$60 million.

For the year ended December 31, 2018, our regulated transmission operations generated Adjusted EBITDA of \$324 million and FFO of \$266 million, compared to \$352 million and \$308 million, respectively, in 2017. Adjusted EBITDA and FFO decreased compared to the prior year as the benefits of organic growth associated with inflation indexation and additions to rate base were more than offset by the impacts of the sale of our Chilean electricity transmission operation, the R\$5.2 billion financing at our Brazilian regulated gas transmission business and the impact of foreign exchange.

For the year ended December 31, 2018, our regulated distribution operations generated Adjusted EBITDA of \$304 million and FFO of \$242 million, compared to \$282 million and \$235 million, respectively, in the prior year. These increases were primarily attributable to an increased rate base, higher connections income and inflation indexation at our U.K. regulated distribution business, and the initial contribution from our recently acquired Colombian natural gas distribution business. These benefits were partially offset by the impact of lower pound sterling hedge rates in the current period.

For the year ended December 31, 2018, our regulated terminal reported Adjusted EBITDA of \$105 million and FFO of \$68 million, compared to \$104 million and \$67 million, respectively, in 2017. Adjusted EBITDA and FFO were relatively consistent with the prior year as the benefits of inflation indexation and additions to rate base were partially offset by the impact of lower hedge rates on our Australian dollar foreign exchange contracts.

As of December 31, 2018, total capital to be commissioned into rate base was \$1,005 million compared to \$1,450 million as of December 31, 2017. The capital to be commissioned relates to projects that have been awarded or filed with regulators with anticipated commissioning into rate base in the next two to three years. The total capital to be commissioned as of December 31, 2018 decreased as connections sales added to our backlog at our U.K. regulated distribution business and the commissioning of 1,600 kilometers of electricity transmission lines in Brazil were more than offset by the impact of the sale of our Chilean electricity transmission operations and foreign exchange. Our U.K. regulated distribution business and Brazilian electricity transmission business are the largest contributors at \$700 million and \$250 million, respectively.

### **2017 vs. 2016**

Adjusted EBITDA and FFO for our utilities segment increased significantly in 2017 compared to the prior year due to increased revenues associated with strong connection activity at our U.K. regulated distribution business, inflation indexation, capital commissioned into rate base and the acquisition of our Brazilian regulated gas transmission operation. Partially offsetting these increases were the impacts of the regulatory rate reset at our Australian regulated terminal business, the sale of our Ontario electricity transmission business, and foreign exchange.

For the year ended December 31, 2017, our regulated transmission operations generated Adjusted EBITDA of \$352 million and FFO of \$308 million, compared to \$135 million and \$105 million, respectively, in 2016. Adjusted EBITDA and FFO increased compared to the prior year due to the contribution from our regulated gas transmission business in Brazil acquired during the year, the impact of inflation indexation and additions to our rate base. These increases were partially offset by the impact of the sale of the Ontario electricity transmission business in the prior year.

For the year ended December 31, 2017, our regulated distribution operations generated Adjusted EBITDA of \$282 million and FFO of \$235 million, compared to \$257 million and \$213 million, respectively, in the prior year. These increases were primarily attributable to the performance of our U.K. regulated distribution business that benefited from additions to rate base, higher connections income, inflation indexation and the contribution from smart meters adopted, partially offset by the impact of foreign exchange.

For the year ended December 31, 2017, our regulated terminal reported Adjusted EBITDA of \$104 million and FFO of \$67 million, compared to \$132 million and \$81 million, respectively, in 2016. Adjusted EBITDA and FFO decreased from the prior year as the benefits of inflation indexation were more than offset by the impacts of the regulatory rate reset effective July 1, 2016 and foreign exchange.

As of December 31, 2017, total capital to be commissioned into rate base was \$1,450 million compared to \$986 million as of December 31, 2016. The capital to be commissioned relates to projects that have been awarded or filed with regulators with anticipated commissioning into rate base in the next two to three years. The total capital to be commissioned as of December 31, 2017 increased due to smart meter installations and connections added to our backlog at our U.K. regulated distribution business. Our U.K. regulated distribution business, Chilean electricity transmission operation and Brazil transmission system were the largest contributors at \$875 million, \$335 million and \$220 million, respectively.



## Transport

### Results of Operations

The following table presents our proportionate share of the key metrics of our transport segment:

US\$ MILLIONS	For the year ended December 31,		
	2018	2017	2016
Growth capital expenditures	\$ 208	\$ 326	\$ 319
Adjusted EBITDA margin <sup>(1)</sup>	42 %	44 %	48 %
Funds from Operations (FFO) <sup>(2)</sup>	518	532	423
Maintenance capital expenditures	(155)	(133)	(88)
Adjusted Funds from Operations (AFFO) <sup>(2)</sup>	\$ 363	\$ 399	\$ 335

- (1) Adjusted EBITDA margin is Adjusted EBITDA divided by revenues. It is calculated based on net of construction revenues and costs which are incurred at our Peruvian toll road operation during the construction of our toll roads. Adjusted EBITDA margin is a non-IFRS measure. Refer to the “Reconciliation of Non-IFRS Financial Measures” and “Reconciliation of Operating Segment Measures” sections of this MD&A for reconciliation from net income to Adjusted EBITDA.
- (2) Non-IFRS measure. Refer to the “Reconciliation of Non-IFRS Financial Measures” and “Reconciliation of Operating Segment Measures” sections of this MD&A for reconciliation from net income.

The following table presents our transport segment’s proportionate share of financial results:

US\$ MILLIONS	For the year ended December 31,		
	2018	2017	2016
Adjusted EBITDA <sup>(1)</sup>	\$ 682	\$ 694	\$ 597
Funds from Operations (FFO) <sup>(1)</sup>	518	532	423

- (1) Non-IFRS measure. Refer to the “Reconciliation of Non-IFRS Financial Measures” and “Reconciliation of Operating Segment Measures” sections of this MD&A for reconciliation from net income.

The following table presents proportionate Adjusted EBITDA and FFO for each business in this operating segment:

US\$ MILLIONS	Adjusted EBITDA <sup>(1)</sup>			FFO <sup>(1)</sup>		
	2018	2017	2016	2018	2017	2016
Rail	\$ 261	\$ 262	\$ 270	\$ 196	\$ 192	\$ 206
Toll Roads	319	333	239	238	257	152
Ports	102	99	88	84	83	65
Total	\$ 682	\$ 694	\$ 597	\$ 518	\$ 532	\$ 423

- (1) Non-IFRS measure. Refer to the “Reconciliation of Non-IFRS Financial Measures” and “Reconciliation of Operating Segment Measures” sections of this MD&A for reconciliation from net income.

The following table presents the roll-forward of our proportionate share of capital backlog and capital to be commissioned:

<u>US\$ MILLIONS</u>	<u>For the year ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Capital backlog, start of period	\$ 637	\$ 721	\$ 467
Additional capital project mandates	174	303	533
Less: capital expenditures	(208)	(326)	(319)
Foreign exchange and other	(103)	(61)	40
Capital backlog, end of period	500	637	721
Construction work in progress	162	113	349
Total capital to be commissioned	<u>\$ 662</u>	<u>\$ 750</u>	<u>\$ 1,070</u>

### **2018 vs. 2017**

Underlying results on a constant current basis for our transport segment increased 5% as a result of inflationary tariff increases at each of our operating groups, GDP-linked volume growth driven by strong economic fundamentals in the majority of our operating regions, and the initial contribution from our recently acquired toll roads in India. These increases were more than offset by lower volumes from our minerals customers on our Australian rail network, the expiry of one of our state concessions in our Brazilian toll road business, and the impact of foreign exchange which lowered results by approximately \$40 million.

For the year ended December 31, 2018, our rail business generated Adjusted EBITDA of \$261 million and FFO of \$196 million, compared to \$262 million and \$192 million, respectively, in 2017. Adjusted EBITDA and FFO were relatively consistent with the prior year as inflationary tariff increases in Brazil and higher agricultural volumes across our operations were partially offset by the loss of two mineral customer contracts in the first half of the year.

For the year ended December 31, 2018, our toll roads contributed Adjusted EBITDA of \$319 million and FFO of \$238 million, compared to \$333 million and \$257 million, respectively, in 2017. Adjusted EBITDA and FFO decreased compared to the prior year as inflationary tariff and traffic increases in Chile and Brazil, were more than offset by the expiry of one of our state concessions at our Brazilian operation and the strengthening of the U.S. dollar relative to the Brazilian real.

For the year ended December 31, 2018, our port operations reported Adjusted EBITDA of \$102 million and FFO of \$84 million, compared to \$99 million and \$83 million, respectively, in 2017. Adjusted EBITDA and FFO increased versus the prior year due to the benefit of higher volumes predominantly at our Australian container terminal and our U.K. port operation, partially offset by the impact of weaker pound sterling and Australian dollar hedge rates.

As of December 31, 2018, total capital to be commissioned into rate base was \$662 million compared to \$750 million as of December 31, 2017. Total capital to be commissioned decreased as capital project mandates awarded were more than offset by capital expenditures made during the period, and the impact of foreign exchange. Our South American toll road businesses and Brazilian rail operation are the largest contributors to our capital to be commissioned over the next two to three years, at approximately \$560 million and \$70 million, respectively.

## 2017 vs. 2016

Adjusted EBITDA and FFO for our transport segment increased in 2017 compared to the prior year due to higher revenues associated with an increase in volumes across most of our networks, higher tariffs charged at our South American rail and toll road businesses, and a full year contribution from our Australian ports business acquired in 2016. These benefits were partially offset by the impact of foreign exchange at our Australian rail operations.

For the year ended December 31, 2017, our rail business generated Adjusted EBITDA of \$262 million and FFO of \$192 million, compared to \$270 million and \$206 million, respectively, in 2016. Adjusted EBITDA and FFO decreased as the benefits from higher volumes and increased tariffs in South America were more than offset by the impact of foreign exchange movements.

For the year ended December 31, 2017, our toll roads contributed Adjusted EBITDA of \$333 million and FFO of \$257 million, compared to \$239 million and \$152 million, respectively, in 2016. Adjusted EBITDA and FFO in the current period benefited from a 3% increase in traffic flows, inflationary increases in tariffs at all of our operations and an increased ownership in our Brazilian toll road business.

For the year ended December 31, 2017, our port operations reported Adjusted EBITDA of \$99 million and FFO of \$83 million, compared to \$88 million and \$65 million, respectively, in 2016. Adjusted EBITDA and FFO increased versus the prior year due to higher volumes across a number of our port operations and a full year contribution from our Australian ports business acquired in August 2016.

As of December 31, 2017, total capital to be commissioned into rate base was \$750 million compared to \$1,070 million as of December 31, 2016. The total capital to be commissioned decreased as capital project mandates awarded were more than offset by capital expenditures made during the period and the impact of foreign exchange. Our Brazilian toll road business and Brazilian rail operation were the largest contributors to our capital to be commissioned over the next two to three years at approximately \$630 million and \$90 million, respectively.



Energy

## Results of Operations

The following table presents our proportionate share of the key metrics of our energy segment:

US\$ MILLIONS	For the year ended December 31,		
	2018	2017	2016
Growth capital expenditures	\$ 135	\$ 76	\$ 67
Adjusted EBITDA margin <sup>(1)</sup>	49 %	50 %	56 %
Funds from Operations (FFO) <sup>(2)</sup>	269	209	175
Maintenance capital expenditures	(64)	(70)	(61)
Adjusted Funds from Operations (AFFO) <sup>(2)</sup>	\$ 205	\$ 139	\$ 114

(1) Adjusted EBITDA margin is Adjusted EBITDA divided by revenues. Adjusted EBITDA margin is a non-IFRS measure. Refer to the "Reconciliation of Non-IFRS Financial Measures" and "Reconciliation of Operating Segment Measures" sections of this MD&A for reconciliation from net income to Adjusted EBITDA.

(2) Non-IFRS measure. Refer to the "Reconciliation of Non-IFRS Financial Measures" and "Reconciliation of Operating Segment Measures" sections of this MD&A for reconciliation from net income.



The following table presents our energy segment's proportionate share of financial results:

<u>US\$ MILLIONS</u>	<u>For the year ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Adjusted EBITDA <sup>(1)</sup>	\$ 328	\$ 281	\$ 276
Funds from Operations (FFO) <sup>(1)</sup>	269	209	175

(1) Non-IFRS measure. Refer to the "Reconciliation of Non-IFRS Financial Measures" and "Reconciliation of Operating Segment Measures" sections of this MD&A for reconciliation from net income.

The following table presents proportionate Adjusted EBITDA and FFO for each business in this operating segment:

<u>US\$ MILLIONS</u>	<u>Adjusted EBITDA<sup>(1)</sup></u>			<u>FFO<sup>(1)</sup></u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Natural Gas Midstream and Storage	\$ 257	\$ 228	\$ 225	\$ 206	\$ 165	\$ 131
Distributed Energy Control Infrastructure	71	53	51	63	44	44
Total	<u>\$ 328</u>	<u>\$ 281</u>	<u>\$ 276</u>	<u>\$ 269</u>	<u>\$ 209</u>	<u>\$ 175</u>

(1) Non-IFRS measure. Refer to the "Reconciliation of Non-IFRS Financial Measures" and "Reconciliation of Operating Segment Measures" sections of this MD&A for reconciliation from net income.

The following table presents the roll-forward of our proportionate share of capital backlog and capital to be commissioned:

<u>US\$ MILLIONS</u>	<u>For the year ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Capital backlog, start of period	\$ 143	\$ 147	\$ 181
Impact of acquisitions	102	—	—
Additional capital project mandates	195	61	37
Less: capital expenditures	(135)	(76)	(67)
Foreign exchange and other	(15)	11	(4)
Capital backlog, end of period	290	143	147
Construction work in progress	72	71	37
Total capital to be commissioned	<u>\$ 362</u>	<u>\$ 214</u>	<u>\$ 184</u>

## 2018 vs. 2017

Adjusted EBITDA and FFO for the energy segment increased compared to the prior year primarily due to strong transportation volumes from new contracts and capital commissioned during the year at our North American natural gas operation. The current year also benefitted from the initial contributions from our recently acquired North American residential infrastructure, and Canadian natural gas midstream businesses. These positive factors were partially offset by lower spreads realized at our gas storage business.

For the year ended December 31, 2018, our natural gas midstream and storage operations generated Adjusted EBITDA of \$257 million and FFO of \$206 million, compared to \$228 million and \$165 million, respectively, in 2017. Adjusted EBITDA and FFO increased versus the prior year due to a 16% increase in gas transport volumes on the back of production growth and the initial contribution from the first phase of a Gulf Coast expansion project at our North American natural gas transmission business. Additionally, results benefitted from the initial contribution from our Canadian natural gas midstream energy operation acquired in the fourth quarter of 2018.

For the year ended December 31, 2018, our distributed energy control infrastructure operations contributed Adjusted EBITDA of \$71 million and FFO of \$63 million, compared to \$53 million and \$44 million, respectively, in 2017. This operating group consists of our existing district energy operations and the recently acquired North American residential energy infrastructure business. Adjusted EBITDA and FFO increased versus the prior year due to 24 new district energy customer connections made in North America during the year, and the initial contribution from our North American residential energy infrastructure business acquired in October 2018.

As of December 31, 2018, total capital to be commissioned was \$362 million compared to \$214 million as of December 31, 2017. Total capital to be commissioned increased as capital from new mandates awarded, and acquisitions, were partially offset by capital expenditures made during the period. Capital to be commissioned includes approximately \$270 million within our natural gas midstream and storage operations, and approximately \$90 million in our distributed energy control infrastructure segment.

### ***2017 vs. 2016***

Adjusted EBITDA and FFO from the energy segment increased in 2017 compared to the prior year due to higher revenues and costs associated with an increase in transportation volumes at our North American natural gas transmission operation and incremental contributions from new customers and tuck-in acquisitions completed at our North American district energy businesses.

For the year ended December 31, 2017, our natural gas midstream and storage operations generated Adjusted EBITDA of \$228 million and FFO of \$165 million, compared to \$225 million and \$131 million, respectively, in 2016. Adjusted EBITDA and FFO increased versus prior year as a result of higher transportation volumes at our North American natural gas transmission operation and the impact of de-leveraging activities.

For the year ended December 31, 2017, our district energy business contributed Adjusted EBITDA of \$53 million and FFO of \$44 million, compared to \$51 million and \$44 million, respectively, in 2016. Adjusted EBITDA and FFO increased versus the prior year as a result of the initial contribution from 11 new customers in North America and the contribution from tuck-in acquisitions completed in the United States and Canada in June 2017.

As of December 31, 2017, total capital to be commissioned was \$214 million compared to \$184 million as of December 31, 2016. Total capital to be commissioned increased as capital project mandates awarded were partially offset by capital expenditures made during the period. Capital to be commissioned included approximately \$145 million within our energy transmission and storage operations, and approximately \$70 million in our district energy businesses.



## Results of Operations

The following table presents our proportionate share of the key metrics of our data infrastructure segment:

US\$ MILLIONS	For the year ended December 31,		
	2018	2017	2016
Growth capital expenditures	\$ 52	\$ 42	\$ 29
Adjusted EBITDA margin <sup>(1)</sup>	55%	55%	56%
Funds from Operations (FFO) <sup>(2)</sup>	77	76	77
Maintenance capital expenditures	(13)	(11)	(9)
Adjusted Funds from Operations (AFFO) <sup>(2)</sup>	\$ 64	\$ 65	\$ 68

(1) Adjusted EBITDA margin is Adjusted EBITDA divided by revenues. Adjusted EBITDA margin is a non-IFRS measure. Refer to the “Reconciliation of Non-IFRS Financial Measures” and “Reconciliation of Operating Segment Measures” sections of this MD&A for reconciliation from net income to Adjusted EBITDA.

(2) Non-IFRS measure. Refer to the “Reconciliation of Non-IFRS Financial Measures” and “Reconciliation of Operating Segment Measures” sections of this MD&A for reconciliation from net income.

The following table presents our data infrastructure segment’s proportionate share of financial results:

US\$ MILLIONS	For the year ended December 31,		
	2018	2017	2016
Adjusted EBITDA <sup>(1)</sup>	\$ 93	\$ 90	\$ 91
Funds from Operations (FFO) <sup>(1)</sup>	77	76	77

(1) Non-IFRS measure. Refer to the “Reconciliation of Non-IFRS Financial Measures” and “Reconciliation of Operating Segment Measures” sections of this MD&A for reconciliation from net income.

The following table presents proportionate Adjusted EBITDA and FFO for each business in this operating segment:

US\$ MILLIONS	Adjusted EBITDA <sup>(1)</sup>			FFO <sup>(1)</sup>		
	2018	2017	2016	2018	2017	2016
Telecommunications and Fiber	\$ 93	\$ 90	\$ 91	\$ 77	\$ 76	\$ 77
Data Storage	—	—	—	—	—	—
Total	\$ 93	\$ 90	\$ 91	\$ 77	\$ 76	\$ 77

(1) Non-IFRS measure. Refer to the “Reconciliation of Non-IFRS Financial Measures” and “Reconciliation of Operating Segment Measures” sections of this MD&A for reconciliation from net income.

## 2018 vs. 2017

For the year ended December 31, 2018, our data infrastructure segment generated Adjusted EBITDA and FFO of \$93 million and \$77 million, respectively, versus \$90 million and \$76 million, respectively, in the prior year. Adjusted EBITDA and FFO increased compared to the prior year due to the contributions from the addition of approximately 250 new points-of-presence (PoP) to our existing tower portfolio and the roll-out of our built-to-suit strategy targeted towards our telecommunication customers.

As of December 31, 2018, total capital to be commissioned into rate base was \$210 million compared to \$220 million as of December 31, 2017. Total capital to be commissioned decreased as capital project mandates awarded were more than offset by capital expenditures made during the period.

## 2017 vs. 2016

For the year ended December 31, 2017, our data infrastructure segment generated Adjusted EBITDA and FFO of \$90 million and \$76 million, respectively, versus \$91 million and \$77 million, respectively, in the prior year. Adjusted EBITDA and FFO were relatively in-line with the prior year as the benefits from inflation indexation and additions to existing tower infrastructure during the year were more than offset by the impact of foreign exchange.

As of December 31, 2017, total capital to be commissioned into rate base was \$220 million compared to \$40 million as of December 31, 2016. Total capital to be commissioned increased by \$180 million primarily due to contracts secured for the deployment of fiber-to-the-home across north-east France.



## Corporate

The following table presents the components of our corporate segment, on a proportionate basis for the twelve months ended:

US\$ MILLIONS	For the year ended December 31,		
	2018	2017	2016
Adjusted EBITDA <sup>(1)</sup>	\$ (223)	\$ (239)	\$ (166)
Funds from Operations (FFO) <sup>(1)</sup>	(209)	(257)	(130)

(1) Non-IFRS measure. Refer to the “Reconciliation of Non-IFRS Financial Measures” and “Reconciliation of Operating Segment Measures” sections of this MD&A for reconciliation from net income.

## 2018 vs. 2017

For the year ended December 31, 2018, Adjusted EBITDA and FFO for our Corporate segment were losses of \$223 million and \$209 million, respectively, versus losses of \$239 million and \$257 million, respectively, in the prior year. Adjusted EBITDA and FFO increased compared to the prior year due to a lower base management fee, higher income from our financial asset portfolio and lower financing costs.

General and administrative costs for the year ended December 31, 2018 were consistent with the comparative periods.

Pursuant to our Master Services Agreement, we pay Brookfield an annual base management fee equal to 1.25% of our market value plus net recourse debt. The base management fee decreased from the prior year due to a lower unit price and additional cash on hand throughout the year following the sale of our interest in a Chilean transmission business during March 2018.

## **2017 vs. 2016**

For the year ended December 31, 2017, Adjusted EBITDA and FFO for our corporate segment were losses of \$239 million and \$257 million, respectively, versus losses of \$166 million and \$130 million, respectively, in the prior year. Adjusted EBITDA and FFO decreased compared to the prior year due to a higher base management fee, lower income from our financial asset portfolio and higher financing costs due to increased borrowings used to fund new investments.

General and administrative costs for the year ended December 31, 2017 were consistent with the comparative periods.

The base management fee under our Master Services Agreement increased in 2017 compared to the prior year due to a higher market capitalization as a result of an increase in our unit price and the impact of capital raised in 2017 to fund new investments.

## **SELECTED STATEMENTS OF OPERATING RESULTS AND FINANCIAL POSITION INFORMATION**

To measure performance, we focus on net income, an IFRS measure, as well as certain non-IFRS measures, including but not limited to FFO, AFFO, Adjusted EBITDA, Adjusted Earnings and Invested Capital. We define FFO as net income excluding the impact of depreciation and amortization, deferred income taxes, breakage and transaction costs, and non-cash valuation gains or losses. We define AFFO as FFO less capital expenditures required to maintain the current performance of our operations (maintenance capital expenditures). We define Adjusted EBITDA as net income excluding the impact of depreciation and amortization, interest expense, current and deferred income taxes, breakage and transaction costs, and non-cash valuation gains or losses. We define Adjusted Earnings as net income attributable to our partnership, excluding the impact of depreciation and amortization expense from revaluing property, plant and equipment and the effects of purchase price accounting, mark-to-market on hedging items and disposition gains or losses. We define Invested Capital as partnership capital removing the following items: non-controlling interest - in operating subsidiaries, retained earnings or deficit, accumulated other comprehensive income and ownership changes.

Along with net income and other IFRS measures, FFO, Adjusted EBITDA, Adjusted Earnings and Invested Capital are key measures of our financial performance that we use to assess the results and performance of our operations on a segmented basis. AFFO is also a measure of operating performance and represents the ability of our businesses to generate sustainable earnings. Adjusted Earnings is a measure of operating performance used to assess the ability of our businesses to generate recurring earnings, which allows users to better understand and evaluate the underlying financial performance of our partnership. Invested Capital, which tracks the amount of capital that has been contributed to our partnership, is a measure we utilize to assess returns on capital deployed, relative to targeted returns.

Since they are not calculated in accordance with, and do not have any standardized meanings prescribed by IFRS, FFO, AFFO, Adjusted EBITDA, Adjusted Earnings and Invested Capital are unlikely to be comparable to similar measures presented by other issuers and have limitations as analytical tools. Specifically, our definition of FFO may differ from the definition used by other organizations, as well as the definition of Funds from Operations used by REALPAC and NAREIT, in part because the NAREIT definition is based on U.S. GAAP, as opposed to IFRS.

For further details regarding our use of FFO, AFFO, Adjusted EBITDA, Adjusted Earnings and Invested Capital, as well as a reconciliation of the most directly comparable IFRS measures to these measures, see the “Reconciliation of Non-IFRS Financial Measures” section on page 125 of this MD&A.

**US\$ MILLIONS, EXCEPT PER UNIT INFORMATION**

<b>Key Metrics</b>	<b>For the year ended December 31,</b>		
	<b>2018<sup>(10)</sup></b>	<b>2017</b>	<b>2016</b>
Net income <sup>(1)</sup>	\$ 410	\$ 125	\$ 487
Net income (loss) per limited partnership unit <sup>(2)</sup>	0.59	(0.04)	1.13
Funds from Operations (FFO) <sup>(3)</sup>	1,231	1,170	944
Per unit FFO <sup>(4)</sup>	3.11	3.11	2.72
Adjusted Funds from Operations (AFFO) <sup>(5)</sup>	982	941	771
Return on invested capital <sup>(6)</sup>	11%	13%	13%
Adjusted EBITDA <sup>(7)</sup>	1,613	1,564	1,322
Adjusted earnings <sup>(8)</sup>	509	569	505
Adjusted earnings per unit <sup>(4)</sup>	1.29	1.51	1.45
Distributions per unit	1.88	1.74	1.55
Payout ratio <sup>(9)</sup>	75%	68%	67%

(1) Net income attributable to limited partners, non-controlling interest attributable to redeemable partnership units, non-controlling interest attributable to Exchange LP Units, and the general partner.

(2) Average number of limited partnership units outstanding on a time weighted average basis for the year ended December 31, 2018 were 276.9 million (2017: 264.6 million, 2016: 244.7 million).

(3) FFO is defined as net income excluding the impact of depreciation and amortization deferred income taxes, breakage and transaction costs, and non-cash valuation gains or losses. Refer to the “Reconciliation of Non-IFRS Financial Measures” section of this MD&A for reconciliation from net income to FFO.

(4) Average units outstanding during the year ended December 31, 2018 of 395.4 million (2017: 376.8 million, 2016: 347.2 million), being inclusive of our units, the Redeemable Partnership Units, the Exchange LP Units and the Special General Partner Units.

(5) AFFO is defined as FFO less maintenance capital expenditures. Refer to the “Reconciliation of Non-IFRS Financial Measures” section of this MD&A for a reconciliation from net income to AFFO.

(6) Return on invested capital is calculated as AFFO, adjusted for an estimate of the portion of earnings that represent a return of capital on concession-based businesses, divided by Invested Capital. The return of capital estimate for the year ended December 31, 2018 was \$87 million (2017: \$68 million, 2016: \$41 million). Refer to the “Reconciliation of Non-IFRS Financial Measures” section of this MD&A for reconciliation from partnership capital to Invested Capital.

(7) Adjusted EBITDA is defined as net income excluding the impact of depreciation and amortization, interest expense, current and deferred income taxes, breakage and transaction costs, and non-cash valuation gains or losses. Refer to the “Reconciliation of Non-IFRS Financial Measures” section of this MD&A for a reconciliation from net income to Adjusted EBITDA.

(8) Adjusted Earnings is defined as net income attributable to our partnership, excluding the impact of depreciation and amortization expense from revaluing property, plant and equipment and the effects of purchase price accounting, mark-to-market on hedging items and disposition gains or losses. Refer to the “Reconciliation of Non-IFRS Financial Measures” section of this MD&A for a reconciliation from net income to Adjusted Earnings.

(9) Payout ratio is defined as distributions paid per unit (inclusive of GP incentive and preferred unit distributions) divided by FFO.

(10) Our payout ratio was impacted during the year predominantly by the timing related to deploying capital generated from the sale of our Chilean electricity transmission business and the financing at our Brazilian regulated gas transmission business.

For the year ended December 31, 2018, FFO totaled \$1,231 million (\$3.11 per unit) compared to \$1,170 million (\$3.11 per unit) in 2017 and \$944 million (\$2.72 per unit) in 2016. 2018 was a year of asset rotation as the partnership sold its 28% interest in a Chilean electricity business in March, and redeployed those proceeds in October and December. Despite the impact from the timing of capital redeployment, FFO for the year increased by 5%, while per unit results were flat due to higher average units outstanding in 2018. FFO increased over the last two years as a result of organic growth across most of our businesses and incremental earnings on capital that we deployed over the past two years. These increases were partially offset by the impact of foreign exchange which reduced FFO by \$100 million relative to 2017. Distributions paid during the year ended December 31, 2018 were \$1.88 per unit, an increase of 8% compared to the prior year, and this distribution, when combined with the incentive and preferred unit distributions, resulted in a payout ratio of 75%. Holding foreign currencies constant over the period would lower our partnership's payout ratio to 69%, which is within our long-term target range of 60-70%.

The following tables present selected statement of operating results and financial position information by operating segment on a proportionate basis:

<u>US\$ MILLIONS</u>	<u>For the year ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Statement of Operating Results</u>			
Net income (loss) by segment			
Utilities	\$ 258	\$ 313	\$ 162
Transport	12	139	206
Energy	39	32	90
Data Infrastructure	6	11	27
Corporate	95	(370)	2
Net income	<u>\$ 410</u>	<u>\$ 125</u>	<u>\$ 487</u>
Adjusted EBITDA by segment			
Utilities	\$ 733	\$ 738	\$ 524
Transport	682	694	597
Energy	328	281	276
Data Infrastructure	93	90	91
Corporate	(223)	(239)	(166)
Adjusted EBITDA	<u>\$ 1,613</u>	<u>\$ 1,564</u>	<u>\$ 1,322</u>
FFO by segment			
Utilities	\$ 576	\$ 610	\$ 399
Transport	518	532	423
Energy	269	209	175
Data Infrastructure	77	76	77
Corporate	(209)	(257)	(130)
FFO	<u>\$ 1,231</u>	<u>\$ 1,170</u>	<u>\$ 944</u>
<u>US\$ MILLIONS</u>	<u>As of</u>		
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	
<u>Statement of Financial Position</u>			
Total assets by segment			
Utilities	\$ 4,864	\$ 6,542	
Transport	6,424	6,990	
Energy	4,722	3,134	
Data Infrastructure	1,446	1,049	
Corporate	(929)	(1,083)	
Total assets	<u>\$ 16,527</u>	<u>\$ 16,632</u>	
Net debt by segment			
Utilities	\$ 3,077	\$ 3,252	
Transport	2,797	2,874	
Energy	1,905	1,328	
Data Infrastructure	564	435	
Corporate	1,755	1,739	
Net Debt	<u>\$ 10,098</u>	<u>\$ 9,628</u>	
Partnership capital by segment			
Utilities	\$ 1,787	\$ 3,290	
Transport	3,627	4,116	
Energy	2,817	1,806	
Data Infrastructure	882	614	
Corporate	(2,684)	(2,822)	
Partnership capital	<u>\$ 6,429</u>	<u>\$ 7,004</u>	



## RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

We focus on FFO to measure operating performance, along with IFRS measures such as net income. In addition, we also assess AFFO, Adjusted EBITDA, Adjusted Earnings and Invested Capital.

Adjusted EBITDA, FFO, AFFO, Adjusted Earnings and Invested Capital are presented based on our proportionate share of results in operations accounted for using the consolidation and the equity method whereby we either control or exercise significant influence or joint control over the investment, respectively. Proportionate financial information is not, and is not intended to be, presented in accordance with IFRS. Under IFRS, we are not considered to control those entities that have not been consolidated and as such, have been presented as investments in associates or joint ventures in Note 12 of our partnership's financial statements included herein. The presentation of the assets and liabilities and revenues and expenses do not represent our legal claim to such items, and the removal of financial statement amounts that are attributable to non-controlling interests does not extinguish our partnership's legal claims or exposures to such items.

As a result, segment revenues, costs attributable to revenues, general and administrative costs, interest expense, other income, depreciation and amortization, deferred income taxes, breakage and transaction costs, and non-cash valuation gains or losses are reconciling items that will differ from results presented in accordance with IFRS as these reconciling items include our proportionate share of earnings from investments in associates attributable to each of the above-noted items, and exclude the proportionate share of earnings (losses) of consolidated investments not held by our partnership apportioned to each of the above-noted items.

We provide proportionate financial results because we believe it assists investors and analysts in estimating our overall performance and understanding our partnership's share of results from its underlying investments which have varying economic ownership interests and financial statement presentations when determined in accordance with IFRS. We believe our proportionate financial information, when read in conjunction with our partnership's reported results under IFRS, provides the most meaningful assessment of how our operations are performing and capital is being managed. The presentation of proportionate results has limitations as an analytical tool, including the following:

- The amounts shown on the individual line items were derived by applying our overall economic ownership interest percentage determined when applying the equity method of accounting and do not necessarily represent our legal claim to the assets and liabilities, or the revenues and expenses;
- Other companies may calculate proportionate results differently than we do.

Because of these limitations, our proportionate financial information should not be considered in isolation or as a substitute for our financial statements as reported under IFRS.

The following tables present each segment's results in the format that management organizes its segments to make operating decisions and assess performance. These tables reconcile our proportionate results to our partnership's consolidated statements of operating results on a line by line basis by aggregating the components comprising the earnings from our investments in associates and reflecting the portion of each line item attributable to non-controlling interests.

See "Discussion of Segment Reconciling Items" beginning on page 137 for a reconciliation of segment results to our statement of operating results in accordance with IFRS along with a break-down of each of the reconciling items by type and by operating segment.

Net income is the most directly comparable IFRS measure to FFO, AFFO, Adjusted EBITDA and Adjusted Earnings. Partnership capital is the most directly comparable IFRS measure to Invested Capital. We urge you to review the IFRS financial measures within the MD&A and to not rely on any single financial measure to evaluate our partnership.

We define FFO as net income excluding the impact of depreciation and amortization, deferred income taxes, breakage and transaction costs, and non-cash valuation gains or losses.

FFO has limitations as an analytical tool:

- FFO does not include depreciation and amortization expense; because we own capital assets with finite lives, depreciation and amortization expense recognizes the fact that we must maintain or replace our asset base in order to preserve our revenue generating capability;
- FFO does not include deferred income taxes, which may become payable if we own our assets for a long period of time; and
- FFO does not include certain non-recurring charges such as breakage and transaction costs or non-cash valuation gains, losses and impairment charges.

FFO is a key measure that we use to evaluate the performance of our operations and forms the basis for our partnership's distribution policy.

We believe that FFO, when viewed in conjunction with our IFRS results, provides a more complete understanding of factors and trends affecting our underlying operations. FFO allows us to evaluate our businesses on the basis of cash return on invested capital by removing the effect of non-cash and other items.

We add back depreciation and amortization to remove the implication that our assets decline in value over time since we believe that the value of most of our assets will be sustained over time, provided we make all necessary maintenance expenditures. We add back deferred income taxes because we do not believe this item reflects the present value of the actual cash tax obligations we will be required to pay, particularly if our operations are held for a long period of time. We add back non-cash valuation gains or losses recorded in net income as they are non-cash and indicate a point-in-time approximation of value on items we consider long-term. We also add back breakage and transaction costs as they are capital in nature.

In addition, we focus on AFFO, which is defined as FFO less capital expenditures required to maintain the current performance of our operations (maintenance capital expenditures). While FFO provides a basis for assessing current operating performance, it does not take into consideration the cost to sustain the operating performance of our partnership's asset base. In order to assess the long-term, sustainable operating performance of our businesses, we observe that in addition to FFO, investors use AFFO by taking into account the impact of maintenance capital expenditures.

We also focus on Adjusted EBITDA which we define as net income excluding the impact of depreciation and amortization, interest expense, current and deferred income taxes, breakage and transaction costs and non-cash valuation gains or losses. Adjusted EBITDA provides a supplemental understanding of the performance of our business and enhanced comparability across periods and relative to our peers. Adjusted EBITDA excludes the impact of interest expense and current income taxes to remove the effect of the current capital structure and tax profile in assessing the operating performance of our businesses.

Adjusted Earnings is a measure that can be used to evaluate the performance of our operations, defined as net income attributable to our partnership, excluding any incremental depreciation and amortization expense associated with the revaluation of our property, plant and equipment and the impact of purchase price accounting, mark-to-market on hedging items and disposition gains or losses. While we believe that maintenance capital expenditures are the best measure of the cost to preserve our revenue generating capability, we acknowledge that investors may view historical depreciation as a more relevant proxy. Adjusted Earnings also excludes mark-to-market on hedging items recorded in net income or disposition gains or losses as we believe these items are not reflective of the ongoing performance of our underlying operations.

When viewed with our IFRS results, we believe that Adjusted Earnings provides a supplemental understanding of the performance of our underlying operations and also gives users enhanced comparability of our ongoing performance relative to peers in certain jurisdictions and across periods.

Invested Capital, which tracks the amount of capital that has been contributed to our partnership, is a measure we utilize to assess returns on capital deployed, relative to targeted returns. Investment decisions are based on, amongst other measures and factors, targeted returns on Invested Capital of 12% to 15% annually over the long-term. We define Invested Capital as partnership capital removing the following items: non-controlling interest - in operating subsidiaries, retained earnings or deficit, accumulated other comprehensive income and ownership changes. We measure return on Invested Capital as AFFO, less estimated returns of capital on operations that are not perpetual in life, divided by the weighted average Invested Capital for the period.

FFO is a measure of operating performance that is not calculated in accordance with and does not have any standardized meaning prescribed by IFRS as issued by the IASB. FFO is therefore unlikely to be comparable to similar measures presented by other issuers. FFO has limitations as an analytical tool. Specifically, our definition of FFO may differ from the definition used by other organizations, as well as the definition of Funds from Operations used by the REALPAC and the NAREIT, in part because the NAREIT definition is based on U.S. GAAP, as opposed to IFRS. A reconciliation of the most closely-related IFRS measure, net income, to FFO and AFFO is as follows:

US\$ MILLIONS <sup>(1)</sup>	For the year ended December 31,		
	2018	2017	2016
Net income	\$ 806	\$ 574	\$ 528
Add back or deduct the following:			
Depreciation and amortization	801	671	447
Share of losses (earnings) from investments in associates and joint ventures <sup>(2)</sup>	13	(118)	(248)
FFO contribution from investments in associates and joint ventures <sup>(2)</sup>	546	584	454
Income tax expense	364	173	15
Mark-to-market on hedging items and other	20	59	(248)
Gain on sale of associate	(338)	—	—
Other (expense) income	(34)	(61)	95
Consolidated Funds from Operations	2,178	1,882	1,043
FFO attributable to non-controlling interests <sup>(3)</sup>	(947)	(712)	(99)
FFO	1,231	1,170	944
Maintenance capital expenditures	(249)	(229)	(173)
AFFO	\$ 982	\$ 941	\$ 771
Return of capital	(87)	(68)	(41)
AFFO less return of capital	\$ 895	\$ 873	\$ 730

- (1) Please see Item 5 “Operating and Financial Review and Prospects—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Other Relevant Measures—Reconciliation of Operating Segment Measures” for a detailed reconciliation of Brookfield Infrastructure’s proportionate results to our partnership’s Consolidated Statements of Operating Results.
- (2) These adjustments have the combined effect of excluding the impact of depreciation and amortization, deferred income taxes, breakage and transaction costs, and non-cash valuation gains or losses recorded within our investments in associates and joint ventures in accordance with our definition of FFO.
- (3) By adjusting FFO attributable to non-controlling interests, our partnership is able to remove the portion of FFO earned at non-wholly owned subsidiaries that is not attributable to our partnership. We believe our proportionate financial information, when read in conjunction with our partnership’s reported results under IFRS, provides the most meaningful assessment of how our operations are performing. Please refer to the discussion of limitations of the proportional results as an analytical tool within this section.

All reconciling amounts from net income to FFO presented above are taken directly from our partnership’s consolidated financial statements, and in the case of “Contribution from investments in associates and joint ventures” and “Attributable to non-controlling interests”, our partnership’s proportionate share of FFO relating thereto are derived using the accounting policies consistent with those applied in our partnership’s consolidated financial statements; FFO for these items is calculated on the same basis as consolidated entities, as disclosed above, and is calculated by applying the same ownership percentages used in calculating our partnership’s share of equity accounted income and the corresponding elimination of non-controlling interests in accordance with IAS 28, *Investments in Associates and Joint Ventures* and IFRS 10, *Consolidated Financial Statements*, respectively.

For the year ended December 31, 2018, the difference between net income and FFO is predominantly due to depreciation and amortization, non-cash items included within earnings from our investments in associates and joint ventures, income tax expense, and a gain recognized on the sale of our Chilean electricity transmission business. Depreciation and amortization increased from prior year due to incremental charges from recently completed acquisitions, higher asset values following our annual revaluation process, and capital expenditures made during the year. FFO contribution from investments in associates and joint ventures decreased from prior year mainly due to the sale of our Chilean electricity transmission business and the impact of a weaker Brazilian real. Income taxes increased from prior year due to taxes associated with the gain recorded on the sale of our Chilean electricity transmission business and incremental charges from our recently completed acquisitions.

The difference between net income and AFFO is due to the aforementioned items in addition to maintenance capital expenditures of \$249 million (2017: \$229 million, 2016: \$173 million).

The following table reconciles net income, the most directly comparable IFRS measure, to Adjusted EBITDA, a non-IFRS measure. Adjusted EBITDA is presented based on our proportionate share of results in operations accounted for using the consolidation and the equity methods.

US\$ MILLIONS <sup>(1)</sup>	For the year ended December 31,				
	2018	2017	2016	2015	2014
Net income	\$ 806	\$ 574	\$ 528	\$ 391	\$ 229
Add back or deduct the following:					
Depreciation and amortization	801	671	447	375	380
Interest expense	555	428	392	367	362
Share of losses (earnings) from investments in associates and joint ventures <sup>(2)</sup>	13	(118)	(248)	(69)	(50)
Adjusted EBITDA contributions from investments in associates and joint ventures <sup>(2)</sup>	691	763	660	498	472
Income tax expense (recovery)	364	173	15	(4)	79
Mark-to-market on hedging items and other	20	59	(248)	(137)	(37)
Gain on sale of associates	(338)	—	—	—	—
Consolidated Adjusted EBITDA	2,912	2,550	1,546	1,421	1,435
Adjusted EBITDA attributable to non-controlling interests <sup>(3)</sup>	(1,299)	(986)	(224)	(244)	(293)
Adjusted EBITDA	\$ 1,613	\$ 1,564	\$ 1,322	\$ 1,177	\$ 1,142

- (1) Please see Item 5 “Operating and Financial Review and Prospects—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Other Relevant Measures—Reconciliation of Operating Segment Measures” for a detailed reconciliation of Brookfield Infrastructure’s proportionate results to our partnership’s consolidated statements of operating results.
- (2) These adjustments have the combined effect of excluding the impact of depreciation and amortization, interest expense, current and deferred income taxes, breakage and transaction costs and non-cash valuation gains or losses recorded within our investments in associates and joint ventures in accordance with our definition of FFO.
- (3) By adjusting Adjusted EBITDA attributable to non-controlling interests, our partnership is able to remove the portion of Adjusted EBITDA earned at non-wholly owned subsidiaries that is not attributable to our partnership. We believe our proportionate financial information, when read in conjunction with our partnership’s reported results under IFRS, provides the most meaningful assessment of how our operations are performing. Please refer to the discussion of the limitations of proportional results as an analytical tool within this section.

All reconciling amounts presented above are taken directly from our partnership's consolidated financial statements, and in the case of "Contribution from investments in associates and joint ventures" and "Attributable to non-controlling interests", our partnership's proportionate share of Adjusted EBITDA relating thereto are derived using the accounting policies consistent with those applied in our partnership's consolidated financial statements. Adjusted EBITDA for these items is calculated on the same basis as consolidated entities, as disclosed above, and is calculated by applying the same ownership percentages used in calculating our partnership's share of equity accounted income and the corresponding elimination of non-controlling interests in accordance with IAS 28, *Investments in Associates and Joint Ventures* and IFRS 10, *Consolidated Financial Statements*, respectively.

For the year ended December 31, 2018, the difference between net income and Adjusted EBITDA is predominantly due to depreciation and amortization, interest expense, Adjusted EBITDA from investments in associates and joint ventures and a gain on the sale of our Chilean electricity transmission business. Depreciation and amortization increased from prior year due to incremental charges from recently completed acquisitions, higher asset values following our annual revaluation process, and capital expenditures made during the year. Interest expense increased from the prior year due to the issuance of \$1.5 billion senior notes at our Brazilian regulated gas transmission business and additional borrowings associated with businesses acquired during the year. Adjusted EBITDA from investments in associates and joint ventures decreased compared to the prior year mainly due to the sale of our Chilean electricity transmission business and the impact of a weaker Brazilian real. Income taxes increased from the prior year due to taxes associated with the gain recorded on the sale of our Chilean electricity transmission business and incremental charges from our recently completed acquisitions.

The following table reconciles net income attributable to our partnership, the most directly comparable IFRS measure, to Adjusted Earnings, a non-IFRS financial metric:

US\$ MILLIONS	For the year ended December 31,				
	2018	2017	2016	2015	2014
Net income attributable to partnership <sup>(1)</sup>	\$ 410	\$ 125	\$ 487	\$ 301	\$ 184
Add back or deduct the following:					
Depreciation and amortization expense due to application of revaluation model and acquisition accounting	343	352	300	248	205
Mark-to-market on hedging items and other	(35)	106	(17)	(63)	(39)
Gain on sale of subsidiaries or ownership changes	(209)	(14)	(265)	(22)	—
Adjusted earnings	<u>\$ 509</u>	<u>\$ 569</u>	<u>\$ 505</u>	<u>\$ 464</u>	<u>\$ 350</u>

(1) Includes net income attributable to non-controlling interest—Redeemable Partnership Units held by Brookfield, non-controlling interest—Exchange LP Units, general partner and limited partners.

The difference between net income attributable to our partnership and Adjusted Earnings is due to depreciation and amortization expense attributable to application of the revaluation model and acquisition accounting of \$343 million (2017: \$352 million, 2016: \$300 million, 2015: \$248 million, 2014: \$205 million), mark-to-market gains on hedging items and other of \$35 million (2017: losses of \$106 million, 2016: gains of \$17 million, 2015: gains of \$63 million, 2014: gains of \$39 million) and gains on the sale of subsidiaries or changes in ownership of \$209 million (2017: \$14 million, 2016: \$265 million, 2015: \$22 million, 2014: \$nil). Adjusted Earnings for the period benefited from organic growth across the majority of our operations and acquisitions completed in the past 12 months. These increases were more than offset by the impact of the sale of our Chilean electricity transmission operation and foreign exchange.

Net income per limited partnership unit is the most directly comparable IFRS measure for per unit FFO and Adjusted Earnings per unit.

The following table reconciles net income per limited partnership unit, the most directly comparable IFRS measure, to FFO per unit, a non-IFRS financial metric:

US\$ MILLIONS, EXCEPT PER UNIT AMOUNTS <sup>(1)</sup>	For the year ended December 31,				
	2018	2017	2016	2015	2014
Net income (loss) per limited partnership unit <sup>(2)</sup>	\$ 0.59	\$ (0.04)	\$ 1.13	\$ 0.69	\$ 0.45
Add back or deduct the following:					
Depreciation and amortization	1.92	1.92	1.75	1.50	1.53
Deferred income taxes	(0.02)	0.02	(0.01)	(0.16)	(0.01)
Mark-to-market on hedging items	(0.31)	0.29	(0.05)	(0.19)	(0.12)
Gain on sale of associates	(0.53)	—	—	—	—
Valuation losses (gains) and other	1.46	0.92	(0.10)	0.55	0.45
Per unit FFO <sup>(3)</sup>	\$ 3.11	\$ 3.11	\$ 2.72	\$ 2.39	\$ 2.30

(1) See Item 5 “Operating and Financial Review and Prospects—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Other Relevant Measures—Reconciliation of Operating Segment Measures” for a detailed reconciliation of Brookfield Infrastructure’s proportionate results to our partnership’s consolidated statements of operating results.

(2) During the year ended December 31, 2018, on average there were 276.9 million limited partnership units outstanding (2017: 264.6 million, 2016: 244.7 million, 2015: 238.9 million, 2014: 225.4 million).

(3) During the year ended December 31, 2018, on average there were 395.4 million units outstanding (2017: 376.8 million, 2016: 347.2 million, 2015: 337.4 million, 2014: 315.1 million), being inclusive of our units, the Redeemable Partnership Units, the Exchange LP Units and the Special General Partner Units.

The following table reconciles net income (loss) per limited partnership unit, the most directly comparable IFRS measure, to Adjusted Earnings per unit, a non-IFRS financial metric:

US\$ MILLIONS, EXCEPT PER UNIT AMOUNTS	For the year ended December 31,				
	2018	2017	2016	2015	2014
Net income (loss) per limited partnership unit <sup>(1)</sup>	\$ 0.59	\$ (0.04)	\$ 1.13	\$ 0.69	\$ 0.45
Add back or deduct the following:					
Depreciation and amortization expense due to application of revaluation model & acquisition accounting	0.87	0.93	0.86	0.74	0.65
Mark-to-market on hedging items and other	0.36	0.29	(0.05)	(0.18)	(0.13)
Gains on sale of subsidiaries or ownership changes	(0.53)	0.33	(0.49)	0.13	0.14
Adjusted earnings per unit <sup>(2)</sup>	\$ 1.29	\$ 1.51	\$ 1.45	\$ 1.38	\$ 1.11

(1) During the year ended December 31, 2018, on average there were 276.9 million limited partnership units outstanding (2017: 264.6 million, 2016: 244.7 million, 2015: \$238.9 million, 2014: \$225.4 million).

(2) During the year ended December 31, 2018, on average there were 395.4 million units outstanding (2017: 376.8 million, 2016: 347.2 million, 2015: \$337.4 million, 2014: \$315.1 million), being inclusive of our units, the Redeemable Partnership Units, the Exchange LP Units and the Special General Partner Units.

The following reconciles partnership capital, the most directly comparable IFRS measure, to Invested Capital, a non-IFRS financial metric:

US\$ MILLIONS	For the year ended December 31,				
	2018	2017	2016	2015	2014
Partnership Capital	<b>\$ 14,668</b>	\$ 13,474	\$ 9,644	\$ 7,176	\$ 6,322
Remove impact of the following items since inception:					
Non-controlling interest - in operating subsidiaries	<b>(7,303)</b>	(5,875)	(2,771)	(1,608)	(1,444)
Deficit	<b>1,228</b>	1,366	697	804	570
Accumulated other comprehensive income	<b>(328)</b>	(1,257)	(1,074)	(813)	(943)
Ownership changes	<b>(109)</b>	(109)	(109)	(107)	(107)
Invested Capital	<b>\$ 8,156</b>	\$ 7,599	\$ 6,387	\$ 5,452	\$ 4,398

Invested capital has increased as a result of the issuance of \$157 million of Series 9 preferred units in January 2018, \$185 million Series 11 preferred units in September 2018, \$232 million Exchange LP Units in October 2018 and \$14 million related to units issued under our partnership's distribution reinvestment plan.

The following table presents the change in Invested Capital:

US\$ MILLIONS	For the year ended December 31,		
	2018	2017	2016
Opening balance	<b>\$ 7,599</b>	\$ 6,387	\$ 5,452
Issuance of preferred units, net of repurchases	<b>341</b>	220	186
Repurchases of limited partnership units and redeemable partnership units, net of issuances	<b>(16)</b>	992	749
Issuance of Exchange LP Units	<b>232</b>	—	—
Ending balance	<b>\$ 8,156</b>	\$ 7,599	\$ 6,387
Weighted Average Invested Capital	<b>\$ 7,858</b>	\$ 6,885	\$ 5,592

AFFO is defined as FFO (defined in Item 5, Operating and Financial Review and Prospects) less maintenance capital expenditures. AFFO for the year ended December 31, 2018 was \$982 million (2017: \$941 million, 2016: \$771 million). Estimated return of capital for the twelve-month period ended December 31, 2018 was \$87 million (2017: \$68 million, 2016: \$41 million).

Our partnership has met its investment return objectives with return on Invested Capital of 11% for the year ended December 31, 2018 (2017: 13%).



## OTHER RELEVANT MEASURES

The following section contains information to assist users in the calculation of the enterprise value of our partnership.

### *Enterprise Value*

We define Enterprise Value as the market value of our partnership plus preferred units and proportionate debt, net of proportionate cash.

The following table presents Enterprise Value as of December 31, 2018, 2017 and 2016:

US\$ MILLIONS	As of December 31,		
	2018	2017	2016
Partnership units outstanding, end of period <sup>(1),(2)</sup>	399.2	394.0	369.5
Price <sup>(3)</sup>	\$ 34.53	\$ 44.81	\$ 33.47
Market capitalization	13,784	17,655	12,367
Preferred units <sup>(4)</sup>	936	595	375
Proportionate net debt <sup>(5)</sup>	10,098	9,628	7,722
Enterprise value	<u>\$ 24,818</u>	<u>\$ 27,878</u>	<u>\$ 20,464</u>

(1) Adjusted for 3-for-2 unit split effective September 14, 2016.

(2) Includes limited partner, general partner, redeemable partnership units held by Brookfield and Exchange LP Units.

(3) Market value of our partnership is calculated based on the price per unit referencing the closing price of our units on the NYSE.

(4) Preferred units on Brookfield Infrastructure's Consolidated Statement of Financial Position.

(5) Please see Item 5.B "Liquidity and Capital Resources" for a detailed reconciliation of Brookfield Infrastructure's proportionate net debt to our partnership's consolidated debt on the Consolidated Statements of Financial Position.

## Reconciliation of Operating Segment Measures

Adjusted EBITDA, FFO and AFFO are presented based on our proportionate share of results in operations accounted for using consolidation and the equity method whereby we either control or exercise significant influence over the investment respectively, in order to demonstrate the impact of key value drivers of each of these operating segments on our overall performance. As a result, segment depreciation and amortization, deferred income taxes, breakage and transaction costs, and non-cash valuation gains or losses are reconciling items that will differ from results presented in accordance with IFRS as these reconciling items (1) include our proportionate share of earnings from investments in associates attributable to each of the above-noted items, and (2) exclude the proportionate share of earnings (loss) of consolidated investments not held by us apportioned to each of the above-noted items.

The following tables present each segment's results in the format that management organizes its segments to make operating decisions and assess performance. Each segment is presented on a proportionate basis, taking into account our ownership in operations accounted for using the consolidation and equity method whereby we either control or exercise significant influence over the investment, respectively. These tables reconcile our proportionate results to our partnership's consolidated statements of operating results on a line by line basis by aggregating the components comprising the earnings from our investments in associates and reflecting the portion of each line item attributable to non-controlling interests. See "Discussion of Segment Reconciling Items" on page 137 for a reconciliation of segment results to our statement of operating results in accordance with IFRS.

FOR THE YEAR ENDED DECEMBER 31, 2018 US\$ MILLIONS	Total attributable to Brookfield Infrastructure						Contribution from investments in associates	Attributable to non- controlling interest	As per IFRS financials on F-6 <sup>(2)</sup>
	Utilities	Transport	Energy	Data Infrastructure <sup>(1)</sup>	Corporate	Total			
Revenues .....	\$ 1,055	\$ 1,612	\$ 668	\$ 170	\$ —	\$ 3,505	\$ (1,524)	\$ 2,671	\$ 4,652
Costs attributed to revenues	(322)	(930)	(340)	(77)	—	(1,669)	833	(1,372)	(2,208)
General and administrative costs .....	—	—	—	—	(223)	(223)	—	—	(223)
Adjusted EBITDA .....	733	682	328	93	(223)	1,613	(691)	1,299	
Other (expense) income .....	(30)	2	22	(4)	72	62	11	(107)	(34)
Interest expense .....	(127)	(166)	(81)	(12)	(58)	(444)	134	(245)	(555)
FFO .....	576	518	269	77	(209)	1,231	(546)	947	
Depreciation and amortization .....	(187)	(345)	(154)	(72)	—	(758)	370	(413)	(801)
Deferred taxes .....	(49)	47	(3)	7	10	12	(44)	(14)	(46)
Mark-to-market on hedging items and other .....	(82)	(208)	(73)	(6)	85	(284)	233	(124)	(175)
Gain on sale of associate, net of tax .....	—	—	—	—	209	209	—	—	209
Share of losses from associates .....	—	—	—	—	—	—	(13)	—	(13)
Net income attributable to non-controlling interest ..	—	—	—	—	—	—	—	(396)	(396)
<b>Net income attributable to partnership<sup>(3)</sup></b>	<b>\$ 258</b>	<b>\$ 12</b>	<b>\$ 39</b>	<b>\$ 6</b>	<b>\$ 95</b>	<b>\$ 410</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 410</b>

**Total attributable to Brookfield Infrastructure**

<b>FOR THE YEAR ENDED DECEMBER 31, 2017 US\$ MILLIONS</b>	<b>Utilities</b>	<b>Transport</b>	<b>Energy</b>	<b>Data Infrastructure<sup>(1)</sup></b>	<b>Corporate</b>	<b>Total</b>	<b>Contribution from investments in associates</b>	<b>Attributable to non- controlling interest</b>	<b>As per IFRS financials on F-6<sup>(2)</sup></b>
Revenues .....	\$ 988	\$ 1,589	\$ 559	\$ 165	\$ —	\$ 3,301	\$ (1,624)	\$ 1,858	\$ 3,535
Costs attributed to revenues	(250)	(895)	(278)	(75)	—	(1,498)	861	(872)	(1,509)
General and administrative costs .....	—	—	—	—	(239)	(239)	—	—	(239)
Adjusted EBITDA .....	738	694	281	90	(239)	1,564	(763)	986	
Other (expense) income .....	(14)	(4)	15	(2)	45	40	7	(108)	(61)
Interest expense .....	(114)	(158)	(87)	(12)	(63)	(434)	172	(166)	(428)
FFO .....	610	532	209	76	(257)	1,170	(584)	712	
Depreciation and amortization .....	(186)	(312)	(151)	(77)	—	(726)	382	(327)	(671)
Deferred taxes .....	(52)	(1)	11	21	14	(7)	(22)	(38)	(67)
Mark-to-market on hedging items and other .....	(59)	(80)	(37)	(9)	(127)	(312)	106	102	(104)
Share of earnings from associates .....	—	—	—	—	—	—	118	—	118
Net income attributable to non-controlling interest ..	—	—	—	—	—	—	—	(449)	(449)
Net income (loss) attributable to partnership <sup>(3)</sup> .....	<u>\$ 313</u>	<u>\$ 139</u>	<u>\$ 32</u>	<u>\$ 11</u>	<u>\$ (370)</u>	<u>\$ 125</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 125</u>

Total attributable to Brookfield Infrastructure									
FOR THE YEAR ENDED DECEMBER 31, 2016 US\$ MILLIONS	Utilities	Transport	Energy	Data Infrastructure <sup>(1)</sup>	Corporate	Total	Contribution from investments in associates	Attributable to non- controlling interest	As per IFRS financials on F-6 <sup>(2)</sup>
Revenues .....	\$ 684	\$ 1,247	\$ 496	\$ 163	\$ —	\$ 2,590	\$ (1,311)	\$ 836	\$ 2,115
Costs attributed to revenues	(160)	(650)	(220)	(72)	—	(1,102)	651	(612)	(1,063)
General and administrative costs .....	—	—	—	—	(166)	(166)	—	—	(166)
Adjusted EBITDA .....	524	597	276	91	(166)	1,322	(660)	224	
Other income (expense) .....	5	(17)	8	(2)	84	78	16	1	95
Interest expense .....	(130)	(157)	(109)	(12)	(48)	(456)	190	(126)	(392)
FFO .....	399	423	175	77	(130)	944	(454)	99	
Depreciation and amortization .....	(154)	(253)	(128)	(74)	—	(609)	328	(166)	(447)
Deferred taxes .....	5	26	(38)	29	(17)	5	9	4	18
Mark-to-market on hedging items and other .....	(88)	10	81	(5)	149	147	(131)	104	120
Share of earnings from associates .....	—	—	—	—	—	—	248	—	248
Net income attributable to non-controlling interest ..	—	—	—	—	—	—	—	(41)	(41)
Net income attributable to partnership <sup>(3)</sup> .....	\$ 162	\$ 206	\$ 90	\$ 27	\$ 2	\$ 487	\$ —	\$ —	\$ 487

- (1) During the second quarter of 2018, our Communications Infrastructure segment was renamed to Data Infrastructure. There was no concurrent change in the operations which comprise the segment.
- (2) The above table provides each segment's results in the format that management organizes its segments to make operating decisions and assess performance. Each segment is presented on a proportionate basis, taking into account Brookfield Infrastructure's ownership in operations accounted for using the consolidation and equity methods under IFRS. The above table reconciles Brookfield Infrastructure's proportionate results to our consolidated statements of operating results on a line by line basis by aggregating the components comprising the earnings from our partnership's investments in associates and reflecting the portion of each line item attributable to non-controlling interests.
- (3) Includes net income (loss) attributable to non-controlling interests—Redeemable Partnership Units held by Brookfield, non-controlling interests—Exchange LP Units, general partners and limited partners.

The following tables provide each segment's assets in the format that management organizes its segments to make operating decisions and assess performance. Each segment is presented on a proportionate basis, taking into account our ownership in operations using consolidation and the equity method whereby we either control or exercise significant influence over the investment respectively. These tables reconcile our proportionate assets to total assets presented on our consolidated statements of financial position by removing net liabilities contained within investments in associates, reflecting the assets attributable to non-controlling interests, and adjusting for working capital assets which are netted against working capital liabilities.

AS AT DECEMBER 31, 2018 US\$ MILLIONS	Total Attributable to Brookfield Infrastructure						Contribution from investments in associates	Attributable to non- controlling interest	Working capital adjustment and other	As per IFRS financials on F-5
	Utilities	Transport	Energy	Data Infrastructure	Corporate	Brookfield Infrastructure				
Total assets	\$ 4,864	\$ 6,424	\$ 4,722	\$ 1,446	\$ (929)	\$ 16,527	\$ (2,350)	\$ 17,545	\$ 4,858	\$ 36,580

AS AT DECEMBER 31, 2017 US\$ MILLIONS	Total Attributable to Brookfield Infrastructure						Contribution from investments in associates	Attributable to non- controlling interest	Working capital adjustment and other	As per IFRS financials on F-5
	Utilities	Transport	Energy	Data Infrastructure	Corporate	Brookfield Infrastructure				
Total assets	\$ 6,542	\$ 6,990	\$ 3,134	\$ 1,049	\$ (1,083)	\$ 16,632	\$ (3,134)	\$ 11,668	\$ 4,311	\$ 29,477

#### Discussion of Segment Reconciling Items

The following tables detail and provide discussion, where applicable, of material changes between reporting periods for each operating segment, the reconciliation of contributions from investments in associates and attribution of non-controlling interest in the determination of Adjusted EBITDA, FFO and net income attributable to our partnership in order to facilitate the understanding of the nature of and changes to reconciling items.

FOR THE YEAR ENDED DECEMBER 31, 2018 US\$ MILLIONS	Utilities	Transport	Energy	Data Infrastructure	Corporate	Total
Adjustments to items comprising Adjusted EBITDA <sup>(1)</sup>						
Contributions from investment in associates	\$ (50)	\$ (339)	\$ (212)	\$ (90)	\$ —	\$ (691)
Attribution to non-controlling interest	959	162	178	—	—	1,299
Adjusted EBITDA	909	(177)	(34)	(90)	—	608
Adjustments to items comprising FFO <sup>(2)</sup>						
Contributions from investments in associates	12	75	48	10	—	145
Attribution to non-controlling interest	(225)	(77)	(50)	—	—	(352)
FFO	696	(179)	(36)	(80)	—	401
Adjustments to items comprising net income attributable to partnership <sup>(3)</sup>						
Contributions from investment in associates	38	264	164	80	—	546
Attribution to non-controlling interest	(734)	(85)	(128)	—	—	(947)
Net income attributable to partnership	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

**FOR THE YEAR ENDED  
DECEMBER 31, 2017  
US\$ MILLIONS**

	Utilities	Transport	Energy	Data Infrastructure	Corporate	Total
Adjustments to items comprising Adjusted EBITDA <sup>(1)</sup>						
Contributions from investment in associates	\$ (120)	\$ (357)	\$ (194)	\$ (91)	\$ (1)	\$ (763)
Attribution to non-controlling interest	732	157	118	—	(21)	986
Adjusted EBITDA	612	(200)	(76)	(91)	(22)	223
Adjustments to items comprising FFO <sup>(2)</sup>						
Contributions from investments in associates	31	67	65	15	1	179
Attribution to non-controlling interest	(134)	(67)	(54)	(3)	(16)	(274)
FFO	509	(200)	(65)	(79)	(37)	128
Adjustments to items comprising net income attributable to partnership <sup>(3)</sup>						
Contributions from investment in associates	89	290	129	76	—	584
Attribution to non-controlling interest	(598)	(90)	(64)	3	37	(712)
Net income attributable to partnership	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

**FOR THE YEAR ENDED  
DECEMBER 31, 2016  
US\$ MILLIONS**

	Utilities	Transport	Energy	Data Infrastructure	Other	Total
Adjustments to items comprising Adjusted EBITDA <sup>(1)</sup>						
Contributions from investment in associates	\$ (117)	\$ (267)	\$ (185)	\$ (91)	\$ —	\$ (660)
Attribution to non-controlling interest	149	109	88	—	(122)	224
Adjusted EBITDA	32	(158)	(97)	(91)	(122)	(436)
Adjustments to items comprising FFO <sup>(2)</sup>						
Contributions from investments in associates	27	77	88	14	—	206
Attribution to non-controlling interest	(50)	(42)	(22)	—	(11)	(125)
FFO	9	(123)	(31)	(77)	(133)	(355)
Adjustments to items comprising net income attributable to partnership <sup>(3)</sup>						
Contributions from investment in associates	90	190	97	77	—	454
Attribution to non-controlling interest	(99)	(67)	(66)	—	133	(99)
Net income attributable to partnership	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

(1) Revenues, costs attributed to revenues, general and administrative costs.

(2) Other income, interest expense and cash taxes.

(3) Depreciation and amortization, deferred taxes, fair value adjustments, other expenses, share of earnings from associates, net income attributable to non-controlling interest.

**2018 vs. 2017**

Contributions from investments in associates and joint ventures decreased in 2018 compared to 2017 predominantly due to the sale of our Chilean electricity transmission business and the impact of foreign exchange. These decreases were partially offset by additional income from organic growth initiatives, especially within our North American natural gas transmission operation.

Attribution to non-controlling interest increased in 2018 compared to 2017 primarily due to acquisitions completed during the year.

**2017 vs. 2016**

Contributions from investments in associates and joint ventures decreased in 2017 compared to 2016 as additions to rate base and inflation indexation at our Chilean electricity transmission operation along with contributions from the increased investment in our Brazilian toll road operation and our North American natural gas transmission operation were more than offset by the impact of foreign exchange associated with the depreciation of the Chilean peso and non-recurring gains recorded within our transport and energy operations in 2016.

Attribution to non-controlling interest increased in 2017 compared to 2016 primarily due to the acquisitions completed during 2017.

## 5.B LIQUIDITY AND CAPITAL RESOURCES

The nature of our asset base and the quality of our associated cash flows enable us to maintain a stable and low cost capital structure. We attempt to maintain sufficient financial liquidity at all times so that we are able to participate in attractive opportunities as they arise, better withstand sudden adverse changes in economic circumstances and maintain our distributions to unitholders. Our principal sources of liquidity are cash flows from our operations, undrawn credit facilities, capital recycling and access to public and private capital markets. We structure the ownership of our assets to enhance our ability to monetize them to provide additional liquidity, as we have done in the past. In certain instances, subsidiaries may be subject to limitations on their ability to declare and pay dividends to our partnership. However, no significant limitations existed at December 31, 2018 and 2017.

Our group-wide liquidity at December 31, 2018 consisted of the following:

US\$ MILLIONS	As of	
	December 31, 2018	December 31, 2017
Corporate cash and financial assets .....	\$ 238	\$ 205
Committed corporate credit facility .....	1,975	1,975
Subordinate corporate credit facility .....	500	500
Draws under corporate credit facility .....	(510)	(789)
Commitments under corporate credit facility .....	(47)	(47)
Proportionate cash retained in businesses .....	404	392
Proportionate availability under subsidiary credit facilities .....	817	629
Group-wide liquidity .....	<u>\$ 3,377</u>	<u>\$ 2,865</u>

At December 31, 2018, our partnership's group-wide liquidity is sufficient to meet its present requirements. We finished the year with group-wide liquidity of approximately \$3.4 billion, an increase from \$2.9 billion at December 31, 2017, primarily the result of capital raised during the year, offset by funds deployed for acquisitions and growth capital expenditures. At the corporate level, we ended 2018 with \$2.2 billion of liquidity, an increase of \$0.3 billion compared to the prior year.



We finance our assets principally at the operating company level with debt that generally has long-term maturities, few restrictive covenants and no recourse to either Brookfield Infrastructure or our other operations. On a proportionate basis as of December 31, 2018, scheduled principal repayments over the next five years are as follows:

<u>US\$ MILLIONS</u>	<u>Average Term (years)</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Beyond</u>	<u>Total</u>
Recourse borrowings								
Corporate borrowings	5	\$ —	\$ 275	\$ —	\$ 330	\$ 510	\$ 878	\$ 1,993
Total recourse borrowings	5	—	275	—	330	510	878	1,993
Non-recourse borrowings <sup>(1)</sup>								
Utilities								
Regulated Transmission	6	30	18	5	6	381	112	552
Regulated Distribution	11	15	7	24	79	271	1,210	1,606
Regulated Terminal	4	—	149	290	171	149	218	977
	8	45	174	319	256	801	1,540	3,135
Transport								
Rail	5	37	104	114	164	178	457	1,054
Toll Roads	8	151	195	178	192	133	660	1,509
Ports	3	100	236	98	11	12	47	504
	6	288	535	390	367	323	1,164	3,067
Energy								
Natural Gas Midstream	8	3	9	27	352	160	833	1,384
Distributed Energy Control Infrastructure	7	—	85	—	60	154	257	556
	8	3	94	27	412	314	1,090	1,940
Data Infrastructure								
Telecommunications and Fiber	5	—	107	—	145	—	193	445
Data Storage	7	2	2	2	2	4	148	160
	5	2	109	2	147	4	341	605
Total non-recourse borrowings <sup>(1)</sup>	7	338	912	738	1,182	1,442	4,135	8,747
Total borrowings <sup>(2)</sup>	7	\$ 338	\$ 1,187	\$ 738	\$ 1,512	\$ 1,952	\$ 5,013	\$ 10,740
Cash retained in businesses								
Utilities								\$ 58
Transport								270
Energy								35
Data Infrastructure								41
Corporate								238
Total cash retained								\$ 642
Net debt								
Utilities								\$ 3,077
Transport								2,797
Energy								1,905
Data Infrastructure								564
Corporate								1,755
Total net debt								\$ 10,098
Total net debt		3%	11%	7%	14%	18%	47%	100%

(1) Represents non-recourse debt to Brookfield Infrastructure as the holders have recourse only to the underlying operations.

- (2) As of December 31, 2018, approximately 34% has been issued as floating rate debt. Brookfield Infrastructure and its subsidiaries have entered into interest rate swaps whereby the floating rate debt has been converted to fixed rate debt, effectively increasing floating rate debt maturities to approximately 29% of our total borrowings. Excluding working capital and capital expenditure facilities, floating rate debt maturities approximate 22% of our total borrowings, inclusive of the impact of interest rate swaps.

Our debt has an average term of seven years. On a proportionate basis, our net debt-to-capitalization ratio as of December 31, 2018 was 55%. The weighted average cash interest rate is 5.0% for the overall business (December 31, 2017: 4.6%), in which our utilities, transport, energy, data infrastructure and corporate segments were 4.3%, 6.8%, 5.3%, 3.6%, and 3.9%, respectively (December 31, 2017: 3.9%, 6.5%, 5.2%, 2.6% and 3.5%, respectively).

Proportionate debt, a Non-IFRS measure to assess liquidity, can be reconciled to consolidated debt as follows:

US\$ MILLIONS	As of December 31,	
	2018	2017
Consolidated debt	<b>\$15,106</b>	\$10,164
Add: proportionate share of debt of investments in associates:		
Utilities	<b>180</b>	837
Transport	<b>1,330</b>	1,291
Energy	<b>929</b>	929
Data Infrastructure	<b>445</b>	467
Less: borrowings attributable to non-controlling interest	<b>(6,346)</b>	(3,028)
Premium on debt and cross currency swaps	<b>(904)</b>	(435)
Proportionate debt	<b><u>\$10,740</u></b>	<b><u>\$10,225</u></b>

## FINANCIAL INSTRUMENTS

### Foreign Currency Hedging Strategy

To the extent that we believe it is economic to do so, our strategy is to hedge a portion of our equity investments and/or cash flows exposed to foreign currencies. The following key principles form the basis of our foreign currency hedging strategy:

- We leverage any natural hedges that may exist within our operations
- We utilize local currency debt financing to the extent possible
- We may utilize derivative contracts to the extent that natural hedges are insufficient

The following table presents our hedged position in foreign currencies as of December 31, 2018:

US\$ MILLIONS	Net Investment Hedges									
	USD	AUD	GBP	BRL	CLP <sup>(1)</sup>	CAD <sup>(2)</sup>	EUR	COP	PEN	INR
Equity Investment—US\$	\$ 146	\$ 1,323	\$ 1,310	\$ 2,307	\$ 58	\$ 1,002	\$ 861	\$ 138	\$ 116	\$ 104
FX contracts—US\$	4,910	(1,323)	(1,310)	—	(340)	(1,002)	(861)	(63)	(11)	—
Net unhedged—US\$	<u>\$ 5,056</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,307</u>	<u>\$ (282)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 75</u>	<u>\$ 105</u>	<u>\$ 104</u>
% of equity investment hedged	N/A	100%	100%	—%	100%	100%	100%	46%	9%	—%

(1) CLP net equity investment presented at amortized cost and therefore not reflective of fair value.

(2) CAD net equity investment excludes \$936 million of preferred units.

At December 31, 2018, 70% of our net equity investment is U.S. dollar functional currency. For the 12 months ended December 31, 2018, we recorded gains in other comprehensive income of \$97 million related to these contracts (2017: losses of \$266 million).

For additional information, see Note 7, “Fair Value of Financial Instruments”, Note 33, “Derivative Financial Instruments” and Note 34, “Financial Risk Management” in our financial statements included in this annual report on Form 20-F.

## **OTHER MARKET RISKS**

### **Inflation Risk**

Certain of our subsidiaries and associates are subject to inflation risk. Most significantly, a portion of our toll road operations in Chile are subject to inflation risk as these debt portfolios are denominated in Unidad de Fomento which is an inflation indexed Chilean peso monetary unit that is set daily, on the basis of the prior month’s inflation rate. However, we believe this is offset by the nature of our revenues which are in large part indexed to Chilean inflation.

### **Commodity Risk**

Some of our operations are critically linked to the transport or production of key commodities. For example, in the long-term, our Australian regulated terminal operation relies on demand for coal exports, our Australian rail operation relies on demand for iron ore exports and our North American natural gas transmission operation relies on demand for natural gas and benefits from higher gas prices. While we endeavor to protect against short to medium term commodity demand risk wherever possible by structuring our contracts in a way that minimizes volume risk (e.g. minimum guaranteed volumes and ‘take-or-pay’ arrangements), these contract terms are not always able to be achieved, and in any event, the contract terms are finite and may include suspension or termination rights in favor of the customer. Accordingly, a long-term and sustained downturn in the demand for or price of a key commodity linked to one of our operations may have a material adverse impact on the financial performance or growth prospects of that particular operation, notwithstanding the use of take-or-pay contracts wherever possible. See Item 4.B “Business Overview” for more information.

Revenues from our South American regulated transmission operation are adjusted by a multi-factor inflation index that is designed to approximate changes in prices of the underlying components of the replacement cost of our transmission system. See Item 4.B “Business Overview”. Due to the construction of the system, metals, such as aluminum, are a material percentage of replacement cost. Thus, changes in the price of these metals will impact our revenues.

## **CAPITAL REINVESTMENT**

We fund growth capital expenditures with cash flow generated from operations, supplemented by non-recourse debt sized to investment grade coverage and covenant thresholds. This is designed to ensure that our investments have stable capital structures supported by a substantial level of equity and that cash flows at the asset level can be remitted freely to our partnership. This strategy also underpins our investment grade profile.

To fund large scale development projects and acquisitions, we will evaluate a variety of capital sources including proceeds from selling mature businesses, in addition to raising money in the capital markets through equity, debt and preferred share issuances. Furthermore, our partnership has a \$1.975 billion committed revolving credit facility available for investments and acquisitions, as well as funding the equity component of organic growth initiatives. The facility is intended, and has historically been used, as a bridge to a long-term financing strategy rather than a permanent source of capital.

The following table reconciles changes in our proportionate cash for the year:

<u>US\$ MILLIONS</u>	<u>For the year ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Funds from Operations (FFO) . . . . .	<b>\$ 1,231</b>	\$ 1,170	\$ 944
Maintenance capital . . . . .	<b>(249)</b>	(229)	(173)
Funds available for distribution (AFFO) . . . . .	<b>982</b>	941	771
Distributions paid . . . . .	<b>(919)</b>	(794)	(628)
Funds available for reinvestment . . . . .	<b>63</b>	147	143
Growth capital expenditures . . . . .	<b>(797)</b>	(893)	(843)
Debt funding of growth capex . . . . .	<b>356</b>	473	460
Non-recourse debt issuances (repayments) . . . . .	<b>209</b>	(118)	33
Proceeds from capital recycling . . . . .	<b>1,033</b>	—	304
New investments, net of disposals . . . . .	<b>(1,040)</b>	(1,902)	(463)
(Repayments) draws on corporate credit facility . . . . .	<b>(279)</b>	789	(407)
Partnership unit repurchases, net of issuances . . . . .	<b>(16)</b>	992	749
Proceeds from debt issuances, net of repayments . . . . .	<b>283</b>	129	—
Proceeds from preferred unit issuances, net of repurchases . . . . .	<b>341</b>	220	186
Impact of foreign currency movements . . . . .	<b>(164)</b>	(137)	136
Changes in working capital and other . . . . .	<b>56</b>	65	(9)
Change in proportionate cash . . . . .	<b>45</b>	(235)	289
Opening, proportionate cash . . . . .	<b>597</b>	832	543
Closing, proportionate cash . . . . .	<b>\$ 642</b>	<b>\$ 597</b>	<b>\$ 832</b>

We present cash flows generated by our businesses on a proportionate basis as over 40% of our FFO is generated by investments that are not consolidated in our financial statements. Our partnership participates in arrangements such as joint ventures or consortiums which provide it with access to partners with local strategic expertise and substantial amounts of capital. When investing in such arrangements, which are not consolidated for financial statement purposes, our partnership nevertheless maintains joint control or significant influence over the business, and is therefore, not a passive investor. We structure governance arrangements to require each of our businesses to distribute all available cash (which is generally defined as cash on hand less any amounts reserved for committed growth projects as approved by the business' board of directors), ensuring that any decision to not distribute all available cash flow requires our express consent. Consequently, our partnership has access to operating cash flows generated by all of our businesses, including joint ventures and any non-consolidated investments.

The following table highlights the significance of operating cash flow generated from investments which are not consolidated in our financial statements and reconciles consolidated cash flow from operations to AFFO for the last three years:

<u>US\$ MILLIONS</u>	<u>For the year ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash from operating activities	<b>\$ 1,362</b>	\$ 1,481	\$ 753
Add: FFO from associates and joint ventures	<b>546</b>	584	454
Remove:			
Distributions received from associates and joint ventures	<b>(59)</b>	(66)	(46)
Cash from operating activities attributable to non-controlling interests <sup>(1)</sup>	<b>(1,028)</b>	(840)	(231)
	<b>821</b>	<b>1,159</b>	<b>930</b>
Less: Maintenance capital expenditures	<b>(249)</b>	(229)	(173)
Taxes paid on disposition of Chilean electricity transmission operation	<b>256</b>	—	—
Changes in working capital and other items	<b>154</b>	11	14
AFFO <sup>(2)</sup>	<b>\$ 982</b>	<b>\$ 941</b>	<b>\$ 771</b>

- (1) By removing cash from operating activities attributable to non-controlling interests, our partnership is able to present AFFO attributable to our partnership. We believe our proportionate financial information, when read in conjunction with our partnership's reported results under IFRS, provides the most meaningful assessment of how our operations are performing. Please refer to the discussion of the limitations of proportional results as an analytical tool within the "Reconciliation of Non-IFRS Financial Measures" section on page 125.
- (2) The most-closely related IFRS measure to AFFO is net income. However, occasionally we believe the alternative reconciliation can be useful and have therefore provided this reconciliation of consolidated cash flow from operations to AFFO. Please see the "Reconciliation of Non-IFRS Financial Measures" section on page 125 for a reconciliation of AFFO to net income.

From a treasury management perspective, our partnership manages its cash reserves with a view to minimizing foreign exchange and administrative costs, as well as enhancing our ability to secure asset level debt financing. While capital is primarily raised at the corporate level to fund the equity component of organic growth capital expenditures, actual funding of projects may be executed by injecting cash into subsidiaries or utilizing operating cash flow generated and retained by the business. Importantly, the physical movement of cash has no relevance on Brookfield Infrastructure's ability to fund capital expenditures or make distributions.

The following table summarizes the sources of capital used to fund our partnership's acquisitions and growth capital expenditures during the years ended December 31, 2018, 2017 and 2016:

<u>US\$ MILLIONS</u>	<u>For the year ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Capital deployed in new investments	<b>\$ 1,040</b>	\$ 1,902	\$ 1,476
Growth capital expenditures (net of non-recourse debt financing)	<b>441</b>	420	383
	<b>1,481</b>	<b>2,322</b>	<b>1,859</b>
Total capital market activity			
Equity repurchases, net of issuances	<b>(16)</b>	992	749
Preferred units issuance, net of repurchases	<b>341</b>	220	186
Corporate debt issuance, net of repayments	<b>283</b>	129	—
	<b>608</b>	<b>1,341</b>	<b>935</b>
Proceeds from asset sales	<b>1,033</b>	—	1,317
	<b>1,641</b>	<b>1,341</b>	<b>2,252</b>
Net (spending) funding from retained cash flows and credit facility draws	<b>\$ (160)</b>	<b>\$ 981</b>	<b>\$ (393)</b>

Since inception, our partnership has deployed \$12.6 billion in acquisitions and organic growth initiatives of which \$11.8 billion has been funded through capital market issuances and proceeds from capital recycling with the remaining predominantly through operating cash flows generated and retained in the business and draws on our corporate credit facility. Our partnership has generated and retained \$800 million of operating cash flows which represented approximately 12%-15% of our funds from operations generated during the same period.

## DISTRIBUTION POLICY

Our distributions are underpinned by stable, highly regulated and contracted cash flows generated from operations. Our partnership's objective is to pay a distribution that is sustainable on a long-term basis. Our partnership has set its target payout ratio at 60-70% of FFO. In sizing what we believe to be a conservative payout ratio, we typically retain approximately 15-20% of AFFO that we utilize to fund some or all of our internally funded growth capital expenditures.

The following table presents our partnership's payout ratios over the past three years:

US\$ MILLIONS	For the year ended December 31,		
	2018 <sup>(2)</sup>	2017	2016
Funds from Operations (FFO) .....	\$ 1,231	\$ 1,170	\$ 944
Adjusted Funds from Operations (AFFO) .....	982	941	771
Distributions <sup>(1)</sup> .....	919	794	628
FFO payout ratio .....	75 %	68 %	67 %
AFFO payout ratio .....	94 %	84 %	81 %

(1) Includes distributions to limited partners, Redeemable Partnership Units held by Brookfield and holders of Exchange LP Units, the general partner, preferred unitholders, and incentive distributions.

(2) Our payout ratio was impacted during the year predominantly by the timing related to deploying capital generated from the sale of our Chilean electricity transmission business and the financing at our Brazilian regulated gas transmission business.

Our partnership's annual distribution is reviewed with the board of directors of our General Partner in the first quarter of each year giving consideration to the following:

- The results from the prior year as well as the budget for the upcoming year and the 5-year business plan based on our partnership's share of FFO generated by our assets
- Our partnership's group-wide liquidity and its ability to fund committed capital investments

## CAPITAL EXPENDITURES

Due to the capital-intensive nature of our partnership's asset base, ongoing capital investment is required for additions and enhancements, life-cycle maintenance and repair of plant and equipment related to our operations. Our partnership reviews all capital expenditures and classifies them in one of the two following categories:

- Growth capital expenditures: capital outlays underpinned by incremental revenues that will enhance our partnership's returns. These projects are eligible for inclusion in the rate base of our utilities segment, or they are meant to add capacity to further expand our existing infrastructure networks in our transport, energy and data infrastructure operations;
- Maintenance capital expenditures: required capital outlays to maintain the current operating state and reliability of the system while ensuring regulatory and safety requirements are upheld

We manage separate review and approval processes for each of the two categories of capital expenditures. Growth capital expenditures are underwritten in isolation and must meet our partnership's target after-tax equity return threshold of 12-15%. Projects that meet these return targets are presented to the Capital Expenditure Committee which comprises senior personnel of the General Partner of our partnership. The committee reviews proposed project plans considering the target returns and funding plans, in addition to analyzing the various execution risks associated with these projects. Once a project receives approval from the Capital Expenditure Committee, it is generally added to the backlog.

Maintenance capital expenditures follow a different, though equally robust process, as failure to make necessary investment to maintain our operations could impair the ability of our businesses to serve our customer base or continue existing operations. Firstly, the operations teams involved with a particular business performs a detailed review of all planned and proposed maintenance capital expenditures during the annual budgeting process. These plans are reviewed in the context of the business' maintenance capital approach that is agreed upon with our partnership at the time of acquisition and take into account drivers of performance that include public and worker health and safety, environmental and regulatory compliance, system reliability and integrity. Maintenance capital projects that receive approval at the asset level are then presented to our partnership's corporate asset management teams that are responsible for overseeing our partnership's operations, and have ample experience in managing utilities, transport, energy and data infrastructure assets. Through an iterative process with the companies' senior operating executives, the plan is refined through a comprehensive review including prioritization of non-discretionary projects and comparisons to industry benchmarks. Once agreed, maintenance capital expenditure plans are approved and form part of the annual and five-year business plans that are presented to our partnership's senior executive team. Once approved, these maintenance plans are executed on in the following year and performance relative to these plans is closely monitored by both the operations and asset management teams.

In addition to the various levels of internal reviews, our partnership engages a reputable, globally recognized engineering services firm annually to perform an independent review of its overall approach to maintenance capital expenditures and detailed capital program. Each year the engineering services firm will review a portion of the portfolio, covering all assets on a three-year rotating basis. For each asset under review in a given year, the engineering services firm will review the historical and forecasted spend against industry standards, regulatory requirements or other benchmarking data, and determine the reasonableness of the maintenance capex program based on the nature of the business and the age and condition of the assets. We have also engaged a Big 4 accounting firm to review the findings of the report provided by the engineering services firm and to assess the control activities related to our process for compiling the annual sustaining maintenance capital expenditure ranges by segment.

Over the last two years, reviews were completed at a number of operations that together make up approximately 75% of our partnership's FFO. The results from both engagements conducted by the firms confirm that our stated ranges of annual sustaining maintenance capital expenditures are reasonable and in-line with industry standard for assets of a similar nature. In the next year, our partnership intends to complete reviews at the remainder of its existing operations, and for newly acquired businesses it will endeavor to have reviews conducted within 2-3 years of acquisition.

The following table presents the components of growth capital expenditures by operating segment:

<u>US\$ MILLIONS</u>	<u>For the year ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Growth capital expenditures by segment			
Utilities .....	\$ 402	\$ 449	\$ 428
Transport .....	208	326	319
Energy .....	135	76	67
Data Infrastructure .....	52	42	29
	<u>\$ 797</u>	<u>\$ 893</u>	<u>\$ 843</u>

Growth capital expenditures for the year ended December 31, 2018 were \$797 million, a decrease of \$96 million or 11% versus 2017. The decrease in growth capital expenditures is associated with the sale of our interest in a Chilean electricity transmission business, the completion of major projects at our South American rail and toll road businesses, and a stronger U.S. dollar relative to the Brazilian real. These reductions were partially offset by higher connections activity and the investment in a smart meter program at our U.K. regulated distribution business, and the completion of the first phase of the Gulf Coast expansion at our North American natural gas transmission business.

The following table presents maintenance capital expenditures by operating segment:

<u>US\$ MILLIONS</u>	<u>Annual Ongoing Estimated Maintenance Capex</u>		<u>For the year ended December 31,</u>		
	<u>Low</u>	<u>High</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Maintenance capital expenditures by segment					
Utilities .....	\$ 20	\$ 25	\$ 17	\$ 15	\$ 15
Transport .....	170	180	155	133	88
Energy .....	110	120	64	70	61
Data Infrastructure .....	10	15	13	11	9
	<u>\$ 310</u>	<u>\$ 340</u>	<u>\$ 249</u>	<u>\$ 229</u>	<u>\$ 173</u>

Maintenance capital expenditures for the year ended December 31, 2018 were \$249 million, an increase of \$20 million relative to the prior year. The increase in maintenance capital expenditures is commensurate with newly acquired businesses, partially offset by the depreciation of Brazilian real versus the U.S. dollar in 2018. During 2018, we acquired five new businesses which we estimate will require between \$40-70 million of ongoing annual maintenance capital expenditures. We estimate annual maintenance capital expenditures for the upcoming year to be \$20-25 million, \$170-180 million, \$110-120 million, and \$10-15 million for our utilities, transport, energy, and data infrastructure segments, respectively, for a total range between \$310-340 million prospectively. For the year ended December 31, 2018, our maintenance capital expenditures were marginally above our 2018 total annual estimated range primarily due to maintenance capital expenditures related to recently acquired businesses. Our partnership leverages industry data and benchmarks provided by a global engineering services firm to determine the appropriate maintenance capital ranges as disclosed above.



## REVIEW OF CONSOLIDATED STATEMENTS OF CASH FLOWS

The following table summarizes the consolidated statements of cash flows for the years ended December 31, 2018, 2017, and 2016:

US\$ MILLIONS	For the year ended December 31,		
	2018	2017	2016
<b>Summary Statements of Operating Results</b>			
Cash from operating activities	\$ 1,362	\$ 1,481	\$ 753
Cash used by investing activities	(5,564)	(5,721)	(1,058)
Cash from financing activities	4,418	3,814	899

This statement reflects activities within our consolidated operations and therefore excludes activities within non-consolidated entities.

### **2018 vs. 2017**

#### **Cash from operating activities**

Cash from operating activities totaled \$1.4 billion during the year ended December 31, 2018, a decrease of \$0.1 billion from 2017. Operating cash flows benefited from initial contributions from acquisitions completed during the year and organic growth from our existing operations. These benefits were more than offset by the \$0.3 billion payment of taxes triggered by the disposition of our investment in a Chilean electricity transmission operation and the impact of foreign exchange.

#### **Cash used by investing activities**

Cash used by investing activities was \$5.6 billion during the year ended December 31, 2018, a decrease of \$0.2 billion from 2017. Investing activities reflect a higher level of capital deployment as 2018 was a very successful year from an acquisition standpoint. Net investment activity, inclusive of strategic partnerships accounted for using the equity method, increased by \$1.1 billion, however this was more than offset by \$1.3 billion of proceeds relating to the disposition of our investment in a Chilean electricity transmission operation.

#### **Cash from financing activities**

Our partnership generated \$4.4 billion of cash flows from financing activities during the year ended December 31, 2018, as compared to \$3.8 billion in 2017. The increase was due to \$3.6 billion of additional non-recourse borrowings, primarily associated with acquisitions completed during the year, partially offset by lower corporate borrowings and capital market activities of \$2.0 billion and lower net capital provided by non-controlling interests of \$1.0 billion.

### **2017 vs. 2016**

#### **Cash from operating activities**

Cash from operating activities totaled \$1.5 billion in 2017, an increase of \$0.7 billion from 2016. The increase was primarily due to acquisitions completed during 2017 which contributed \$0.8 billion of additional operating cash flows, and organic growth from our existing operations which provided a further \$0.1 billion. These increases were partially offset by non-recurring gains recognized in 2016 within our transport segment of \$0.2 billion.

### **Cash used by investing activities**

Cash used by investing activities increased by \$4.7 billion to \$5.7 billion in 2017 from 2016. Of the increase, \$3.8 billion related to incremental capital deployed in acquisitions, most notably the acquisition of our Brazilian regulated gas transmission operation. Additionally, there was a decrease in proceeds from the sale of financial assets of \$0.6 billion and additional cash used to fund hedge settlements of \$0.3 billion.

### **Cash from financing activities**

Our partnership generated \$3.8 billion of cash flows from financing activities during 2017, as compared to \$0.9 billion in 2016. The increase was due to \$1.4 billion of additional capital provided by non-controlling interests and \$1.7 billion in incremental corporate issuances completed in 2017. These increases were partially offset by \$0.2 billion of additional distributions paid to unitholders.

### **PARTNERSHIP CAPITAL**

Our partnership's capital structure is comprised of three classes of partnership units: our units, preferred units and general partnership units. Our units entitle the holder to their proportionate share of distributions. Preferred units entitle the holder to cumulative preferential cash distributions in accordance with their terms. General partnership units entitle the holder the right to govern our financial and operating policies. Our partnership controls the Holding LP, which in turn is the indirect shareholder of our operating entities, through a 70.25% managing general partner interest. As of December 31, 2018, Brookfield holds a 29.34% interest in the Holding LP through Redeemable Partnership Units and an additional 0.41% interest in the Holding LP through Special General Partner Units. The Redeemable Partnership Units, at the request of the holder, require the Holding LP to redeem all or a portion of the holder's units for cash in an amount equal to the market value of our units multiplied by the number of units to be redeemed. This right is subject to our partnership's right of first refusal which entitles it, at its sole discretion, to elect to acquire any Redeemable Partnership Unit so presented to the Holding LP in exchange for one of our partnership's units (subject to certain customary adjustments). Both the units issued by our partnership and the Redeemable Partnership Units issued by the Holding LP have the same economic attributes in all respects, except for the redemption right described above. The Redeemable Partnership Units participate in earnings and distributions on a per unit basis equivalent to the per unit participation of the units of our partnership. Our partnership reflects the Redeemable Partnership Units issued to Brookfield by the Holding LP as a separate component of non-controlling interest, within consolidated equity, as Brookfield Infrastructure can, at its sole discretion, elect to satisfy a redemption request by Brookfield of the Redeemable Partnership Units by issuing an equal number of units. Based on the number of units outstanding as of December 31, 2018, Brookfield's aggregate limited partnership interest in our partnership is approximately 29.5% assuming the exchange of all the Redeemable Partnership Units.

In addition, Exchange LP, a subsidiary of our partnership, issued Exchange LP Units in connection with the privatization of Enercare Inc. in October 2018. Exchange LP Units provide holders with economic terms that are substantially equivalent to those of our units and are exchangeable, on a one-for-one basis, for our units.

Brookfield's 0.41% interest in the Holding LP through Special General Partner Units entitles it to incentive distribution rights which are based on the amount by which quarterly distributions on the Holding LP's units (other than Holding LP Class A Preferred Units) exceed specified target levels. To the extent distributions on the Holding LP's units (other than Holding LP Class A Preferred Units) exceed \$0.203 per quarter, the incentive distribution rights entitle Infrastructure Special LP to 15% of incremental distributions above this threshold. To the extent that distributions on the Holding LP's units (other than Holding LP Class A Preferred Units) exceed \$0.22 per quarter, the incentive distribution rights entitle Infrastructure Special LP to 25% of incremental distributions above this threshold. During the year ended December 31, 2018, the Holding LP paid incentive distributions of \$136 million (2017: \$113 million, 2016: \$80 million). Infrastructure Special LP may elect to reinvest any of the incentive distributions from its Special General Partner Units in additional Redeemable Partnership Units.

On November 7, 2018, we announced that we renewed our normal course issuer bid for outstanding units and our Class A Preferred Units. Under the normal course issuer bid, the board of directors of our General Partner authorized us to repurchase up to 5% of the issued and outstanding units, or 13,843,928 units, and up to 10% of the public float of each series of the Class A Preferred Units that were issued and outstanding. Repurchases were authorized to commence on November 12, 2018 and will terminate on November 11, 2019, or earlier should we complete our repurchases prior to such date. All purchases will be made through the facilities of the TSX or the NYSE, and all units and Class A Preferred Units acquired under the normal course issuer bid will be cancelled. Please refer to Item 16.E "Purchases of equity securities by the issuer and affiliated purchaser" for details of repurchases completed during the year.

In September 2017, we issued approximately 16.6 million units at \$42 per unit in public offerings in the United States and Canada. In total, \$700 million of gross proceeds were raised through the issuance and \$28 million in equity issuance costs were incurred. Concurrently, we issued 7.4 million Redeemable Partnership Units at the public offering price, net of commissions, to Brookfield in a private placement for additional proceeds of \$300 million. After giving effect to the public offering and concurrent private placement to Brookfield, our partnership's ownership interest in the Holding LP decreased slightly without resulting in a loss of control. The difference between the proportionate amount by which the non-controlling interest in Holding LP was increased and the proceeds of the Redeemable Partnership Unit offering resulted in a gain of \$6 million that was recognized directly in equity.

On September 14, 2016, we completed a three-for-two split of our units by way of a subdivision of units, whereby unitholders received an additional one-half of a unit for each unit held, resulting in the issuance of approximately 115 million additional units. Any fractional units otherwise issuable to registered holders as a result of the Unit Split were rounded up to the nearest whole unit. Our preferred units were not affected by the Unit Split. The Managing General Partner Units, Special General Partner Units and Redeemable Partnership Units of the Holding LP were concurrently split to reflect the Unit Split. All historical per unit disclosures have been adjusted to effect for the change in units due to the Unit Split.

Our partnership has established a distribution reinvestment plan ("Plan"), that allows eligible holders of our units to purchase additional units by reinvesting their cash distributions. Under the Plan, units are acquired at a price per unit calculated by reference to the volume weighted average of the trading price for our units on the NYSE for the five trading days immediately preceding the relevant distribution date. During the period, our partnership issued 369,826 units (2017: 494,855 units).

The total number of partnership units in the Holding LP outstanding was comprised of the following:

	As of	
	December 31, 2018	December 31, 2017
Redeemable Partnership Units, held by Brookfield .....	<b>115,824,992</b>	115,824,992
Special General Partner Units .....	<b>1,600,410</b>	1,600,410
Managing General Partner Units .....	<b>277,347,890</b>	276,572,900
Total .....	<b>394,773,292</b>	393,998,302

During 2018 and 2017, our outstanding issued Redeemable Partnership Units changed as follows:

<u>MILLIONS, EXCEPT UNIT INFORMATION</u>	2018		2017	
	Book Value	Units	Book Value	Units
Outstanding at beginning of year .....	\$ 2,078	115,824,992	\$ 1,778	108,401,992
Units issued .....	—	—	300	7,423,000
Outstanding at end of year .....	<b>\$ 2,078</b>	<b>115,824,992</b>	<b>\$ 2,078</b>	<b>115,824,992</b>

During 2018 and 2017, our outstanding issued Special General Partner Units changed as follows:

<u>MILLIONS, EXCEPT UNIT INFORMATION</u>	2018		2017	
	Book Value	Units	Book Value	Units
Outstanding at beginning of year .....	\$ 19	1,600,410	\$ 19	1,600,410
Outstanding at end of year .....	<b>\$ 19</b>	<b>1,600,410</b>	<b>\$ 19</b>	<b>1,600,410</b>

During 2018 and 2017, our outstanding issued Managing General Partner Units changed as follows:

<u>MILLIONS, EXCEPT UNIT INFORMATION</u>	2018		2017	
	Book Value	Units	Book Value	Units
Outstanding at beginning of year .....	\$ 4,907	276,572,900	\$ 4,215	259,450,045
Units issued .....	34	1,637,770	692	17,122,855
Units repurchased and cancelled .....	(30)	(862,780)	—	—
Outstanding at end of year .....	<b>\$ 4,911</b>	<b>277,347,890</b>	<b>\$ 4,907</b>	<b>276,572,900</b>

During 2018 and 2017, our outstanding issued Exchange LP Units changed as follows:

<u>MILLIONS, EXCEPT UNIT INFORMATION</u>	2018		2017	
	Book Value	Units	Book Value	Units
Outstanding at beginning of year .....	\$ —	—	\$ —	—
Units issued .....	232	5,726,170	—	—
Units exchanged .....	(20)	(1,267,944)	—	—
Outstanding at end of year .....	<b>\$ 212</b>	<b>4,458,226</b>	<b>\$ —</b>	<b>—</b>

The total number of preferred partnership units in the Holding LP outstanding was comprised of the following:

	As of	
	December 31, 2018	December 31, 2017
Holding LP Series 1 Preferred Units	4,992,806	5,000,000
Holding LP Series 3 Preferred Units	4,994,852	5,000,000
Holding LP Series 5 Preferred Units	9,994,056	10,000,000
Holding LP Series 7 Preferred Units	11,990,405	12,000,000
Holding LP Series 9 Preferred Units	7,993,758	—
Holding LP Series 11 Preferred Units	9,964,100	—
Total	49,929,977	32,000,000

Our preferred units were not affected by the Unit Split.

During 2018 and 2017, our outstanding issued Preferred Units changed as follows:

MILLIONS, EXCEPT UNIT INFORMATION	2018		2017	
	Book Value	Units	Book Value	Units
Outstanding at beginning of year	\$ 595	32,000,000	\$ 375	20,000,000
Units issued	342	18,000,000	220	12,000,000
Units repurchased and cancelled	(1)	(70,023)	—	—
Outstanding at end of year	\$ 936	49,929,977	\$ 595	32,000,000

In September 2018, our Limited Partnership Agreement was amended to create the Series 11 Preferred Units and Series 12 Preferred Units. The limited partnership agreement of the Holding LP was also amended in September 2018 to create the Holding LP Series 11 Preferred Units and Holding LP Series 12 Preferred Units with terms substantially mirroring the Series 11 Preferred Units and Series 12 Preferred Units, respectively. Our Partnership issued 10 million Series 11 Preferred Units at an offering price of C\$25 per Series 11 Preferred Unit under its shelf registration in Canada and acquired 10 million Holding LP Series 12 Preferred Units at the offering price.

In January 2018, our Limited Partnership Agreement was amended to create the Series 9 Preferred Units and Series 10 Preferred Units. The limited partnership agreement of the Holding LP was also amended in January 2018 to create the Holding LP Series 9 Preferred Units and Holding LP Series 10 Preferred Units with terms substantially mirroring the Series 9 Preferred Units and Series 10 Preferred Units, respectively. Our Partnership issued 8 million Series 9 Preferred Units at an offering price of C\$25 per Series 9 Preferred Unit under its shelf registration in Canada and acquired 8 million Holding LP Series 10 Preferred Units at the offering price.

## 5.C RESEARCH AND DEVELOPMENT

Not applicable.

## 5.D TREND INFORMATION

We seek to increase the cash flows from our operations through acquisitions and organic growth opportunities as described below. In particular, we focus on consortiums and partnerships where Brookfield has sufficient influence or control to deploy our operations oriented approach and Brookfield has a strong track record of leading such transactions, which provides the opportunity to expand cash flows through acquisitions. In addition, we have a substantial capital backlog to be commissioned in the next two to three years and we believe that notwithstanding increasing political uncertainty, most of our markets have favorable outlooks, which we believe provides an opportunity for increased organic growth in cash flows. Our beliefs as to the opportunities for our partnership to increase cash flows through acquisitions and organic growth are based on assumptions about our business and markets that management believes are reasonable in the circumstances. There can be no assurance as to growth in or cash flows, or capital deployed for acquisitions or organic growth. See page 4, “Forward-Looking Statements”.

We believe our global scale and best-in-class operating groups provide us with a unique competitive advantage as we are able to efficiently allocate capital around the world toward those sectors and geographies where we see the greatest returns. We actively recycle assets on our balance sheet as they mature and reinvest the proceeds into higher yielding investment strategies, further enhancing returns.

Below are trends that we anticipate will generate meaningful investment opportunities for our business:

- **Data infrastructure** - Data is the fastest growing commodity in the world, with global usage expected to grow exponentially for the foreseeable future. This growth is driving the need for massive investment in the networks that transmit and store data. We have already begun making investments in data highways, namely fiber-to-the-home networks, telecom towers, and data centers, and are pursuing additional opportunities in the sector.
- **Midstream energy** - Midstream energy assets are strategically located, difficult to replicate and have a strong contracted cash flow profile. Their scarcity value is supported by the fact that they are often the only connections between supply and demand centers. In addition, with the emergence of new resources and growing demand, there is a large funding gap of infrastructure build-out, making these assets primed to benefit from future growth.

Over the years, our partnership has evolved in terms of the scale of our business, and the growth and maturity profiles of our assets. We have also taken strides to re-position our funding strategy, allowing us to become more self-reliant in funding our growth. We have accomplished this by executing well on our asset rotation strategy, which is an integral component of our full cycle investment plan.

In allocating every dollar of FFO, we typically invest about 15-20% to satisfy maintenance capex obligations, with another 15-20% going into smaller, recurring growth projects, and the remaining 60-70% being utilized for distributions to unitholders. The primary source of funding for new investment activities and large-scale expansions will continue to be asset sales, with capital market issuances available to fund outsized growth opportunities.

Capital recycling has been a critical component of our full-cycle investment strategy and is important to our business for the following reasons:

- **Key value creation lever** - most infrastructure assets reach a maturity point, where the pace of capital appreciation or same-store growth levels out. Capital appreciation is maximized in periods where there are operational improvements, increased capacity utilization and capital expansion. Absent these factors, we would generally consider these assets to have mature income streams. At this point we will look to sell them at attractive returns and redeploy the proceeds into new income streams that will earn our 12-15% target returns. This was the case with our Chilean electricity transmission business, which we sold for \$1.3 billion. Essentially, we exchanged an asset generating a 7% FFO yield for newly acquired utilities, data infrastructure and energy businesses that we expect to provide an 11% FFO yield on an annualized basis.
- **Alternative source of capital** - we sometimes issue equity to fund growth, however capital markets are not always available and thus capital recycling becomes an important alternative source of funding. We believe that capital recycling allows us to be more strategic and focus on selling bond-like businesses at a very low discount rate, while potentially increasing returns to unitholders by avoiding dilution on our high-growth businesses.
- **Institutes capital discipline** - to us, it is imperative that businesses are sold to maximize proceeds, not when cash is needed as selling under duress almost never optimizes value. While our approach may result in periods where we have substantial liquidity that results in a short-term drag on results, as long-term investors, we believe it is the best way to create value over the long run.

The current outlook for Brookfield Infrastructure is favorable. We are operating in a global economy that is experiencing strong growth and there is an exceptional need for capital to fund investment projects. We are utilizing our competitive strength of size, global footprint, operating capabilities and access to capital to execute on accretive projects. We believe there are opportunities to buy for value in both developed and emerging economies.

Our primary focus for the upcoming year is to advance our pipeline of transactions that are well progressed. We also remain focused on the integration plans at our recently acquired businesses and executing on our organic capital project initiatives.

## **5.E OFF-BALANCE SHEET ARRANGEMENTS**

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

We, on behalf of our subsidiaries, provide letters of credit, which include, but are not limited to, guarantees for debt service reserves, capital reserves, construction completion and performance. As at December 31, 2018, letters of credit issued by our subsidiaries amounted to \$47 million (December 31, 2017: \$106 million).

In the normal course of operations, we execute agreements that provide for indemnification and guarantees to third parties in transactions such as business dispositions and acquisitions, construction projects, capital projects, and sales and purchases of assets and services. We have also agreed to indemnify our directors and certain of our officers and employees. The nature of substantially all of the indemnification undertakings prevents us from making a reasonable estimate of the maximum potential amount that we could be required to pay third parties, as many of the agreements do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, we have made no significant payments under such indemnification agreements.

## 5.F TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The table below outlines Brookfield Infrastructure's contractual obligations as at December 31, 2018:

December 31, 2018 US\$ MILLIONS	Less than 1 year	1-2 years	2-3 years	3-5 years	5+ years	Total contractual cash flows
Accounts payable and other liabilities . . . .	\$ 1,048	\$ 48	16	\$ 20	\$ 220	\$ 1,352
Corporate borrowing . . . . .	—	—	275	330	1,388	1,993
Non-recourse borrowing . . . . .	995	794	835	4,292	6,290	13,206
Financial liabilities . . . . .	124	26	38	999	93	1,280
<b>Interest Expense:</b>						
Corporate borrowing . . . . .	67	66	60	118	75	386
Non-recourse borrowing . . . . .	595	542	510	887	1,771	4,305

In addition, pursuant to the Master Services Agreement, on a quarterly basis we pay a base management fee to Brookfield equal to 0.3125% (1.25% annually) of the market value of our partnership plus net recourse debt. This fee is estimated to be approximately \$204 million per year based on the December 31, 2018 market capitalization of our partnership plus preferred units and recourse corporate net debt.

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

## 5.G SAFE HARBOR

See "Forward-Looking Statements" in the forepart of this Form 20-F.

## ITEM 6. DIRECTORS AND SENIOR MANAGEMENT

### 6.A DIRECTORS AND SENIOR MANAGEMENT

#### Board of Directors of our General Partner

As required by law, our limited partnership agreement provides for the management and control of our partnership by a general partner rather than a board of directors and officers. Our General Partner serves as our partnership's general partner and has a board of directors. Our General Partner has sole responsibility and authority for the central management and control of our partnership, which is exercised through its board of directors in Bermuda.



The following table presents certain information concerning the current board of directors of our General Partner as of the date of this annual report on Form 20-F:

<b>Name and Municipality of Residence<sup>(1)</sup></b>	<b>Age</b>	<b>Position</b>	<b>Principal Occupation</b>
Derek Pannell <sup>(2)(3)</sup> Saint John, Canada .....	72	Chair	Director
Jeffrey Blidner Toronto, Canada .....	70	Director	Vice Chairman of Brookfield Asset Management
William Cox <sup>(2)</sup> Pembroke, Bermuda .....	56	Director	Business Executive
John Fees Lynchburg, Virginia .....	61	Director	Non-Executive Chairman of BWXT
Arthur Jacobson, Jr. <sup>(2)</sup> Malibu, California .....	56	Director	Director
John Mullen Sydney, Australia .....	63	Director	Director, Chairman of Telstra Corporation Limited
Anne Schaumburg <sup>(3)</sup> Short Hills, New Jersey .....	69	Director	Director
Danesh Varma <sup>(3)</sup> Kingston-Upon-Thames, England .....	69	Director	Chief Financial Officer and Director

(1) The business address for each of the directors is 73 Front Street, Hamilton, HM 12, Bermuda.

(2) Member of the nominating and governance committee. Arthur Jacobson is the chair of the nominating and governance committee.

(3) Member of the audit committee. Anne Schaumburg is the chair of the audit committee. Danesh Varma is our audit committee financial expert.

**Derek Pannell.** Derek has served as a director of our General Partner since June 15, 2007. Until April 2010, he was a Managing Partner of Brookfield Asset Management and prior to this he was the Chief Executive Officer of Noranda Inc. and Falconbridge Limited from June 2002 to October 2006. He also served as the President and Chief Operating Officer for Noranda Inc. between September 2001 and June 2002. Derek is a metallurgical engineer with over 42 years of experience in the mining and metals industry. He is former Chair of the Mining Association of Canada and board member of the International Council on Mining and Metals. Derek was a board member of Teck Resources Inc. until April 1, 2010 and African Barrick Gold until April 2013 and currently serves as the Chairman of Nutrien Ltd, which was formed in January 2018 following the merger of Potash Corp and Agrium Inc, of which he was a Director from 2007. Derek is a professional engineer registered in Quebec and Peru and is an Associate of the Royal School of Mines and a Fellow of the Canadian Academy of Engineers. Derek holds a Bachelor of Science degree from Imperial College in London, England.

**Jeffrey Blidner.** Jeffrey is a Vice Chairman of Brookfield Asset Management and is responsible for Brookfield's private client business. Jeffrey is Chief Executive Officer of Brookfield's Private Funds Group, Chairman of Brookfield Renewable Partners and Chairman of Brookfield Business Partners. He also serves as a Director of Brookfield Asset Management, Brookfield Infrastructure Partners and Canary Wharf. Prior to joining Brookfield in 2000, Jeffrey was a senior partner at a Canadian law firm. Jeffrey's practice focused on merchant banking transactions, public offerings, mergers and acquisitions, management buy-outs and private equity transactions. Jeffrey received his LLB from Osgoode Hall Law School and was called to the Bar in Ontario as a Gold Medalist.

**William Cox.** William joined as a director of our General Partners on November 3, 2016. He is the President and Chairman of Waterloo Properties in Bermuda; a fifth generation family owned business which operates real estate and retail investment companies in Bermuda. He has developed large scale, commercial projects in Bermuda and operates a successful group of retail operations. Will graduated from Saltus Grammar School, where he served as Chairman of the Board of Trustees and completed his education at Lynchburg College in Virginia.

**John Fees.** John joined as a director of our General Partner on April 22, 2013. He is the Non-Executive Chairman of BWXT, having assumed this role after completing the spin-off of The Babcock & Wilcox Enterprises to its shareholders. John is a 39 year industry veteran of McDermott International and its derivative companies, having started his career in 1979 in The Babcock & Wilcox Company. While CEO of McDermott International, the Babcock & Wilcox parent, John led the company and board through the process of the spin-off and established McDermott International and The Babcock & Wilcox Company as two independent, public companies. John also led the Babcock & Wilcox board through the spin-off of its power generation business into a new company, carrying the Babcock & Wilcox name, with the remaining company being renamed BWXT. John holds a Masters of Engineering Administration from George Washington University and a Bachelor of Science, Industrial Engineering, from the University of Pittsburgh

**Arthur Jacobson, Jr.** Arthur has served as a director of our General Partner since November 27, 2007. He is a former Managing Director of Spear, Leeds Kellogg Specialists LLC (a division of Goldman Sachs Group Inc.) from 2001 to 2004. He was a partner of Benjamin Jacobson and Sons, LLC from 1987 to 2001. He was also a specialist on the NYSE for 16 years, from 1988 to 2004. Prior to that he was an account executive at Drexel Burnham Lambert Inc. from 1985 to 1987. Arthur holds a degree in business administration from the University of Southern California.

**John Mullen.** John is a professional director and has extensive international transportation and logistics experience with more than two decades in senior positions with multinationals including most recently as Managing Director and Chief Executive Officer of Asciano Ltd from 2011 to 2016. His experience includes 10 years with the TNT Group - two years of those as its Chief Operating Officer. From 1991 to 1994, he held the position of Chief Executive Officer of TNT Express Worldwide. John joined Deutsche Post DHL Group in 1994, becoming Chief Executive Officer of DHL Express Asia Pacific in 2002 and joint Chief Executive Officer, DHL Express in 2005. He was then Global Chief Executive Officer, DHL Express, from 2006 to 2009. John has been a non-executive Director of Telstra, an Australian telecommunications and media company, since July 2008, and is currently Chairman of Telstra and of Toll Group, a transport and logistics company owned by Japan Post. John holds a Bachelor of Science degree from the University of Surrey in the U.K., is also a member of the Australian Graduate School of Management and a Councillor of the Australian National Maritime Museum.

**Anne Schaumburg.** Anne has served as a director of our Managing General Partner since November 3, 2008. She has been a member of the board of directors of NRG Energy, Inc., a power generation company listed on NYSE, since 2005. From 1984 until her retirement in 2002, Anne was a Managing Director and senior banker in the Global Energy Group of Credit Suisse First Boston. Anne has worked in the investment banking industry for 28 years specializing in the power sector. Anne ran Credit Suisse's Power Group from 1994 - 1999, prior to its consolidation with Natural Resources and Project Finance, where she was responsible for assisting clients on advisory and finance assignments. Her transaction expertise, across the spectrum of utility and unregulated power, includes mergers and acquisitions, debt and equity capital market financings, project finance and leasing, utility disaggregation and privatizations. Anne is a graduate of the City University of New York.

**Danesh Varma.** Danesh has served as a director of our General Partner since June 15, 2007. He is the Chief Financial Officer and a director of Anglesey Mining PLC, and Conquest Resources Limited. He joined Conquest Resources Limited in 2006, and Anglesey Mining PLC in 2014. In addition to the above, Danesh joined Xterra Inc as their Chief Financial Officer in 2008. From 1999 to 2005, Danesh was a director at Dundee B Corp. Ltd. Prior to that, Danesh held a number of senior positions in the banking, corporate finance and accounting fields. Danesh holds a degree from Delhi University and is a Chartered Professional Accountant.

### **Additional Information About Directors and Officers**

Until February 2011, Chief Executive Officer of the Service Provider, Mr. Sam Pollock was a director of Fraser Papers Inc. (“Fraser Papers”) an integrated specialty paper company that produces a broad range of specialty packaging and printing papers. On June 28, 2009, Fraser Papers and its subsidiaries filed for creditor protection under the Companies Creditors Arrangement Act (“CCAA”) in Canada and Chapter 15 of the U.S. Bankruptcy Code. In February 2011, the Ontario and Delaware courts overseeing these proceedings issued orders enabling the implementation of an amended plan of arrangement and compromise previously approved by Fraser Papers’ creditors, which was completed in May 2011.

### **Our Management**

Our General Partner does not have any employees. Instead, members of Brookfield’s senior management and other individuals from Brookfield Asset Management’s global affiliates are drawn upon to fulfill the Service Provider’s obligations to provide us with management services under our Master Services Agreement. Brookfield currently has approximately 100,000 operating employees and over 750 investment professionals, worldwide. The following table presents certain information concerning the core senior management team that is principally responsible for our operations and their positions with the Service Provider as of the date of this annual report on Form 20-F:

<b>Name</b>	<b>Age</b>	<b>Years of Experience in relevant industry or role</b>	<b>Years at Brookfield</b>	<b>Current Position with the Service Provider</b>
Sam Pollock .....	52	29	24	Chief Executive Officer
Bahir Manios .....	40	17	14	Chief Financial Officer
Ben Vaughan .....	47	21	18	Chief Operating Officer
Brian Baker .....	48	22	12	Chief Investment Officer & Head of Transport and Energy
Jonathan Kelly .....	36	14	12	Chief Investment Officer & Head of Utilities and Data infrastructure

Each of the members of this team has substantial deal origination and execution expertise, having put together numerous consortiums, partnerships and joint ventures for large complex transactions. Members of this team have also been integral in building and developing Brookfield's utilities, transport, energy and data infrastructure operations. Set forth below is biographical information for Messrs. Pollock, Manios, Vaughan, Baker and Kelly:

**Sam Pollock.** Sam is a Senior Managing Partner of Brookfield Asset Management and Chief Executive Officer of the Service Provider. Sam has also been a director of TWC Enterprises since 2008. Since 2006, Sam has led Brookfield's expansion into the infrastructure sector and is responsible for the formulation and execution of the operating and investment strategy for Brookfield's infrastructure business. Sam joined Brookfield Asset Management in 1994 and, prior to his current role, was broadly responsible for Brookfield's investment initiatives acting as Brookfield Asset Management's Chief Investment Officer. Sam is a Chartered Professional Accountant and holds a business degree from Queen's University.

**Bahir Manios.** Bahir is a Managing Partner of Brookfield Asset Management and the Chief Financial Officer of the Service Provider, where he has overall responsibility for corporate finance, reporting, tax, treasury and investor relations activities. Bahir joined Brookfield in 2004 and began his career at one of the big-four accounting firms, where he worked in the assurance and business advisory practice. A graduate of the School of Business and Economics at Wilfrid Laurier University, he is a member of the Canadian Institute of Chartered Accountants.

**Ben Vaughan.** Ben is a Senior Managing Partner of Brookfield Asset Management and Chief Operating Officer of the Service Provider. Since joining Brookfield in 2001, Ben has helped achieve a track record of driving value in its portfolio companies through growth initiatives, increasing cash flows and mitigating risks. Prior to his current role, Ben held a series of executive positions within Brookfield's Renewable Group, helping grow the business through organic development projects and building a scalable commercial and operating platform. In addition to his role in the renewable power business, Ben has lived in Brazil and played a key role in Brookfield's investment activities across South America. Ben holds a Bachelor of Commerce degree from Queen's University in Canada and is a Chartered Professional Accountant. He currently serves on several public and private portfolio company boards.

**Brian Baker.** Brian is a Managing Partner of Brookfield Asset Management and the Chief Investment Officer for Energy and Transport of the Service Provider. In this role, Brian is responsible for evaluating investment opportunities, including the oversight and investment strategy within the energy and transportation segments. Brian joined Brookfield in 2007 after spending four years as Vice President and Chief Financial Officer for several oil and gas production companies in Western Canada. He was previously a Partner with Collins Barrow Chartered Accountants, where he focused on advisory work in the oil and gas sector. Brian holds a Bachelor of Commerce degree from the University of Calgary and is a Chartered Professional Accountant.

**Jonathan Kelly.** Jonathan is a Managing Partner of Brookfield Asset Management, Chief Investment Officer for Utilities and Data Infrastructure of the Service Provider and Head of Europe for Brookfield Infrastructure. In this role, Jonathan is responsible for originating, evaluating and structuring investments and financings globally. Since joining Brookfield in 2007, he has held a number of roles across the organization in the Sydney, Toronto and London offices. Jonathan previously worked at a leading Canadian investment bank. Jonathan holds a Bachelor of Commerce degree, with honors, from Queen's University.

See also information contained in this annual report on Form 20-F under Item 6.C "Board Practices," Item 3.D "Risk Factors—Risks Relating to our Relationship with Brookfield," Item 6.A "Directors and Senior Management" and Item 7.B "Related Party Transactions."

## **Our Master Services Agreement**

The Service Recipients have entered into a Master Services Agreement pursuant to which the Service Provider has agreed to provide or arrange for other service providers to provide management and administration services to our partnership and the other Service Recipients. The operating entities are not a party to the Master Services Agreement.

The following is a summary of certain provisions of our Master Services Agreement and is qualified in its entirety by reference to all of the provisions of the agreement. Because this description is only a summary of the Master Services Agreement, it does not necessarily contain all of the information that you may find useful. We therefore urge you to review the Master Services Agreement in its entirety. Our Master Services Agreement is available electronically on the website of the SEC at [www.sec.gov](http://www.sec.gov) and is available to our unitholders and preferred unitholders as described under Item 10.C “Material Contracts” and Item 10.H “Documents on Display.”

## **Appointment of the Service Provider and Services Rendered**

Under our Master Services Agreement, the Service Recipients have appointed the Service Provider, as the service provider, to provide the following services, or arrange for their provision by an appropriate service provider:

- causing or supervising the carrying out of all day-to-day management, secretarial, accounting, banking, treasury, administrative, liaison, representative, regulatory and reporting functions and obligations;
- establishing and maintaining or supervising the establishment and maintenance of books and records;
- identifying, evaluating and recommending to the Service Recipients acquisitions or dispositions from time-to-time and, where requested to do so, assisting in negotiating the terms of such acquisitions or dispositions;
- recommending and, where requested to do so, assisting in the raising of funds whether by way of debt, equity or otherwise, including the preparation, review or distribution of any prospectus or offering memorandum in respect thereof and assisting with communications support in connection therewith;
- recommending to the Service Recipients suitable candidates to serve on the boards of directors or their equivalents of the operating entities;
- making recommendations with respect to the exercise of any voting rights to which the Service Recipients are entitled in respect of the operating entities;
- making recommendations with respect to the payment of dividends or other distributions by the Service Recipients, including distributions by our partnership to our unitholders;
- monitoring and/or oversight of the applicable Service Recipient’s accountants, legal counsel and other accounting, financial or legal advisors and technical, commercial, marketing and other independent experts, and managing litigation in which a Service Recipient is sued or commencing litigation after consulting with, and subject to the approval of, the relevant board of directors or its equivalent;

- attending to all matters necessary for any reorganization, bankruptcy proceedings, dissolution or winding up of a Service Recipient, subject to approval by the relevant board of directors or its equivalent;
- supervising the timely calculation and payment of taxes payable, and the filing of all tax returns due, by each Service Recipient;
- causing the Service Recipients' annual consolidated financial statements and quarterly interim financial statements to be: (i) prepared in accordance with generally accepted accounting principles or other applicable accounting principles for review and audit at least to such extent and with such frequency as may be required by law or regulation; and (ii) submitted to the relevant board of directors or its equivalent for its prior approval;
- making recommendations in relation to and effecting the entry into insurance of each Service Recipient's assets, together with other insurances against other risks, including directors and officers insurance as the relevant service provider and the relevant board of directors or its equivalent may from time to time agree;
- arranging for individuals to carry out the functions of principal executive, accounting and financial officers for our partnership only for purposes of applicable securities laws;
- providing individuals to act as senior officers of Service Recipients as agreed from time-to-time, subject to the approval of the relevant board of directors or its equivalent;
- advising the Service Recipients regarding the maintenance of compliance with applicable laws and other obligations; and
- providing all such other services as may from time-to-time be agreed with the Service Recipients that are reasonably related to the Service Recipient's day-to-day operations.

Notwithstanding the foregoing all investment advisory services (as defined in the Master Services Agreement) must be provided solely to the Holding LP.

The Service Provider's activities are subject to the supervision of the board of directors or equivalent governing body of our General Partner and of each of the other Service Recipients, as applicable. The relevant governing body remains responsible for all investment and divestment decisions made by the Service Recipient.

Any Service Provider may, from time to time, appoint an affiliate of Brookfield to act as a new Service Provider under our Master Services Agreement, effective upon the execution of a joinder agreement by the new Service Provider.

### **Management Fee**

Pursuant to the Master Services Agreement, on a quarterly basis, we pay a base management fee, to the Service Provider equal to 0.3125% (1.25% annually) of the market value of our partnership. For purposes of calculating the base management fee, the market value of our partnership is equal to the aggregate value of all our outstanding units (assuming full conversion of Brookfield's limited partnership interests in Brookfield Infrastructure into units), preferred units and securities of the other Service Recipients (including the Exchange LP Units) that are not held by Brookfield Infrastructure, plus all outstanding third party debt with recourse to a Service Recipient, less all cash held by such entities.

The table below sets forth the management fees for the years ended December 31, 2018, 2017 and 2016, respectively.

<u>US\$ MILLIONS</u>	<u>For the year ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Base management fee .....	\$ 214	\$ 230	\$ 158

To the extent that under any other arrangement we are obligated to pay a base management fee (directly or indirectly through an equivalent arrangement) to the Service Provider (or any affiliate) on a portion of our capital that is comparable to the base management fee, the base management fee payable for each quarter in respect thereof will be reduced on a dollar for dollar basis by our proportionate share of the comparable base management fee (or equivalent amount) under such other arrangement for that quarter. For example, in conjunction with the consortium arrangements in respect of our South American electricity transmission operations, we pay to Brookfield our pro rata share of base management fees paid by the consortium. Pursuant to the Master Services Agreement, the base management fees paid pursuant to the consortium arrangements are creditable against the management fee payable under the Master Services Agreement. The base management fee will not be reduced by the amount of any incentive distribution payable by any Service Recipient or operating entity to the Service Provider (or any other affiliate) (for which there is a separate credit mechanism under the Holding LP's limited partnership agreement), or any other fees that are payable by any operating entity to Brookfield for financial advisory, operations and maintenance, development, operations management and other services. See Item 7.B "Related Party Transactions—Other Services" and Item 7.B "Related Party Transactions—Incentive Distributions."

### **Reimbursement of Expenses and Certain Taxes**

We also reimburse the Service Provider for any out-of-pocket fees, costs and expenses incurred in the provision of the management and administration services. However, the Service Recipients are not required to reimburse the Service Provider for the salaries and other remuneration of its management, personnel or support staff who carry out any services or functions for such Service Recipients or overhead for such persons.

The relevant Service Recipient is required to pay the Service Provider all other out-of-pocket fees, costs and expenses incurred in connection with the provision of the services including those of any third party and to reimburse the Service Provider for any such fees, costs and expenses. Such out-of-pocket fees, costs and expenses include, among other things, (i) fees, costs and expenses relating to any debt or equity financing; (ii) out-of-pocket fees, costs and expenses incurred in connection with the general administration of any Service Recipient; (iii) taxes, licenses and other statutory fees or penalties levied against or in respect of a Service Recipient; (iv) amounts owed under indemnification, contribution or similar arrangements; (v) fees, costs and expenses relating to our financial reporting, regulatory filings and investor relations and the fees, costs and expenses of agents, advisors and other persons who provide services to or on behalf of a Service Recipient; and (vi) any other fees, costs and expenses incurred by the Service Provider that are reasonably necessary for the performance by the Service Provider of its duties and functions under the Master Services Agreement.

In addition, the Service Recipients are required to pay all fees, costs and expenses incurred in connection with the investigation, acquisition, holding or disposal of any acquisition that is made or that is proposed to be made by us. Where the acquisition or proposed acquisition involves a joint acquisition that is made alongside one or more other persons, the Service Provider will be required to allocate such fees, costs and expenses in proportion to the notional amount of the acquisition made (or that would have been made in the case of an unconsummated acquisition) among all joint investors. Such additional fees, expenses and costs represent out-of-pocket costs associated with investment activities that are undertaken pursuant to the Master Services Agreement.

The Service Recipients are also required to pay or reimburse the Service Provider for all sales, use, value added, withholding or other taxes or customs duties or other governmental charges levied or imposed by reason of the Master Services Agreement or any agreement it contemplates, other than income taxes, corporation taxes, capital taxes or other similar taxes payable by the Service Provider, which are personal to the Service Provider.

### **Termination**

The Master Services Agreement has no fixed term. However, the Service Recipients may terminate the Master Services Agreement upon 30 days' prior written notice of termination from our General Partner to the Service Provider if any of the following occurs:

- the Service Provider defaults in the performance or observance of any material term, condition or covenant contained in the agreement in a manner that results in material harm to the Service Recipients and the default continues unremedied for a period of 30 days after written notice of the breach is given to the Service Provider;
- the Service Provider engages in any act of fraud, misappropriation of funds or embezzlement against any Service Recipient that results in material harm to the Service Recipients;
- the Service Provider is grossly negligent in the performance of its duties under the agreement and such negligence results in material harm to the Service Recipients; or
- certain events relating to the bankruptcy or insolvency of the Service Provider.

The Service Recipients have no right to terminate for any other reason, including if the Service Provider or Brookfield experiences a change of control. Our General Partner may only terminate the Master Services Agreement on behalf of our partnership with the prior unanimous approval of our General Partner's independent directors.

Our Master Services Agreement expressly provides that the agreement may not be terminated by our General Partner due solely to the poor performance or the underperformance of any of our operations.

The Service Provider may terminate the Master Services Agreement upon 30 days' prior written notice of termination to our General Partner if any Service Recipient defaults in the performance or observance of any material term, condition or covenant contained in the agreement in a manner that results in material harm and the default continues unremedied for a period of 30 days after written notice of the breach is given to the Service Recipient. The Service Provider may also terminate the Master Services Agreement upon the occurrence of certain events relating to the bankruptcy or insolvency of our partnership.

If the Master Services Agreement is terminated, the Licensing Agreements, the Relationship Agreement and any of Brookfield's obligations under the Relationship Agreement would also terminate. See Item 7.B "Related Party Transactions—Relationship Agreement" and Item 3.D "Risk Factors—Risks Relating to Our Relationship with Brookfield."



## **Indemnification and Limitations on Liability**

Under the Master Services Agreement, the Service Provider has not assumed and will not assume any responsibility other than to provide or arrange for the provision of the services called for thereunder in good faith and will not be responsible for any action that the Service Recipients take in following or declining to follow the advice or recommendations of the Service Provider. The maximum amount of the aggregate liability of the Service Provider or any of its affiliates, or of any director, officer, employee, contractor, agent, advisor or other representative of the Service Provider or any of its affiliates, will be equal to the base management fee previously paid by the Service Recipients in the two most recent calendar years pursuant to the Master Services Agreement. The Service Recipients have also agreed to indemnify each of the Service Provider, Brookfield and their directors, officers, agents, members, partners, shareholders and employees to the fullest extent permitted by law from and against any claims, liabilities, losses, damages, costs or expenses (including legal fees) incurred by an indemnified person or threatened in connection with our respective businesses, investments and activities or in respect of or arising from the Master Services Agreement or the services provided by the Service Provider, except to the extent that the claims, liabilities, losses, damages, costs or expenses are determined to have resulted from the indemnified person's bad faith, fraud or willful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful. In addition, under the Master Services Agreement, to the fullest extent permitted by law, the indemnified persons will not be liable to the Service Recipients except for conduct that involved bad faith, fraud, willful misconduct, gross negligence or in the case of a criminal matter, action that the indemnified person knew to have been unlawful.

## **Outside Activities**

Our Master Services Agreement does not prohibit the Service Provider or its affiliates from pursuing other business activities or providing services to third parties that compete directly or indirectly with us. For a description of related aspects of the relationship between Brookfield and the Service Recipients, see Item 7.B "Related Party Transactions—Relationship Agreement."

## **6.B COMPENSATION**

### **Compensation**

During the year ended December 31, 2018, our General Partner paid each of its directors \$100,000 per year for serving on its board of directors and various board committees. Our General Partner during the year ended December 31, 2018 paid the chairperson of the board of directors \$150,000 per year for serving as chairperson of its board of directors. Also during the year ended December 31, 2018 an additional amount of \$20,000 was paid to the chairperson of the audit committee, making the audit committee chairperson's total remuneration for the 2018 fiscal year \$120,000.

Our General Partner does not have any employees. Our partnership has entered into a Master Services Agreement with the Service Provider pursuant to which the Service Provider provides or arranges for other service providers to provide day-to-day management and administrative services for our partnership and the other Service Recipients. The fees payable under the Master Service Agreement are set forth under Item 6.A "Directors and Senior Management—Our Master Services Agreement—Management Fee." In addition, Brookfield is entitled to receive incentive distributions from the Holding LP described under Item 7.B "Related Party Transactions—Incentive Distributions."

Pursuant to the Master Service Agreement, members of Brookfield's senior management and other individuals from Brookfield's global affiliates are drawn upon to fulfill obligations under the Master Service Agreement. However, these individuals, including the Brookfield employees identified in the table under Item 6.A "Directors and Senior Management—Our Management," are not compensated by our partnership or our General Partner. Instead, they will continue to be compensated by Brookfield.

## **6.C BOARD PRACTICES**

### **Board Structure, Practices and Committees**

The structure, practices and committees of our General Partner's board of directors, including matters relating to the size, independence and composition of the board of directors, the election and removal of directors, requirements relating to board action and the powers delegated to board committees, are governed by our General Partner's Bye-laws. Our General Partner's board of directors is responsible for exercising the management, control, power and authority of the General Partner except as required by applicable law or the Bye-laws of the General Partner. The following is a summary of certain provisions of those Bye-laws that affect our partnership's governance.

### **Size, Independence and Composition of the Board of Directors**

Our General Partner's board of directors is currently set at eight directors. The board may consist of between three and 11 directors or such other number of directors as may be determined from time-to-time by a resolution of our General Partner's shareholders and subject to its Bye-laws. At least three directors and at least a majority of the directors holding office must be independent of our General Partner and Brookfield, as determined by the full board of directors using the standards for independence established by the NYSE.

If the death, resignation or removal of an independent director results in the board of directors consisting of less than a majority of independent directors, the vacancy must be filled promptly. Pending the filling of such vacancy, the board of directors may temporarily consist of less than a majority of independent directors and those directors who do not meet the standards for independence may continue to hold office. In addition, our General Partner's Bye-laws provide that not more than 50% of the directors (as a group) or the independent directors (as a group) may be residents of any one jurisdiction (other than Bermuda and any other jurisdiction designated by the board of directors from time to time).

### **Election and Removal of Directors**

Our General Partner's board of directors was appointed by its shareholder and each of its current directors will serve until the close of the next annual meeting of shareholders of our General Partner or his or her death, resignation or removal from office, whichever occurs first. Vacancies on the board of directors may be filled and additional directors may be added by a resolution of our General Partner's shareholders or a vote of the directors then in office. A director may be removed from office by a resolution duly passed by our General Partner's shareholders or, if the director has been absent without leave from three consecutive meetings of the board of directors, by a written resolution requesting resignation signed by all other directors then holding office. A director will be automatically removed from the board of directors if he or she becomes bankrupt, insolvent or suspends payments to his or her creditors or becomes prohibited by law from acting as a director.

### **Action by the Board of Directors**

Our General Partner's board of directors may take action in a duly convened meeting at which a quorum is present or by a written resolution signed by all directors then holding office. Our General Partners' board of directors holds a minimum of four meetings per year. When action is to be taken at a meeting of the board of directors, the affirmative vote of a majority of the votes cast is required for any action to be taken.

## **Transactions Requiring Approval by Independent Directors**

Our General Partner's independent directors have approved a conflicts protocol which addresses the approval and other requirements for transactions in which there is greater potential for a conflict of interest to arise. These transactions include:

- the dissolution of our partnership;
- any material amendment to the Master Services Agreement, the Relationship Agreement, our Limited Partnership Agreement or the Holding LP's limited partnership agreement;
- any material service agreement or other arrangement pursuant to which Brookfield will be paid a fee, or other consideration other than any agreement or arrangement contemplated by the Master Services Agreement;
- acquisitions by us from, and dispositions by us to, Brookfield;
- determinations regarding the payment of fees under the Master Services Agreement in units of our partnership or the Holding LP or the deferral of incentive distributions under the Holding LP's limited partnership agreement;
- approval of the protocol governing the allocation of employees between our partnership and the Service Provider;
- any other material transaction involving us and Brookfield; and
- termination of, or any determinations regarding indemnification under, the Master Services Agreement.

Our conflicts protocol requires certain transactions including those described above to be approved by a majority of our General Partner's independent directors. Pursuant to our conflicts protocol, independent directors may grant approvals for any such transactions in the form of general guidelines, policies or procedures in which case no further special approval will be required in connection with a particular transaction or matter permitted thereby. See Item 7.B "Related Party Transactions—Conflicts of Interest and Fiduciary Duties".

## **Transactions in which a Director has an Interest**

A director who directly or indirectly has an interest in a contract, transaction or arrangement with our General Partner, our partnership or certain of our affiliates is required to disclose the nature of his or her interest to the full board of directors. Such disclosure may take the form of a general notice given to the board of directors to the effect that the director has an interest in a specified company or firm and is to be regarded as interested in any contract, transaction or arrangement which may after the date of the notice be made with that company or firm or its affiliates. A director may participate in any meeting called to discuss or any vote called to approve the transaction in which the director has an interest and any transaction approved by the board of directors will not be void or voidable solely because the director was present at or participates in the meeting in which the approval was given provided that the board of directors or a board committee authorizes the transaction in good faith after the director's interest has been disclosed or the transaction is fair to our General Partner and our partnership at the time it is approved.

## **Transactions Requiring Unitholder Approval**

Unitholders have consent rights with respect to certain fundamental matters and on any other matters that require their approval in accordance with applicable securities laws and stock exchanges rules. See Item 10.B “Memorandum and Articles of Association—Description of Our Units, Preferred Units and Our Limited Partnership Agreement”.

## **Service Contracts**

There are no service contracts with directors that provide benefit upon termination of employment.

## **Director Unit Ownership Requirements**

We believe that directors of the General Partner can better represent our unitholders if they have economic exposure to our partnership themselves. We expect that directors of the General Partner hold sufficient units such that the acquisition costs of our units held by such directors is equal to at least two times their annual retainer, as determined by the board of directors of the General Partner from time to time. Directors of the General Partner are required to meet this requirement within five years of their date of appointment.

## **Audit Committee**

Our General Partner’s board of directors is required to establish and maintain at all times an audit committee that operates pursuant to a written charter. The audit committee is required to consist solely of independent directors and each member must be financially literate and there will be at least one member designated as an audit committee financial expert. Not more than 50% of the audit committee members may be directors who are residents of any one jurisdiction (other than Bermuda and any other jurisdiction designated by the board of directors from time to time). The audit committee is responsible for assisting and advising our General Partner’s board of directors with matters relating to:

- our accounting and financial reporting processes;
- the integrity and audits of our financial statements;
- our compliance with legal and regulatory requirements; and
- the qualifications, performance and independence of our independent accountants.

The audit committee is also responsible for engaging our independent accountants, reviewing the plans and results of each audit engagement with our independent accountants, approving professional services provided by our independent accountants, considering the range of audit and non-audit fees charged by our independent accountants and reviewing the adequacy of our internal accounting controls. The audit committee charter is available on our website at <https://bip.brookfield.com/corporate-governance/governance-documents> and is available upon written request from our Corporate Secretary, at 73 Front Street, Hamilton HM 12, Bermuda. See also Item 6.A “Directors and Senior Management”.

## **Nominating and Governance Committee**

Our General Partner’s board of directors is required to establish and maintain at all times a nominating and governance committee that operates pursuant to a written charter. The nominating and governance committee is required to consist of a majority of independent directors and not more than 50% of the nominating and corporate governance committee members may be directors who are residents of any one jurisdiction (other than Bermuda and any other jurisdiction designated by the board of directors from time to time).

The nominating and governance committee is responsible for approving the appointment by the sitting directors of a person to the office of director and for recommending a slate of nominees for election as directors by our General Partner's shareholders. The nominating and governance committee is also responsible for assisting and advising our General Partner's board of directors with respect to matters relating to the general operation of the board of directors, our partnership's governance, the governance of our General Partner and the performance of its board of directors and individual directors. Subsequent to dissolution of the compensation committee of the board of directors of the General Partner during the year ended December 31, 2013, the nominating and governance committee is also responsible for reviewing and making recommendations to the board of directors of the General Partner concerning the remuneration of directors and committee members and supervising any changes in the fees to be paid pursuant to the Master Services Agreement. The nominating and governance committee charter is available on our website at <https://bip.brookfield.com/corporate-governance/governance-documents> and is available upon written request from our Corporate Secretary, at 73 Front Street, Hamilton HM 12, Bermuda.

## **Indemnification and Limitations on Liability**

### *Our Limited Partnership Agreement*

Bermuda law permits the partnership agreement of a limited partnership, such as our partnership, to provide for the indemnification of a partner, the officers and directors of a partner and any other person against any and all claims and demands whatsoever, except to the extent that the indemnification may be held by the courts of Bermuda to be contrary to public policy, such as in instances of fraud, dishonesty and bad faith, or to the extent that Bermuda law prohibits indemnification against personal liability that may be imposed under specific provisions of Bermuda law. Bermuda law also permits a partnership to pay or reimburse an indemnified person's expenses in advance of a final disposition of a proceeding for which indemnification is sought. See Item 10.B "Memorandum and Articles of Association—Description of Our Units, Preferred Units and Our Limited Partnership Agreement—Indemnification; Limitations on Liability" for a description of the indemnification arrangements in place under our Limited Partnership Agreement.

### *Our General Partner's Bye-laws*

Bermuda law permits the Bye-laws of an exempted company limited by shares, such as our General Partner, to provide for the indemnification of its officers, directors and shareholders and any other person designated by the company against any and all claims and demands whatsoever, except to the extent that the indemnification may be held by the courts of Bermuda to be contrary to public policy, such as in instances of fraud, dishonesty and bad faith, or to the extent that Bermuda law prohibits indemnification against personal liability that may be imposed under specific provisions of Bermuda law. Bermuda company law also permits an exempted company limited by shares to pay or reimburse an indemnified person's expenses in advance of a final disposition of a proceeding for which indemnification is sought.

Under our General Partner's Bye-laws, our General Partner is required to indemnify, to the fullest extent permitted by law, its affiliates, directors, officers, resident representative, shareholders and employees, any person who serves on a governing body of the Holding LP or any of its subsidiaries and certain others against any and all losses, claims, damages, liabilities, costs or expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, incurred by an indemnified person in connection with our partnership's investments and activities or in respect of or arising from their holding such positions, except to the extent that the claims, liabilities, losses, damages, costs or expenses are determined to have resulted from the indemnified person's bad faith, fraud or willful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful. In addition, under our General Partner's Bye-laws, (i) the liability of such persons has been limited to the fullest extent permitted by law and except to the extent that their conduct involves bad faith, fraud or willful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful; and (ii) any matter that is approved by the independent directors will not constitute a breach of any duties stated or implied by law or equity, including fiduciary duties. Our General Partner's Bye-laws require it to advance funds to pay the expenses of an indemnified person in connection with a matter in which indemnification may be sought until it is determined that the indemnified person is not entitled to indemnification.

### *Insurance*

Our partnership has the benefit of insurance coverage under which the directors of our General Partner are insured, subject to the limits of the policy, against certain losses arising from claims made against such directors by reason of any acts or omissions covered under the policy in their respective capacities as directors of our General Partner, including certain liabilities under securities laws.

### **Canadian Insider Reporting**

Our partnership is not subject to Canadian insider reporting requirements due to its status as a "SEC Foreign Issuer" under Canadian securities laws. However, our partnership does not rely on the exemption that is available to it from the insider reporting requirements of Canadian securities laws.

### **6.D EMPLOYEES**

Our partnership does not employ any of the individuals who carry out the management and other non-operational activities of our partnership. The personnel that carry out these activities are employees of Brookfield, and their services are provided to our partnership or for our benefit under our Master Services Agreement. For a discussion of the individuals from Brookfield's management team that are expected to be involved in our infrastructure business, see Item 6.A "Directors and Senior Management—Our Management."

### **6.E SHARE OWNERSHIP**

Each of our directors and officers of our General Partner own less than one percent of our units. See also the information contained in this annual report on Form 20-F under Item 7.B "Related Party Transactions—Distribution Reinvestment Plan."

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### 7.A MAJOR SHAREHOLDERS

The following table presents information regarding the beneficial ownership of our units by each entity that we know beneficially owns more than 5% of our units as at December 31, 2018.

Name and Address	Units Outstanding	
	Units Owned <sup>(1)</sup>	Percentage <sup>(2)</sup>
Brookfield Asset Management Inc. <sup>(3)</sup>	116,074,637 <sup>(3)</sup>	29.5% <sup>(3)</sup>
Partners Limited <sup>(4)</sup>	118,977,912 <sup>(4)</sup>	30.3% <sup>(4)</sup>
Bank of Montreal <sup>(5)</sup>	16,951,223 <sup>(5)</sup>	6.1% <sup>(5)</sup>

- (1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Units relating to securities currently exercisable or exercisable within 60 days of the date of this table are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person.
- (2) The percentages shown are based on 277,347,890 units outstanding as of December 31, 2018 and in the case of Brookfield Asset Management and Partners Limited, 115,824,992 additional units upon exchange of all of the Redeemable Partnership Units.
- (3) Brookfield Asset Management may be deemed to be the beneficial owner of 116,074,637 of our units that it holds through wholly-owned subsidiaries, constituting approximately 29.5% of the issued and outstanding units, assuming that all of the Redeemable Partnership Units are exchanged for our units. This amount includes 249,645 of our units beneficially held directly or indirectly by Brookfield Asset Management.
- (4) Partners Limited is a corporation whose principal business mandate is to hold shares of Brookfield Asset Management, directly or indirectly, for the long-term. Partners Limited may be deemed to be the beneficial owner of 118,977,912 of our units, constituting approximately 30.3% of the issued and outstanding units, assuming that all of the Redeemable Partnership Units are exchanged for our units. This amount includes 2,865,172 of our units beneficially held by Partners Value Investments LP and all of our units beneficially held by Brookfield Asset Management. Partners Limited may be deemed to have the power (together with each of Brookfield Asset Management and Partners Value Investments LP) to vote or direct the vote of the units beneficially owned by it or to dispose of such units other than 38,102 of our units with respect to which it has sole voting and investment power.
- (5) Based on a Schedule 13G filed by Bank of Montreal on February 14, 2019.

Our major unitholders have the same voting rights as all other holders of our units.

As of December 31, 2018, 125,249.716893 of our outstanding units were held by 686 holders of record in the United States, not including The Depository Trust Company (“DTC”). As of December 31, 2018, DTC was the holder of record of 95,987,874 units.

### 7.B RELATED PARTY TRANSACTIONS

We are an affiliate of Brookfield. We have entered into a number of agreements and arrangements with Brookfield in order to enable us to be established as a separate entity and pursue our vision of being a leading owner and operator of high quality infrastructure assets. While we believe that this ongoing relationship with Brookfield provides us with a strong competitive advantage as well as access to opportunities that would otherwise not be available to us, we operate very differently from an independent, stand-alone entity. We describe below these relationships as well as potential conflicts of interest (and the methods for resolving them) and other material considerations arising from our relationship with Brookfield.

See also the information contained in this annual report on Form 20-F under Item 3.D “Risk Factors—Risks Relating to our Relationship with Brookfield,” Item 4.C “Organizational Structure,” Item 6.A “Directors and Senior Management,” Item 7.A “Major Shareholders” and Note 32, “Related Party Transactions” in our financial statements included in this annual report on Form 20-F.

## *Relationship Agreement*

Our partnership, the Holding LP, the Holding Entities, the Service Provider and Brookfield have entered into an agreement, referred to as the Relationship Agreement, which governs aspects of the relationship among them. Pursuant to the Relationship Agreement, Brookfield Asset Management has agreed that we serve as the primary (though not exclusive) vehicle through which Brookfield makes future infrastructure related acquisitions that are suitable for our strategy and objectives. Our acquisition strategy focuses on large scale transactions, for which we believe there is less competition and where Brookfield has sufficient influence or control so that our operations-oriented approach can be deployed to create value. Due to similar asset characteristics and capital requirements we believe that the infrastructure industry will evolve like the real estate industry in which assets are commonly owned through consortiums and partnerships of institutional equity investors and owner/operators such as ourselves. Accordingly, an integral part of our strategy is to participate with institutional investors in Brookfield-sponsored or co-sponsored consortiums for single asset acquisitions and as a partner in or alongside Brookfield-sponsored or co-sponsored partnerships that target acquisitions that suit our profile. Brookfield has a strong track record of leading such consortiums and partnerships and actively managing underlying assets to improve performance. Brookfield agreed that it will not sponsor such arrangements that are suitable for us in the infrastructure sector unless we are given an opportunity to participate.

Brookfield's commitment to us and our ability to take advantage of opportunities is subject to a number of inherent limitations such as our financial capacity, the suitability of the acquisition in terms of the underlying asset characteristics and its fit with our strategy, limitations arising from the tax and regulatory regimes that govern our affairs and certain other restrictions. See Item 3.D "Risk Factors—Risks Relating to Our Relationship with Brookfield." Under the terms of the Relationship Agreement, our partnership, the Holding LP and the Holding Entities acknowledge and agree that, subject to providing us the opportunity to participate on the basis described above, Brookfield (including its directors, officers, agents, members, partners, shareholders and employees) is able to pursue other business activities and provide services to third parties that compete directly or indirectly with us. In addition, Brookfield has established or advised, and may continue to establish or advise, other entities that rely on the diligence, skill and business contacts of Brookfield's professionals and the information and acquisition opportunities they generate during the normal course of their activities. Our partnership, the Holding LP and the Holding Entities acknowledge and agree that some of these entities may have objectives that overlap with our objectives or may acquire infrastructure assets or businesses that could be considered appropriate acquisitions for us, and that Brookfield may have greater financial incentives to assist those other entities over us. Due to the foregoing, we expect to compete from time-to-time with Brookfield or other third parties for access to the benefits that we expect to realize from Brookfield's involvement in our business.

Since Brookfield has large, well established operations in real estate, timberlands and renewable power that are separate from us, Brookfield will not be obligated to provide us with any opportunities in these sectors. In addition, since Brookfield has granted an affiliate the right to act as the exclusive vehicle for Brookfield's timberland acquisitions in Eastern Canada and the Northeastern U.S., we will not be entitled to participate in timberland acquisitions in those geographic regions. Brookfield has also appointed an affiliate as its primary vehicle through which Brookfield will acquire renewable power assets on a global basis. In the event of the termination of the Master Services Agreement, the Relationship Agreement would also terminate, including Brookfield's commitments to provide us with acquisition opportunities, as described above.

Pursuant to the Relationship Agreement, Brookfield Asset Management has also agreed that any voting rights with respect to any operating entity that are held by entities over which it has control will be:

- voted in favor of the election of a director (or its equivalent) approved by the entity through which our interest in the relevant entity is held;



- withheld from voting for (or voted against, if applicable) the election of a director (or its equivalent) not approved by the entity through which our interest in the relevant entity is held; and
- voted in accordance with the direction of the entity through which our interest in the relevant entity is held with respect to the approval or rejection of the following matters relating to the operating entity, as applicable: (i) any sale of all or substantially all of its assets, (ii) any merger, amalgamation, consolidation, business combination or other material corporate transaction, except in connection with any internal reorganization that does not result in a change of control, (iii) any plan or proposal for a complete or partial liquidation or dissolution, or any reorganization or any case, proceeding or action seeking relief under any existing laws or future laws relating to bankruptcy or insolvency, (iv) any issuance of shares, units or other securities, including debt securities, or (v) any commitment or agreement to do any of the foregoing.

For these purposes, the relevant entity may maintain, from time-to-time, an approved slate of nominees or provide direction with respect to the approval or rejection of any matter in the form of general guidelines, policies or procedures in which case no further approval or direction will be required. Any such general guidelines, policies or procedures may be modified by the relevant entity in its discretion.

Under the Relationship Agreement, our partnership, the Holding LP and the Holding Entities have agreed that none of Brookfield or the Service Provider, nor any director, officer, agent, member, partner, shareholder or employee of Brookfield or the Service Provider, will be liable to us for any claims, liabilities, losses, damages, costs or expenses (including legal fees) arising in connection with the business, investments and activities in respect of or arising from the Relationship Agreement. The maximum amount of the aggregate liability of Brookfield, or of any director, officer, employee, contractor, agent, advisor or other representative of Brookfield, will be equal to the amounts previously paid in the two most recent calendar years by the Service Recipients pursuant to the Master Services Agreement.

#### *Voting Agreements*

Our partnership has entered into voting agreements (“Voting Agreements”) with Brookfield that permit our partnership (or our partnership’s designated affiliates) to direct all eligible votes with respect to approving or rejecting certain fundamental matters involving certain of our operations managed or controlled by Brookfield-related entities.

Pursuant to the Voting Agreements, Brookfield has agreed that any voting rights with respect to the entities that are the subject of the Voting Agreements will be voted in favor of the election of directors or officers (or their equivalent, if any) approved by our partnership (or our partnership's designated affiliates). In addition, Brookfield has agreed that it will exercise any voting rights that are the subject of the Voting Agreements at the direction of our partnership (or our partnership's designated affiliates) with respect to the following matters: (i) any sale of all or substantially all of its assets, (ii) any merger, amalgamation, consolidation, business combination or other material corporate transaction, except in connection with any internal reorganization that does not result in a change of control, (iii) any plan or proposal for a complete or partial liquidation or dissolution, or any reorganization or any case, proceeding or action seeking relief under any existing laws or future laws relating to bankruptcy or insolvency, (iv) any amendments to the applicable organizational documents, or (v) any commitment or agreement to do any of the foregoing. For these purposes, our partnership or our partnership's designated affiliates, as applicable, may maintain, from time-to-time, an approved slate of nominees or provide direction with respect to the approval or rejection of any matter in the form of general guidelines, policies or procedures in which case no further approval or direction will be required. Any such slate of nominees or general guidelines, policies or procedures may be modified by our partnership or our partnership's designated affiliates, as applicable, in their discretion.

Each Voting Agreement terminates (i) at such time that we cease to own any interest in the relevant entity, (ii) at such time that our General Partner (or its successors or permitted assigns) involuntarily ceases to be the general partner of our partnership, (iii) at such time that our partnership (or its successors or permitted assigns) involuntarily ceases to be the general partner of the Holding LP, (iv) at such time that the Infrastructure General Partner (or its successors or permitted assigns) involuntarily ceases to be the general partner of the Infrastructure Special LP, or (v) upon 30 days' notice given by our partnership. In addition, any party to a Voting Agreement is permitted to terminate the Voting Agreement at such time that such a party provides notice that it has reasonably determined that, as a result of applicable regulation and through no fault of its own, continued participation in the Voting Agreement would have a material adverse effect on such party. The termination of a Voting Agreement with respect to one or more entity will not affect the validity or enforceability of the Voting Agreements with respect to any other entity.

The Voting Agreements also contain restrictions on transfers of the shares that Brookfield has agreed to vote in accordance with the direction of our partnership with respect to the approval or rejection of the matters noted above.

#### *Services Provided under Our Master Services Agreement*

The Service Recipients have entered into the Master Services Agreement pursuant to which the Service Provider has agreed to provide or arrange for other service providers to provide management and administration services to our partnership and the other Service Recipients. For example, Samuel Pollock, in his capacity as the Chief Executive Officer of the Service Provider, and Bahir Manios, in his capacity as the Chief Financial Officer of the Service Provider, are the persons who perform the functions of our partnership's principal executive officer and principal financial officer, respectively. In exchange, the Service Provider is entitled to a base management fee. For a description of our Master Services Agreement, see Item 6.A "Directors and Senior Management—Our Master Services Agreement."

### *Other Services*

Brookfield may provide to the operating entities services which are outside the scope of the Master Services Agreement under arrangements that are on market terms and conditions and pursuant to which Brookfield will receive fees. The services provided under these arrangements include financial advisory, operations and maintenance, development, operations management and other services. Pursuant to our conflict of interest guidelines, those arrangements may require prior approval by a majority of the independent directors, which may be granted in the form of general guidelines, policies or procedures. See “—Conflicts of Interest and Fiduciary Duties.”

### *Preferred Shares*

Brookfield has provided an aggregate of \$20 million of working capital to certain of our Holding Entities through a subscription for preferred shares of such Holding Entities. The preferred shares are entitled to receive a cumulative preferential dividend equal to 6% of their redemption value as and when declared by the board of directors of the applicable Holding Entity and are redeemable at the option of the Holding Entity, subject to certain limitations, at any time after the tenth anniversary of their issuance. Except for the preferred share of our primary U.S. Holding Entity, which is entitled to one vote, the preferred shares are not entitled to vote, except as required by law.

### *Redemption-Exchange Mechanism*

One or more wholly-owned subsidiaries of Brookfield Asset Management that hold Redeemable Partnership Units (as hereinafter defined) have the right to require the Holding LP to redeem all or a portion of the Redeemable Partnership Units, subject to our partnership’s right of first refusal, for cash in an amount equal to the market value of one of our units multiplied by the number of units to be redeemed (subject to certain adjustments). See Item 10.B “Memorandum and Articles of Association—Description of the Holding LP’s Limited Partnership Agreement—Redemption-Exchange Mechanism.” Taken together, the effect of the redemption right and the right of first refusal is that one or more wholly-owned subsidiaries of Brookfield Asset Management will receive our units, or the value of such units, at the election of our partnership. Should our partnership determine not to exercise its right of first refusal, cash required to fund a redemption of limited partnership interests of the Holding LP held by wholly-owned subsidiaries of Brookfield Asset Management will likely be financed by a public offering of our units.

### *Registration Rights Agreement*

Our partnership has entered into a registration rights agreement with Brookfield pursuant to which our partnership has agreed that, upon the request of Brookfield, our partnership will file one or more registration statements to register for sale under the United States Securities Act of 1933, as amended, any of our units held by Brookfield (including our units acquired pursuant to the Redemption-Exchange Mechanism). In the registration rights agreement we have agreed to pay expenses in connection with such registration and sales and have indemnified Brookfield for material misstatements or omissions in the registration statement.

### *Incentive Distributions*

Infrastructure Special LP is entitled to receive incentive distributions from the Holding LP as a result of its ownership of the Special General Partner Units. The incentive distributions are to be calculated in increments based on the amount by which quarterly distributions on the Holding LP’s units (other than Holding LP Class A Preferred Units) exceed specified target levels as set forth in the Holding LP’s limited partnership agreement. See Item 10.B “Memorandum and Articles of Association—Description of the Holding LP’s Limited Partnership Agreement—Distributions.”

The Infrastructure Special LP may, at its sole discretion, elect to reinvest incentive distributions in exchange for Redeemable Partnership Units.

To the extent that any Holding Entity or any operating entity pays to Brookfield any comparable performance or incentive distribution, the amount of any future incentive distributions will be reduced in an equitable manner to avoid duplication of distributions.

#### *General Partner Distributions*

Pursuant to our Limited Partnership Agreement, our General Partner is entitled to receive a general partner distribution equal to 0.01% of the total distributions on the units of our partnership. See Item 10.B “Memorandum and Articles of Association—Description of Our Units, Preferred Units and Our Limited Partnership Agreement.”

#### *Special General Partner Distributions*

Pursuant to the limited partnership agreement of the Holding LP, Infrastructure Special LP is also entitled to receive a special general partner distribution from the Holding LP equal to a share of the total distributions of the Holding LP in proportion to Infrastructure Special LP’s special general partnership interest in the Holding LP which is equal to approximately 0.4% of the total distributions on the units of the Holding LP. See Item 10.B “Memorandum and Articles of Association—Description of the Holding LP’s Limited Partnership Agreement—Distributions.” In addition, it is entitled to receive the incentive distributions described above under “—Incentive Distribution.”

#### *Distribution Reinvestment Plan*

The Holding LP has a distribution reinvestment plan. Brookfield has advised our partnership that it may from time-to-time reinvest distributions it receives from the Holding LP in the Holding LP’s distribution reinvestment plan. In addition, our partnership adopted a distribution reinvestment plan which became effective on June 29, 2010. The following is a summary description of the principal terms of our partnership’s distribution reinvestment plan.

Pursuant to the distribution reinvestment plan, holders of our units may elect to have distributions paid on our units held by them automatically reinvested in additional units to be held for the account of the unitholder in accordance with the terms of the distribution reinvestment plan, provided that there are not any laws or governmental regulations in the unitholder’s jurisdiction that may limit or prohibit participation and, in the case of DTC participants, where DTC permits participation by participants. Distributions to be reinvested in our units under the distribution reinvestment plan will be reduced by the amount of any applicable withholding tax.

Distributions due to plan participants are paid to the plan agent, for the benefit of the plan participants and, if a plan participant has elected to have his or her distributions automatically reinvested, applied, on behalf of such plan participant, to the purchase of additional units. Such purchases are made from our partnership on the distribution date at a price per unit calculated by reference to the volume weighted average of the trading price for our units on the NYSE for the five trading days immediately preceding the date the relevant distribution is paid by our partnership (“Market Price”).

As soon as reasonably practicable after each distribution payment date, a statement of account is mailed to each participant setting out the amount of the relevant cash distribution reinvested, the applicable Market Price, the number of units purchased under the distribution reinvestment plan on the distribution payment date and the total number of units, computed to four decimal places, held for the account of the participant under the distribution reinvestment plan (or, in the case of DTC participants, DTC receives such statement on behalf of beneficial owners participating in the distribution reinvestment plan). While our partnership does not issue fractional units, a plan participant's entitlement to units purchased under the distribution reinvestment plan may include a fraction of a unit and such fractional units shall accumulate. A cash adjustment for any fractional units is paid by the plan agent upon the withdrawal from or termination by a plan participant of his or her participation in the distribution reinvestment plan or upon termination of the distribution reinvestment plan at price per unit calculated based upon the closing price of our units on the NYSE on the trading day immediately preceding such withdrawal or termination. A registered holder may, at any time, obtain unit certificates for any number of whole units held for the participant's account under the distribution reinvestment plan by notifying the plan agent. Certificates for units acquired under the distribution reinvestment plan are not issued to participants unless specifically requested. Prior to pledging, selling or otherwise transferring units held for a participant's account (except for sales of units through the plan agent), a registered holder must request that his or her units be electronically transferred to his or her brokerage account or a unit certificate be issued. The automatic reinvestment of distributions under the distribution reinvestment plan does not relieve participants of any income tax obligations applicable to such distributions. No brokerage commissions are payable in connection with the purchase of our units under the distribution reinvestment plan and all administrative costs are borne by our partnership.

Unitholders are able to terminate their participation in the distribution reinvestment plan by providing, or by causing to be provided, notice to the plan agent. Such notice, if actually received by the plan agent no later than five business days prior to a record date, will have effect in respect of the distribution to be made as of such date. Thereafter, distributions to such unitholders will be in cash. In addition, unitholders may request that all or part of their units be sold. When units are sold through the plan agent, a holder will receive the proceeds less a handling charge and any brokerage trading fees. Our partnership is able to amend, modify, suspend or terminate our distribution reinvestment plan, at any time, but such actions will have no retroactive effect that would prejudice a participant's interest. The plan agent will notify participants in writing of any amendments or modifications to our distribution reinvestment plan that in our partnership's opinion may materially prejudice participants.

Our partnership does not intend to reinvest distributions it receives from the Holding LP in the Holding LP's distribution reinvestment plan except to the extent that holders of our units elect to reinvest distributions pursuant to our distribution reinvestment plan. Brookfield has advised our partnership that it may from time-to-time reinvest distributions it receives from the Holding LP pursuant to the Holding LP's distribution reinvestment plan. The units of the Holding LP to be issued to Brookfield under the distribution reinvestment plan will become subject to the Redemption-Exchange Mechanism and may therefore result in Brookfield acquiring additional units of our partnership. See Item 10.B "Memorandum and Articles of Association—Description of the Holding LP's Limited Partnership Agreement—Redemption-Exchange Mechanism."

### *Indemnification Arrangements*

Subject to certain limitations, Brookfield and its directors, officers, agents, members, partners, shareholders and employees generally benefit from indemnification provisions and limitations on liability that are included in our Limited Partnership Agreement, our General Partner's Bye-laws, the Holding LP's limited partnership agreement, our Master Services Agreement and other arrangements with Brookfield. See Item 6.A "Directors and Senior Management—Our Master Services Agreement," Item 10.B "Memorandum and Articles of Association—Description of Our Units, Preferred Units and Our Limited Partnership Agreement—Indemnification; Limitations of Liability" and Item 10.B "Memorandum and Articles of Association—Description of the Holding LP's Limited Partnership Agreement—Indemnification; Limitations of Liability."

### *Licensing Agreements*

Our partnership and the Holding LP have each entered into a Licensing Agreement with Brookfield pursuant to which Brookfield has granted a non-exclusive, royalty-free license to use the name "Brookfield" and the Brookfield logo. Other than under this limited license, we do not have a legal right to the "Brookfield" name and the Brookfield logo in the United States and Canada.

We will be permitted to terminate the Licensing Agreements upon 30 days' prior written notice if Brookfield defaults in the performance of any material term, condition or agreement contained in the agreement and the default continues for a period of 30 days after written notice of termination of the breach is given to Brookfield. Brookfield may terminate the Licensing Agreements effective immediately upon termination of our Master Services Agreement or with respect to any licensee upon 30 days' prior written notice of termination if any of the following occurs:

- the licensee defaults in the performance of any material term, condition or agreement contained in the agreement and the default continues for a period of 30 days after written notice of termination of the breach is given to the licensee;
- the licensee assigns, sublicenses, pledges, mortgages or otherwise encumbers the intellectual property rights granted to it pursuant to the Licensing Agreement;
- certain events relating to a bankruptcy or insolvency of the licensee; or
- the licensee ceases to be an affiliate of Brookfield.

A termination of a Licensing Agreement with respect to one or more licensee will not affect the validity or enforceability of the agreement with respect to any other licensees.

## *Conflicts of Interest and Fiduciary Duties*

Our organizational, ownership and management structure and strategy involve a number of aspects and relationships that may give rise to conflicts of interest between our partnership and our unitholders and preferred unitholders, on the one hand, and Brookfield and/or other Brookfield-sponsored vehicles, consortiums and/or partnerships (including private funds, joint ventures and similar arrangements, collectively “Brookfield Accounts”), on the other hand. The discussion below sets out certain of the conflicts of interest that may arise, but does not purport to be a complete list or explanation of all such potential conflicts of interest. Dealing with conflicts of interest is complex, and it is not possible to predict all of the types of conflicts that may arise. While Brookfield acts in good faith to resolve all potential conflicts in a manner that is fair and balanced taking into account the facts and circumstances known to it at the time, there can be no assurance that any recommendation or determination made by Brookfield will be most beneficial or favourable to us, or would not have been different if additional information were available to it. Potential conflicts of interest generally will be resolved in accordance with the principles summarized herein and in accordance with a conflicts management policy that has been approved by our General Partner’s independent directors. The conflicts management policy was put in place in recognition of the benefit to our partnership of our relationship with Brookfield and our intent to seek to maximize the benefits from this relationship. The policy generally provides for potential conflicts to be resolved on the basis of transparency and, where required pursuant to the policy, third-party validation and approvals. The policy focuses on addressing the principal activities that may give rise to potential conflicts of interests, including our investment activities, our participation in Brookfield Accounts, transactions with Brookfield (and Brookfield Accounts), and engagements of Brookfield affiliates (or of us by Brookfield Accounts), including engagements for operational services entered into between underlying operating entities.

As described elsewhere herein, we may pursue acquisition opportunities in various ways, including indirectly through investments in Brookfield Accounts or directly by investing alongside Brookfield Accounts. Any references in this Item 7.B “Related Party Transactions-Conflicts of Interest and Fiduciary Duties” to our acquisitions, investments, assets, expenses, portfolio companies or other terms should be understood to mean such items held, incurred or undertaken directly by us or indirectly by us through our investment in one or more Brookfield Accounts.

- **Allocation of Investment Opportunities.** In recommending acquisition opportunities, Brookfield has significant discretion to determine the suitability and/or appropriateness of opportunities for us and to allocate such opportunities among us, Brookfield, Brookfield Accounts, and/or third parties as it deems appropriate. Brookfield and Brookfield Accounts have (and future Brookfield Accounts may in the future have) investment mandates that overlap with our investment mandate, including Brookfield Accounts that invest in infrastructure and related assets, and in which we generally expect to be a significant investor. In addition, Brookfield has provided, and may in the future provide (without notice to our unitholders or preferred unitholders), priority rights with respect to certain investment opportunities, including all or a select geographic, industry or other subset of opportunities, to certain Brookfield Accounts (but not to us) or to other persons pursuant to contractual or other arrangements. In particular, Brookfield Accounts with real estate, timberlands and renewable power investment mandates generally have been (and will in the future be) given priority with respect to investment opportunities that are suitable and appropriate for them. As a result, Brookfield Accounts may compete with, or have priority over, our partnership in respect of investment opportunities, and opportunities that would otherwise be suitable for us may not be made available to us, we may receive a smaller allocation of such opportunities than would otherwise have been the case, or we may receive an allocation of such opportunities on different terms than Brookfield or Brookfield Accounts (which may be less favourable than otherwise would have been the case).

The question of whether a particular opportunity is suitable and/or appropriate for us, and to the extent it is the amount of such opportunity to be allocated to us, is highly subjective and will be made in Brookfield's discretion based on various portfolio construction and management factors, including: (i) the size, nature and type of the opportunity (including the expected risk-return profile of the investment, expected holding period and its fit with the balance of our investments and related operations), (ii) the amount of capital available for investment, (iii) principles of diversification of assets (including whether we will participate in the opportunity through our investment in Brookfield Accounts), (iv) the nature and extent of involvement in the transaction and the sourcing of the transaction by the Brookfield investment professionals that manage our partnership, (v) the nature of potential acquirers upon disposition, (vi) our expected future capacity, (vii) cash and liquidity needs (including our interest in preserving capital in order to secure other opportunities and/or to meet other obligations), (viii) the availability of other appropriate or similar investment opportunities (including other opportunities that we may be pursuing or otherwise considering at the relevant time) and (ix) other considerations deemed relevant by Brookfield (including legal, regulatory, tax, timing and similar considerations). If Brookfield determines that an opportunity is not suitable or appropriate for us, it may still pursue such opportunity on its own behalf or on behalf of one or more Brookfield Accounts. As a result, there may be differences in the overall performance of our partnership, Brookfield and Brookfield Accounts that have overlapping investment mandates.

In allocating investment opportunities among us, Brookfield and Brookfield Accounts (including Brookfield Accounts that have investment mandates that overlap with that of our partnership), Brookfield will face certain potential conflicts of interest between the interests of our partnership, its interests and the interests of Brookfield Accounts. These potential conflicts may be exacerbated in situations where Brookfield has larger interests in Brookfield Accounts than its interest in our partnership, where Brookfield is entitled to higher fees from Brookfield Accounts than from our partnership, where portfolio managers making an allocation decision are entitled to performance-based compensation from Brookfield or a Brookfield Account, or where there are capacity constraints with respect to a particular strategy or opportunity as a result of, for example, position limits and/or regulatory reporting obligations applicable to Brookfield. In addition, as an investment changes over time, additional conflicts of interest may arise, including as a result of earlier investment allocation decisions. Brookfield will make investment allocation decisions taking into account our partnership's, Brookfield's and Brookfield Accounts' investment mandates and interests.

- **Allocation of Broken-Deal Expenses.** We will incur expenses with respect to the consideration and pursuit of transactions that are not ultimately consummated, referred to as broken-deal expenses, including through our investments in Brookfield Accounts. Examples of broken-deal expenses include (i) research costs, (ii) fees and expenses of legal, financial, tax, accounting, consulting or other advisers (including Brookfield) in connection with conducting due diligence or otherwise pursuing a particular non-consummated transaction, (iii) fees and expenses in connection with arranging financing for a particular non-consummated transaction, (iv) travel costs, (v) deposits or down payments that are forfeited in connection with, or amounts paid as a penalty for, a particular non-consummated transaction and (vi) other expenses incurred in connection with activities related to a particular non-consummated transaction. Broken-deal expenses generally will be allocated among our partnership, Brookfield and Brookfield Accounts in the manner that Brookfield determines to be fair and equitable, which may be *pro rata* or on a different basis.



- **Co-Investment Opportunities and Expenses.** Because of the scale of typical infrastructure acquisitions, we may offer portions of certain acquisition opportunities for co-investment. In addition, because our strategy includes completing acquisitions through Brookfield Accounts, we will likely make co-investments with Brookfield and Brookfield Accounts. Decisions regarding whether and to which parties to offer co-investment opportunities are made by Brookfield and may be based on a number of factors, including portfolio construction, strategic or other considerations, taking into account the specific facts and circumstances relating to each potential co-investment opportunity. As a result, from time to time, we may offer (or receive from Brookfield Accounts) larger or smaller portions of co-investment opportunities than would otherwise have been the case or no portion of certain opportunities.

In our capacity as a co-investor, we will typically bear our *pro rata* share of fees, costs and expenses related to the discovery, investigation, development, acquisition or consummation, ownership, maintenance, monitoring, hedging and disposition of our co-investments and we may be required to pay our pro rata share of fees, costs and expenses related to potential investments that are not consummated, such as broken deal expenses (including “reverse” breakup fees). Notwithstanding the foregoing, certain potential co-investors may not agree to pay or otherwise bear fees, costs and expenses related to unconsummated co-investments. In addition, in certain circumstances, potential co-investors may not bear such fees, costs and expenses, including because they have not yet been identified (or their anticipated allocation has not yet been identified) as of the time such potential investment ceases to be pursued, are not yet committed to such potential investment or are not contractually required to bear such fees, costs and expenses. In those events, such fees, costs and expenses will (i) be considered our operating expenses and be borne by us (in connection with co-investment opportunities that we offered) or (ii) be considered operating expenses of, and be borne by, the Brookfield Account (in connection with co-investments offered by the Brookfield Account), a *pro rata* portion of which will be borne by us through our investment in the Brookfield Account.

- **Other Activities of Our Investment Personnel.** The same professionals within Brookfield’s organization who are involved in sourcing and executing acquisitions that are suitable for us are responsible for sourcing and executing opportunities for the Brookfield Accounts as well as having other responsibilities within Brookfield’s broader asset management business. Limits on the availability of such individuals will likewise result in a limitation on the availability of acquisition opportunities for us, and such individuals’ broader responsibilities could conflict with their responsibilities to us.
- **Investments by Brookfield Personnel.** The partners, members, shareholders, directors, officers and employees of Brookfield (“Brookfield Personnel”) may generally buy and sell securities or other investments for their own or their family members’ accounts (including through Brookfield Accounts). Positions may be taken by such Brookfield Personnel that are the same, different from, or made at different times than positions taken directly or indirectly for us. To reduce the possibility of (a) potential conflicts between our investment activities and those of Brookfield Personnel, and (b) us being materially adversely affected by Brookfield Personnel’s personal trading activities, Brookfield has established policies and procedures relating to personal securities trading. To this end, Brookfield Personnel that participate in managing our investment activities are generally restricted from engaging in personal trading activities (unless such activities are conducted through accounts over which the personnel have no influence or control), and other personnel generally must pre-clear proposed personal trades. In addition, Brookfield’s policies include prohibitions on insider trading, front running, trading in securities that are on Brookfield’s restricted trading list, trading in securities that are subject to a black-out period and other restrictions.

- **Investments by the Investing Affiliate.** Certain Brookfield executives own a substantial majority of an entity that makes investments for its own account (the “Investing Affiliate”). The Investing Affiliate’s activities are managed separately from our (or any Brookfield Account’s) activities. There is no formal informational barrier between the Investing Affiliate and the rest of Brookfield. Brookfield has adopted protocols designed to ensure that the Investing Affiliate’s activities do not materially adversely affect our (and Brookfield Accounts’) activities and to ensure that potential conflicts are resolved in a manner pursuant to which our (and Brookfield Accounts’) interests are, to the extent feasible, prioritized relative to the Investing Affiliate’s.
- **Warehousing Investments.** Where Brookfield has made an acquisition, it may transfer it to us at a later date at cost, plus a pre-agreed interest rate, after the assets have been developed or we have obtained sufficient financing. Similarly, we may warehouse one or more investments for a Brookfield Account in which we are invested and generally transfer the warehoused investment to the applicable Brookfield Account at cost, plus a pre-agreed interest rate, once the Brookfield Account has raised sufficient capital, including financing, to support the acquisition. In the event the applicable Brookfield Account does not obtain sufficient financing to purchase the warehoused investment and we cannot find another buyer for the investment, we may be forced to retain the investment, the value of which may have increased or declined.
- **Transacting with Brookfield.** When permitted by applicable law and subject to and in accordance with our conflicts policy, we may buy investments from or sell investments to Brookfield and/or Brookfield Accounts. Such transactions generally will require the approval of our General Partner’s independent directors and, in connection with transactions with a Brookfield Account, the advisory committee of the applicable Brookfield Account.

- Terms of an Investment by Our Partnership May Benefit or Disadvantage Brookfield or a Brookfield Account.** In making certain decisions with regard to a potential investment by our partnership (or by a Brookfield Account in which we are invested), Brookfield could face certain conflicts of interest between the interests of our partnership (or the Brookfield Account), on the one hand, and the interests of Brookfield, the Investing Affiliate or a Brookfield Account that has already made a related investment, on the other hand. Similarly, a prospective investment by Brookfield or a Brookfield Account may present a conflict of interest with respect to an investment by our partnership. Subject to applicable law and our conflicts policy, Brookfield may cause our partnership to invest in securities, bank loans or other obligations of companies affiliated with or advised by Brookfield or in which Brookfield, the Investing Affiliate or a Brookfield Account has an equity, debt or other interest, or to engage in investment transactions that may result in Brookfield, the Investing Affiliate or a Brookfield Account getting an economic benefit, being relieved of obligations or divested of investments. For example, we may make a debt or equity investment in an entity which is expected to use the proceeds of such investment to repay loans from Brookfield or a Brookfield Account. Depending on the circumstance, Brookfield or such Brookfield Account might benefit if our partnership invested more money, thus providing sufficient funds to repay Brookfield or the Brookfield Account, or it might benefit if the loans remained outstanding and Brookfield or such Brookfield Account continued to receive payment under the existing loans, if the loans were on attractive terms (including an attractive interest rate) from the perspective of Brookfield or such Brookfield Account. Alternatively, Brookfield or a Brookfield Account might be in the position of making an investment that could be used to repay loans from our partnership, which would present the opposite conflict. Similarly, such conflicts might also be present in other situations. For example, in certain circumstances, we may pursue a take-private, asset purchase or other material transaction with an issuer in which Brookfield, the Investing Affiliate or a Brookfield Account is invested, which may result in a benefit to Brookfield, the Investing Affiliate or the Brookfield Account. In situations where our activities may enhance Brookfield's, the Investing Affiliate's or a Brookfield Account's profitability, Brookfield may take its own, the Investing Affiliate's or the Brookfield Account's interests into consideration in connection with actions it takes on our behalf.

- **Investments with Related Parties.** In certain circumstances, we will participate in investments that involve Brookfield or Brookfield Accounts in equity or debt positions within a transaction. For example, Brookfield or Brookfield Accounts may: (a) enter into a joint transaction with us; (b) be borrowers of certain investments or lenders in respect of our partnership; or (c) hold debt positions (either junior or senior to our positions) or other interests in an investment's capital stack. The interests of Brookfield or Brookfield Accounts in such investments may differ from our interests and also may have been acquired at different times, at different prices and/or subject to different terms and conditions. As a result of these differences, Brookfield or Brookfield Accounts may manage such interests in a way that is different from ours (including, for example, by investing in different portions of an issuer's capital structure, investing in the same portion but on different terms, obtaining exposure to the investment using different types of securities or instruments, voting securities in a different manner, and/or acquiring or disposing of its interests at different times than us). In connection with the foregoing, Brookfield or Brookfield Accounts may pursue or enforce rights or activities, or refrain from pursuing or enforcing rights or activities, with respect to a particular investment in which we have invested, even though such actions or inaction could adversely affect us. For example, if an issuer in which we have an investment and in which Brookfield or a Brookfield Account also has an investment, but at a different portion of the capital structure, becomes distressed or defaults on its obligations, Brookfield will have conflicting loyalties between its duties to us and to itself or to the Brookfield Account. In such a situation Brookfield, acting on behalf of itself or a Brookfield Account, may seek a liquidation, reorganization or restructuring of the issuer that may have an adverse effect on our holdings in the same issuer, and our transactions may be effected at prices or terms that may be less favorable than would otherwise have been the case (or vice versa). In addition, in the event that Brookfield or Brookfield Accounts hold voting securities of an issuer in which we hold loans, bonds, or other credit-related securities, Brookfield or such Brookfield Accounts may have the right to vote on certain matters that have an adverse effect on the positions held by us. Furthermore, to the extent that Brookfield or a Brookfield Account has holdings in the same issuer as us, Brookfield may be incentivized to take its interests or the interests of such Brookfield Account into consideration in connection with actions it takes on behalf of our partnership, even though taking such interests into account could adversely affect us.

In addition, we and Brookfield or a Brookfield Account may jointly acquire a portfolio of assets and thereafter divide up the assets. In this circumstance, Brookfield will determine the purchase price associated with each asset, which price may not represent the price we would have paid if we had acquired only the assets we ultimately retain. Furthermore, we and Brookfield or a Brookfield Account may jointly enter into a binding agreement to acquire an investment. If Brookfield or such Brookfield Account is unable to consummate such investment, we may be subject to additional liabilities, including the potential loss of any deposit or the obligation to fund the entire investment. In addition, we may provide for the repayment of indebtedness and/or the satisfaction of guarantees on behalf of a Brookfield Account in connection with investments made by such Brookfield Account alongside our partnership. Likewise, a Brookfield Account in which we are invested may provide for the repayment of indebtedness and/or the satisfaction of guarantees on behalf of co-investment vehicles in connection with investments made by such vehicles alongside the Brookfield Account. In such circumstances, certain investors will benefit from such provision for repayment of indebtedness and/or the satisfaction of guarantees even though those investors are not providing the same level of credit support as our partnership (or the Brookfield Account, as applicable). In the event the Brookfield Account (or a co-invest vehicle) does not satisfy its share of any payment in respect of any such borrowing, we (or the Brookfield Account in which we are invested, as applicable) will be contractually obligated to satisfy their share even if our partnership (or the Brookfield Account) does not have recourse against the investor(s) benefiting from such support.

Subject to Brookfield policies, information barriers and applicable legal restrictions, other parts of Brookfield may (but are under no obligation to) refer investment opportunities to us, including investments in issuers in which Brookfield Accounts have existing investments. Referrals of such related investments give rise to potential conflicts of interest, including that an investment by our partnership may benefit such Brookfield Accounts.

In situations in which we invest alongside Brookfield or a Brookfield Account, conflicts of interest will potentially arise with respect to the nature and timing of the initial investment and purchase price, the allocation of control rights, strategic objectives, timing of transactions, such as the disposition of all or part of an investment, or resolution of a liability in connection with an investment. These conflicts may result from various factors, including investments in different levels of the capital structure, different measurements of control, different risk profiles, different rights with respect to disposition alternatives, different investment horizons and different target rates of return.

As a result of the various conflicts and related issues described above, we could sustain losses during periods where Brookfield or a Brookfield Account achieve profits generally or with respect to particular holdings, or could achieve lower profits or higher losses than would have been the case had the conflicts described above not existed.

- **Pursuit of Investment Opportunities by Certain Non-Controlled Affiliates.** Certain companies with which Brookfield may technically be affiliated (a) are controlled, in whole or in part, by persons other than Brookfield, including, for example, joint ventures or similar arrangements with third parties where Brookfield does not have complete control; (b) are separated from Brookfield pursuant to an information barrier; or (c) do not coordinate or consult with Brookfield with respect to investment decisions (together, “Non-Controlled Affiliates”). Such Non-Controlled Affiliates may have investment mandates that overlap with our investment mandate and conflicts may arise therefrom. For example, the possibility exists that such Non-Controlled Affiliates or investment vehicles managed by such Non-Controlled Affiliates could pursue investment opportunities which are suitable for us but which are not made available to us since such Non-Controlled Affiliates do not consult with and/or are not wholly controlled by Brookfield. Similarly, certain of Brookfield’s investment activities are managed independently of, and carried out without any reference to the management of our partnership. In certain instances, there are information barriers in place pursuant to which investment operations are managed independently of each other and information is not generally shared relating to such activities.
- **Arrangements with Brookfield.** Our relationship with Brookfield involves a number of arrangements pursuant to which Brookfield provides various services, including access to financing arrangements and acquisition opportunities. Certain of these arrangements were effectively determined by Brookfield in the context of the spin-off, and therefore may contain terms that are less favorable than those which otherwise might have been negotiated between unrelated parties. Circumstances may arise in which these arrangements will need to be amended or new arrangements will need to be entered into, and conflicts of interest between our partnership and Brookfield may arise in negotiating such new or amended arrangements. Furthermore, Brookfield is generally entitled to share in the returns generated by our operations, which could create an incentive for it to assume greater risks when making decisions than it otherwise would in the absence of such arrangements. In addition, our investment in Brookfield Accounts may provide Brookfield with certain ancillary benefits, such as satisfying Brookfield’s commitment to invest in such accounts (which Brookfield would otherwise need to satisfy from different sources) and assisting Brookfield in marketing the Brookfield Accounts.

- **Fees for Services.** We (or portfolio companies that we are directly or indirectly invested in) may be retained to perform certain services to Brookfield, Brookfield Accounts and/or companies and assets they are invested in that would otherwise be provided by third parties. To the extent we provide such services, we will generally be compensated (a) at rates for the relevant services that do not exceed the rates that Brookfield reasonably believes to be customarily charged (at such time) for similar services by (i) persons engaged in the same or substantially similar activities or (ii) Brookfield in its provision of the same or substantially similar services to one or more third parties (such rates, the “Customary Rates”); provided that, if Customary Rates are not able to be determined, such services may be provided at cost (including an allocable share of internal costs), (b) at such other rates for the relevant services approved by our General Partner’s independent directors. In determining Customary Rates, Brookfield will seek to determine what one or more comparable service providers who are engaged in the same or substantially similar activities as Brookfield charge in the ordinary course for similar services at the time of determination. While Brookfield will determine in good faith what rates it believes are customary for such services at such time, there will likely be variances in the marketplace based on an array of factors that affect service providers and the prices of their services, including loss leader pricing strategies or other marketing practices, integration efficiencies, geographic market differences and the quality of the services provided. Brookfield will make a good faith determination as to what it believes to be the Customary Rate at such time, and may base its determination on one or more factors, including market knowledge, prices charged by competitors, prices charged by Brookfield to one or more third parties, a third party valuation agent, commodity or other price forecasting, prices required in order to meet certain regulatory requirements or qualify for particular governmental programs or other subjective and objective metrics. However, there can be no assurances that the rates charged by us will not be less than those charged by certain similarly-situated service providers in any given circumstance. If the market rate for any service increases such that it is greater than the rate charged by us, then we may be obligated to continue to provide the applicable service at a below-market rate.

In the ordinary course, Brookfield employees are hired or retained by, or seconded or otherwise allocated to (in whole or in part), our partnership and/or portfolio companies that we are directly or indirectly invested in for performance of operating services or roles that in the normal course are expected to be carried out by our (or the relevant portfolio company’s) personnel. In connection with any such arrangement, all or a portion of the compensation and overhead expenses relating to such employees (including base salaries, benefits and incentive compensation (which may include long term incentive awards of equity or options for equity in Brookfield), among other things) will directly or indirectly be borne by us or the applicable portfolio companies. The compensation and overhead expenses relating to such employees generally will be within the market compensation range for the roles filled in the relevant market based on one or more of the following (i) market compensation studies or guidance provided by third parties, (ii) recent market hires made by the relevant portfolio company for comparable positions, (iii) the employee’s peers at Brookfield and the portfolio company, and/or (iv) specific compensation reviews conducted by compensation consultants. For these purposes, given how certain compensation arrangements are structured and valued (particularly various forms of incentive compensation that vest over time and whose value upon payment is based on estimates) and how overhead expenses are generally allocated, in each case requiring certain judgments and assumptions, there can be no assurance that portfolio companies (and indirectly our partnership) will not bear higher costs than they would have had such expenses been valued, allocated or charged differently.

Brookfield and its personnel will receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of our partnership and/or portfolio companies in which we are (directly or indirectly) invested which will not reduce fees or other expenses or otherwise be shared with our partnership and/or our portfolio companies. For example, airline travel and hotel stays incurred as direct or indirect expenses of our partnership and/or portfolio companies in which we are (directly or indirectly) invested may result in “miles” or “points” or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not *de minimis* or difficult to value, inure exclusively to Brookfield and/or such personnel (and not our partnership and/or our portfolio companies) even though the cost of the underlying service is borne by directly or indirectly by our partnership and/or our portfolio companies. In addition, Brookfield may make available certain discount programs to its employees as a result of Brookfield’s relationship with a portfolio company, such as “friends and family” and similar discounts.

- **Brookfield Investments in Companies.** Brookfield (or Brookfield Accounts) will from time to time make equity or other investments in companies or businesses that provide services to or otherwise contract with us, Brookfield Accounts in which we are invested or our direct or indirect portfolio companies. In particular, Brookfield has in the past entered into, and expects to continue to enter into, relationships with companies in technology and other sectors and industries in which Brookfield has broad expertise and knowledge, whereby Brookfield acquires an equity or other interest in such companies that may, in turn, transact with us, Brookfield Accounts in which we are invested or our direct or indirect portfolio companies. For example, Brookfield (through an investment program referred to as Brookfield Ventures) invests in emerging technology companies that develop and offer technology products that are expected to be of relevance to us, Brookfield Accounts in which we are invested or our direct or indirect portfolio companies (as well as third-party companies). In connection with such relationships, Brookfield may, and often will, refer, introduce or otherwise facilitate transactions between such companies and us, Brookfield Accounts in which we are invested or our direct or indirect portfolio companies, which may, and often will, result in benefits to Brookfield, including via increased profitability of the relevant company, as well as financial incentives and/or milestones which benefit Brookfield (including through increased equity allotments), which may be significant. Such financial incentives that inure to or benefit Brookfield pose an incentive for Brookfield to cause us, Brookfield Accounts in which we are invested or our direct or indirect portfolio companies to enter into such transactions that may or may not have otherwise been entered into. Financial incentives derived from relationships with such companies will generally not be shared with us. Furthermore, such transactions are likely to contribute to the development of expertise, reputational benefits and/or the development of new products or services by Brookfield and/or the companies or businesses that Brookfield is invested in, which Brookfield will seek to capitalize on to generate additional benefits that are likely to inure solely to Brookfield and not to us. For the avoidance of doubt, any of the arrangements and/or benefits described in this paragraph will not require notice to, or the consent of, our unitholders or preferred unitholders.
- **Sharing of Services.** In certain circumstances, in order to create efficiencies and optimize performance, one or more of our investments, portfolio companies or assets may determine to share the operational, legal, financial, back-office or other resources of another of our investments, portfolio companies or assets, or of an investment, portfolio company or asset of Brookfield or a Brookfield Account. In connection therewith, the costs and expenses related to such services will be allocated among the relevant entities on a basis that Brookfield determines in good faith is fair and equitable.



- **Affiliated Transactions.** In the ordinary course of business, certain of our investments may receive services from, or participate in transactions or other arrangements with, portfolio companies invested in by Brookfield or Brookfield Accounts in which we are not invested. Such transactions and/or arrangements may not have been entered into but for the affiliation or relationship with Brookfield and, in certain cases, may replace transactions and/or arrangements with third parties. For example, one of our investee companies may be a tenant of or may contract to acquire power from a portfolio company of Brookfield or a Brookfield Account. These transactions and/or arrangements are expected to be entered into on an arm's length basis at Customary Rates in accordance with our conflicts policy. In addition, certain such engagements may involve performance-based compensation ("Operating Performance Compensation") payable to certain management members of the applicable operating affiliate providing the service. The cost of such Operating Performance Compensation and any other related fees and expenses in connection with services provided by the operating affiliate will be borne entirely by the company receiving the service (and indirectly by us based on our direct or indirect interest in such company). For the avoidance of doubt, Brookfield or the operating affiliate may subcontract with third parties for the provision of the services Brookfield or the operating affiliate was engaged to provide.

While such transactions and/or arrangements have the potential for inherent conflicts of interest, Brookfield believes that our access to Brookfield and its and Brookfield Accounts' portfolio companies enhances our capabilities and is an integral part of our operations. These transactions and/or arrangements will not require the consent of our unitholders or preferred unitholders.

- **Information Sharing.** Because of the extensive scope of Brookfield's activities, Brookfield often has or obtains information that can be utilized by Brookfield across multiple strategies. For example, information Brookfield has or acquires through its management of Brookfield Accounts or its own investing activities may be used by Brookfield to identify or evaluate potential investments for us. Conversely, information Brookfield has or acquires in connection with our activities may be used for the benefit of Brookfield or Brookfield Accounts (and, for the avoidance of doubt, Brookfield will have no duty (contractual, fiduciary or otherwise) to keep such information confidential from, or not to use such information in connection with the investment activities of, itself or Brookfield Accounts). Brookfield may trade, or may cause Brookfield Accounts to trade, on the basis of information it has or obtained through our investment and operations activities. In some cases, this trading may result in Brookfield or a Brookfield Account taking a position that is different from, and potentially adverse to, a position taken by our partnership, or may result in Brookfield or a Brookfield Account benefiting from our investment activities. Brookfield has implemented policies and procedures to mitigate potential conflicts of interest and address certain regulatory requirements and contractual restrictions with respect to communication and information sharing. Such policies and procedures may reduce synergies across Brookfield's various activities, which could negatively affect Brookfield's or our ability to pursue attractive investment opportunities that would otherwise be available to Brookfield or us if such policies and procedures were not implemented. From time to time, such policies and procedures may result in our partnership, Brookfield or Brookfield Accounts having reduced investment opportunities or investment flexibility, or may otherwise restrict us, Brookfield or Brookfield Accounts in their activities with respect to such information.

Regardless of the existence of information barriers, Brookfield will not have any obligation or other duty to make available for our benefit any information regarding Brookfield's trading activities, strategies or views, or the activities, strategies or views used for other Brookfield Accounts. Furthermore, to the extent that Brookfield has access to analysis, models and/or information developed by Brookfield and its personnel, Brookfield will not be under any obligation or other duty to effect transactions on behalf of our partnership in accordance with such analysis and models. In the event Brookfield elects not to share certain information with us, we may make investment decisions that differ from those it would have made if Brookfield had provided such information, which may be disadvantageous to us.

- **Material Non-Public Information; Trading Restrictions.** From time to time, our ability to buy or sell certain securities may be restricted by applicable securities laws, regulatory requirements, information held by Brookfield, contractual obligations applicable to Brookfield, and potential reputational risks relating to our partnership, Brookfield or Brookfield Accounts (including Brookfield's internal policies designed to comply with these and similar requirements). Brookfield might not engage in transactions or other activities for, or enforce certain rights in favor of, our partnership due to Brookfield's activities outside our partnership and regulatory requirements, policies, and reputational risk assessments.

Brookfield may possess material, non-public information about a company that would limit our ability to buy and sell securities related to that company (or, potentially, to other companies). For example, Brookfield personnel take seats on boards of directors of, or have board of directors observer rights with respect to, portfolio companies in which Brookfield invests (including on our behalf). In such situations, Brookfield may be limited and/or restricted in its ability to trade in the securities of the company (or other companies about which the company has material non-public information). This may adversely affect our ability to make and/or dispose of certain investments.

Furthermore, as a result of applicable regulations, in certain circumstances, our position in an investment may be aggregated with a position held by Brookfield (including parts of Brookfield that are separated by an information barrier) and Brookfield Accounts. This could require us, together with such other Brookfield parties, to make certain disclosure filings or could otherwise restrict our activities with respect to such investment.

- **Client and Other Relationships.** Brookfield is permitted to pursue other business activities (including through portfolio companies that it and Brookfield Accounts invest in) and provide services to third parties that compete directly with our business and activities without providing us with an opportunity to participate, which could result in the allocation of Brookfield's resources, personnel and acquisition opportunities to others who compete with us. In addition, certain portfolio companies in which we, Brookfield and/or Brookfield Accounts are invested in may provide investment banking and other advisory services to third parties with respect to assets in which we may be invested or seeking to invest. The interests of such portfolio companies in such circumstances may conflict with (and potentially be adverse to) our interests, and we may compete with such portfolio companies (and their third party clients) in pursuing certain investments. Brookfield generally implements policies and procedures (including, for example, information barriers) to mitigate potential conflicts of interest and address certain regulatory requirements relating to these potential circumstances.

- **Limited Liability of Brookfield.** The liability of Brookfield and its directors is limited under our arrangements with them, and we have agreed to indemnify Brookfield and its directors against claims, liabilities, losses, damages, costs or expenses which they may face in connection with those arrangements, which may lead them to assume greater risks when making decisions than they otherwise would if such decisions were being made solely for their own account, or may give rise to legal claims for indemnification that are adverse to the interests of our unitholders and preferred unitholders.
- **Valuation of Our Investments.** Brookfield performs certain valuation services related to our securities and assets. Brookfield performs such services in accordance with its valuation policies. From time to time, Brookfield may value a similar or identical asset differently for our partnership than for itself or a Brookfield Account, including because our partnership, Brookfield and Brookfield Accounts are subject to different valuation guidelines pursuant to our and their respective governing agreements (e.g., in connection with differing applicable regulatory restrictions), different third-party vendors are hired to perform valuation functions for our partnership, Brookfield or the Brookfield Accounts, or otherwise. In addition, Brookfield faces a conflict with respect to valuations generally because of their effect on Brookfield's fees and other compensation.
- **Brookfield Public Securities Group.** Brookfield is an active participant, as agent and principal, in the global fixed income, currency, commodity, equities and other markets. Certain of Brookfield's investment activities are managed independently of, and carried out without any reference to, the management of our partnership. For example, Brookfield may invest, trade or make a market in the equity, debt or other interests of our portfolio companies without regard to the impact on us of such activities. In particular, Brookfield's Public Securities Group ("PSG"), manages investment funds and accounts that invest in public debt and equity markets. There is currently an information barrier in place pursuant to which PSG manages its investment operations independently of other parts of Brookfield and does not generally share information relating to such activities. As a result, PSG will not share investment opportunities that may otherwise be suitable for our partnership with us, and our partnership will have no rights with respect to such opportunities. In addition, in certain circumstances, funds and/or accounts managed by PSG may hold an interest in one of our investments and, as a result of different investment objectives and views, PSG may manage such interests in a way that is different from us (including, for example, by investing in different portions of an issuer's capital structure, short selling securities, voting securities in a different manner, and/or selling its interests at different times than us). As a result of the information sharing barrier, our investment team may not be aware of, and may not have the ability to manage, such conflicts. Brookfield may decide at any time, and without notice to our unitholders or preferred unitholders, to remove or modify such information barrier. In the event that the information barrier is removed or modified, Brookfield may be subject to certain protocols, obligations and restrictions in managing our partnership, including, for example, conflicts-management protocols, aggregated regulatory reporting obligations and certain potential investment-related restrictions.

- **Third-Party Service Providers.** Our service providers or service providers of our portfolio companies (including deal sourcers, consultants, lenders, brokers, accountants, attorneys and outside directors) may be (or their affiliates may be) unitholders or preferred unitholders and/or sources of investment opportunities and counterparties therein, or may otherwise participate in transactions or other arrangements with us and/or Brookfield or Brookfield Accounts. These factors may influence Brookfield in deciding whether to select such a service provider.

Notwithstanding the foregoing, Brookfield will only select a service provider to the extent Brookfield determines that doing so is appropriate for us given all surrounding facts and circumstances and is consistent with Brookfield's responsibilities under applicable law, provided that, for the avoidance of doubt, Brookfield often will not seek out the lowest-cost option when engaging such service providers as other factors or considerations typically prevail over cost.

Our service providers may charge different rates to different recipients based on the specific services provided, the personnel providing the services, or other factors. As a result, the rates paid with respect to these service providers by us, on the one hand, may be more or less favorable than the rates paid by Brookfield or Brookfield Accounts, on the other hand. Brookfield or Brookfield Accounts may hold investments in companies that provide services to entities in which we invest generally, and, subject to applicable law, Brookfield may refer or introduce such companies' services to entities that have issued securities held by us.

- **Advisors.** Brookfield may engage or retain strategic advisors, senior advisors, operating partners, executive advisors, consultants and/or other professionals who are not employees or affiliates of Brookfield (which may include former Brookfield employees as well as current and former executive officers of Brookfield portfolio companies) and who are expected, from time to time, to receive payments from, or allocations or performance-based compensation with respect to, our portfolio companies (as well as from us, Brookfield or Brookfield Accounts in which we are invested). In such circumstances, such payments from, or allocations or performance-based compensation with respect to, our direct and indirect portfolio companies and/or our partnership or Brookfield Accounts in which we are invested may be treated as expenses of our partnership or such Brookfield Accounts. These strategic advisors, senior advisors, operating partners, executive advisors, consultants and/or other professionals (which may include certain former Brookfield employees) may be offered the ability to co-invest alongside our partnership, including in those investments in which they are involved (and for which they may be entitled to receive performance-based compensation, which will reduce our returns), or otherwise participate in equity plans for management of a portfolio company. In certain cases, these persons may have certain attributes of Brookfield "employees" (e.g., they may have dedicated offices at Brookfield and/or participate in certain benefit arrangements typically reserved for Brookfield employees) even though they are not considered Brookfield employees, affiliates or personnel. Brookfield expects, where applicable, to allocate the costs of such personnel to the applicable portfolio companies, to us and/or to Brookfield Accounts in which we are invested. Payments or allocations to Brookfield's strategic advisors, senior advisors, operating partners, executive advisors, consultants and other similar professionals can be expected to increase the overall costs and expenses borne indirectly by unitholders. There can be no assurance that any of the strategic advisors, senior advisors, operating partners, executive advisors, consultants and/or other professionals will continue to serve in such roles and/or continue their arrangements with Brookfield and/or any portfolio companies or Brookfield Accounts.

- **Diverse Interests.** The various types of investors in and beneficiaries of our partnership, including Brookfield, may have conflicting investment, tax and other interests with respect to their interests. When considering a potential investment for us, Brookfield will generally consider our investment objectives, not the investment objectives of any particular investor or beneficiary. Brookfield may make decisions, including with respect to tax or other reporting positions, from time to time that may be more beneficial to one type of investor or beneficiary than another, or to Brookfield than to investors or beneficiaries unaffiliated with Brookfield. Brookfield reserves the right on behalf of itself and its affiliates to take actions adverse to us or other Brookfield Accounts in these circumstances, including withholding amounts to pay actual or potential tax liabilities.

Furthermore, our partnership and any entities with which we co-invest may have conflicting investment, tax and other interests with respect to the investments we make directly or indirectly. Conflicts of interest may arise in connection with the structure of the investments or decisions made by Brookfield which may be more beneficial for another investing entity and its partners, on the one hand, than for us and our unitholders and preferred unitholders, on the other hand (or vice versa) (for instance, the manner in which investments are structured, financed and/or harvested may produce tax results that are favorable to an investing entity targeted to non-U.S. investors, but not to us (or vice versa), or are favorable to a taxable investor, as compared to a tax-exempt investor (or vice versa)).

- **Reputational Considerations.** Given the nature of its broader platform, Brookfield has an interest in preserving its reputation, including with respect to certain of its affiliates, and in certain circumstances, such reputational considerations may conflict with our interests. Our General Partner or Brookfield may make decisions on our behalf for reputational reasons that may not be directly aligned with the interests of unitholders and preferred unitholders or consistent with the determination our General Partner or Brookfield otherwise would have made absent its interest in Brookfield's broader reputation. For example, Brookfield may limit transactions and activities on our behalf for reputational or other reasons, including where Brookfield is providing (or may provide) advice or services to an entity involved in such activity or transaction, where a Brookfield Account is or may be engaged in the same or a related activity or transaction to that being considered on our behalf, where a Brookfield Account has an interest in an entity involved in such activity or transaction, or where such activity or transaction on behalf of or in respect of our partnership could affect our General Partner, Brookfield, Brookfield Accounts or their activities.
- **Possible Future Activities.** Brookfield may expand the range of services that it provides over time. Except as provided herein, Brookfield will not be restricted in the scope of its business or in the performance of any services (whether now offered or undertaken in the future) even if such activities could give rise to conflicts of interest, and whether or not such conflicts are described herein. Brookfield has, and will continue to develop, relationships with a significant number of companies, financial sponsors and their senior managers, including relationships with companies that may hold or may have held investments similar to those intended to be made by us. These companies may themselves represent appropriate investment opportunities for us or may compete with us for investment opportunities.

See Item 3.D. *“Key Information - Risk Factors - Risks Relating to Our Relationship with Brookfield - Our organizational and ownership structure may create significant conflicts of interest that may be resolved in a manner that is not in the best interests of our partnership or the best interests of our unitholders and preferred unitholders”*.

As noted above, activities and transactions that give rise to potential conflicts of interests between our partnership and our unitholders and preferred unitholders, on the one hand, and Brookfield and Brookfield Accounts, on the other hand, generally will be resolved in accordance with the principles summarized herein and in accordance with a conflicts management policy that has been approved by our General Partner's independent directors. The conflicts management policy was put in place in recognition of the benefit to our partnership of our relationship with Brookfield and our intent to seek to maximize the benefits from this relationship, and generally provides for potential conflicts to be resolved on the basis of transparency and, where applicable, third party validation and approvals. The policy focuses on addressing the principal activities that may give rise to potential conflicts of interests, including our investment activities, our participation in Brookfield Accounts, transactions with Brookfield (and Brookfield Accounts), and engagements of Brookfield affiliates (or of us by Brookfield Accounts), including engagements for operational services entered into between underlying operating entities.

Pursuant to the conflicts management policy, Brookfield is required to seek the prior approval of our General Partner's independent directors for certain transactions, including: (i) acquisitions by our partnership from, and dispositions by our partnership to, Brookfield and Brookfield Accounts; (ii) the dissolution of our partnership or the Holding LP; (iii) any material amendment to the Master Services Agreement, the Relationship Agreement, our Limited Partnership Agreement or the Holding LP's limited partnership agreement; (iv) any material service agreement or other material arrangement pursuant to which Brookfield will be paid a fee, or other consideration other than any agreement or arrangement contemplated by our Master Services Agreement; (v) termination of, or any determinations regarding indemnification under, our Master Services Agreement, our Limited Partnership Agreement or the Holding LP's limited partnership agreement; and (vi) any other material transaction involving our partnership and Brookfield. Pursuant to the conflicts management policy, our General Partner's independent directors have granted (and may in the future grant) prior approvals for certain type of transactions and/or activities provided they such transactions and/or activities are conducted in accordance with pre-approved guidelines and/or parameters. In certain circumstances, these transactions may be related party transactions for the purposes of and subject to certain requirements of Multilateral Instrument 61-101-Protection of Minority Security Holders in Special Transactions ("MI 61-101") which in some situations requires minority shareholder approval and/or valuation for transactions with related parties. An exemption from such requirements is available when the fair market value of the transaction is not more than 25% of the market capitalization of the issuer. Our partnership has been granted exemptive relief from the requirements of MI 61-101 that, subject to certain conditions, would permit it to be exempt from the minority approval and valuation requirements for transactions that would have a value of less than 25% of our partnership's market capitalization if Brookfield's indirect equity interest in our partnership was included in the calculation of our partnership's market capitalization. As a result, the 25% threshold above which the minority approval and valuation requirements would apply would be increased to include the approximately 29.5% indirect interest in our partnership in the form of Redeemable Partnership Units held by Brookfield.

In addition, the conflicts management policy provides that acquisitions that are carried out jointly by us and Brookfield, or in the context of a Brookfield Account that we participate in, be carried out on the basis that the consideration paid by us be no more, on a per share or proportionate basis, than the consideration paid by Brookfield or other participants, as applicable. The policy also provides that any fees or carried interest payable in respect of our proportionate investment, or in respect of an acquisition made solely by us, must be credited in the manner contemplated by our Master Services Agreement and the Holding LP's limited partnership agreement, where applicable, or that such fees or carried interest must either have been negotiated with another arm's length participant or otherwise demonstrated to be on market terms (or better). The policy also provides that in transactions involving (i) an acquisition by our partnership of an asset from Brookfield or (ii) the purchase by us and Brookfield of different assets, a fairness opinion or a valuation or appraisal by a qualified expert be obtained. These requirements are in addition to any disclosure, approval, or valuation requirements that may arise under applicable law.

Our Limited Partnership Agreement contains various provisions that modify the fiduciary duties that might otherwise be owed to our partnership, our unitholders and preferred unitholders including when conflicts of interest arise. Specifically, our limited partnership agreement states that no breach of our Limited Partnership Agreement or a breach of any duty, including fiduciary duties, may be found for any matter that has been approved by a majority of the independent directors of our General Partner. In addition, when resolving conflicts of interest, our limited partnership agreement does not impose any limitations on the discretion of the independent directors or the factors which they may consider in resolving any such conflicts. The independent directors of our General Partner can, subject to acting in accordance with their own fiduciary duties in their capacity as a director of the General Partner, therefore take into account the interests of third parties, including Brookfield and, where applicable, any Brookfield Accounts, when resolving conflicts of interest and may owe fiduciary duties to such third parties, or to such Brookfield Accounts. Additionally, any fiduciary duty that is imposed under any applicable law or agreement is modified, waived or limited to the extent required to permit our General Partner to undertake any affirmative conduct or to make any decisions, so long as such action is reasonably believed to be in, or not inconsistent with, the best interests of our partnership.

In addition, our Limited Partnership Agreement provides that our General Partner and its affiliates do not have any obligation under our Limited Partnership Agreement, or as a result of any duties stated or implied by law or equity, including fiduciary duties, to present business or investment opportunities to our partnership, the Holding LP, any Holding Entity or any other holding entity established by us. Our Limited Partnership Agreement also allows affiliates of our General Partner to engage in activities that may compete with us or our activities. Additionally, any failure by our General Partner to consent to any merger, consolidation or combination will not result in a breach of our Limited Partnership Agreement or any other provision of law. Our Limited Partnership Agreement prohibits our limited partners from advancing claims that otherwise might raise issues as to compliance with fiduciary duties or applicable law.

These modifications to the fiduciary duties are detrimental to our unitholders and preferred unitholders because they restrict the remedies available for actions that might otherwise constitute a breach of fiduciary duty and permit conflicts of interest to be resolved in a manner that may not be or is not in the best interests of our partnership or the best interests of our unitholders and preferred unitholders. We believe it is necessary to modify the fiduciary duties that might otherwise be owed to us, our unitholders and preferred unitholders, as described above, due to our organizational and ownership structure and the potential conflicts of interest created thereby. Without modifying those duties, the ability of our General Partner to attract and retain experienced and capable directors and to take actions that we believe will be necessary for the carrying out of our business would be unduly limited due to their concern about potential liability. See Item 3.D “Risk Factors-Risks Relating to Our Relationship with Brookfield-Our Master Services Agreement and our other arrangements with Brookfield do not impose on Brookfield any fiduciary duties to act in the best interests of our unitholders or preferred unitholders.”

Bermuda partnership legislation provides that, subject to any express provision of the partnership agreement to the contrary, a limited partner of a limited partnership in that capacity does not owe any fiduciary duty in exercising any of its rights or authorities or otherwise in performing any of its obligations under the partnership agreement to the limited partnership or any other partner. Our Limited Partnership Agreement imposes no such fiduciary duty.

#### *Other Related Party Transactions*

Brookfield Infrastructure is the borrower under a \$500 million revolving credit facility with Brookfield to provide additional liquidity for general corporate purposes and capital expenditures, if required. The independent directors of our General Partner approved Brookfield Infrastructure’s entry into this revolving credit facility on February 8, 2018. The revolving credit facility has an effective date of February 8, 2018 and automatically renews for four consecutive one year terms on the first, second, third and fourth anniversary of such effective date, which would result in it ultimately maturing on February 8, 2023. Brookfield has the option to terminate the agreement prior to February 8 each year by providing Brookfield Infrastructure with written notice. All obligations of Brookfield Infrastructure under the facility were guaranteed by our partnership. Loans under this facility accrued interest on LIBOR plus 2.00% and no commitment fees were incurred for any undrawn balance. As of December 31, 2018, there were no borrowings outstanding.

From time to time, each of Brookfield and Brookfield Infrastructure may place funds on deposit with the other, on terms approved by the independent directors of our General Partner. Interest earned on such deposits is at market terms. At December 31, 2018, Brookfield Infrastructure’s deposit balance with Brookfield was less than \$1 million (December 31, 2017: less than \$1 million) and earned interest of less than \$1 million for year ended December 31, 2018 (2017: less than \$1 million, 2016: less than \$1 million). At December 31, 2018, Brookfield’s deposit balance with Brookfield Infrastructure was \$nil (December 31, 2017: \$nil) and earned interest of \$nil for year ended December 31, 2018 (2017: \$nil, 2016: \$nil).

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

#### **7.C INTEREST OF EXPERTS AND COUNSEL**

Not applicable.



## **ITEM 8. FINANCIAL INFORMATION**

### **8.A CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION**

See Item 5 “Operating and Financial Review and Prospects—Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Item 18 “Financial Statements” for additional information required to be disclosed under this Item.

### **8.B SIGNIFICANT CHANGES**

See Item 3 “Key Information”, Item 4 “Information on the Company”, Item 5 “Operating and Financial Review and Prospects—Management’s Discussion and Analysis of Financial Condition and Results of Operation” for additional information.

## **ITEM 9. THE OFFER AND LISTING**

### **9.A OFFER AND LISTING DETAILS**

Our units are listed on the NYSE under the symbol “BIP” and on the TSX under the symbol “BIP.UN”. Our Series 1 Preferred Units, Series 3 Preferred Units, Series 5 Preferred Units, Series 7 Preferred Units, Series 9 Preferred Units and Series 11 Preferred Units are listed on the TSX under the symbols “BIP.PR.A”, “BIP.PR.B”, “BIP.PR.C”, “BIP.PR.D”, “BIP.PR.E” and “BIP.PR.F”, respectively.

### **9.B PLAN OF DISTRIBUTION**

Not applicable.

### **9.C MARKETS**

See Item 9.A “Offer and Listing Details”.

### **9.D SELLING SHAREHOLDERS**

Not applicable.

### **9.E DILUTION**

Not applicable.

### **9.F EXPENSES OF THE ISSUE**

Not applicable.

## **ITEM 10. ADDITIONAL INFORMATION**

### **10.A SHARE CAPITAL**

Not applicable.

## **10.B MEMORANDUM AND ARTICLES OF ASSOCIATION**

### **DESCRIPTION OF OUR UNITS, PREFERRED UNITS AND OUR LIMITED PARTNERSHIP AGREEMENT**

The following is a description of the material terms of our units and our Limited Partnership Agreement and is qualified in its entirety by reference to all of the provisions of our Limited Partnership Agreement. Because this description is only a summary of the terms of our units and our Limited Partnership Agreement, it does not contain all of the information that you may find useful. For more complete information, you should read our Limited Partnership Agreement which is available electronically on the website of the U.S. Securities and Exchange Commission (the “SEC”) at [www.sec.gov](http://www.sec.gov) and our Canadian System for Electronic Document Analysis and Retrieval (“SEDAR”) profile at [www.sedar.com](http://www.sedar.com) and will be made available to our holders as described under Item 10.C “Material Contracts” and Item 10.H “Documents on display.”

See also the information contained in this annual report on Form 20-F under Item 3.D “Risk Factors—Risk Relating to Our Relationship with Brookfield,” Item 4.C “Organizational Structure,” Item 6.A “Directors and Senior Management” and Item 7.B “Related Party Transactions.”

#### *Formation and Duration*

Our partnership is a Bermuda exempted limited partnership registered under the Bermuda Limited Partnership Act and the Bermuda Exempted Partnerships Act. Our partnership has a perpetual existence and will continue as a limited liability partnership unless our partnership is terminated or dissolved in accordance with our Limited Partnership Agreement. Our partnership interests consist of our units and preferred units, which represent limited partnership interests in our partnership, and any additional partnership interests representing limited partnership interests that we may issue in the future as described below under “—Issuance of Additional Partnership Interests.” In this description, references to “holders of our partnership interests”, our “preferred unitholders” and our “unitholders” are to our limited partners and references to our limited partners include holders of our units and preferred units.

#### *Nature and Purpose*

Under section 2.2 of our Limited Partnership Agreement, the purpose of our partnership is to: acquire and hold interests in the Holding LP and, subject to the approval of our General Partner, interests in any other entity; engage in any activity related to the capitalization and financing of our partnership’s interests in such entities; serve as the managing general partner of the Holding LP; and engage in any other activity that is incidental to or in furtherance of the foregoing and that is approved by our General Partner and that lawfully may be conducted by a limited partnership organized under the Bermuda Limited Partnership Act, the Exempted Partnerships Act, and our Limited Partnership Agreement.

### *Our Units and Preferred Units*

Our units and preferred units are limited partnership interests in our partnership. Holders of our units or preferred units are not entitled to the withdrawal or return of capital contributions in respect of our units or preferred units, except to the extent, if any, that distributions are made to such holders pursuant to our Limited Partnership Agreement or upon the liquidation of our partnership as described below under “—Liquidation and Distribution of Proceeds” or as otherwise required by applicable law. Except to the extent expressly provided in our Limited Partnership Agreement, a holder of our units or preferred units does not have priority over any other unitholder or preferred unitholder, either as to the return of capital contributions or as to profits, losses or distributions. Unitholders and preferred unitholders will not be granted any preemptive or other similar right to acquire additional interests in our partnership. In addition, unitholders and preferred unitholders do not have any right to have their units or preferred units redeemed by our partnership.

### *Exchange LP Units and the Support Agreement*

In connection with the acquisition of all of the outstanding common shares of Enercare in October 2018, Canadian residents had the election to receive an Exchange LP Unit of Exchange LP, instead of cash, which allows for full or partial deferral of capital gains for Canadian federal income tax purposes. The Exchange LP Units provide holders with economic terms that are substantially equivalent to those of our units and are exchangeable, on a one-for-one basis, for our units. Exchange LP Units are not transferrable, except upon the death of a holder.

Holders of Exchange LP Units are entitled at any time to retract (i.e., to require Exchange LP to redeem) any or all Exchange LP Units held by them and to receive in exchange one of our units, plus the full amount of all declared and unpaid distributions on the Exchange LP Units and all distributions declared on one of our units that have not yet been declared or paid on the Exchange LP Units (the “Distribution Amount”), if any. Instead of Exchange LP redeeming the retracted units, we have a call right to purchase all but not less than all of the units covered by the retraction request.

Exchange LP has the right, commencing on the seventh anniversary of the closing of the acquisition of Enercare, to redeem all of the then outstanding Exchange LP Units for a purchase price equal to one of our units for each outstanding Exchange LP Unit plus the Distribution Amount, if any. The redemption date may be accelerated if certain conditions are met. Instead of Exchange LP redeeming such Exchange LP Units, we have a call right to require that each holder of Exchange LP Units sell all the Exchange LP Units held by such holder to us on the redemption date upon payment by us to such holder of the purchase price for such Exchange LP Units.

Under the support agreement between us and Exchange LP (the “Support Agreement”), we have covenanted that, so long as such Exchange LP Units not owned by us or our subsidiaries are outstanding, we will, among other things: (a) not declare or pay any distribution on our units unless (i) on the same day Exchange LP declares or pays, as the case may be, an equivalent distribution on the Exchange LP Units and (ii) Exchange LP has sufficient money to pay such distribution; (b) take actions reasonably necessary to ensure that the declaration date, record date and payment date for distributions on the Exchange LP Units are the same as those for any corresponding distributions on our units; (c) take all actions reasonably necessary to enable Exchange LP to pay the liquidation amount, the retraction price or the redemption price to the holders of the Exchange LP Units in the event of a liquidation, dissolution or winding up of Exchange LP, a retraction request by a holder of Exchange LP Units or a redemption of Exchange LP Units, as the case may be.

The Support Agreement also provides that, without the prior approval of Exchange LP and the holders of Exchange LP Units, we will not distribute our units or rights to subscribe for our units or other property or assets to all or substantially all of our holders, change any of the rights, privileges or other terms of our units, or change the then outstanding number of our units into a lesser or greater number, unless the same or an equivalent distribution on, or change to, the Exchange LP Units is made simultaneously. In the event of any proposed cash offer, share exchange offer, issuer bid, take-over bid or similar transaction affecting our units, we and Exchange LP will use reasonable best efforts to take all actions necessary or desirable to enable holders of Exchange LP Units to participate in such transaction to the same extent and on an economically equivalent basis as our holders.

The foregoing is a summary of certain of the material terms of the Exchange LP Units, as set out in the limited partnership agreement of Exchange LP, and the Support Agreement and is qualified in its entirety by reference to the full text of the limited partnership agreement of Exchange LP and the Support Agreement, which are available electronically on the website of the SEC at [www.sec.gov](http://www.sec.gov) and on our SEDAR profile at [www.sedar.com](http://www.sedar.com).

#### *Redeemable Partnership Units*

The Redeemable Partnership Units are exchangeable into our units in accordance with the Redemption-Exchange Mechanism. See Item 10.B “Memorandum and Articles of Association- Description of the Holding LP’s Limited Partnership Agreement- Redemption-Exchange Mechanism”.

#### *Our Preferred Units*

The Class A Preferred Units rank senior to the units with respect to priority in the payment of distributions and in the distribution of the assets in the event of the liquidation, dissolution or winding-up of our partnership, whether voluntary or involuntary. Each series of Class A Preferred Units ranks on a parity with every other series of the Class A Preferred Units with respect to priority in the payment of distributions and in the distribution of the assets in the event of the liquidation, dissolution or winding-up of our partnership, whether voluntary or involuntary.

The Series 1 Preferred Units are redeemable by our partnership on June 30, 2020 and on June 30 every five years thereafter for C\$25.00 per Series 1 Preferred Unit, together with all accrued and unpaid distributions. Holders of the Series 1 Preferred Units will have the right, at their option, to reclassify their Series 1 Preferred Units into Series 2 Preferred Units, subject to certain conditions, on June 30, 2020 and on June 30 every five years thereafter. The Series 3 Preferred Units are redeemable by our partnership on December 31, 2020 and on December 31 every five years thereafter for C\$25.00 per Series 3 Preferred Unit, together with all accrued and unpaid distributions. Holders of the Series 3 Preferred Units will have the right, at their option, to reclassify their Series 3 Preferred Units into Series 4 Preferred Units, subject to certain conditions, on December 31, 2020 and on December 31 every five years thereafter. The Series 5 Preferred Units are redeemable by our partnership on September 30, 2021 and on September 30 every five years thereafter for C\$25.00 per Series 5 Preferred Unit, together with all accrued and unpaid distributions. Holders of the Series 5 Preferred Units will have the right, at their option, to reclassify their Series 5 Preferred Units into Series 6 Preferred Units, subject to certain conditions, on September 30, 2021 and on September 30 every five years thereafter. The Series 7 Preferred Units are redeemable by our partnership on March 31, 2022 and on March 31 every five years thereafter for C\$25.00 per Series 7 Preferred Unit, together with all accrued and unpaid distributions. Holders of the Series 7 Preferred Units will have the right, at their option, to reclassify their Series 7 Preferred Units into Series 8 Preferred Units, subject to certain conditions, March 31, 2022 and on March 31 every five years thereafter. The Series 9 Preferred Units are redeemable by our partnership on March 31, 2023 and on March 31 every five years thereafter for C\$25.00 per Series 9 Preferred Unit, together with all accrued and unpaid distributions. Holders of the Series 9 Preferred Units will have the right, at their option, to reclassify their Series 9 Preferred Units into Series 10 Preferred Units, subject to certain conditions, on March 31, 2023 and on March 31 every five years thereafter. The Series 11 Preferred Units are redeemable by our partnership on December 31, 2023 and on December 31 every five years thereafter for C\$25.00 per Series 11 Preferred Unit, together with all accrued and unpaid distributions. Holders of the Series 11 Preferred Units will have the right, at their option, to reclassify their Series 11 Preferred Units into Series 12 Preferred Units, subject to certain conditions, on December 31, 2023 and on December 31 every five years thereafter.

Our preferred units do not have a fixed maturity date and are not redeemable at the option of preferred unitholders.

#### *Issuance of Additional Partnership Interests*

Subject to the rights of the holders of Class A Preferred Units to approve issuances of additional partnership interests ranking senior to the Class A Preferred Units with respect to priority in the payment of distributions and in the distribution of the assets in the event of the liquidation, dissolution or winding-up of our partnership, whether voluntary or involuntary, our General Partner has broad rights to cause our partnership to issue additional partnership interests and may cause our partnership to issue additional partnership interests (including new classes of partnership interests and options, rights, warrants and appreciation rights relating to such interests) for any partnership purpose, at any time and on such terms and conditions as it may determine without the approval of any limited partners. Any additional partnership interests may be issued in one or more classes, or one or more series of classes, with such designations, preferences, rights, powers and duties (which may be senior to existing classes and series of partnership interests) as may be determined by our General Partner in its sole discretion, all without approval of our limited partners.

### *Investments in the Holding LP*

If and to the extent that our partnership raises funds by way of the issuance of equity or debt securities, or otherwise, pursuant to a public offering, private placement or otherwise, an amount equal to the proceeds will be invested in the Holding LP, unless otherwise agreed by our partnership and the Holding LP.

### *Capital Contributions*

Brookfield and our General Partner each contributed \$1 to the capital of our partnership in order to form our partnership. Thereafter, Brookfield contributed to our partnership limited partnership interests of the Holding LP in exchange for Redeemable Partnership Units and our units, the latter of which was distributed by Brookfield Asset Management in the spin-off.

### *Distributions*

Subject to the rights of holders of Class A Preferred Units to receive cumulative preferential cash distributions in accordance with their terms, distributions to partners of our partnership will be made only as determined by our General Partner in its sole discretion. However, our General Partner will not be permitted to cause our partnership to make a distribution if it does not have sufficient cash on hand to make the distribution, the distribution would render it insolvent or if, in the opinion of our General Partner, the distribution would leave it with insufficient funds to meet any future or contingent obligations. In addition, our partnership will not be permitted to make a distribution on our units unless all accrued distributions have been paid in respect of the Class A Preferred Units and all other units of our partnership ranking prior to or on a parity with the Class A Preferred Units with respect to the payment of distributions.

Holders of the Series 1 Preferred Units will be entitled to receive a cumulative quarterly fixed distribution at a rate of 4.50% annually for the initial period ending June 30, 2020. Thereafter, the distribution rate will be reset every five years at a rate equal to the 5-year Government of Canada bond yield plus 3.56%. Holders of Series 2 Preferred Units will be entitled to receive a cumulative quarterly floating distribution at a rate equal to the 90-day Canadian Treasury Bill yield plus 3.56%. Holders of the Series 3 Preferred Units will be entitled to receive a cumulative quarterly fixed distribution at a rate of 5.50% annually for the initial period ending December 31, 2020. Thereafter, the distribution rate will be reset every five years at a rate equal to the greater of: (i) the 5-year Government of Canada bond yield plus 4.53%, and (ii) 5.50%. Holders of Series 4 Preferred Units will be entitled to receive a cumulative quarterly floating distribution at a rate equal to the 90-day Canadian Treasury Bill yield plus 4.53%. Holders of the Series 5 Preferred Units will be entitled to receive a cumulative quarterly fixed distribution at a rate of 5.35% annually for the initial period ending September 30, 2021. Thereafter, the distribution rate will be reset every five years at a rate equal to the greater of: (i) the 5 year Government of Canada bond yield plus 4.64%, and (ii) 5.35%. Holders of Series 6 Preferred Units will be entitled to receive a cumulative quarterly floating distribution at a rate equal to the 90 day Canadian Treasury Bill yield plus 4.64%. Holders of the Series 7 Preferred Units will be entitled to receive a cumulative quarterly fixed distribution at a rate of 5.00% annually for the initial period ending March 31, 2022. Thereafter, the distribution rate will be reset every five years at a rate equal to the greater of: (i) the 5 year Government of Canada bond yield plus 3.78%, and (ii) 5.00%. Holders of Series 8 Preferred Units will be entitled to receive a cumulative quarterly floating distribution at a rate equal to the 90 day Canadian Treasury Bill yield plus 3.78%. Holders of the Series 9 Preferred Units will be entitled to receive a cumulative quarterly fixed distribution at a rate of 5.00% annually for the initial period ending March 31, 2023. Thereafter, the distribution rate will be reset every five years at a rate equal to the greater of: (i) the 5 year Government of Canada bond yield plus 3.00%, and (ii) 5.00%. Holders of Series 10 Preferred Units will be entitled to receive a cumulative quarterly floating distribution at a rate equal to the 90 day Canadian Treasury Bill yield plus 3.00%. Holders of the Series 11 Preferred Units will be entitled to receive a cumulative quarterly fixed distribution at a rate of 5.10% annually for the initial period ending December 31, 2023. Thereafter, the distribution rate will be reset every five years at a rate equal to the greater of: (i) the 5 year Government of Canada bond yield plus 2.92%, and (ii) 5.10%. Holders of Series 12 Preferred Units will be entitled to receive a cumulative quarterly floating distribution at a rate equal to the 90-day Canadian Treasury Bill yield plus 2.92%.

Subject to the terms of any preferred units outstanding at the time, any distributions from our partnership will be made to the limited partners holding units as to 99.99% and to our General Partner as to 0.01%. Distributions to holders of Class A Preferred Units in accordance with their terms rank higher in priority than distributions to holders of our units. Each holder of units or preferred units will receive a pro rata share of distributions made to all holders of units or preferred units, as applicable, in accordance with the proportion of all units or preferred units held by that holder. See Item 8.A “Consolidated Statements and Other Financial Information.”

#### *Allocations of Income and Losses*

Net income and net loss for U.S. federal income tax purposes will be allocated for each taxable year or other relevant period among our partners (other than our partners holding preferred units) using a monthly, quarterly or other permissible convention pro rata on a per unit basis, except to the extent otherwise required by law or pursuant to tax elections made by our partnership. The source and character of items of income and loss so allocated to a partner of our partnership (other than a partner holding preferred units) will be the same source and character as the income earned or loss incurred by our partnership.

The income for Canadian federal income tax purposes of our partnership for a given fiscal year of our partnership will be allocated to each partner in an amount calculated by multiplying such income by a fraction, the numerator of which is the sum of the distributions received by such partner with respect to such fiscal year and the denominator of which is the aggregate amount of the distributions made by our partnership to partners with respect to such fiscal year, provided that the numerator and denominator will not include any distributions on the preferred units that are in satisfaction of accrued distributions on the preferred units that were not paid in a previous fiscal year of our partnership where our General Partner determines that the inclusion of such distributions would result in a preferred unitholder being allocated more income than it would have been if the distributions were paid in the fiscal year of our partnership in which they were accrued. Generally, the source and character of items of income so allocated to a partner with respect to a fiscal year of our partnership will be the same source and character as the distributions received by such partner with respect to such fiscal year. To such end, any person who was a partner at any time during such fiscal year but who has disposed of all of their units (including any preferred units) before the last day of that fiscal year may be deemed to be a partner on the last day of such fiscal year for the purposes of subsection 96(1) of the Tax Act. Our General Partner may adjust allocations of items that would otherwise be made pursuant to the terms of our Limited Partnership Agreement to the extent necessary to avoid an adverse effect on our partnership's limited partners, subject to the approval of a committee of the board of directors of our General Partner made up of independent directors.

If, with respect to a given fiscal year, no distribution is made by our partnership or our partnership has a loss for Canadian federal income tax purposes, one quarter of the income or loss, as the case may be, for Canadian federal income tax purposes for such fiscal year, will be allocated to the partners of record at the end of each quarter ending in such fiscal year as follows: (i) to the preferred unitholders in respect of preferred units held by them on each such date, such amount of the income or the loss, as the case may be, for Canadian federal income tax purposes as our General Partner determines is reasonable in the circumstances having regard to such factors as our General Partner considers to be relevant, including, without limitation, the relative amount of capital contributed to our partnership on the issuance of preferred units as compared to all other units and the relative fair market value of the preferred units as compared to all other units, and (ii) to the partners, other than in respect of preferred units, the remaining amount of the income or the loss, as the case may be, for Canadian federal income tax purposes pro rata to their respective percentage interests on each such date.

#### *Limited Liability*

Assuming that a limited partner does not, in its capacity as a holder of limited partnership units, participate in the control or management of our partnership or conduct the affairs of, sign or execute documents for or otherwise bind our partnership within the meaning of the Bermuda Limited Partnership Act and otherwise acts in conformity with the provisions of our limited partnership agreement, such partner's liability under the Bermuda Limited Partnership Act and our limited partnership agreement will be limited to the amount of capital such partner is obligated to contribute to our partnership for its limited partner interest plus its share of any undistributed profits and assets, except as described below.



If it were determined, however, that a limited partner, in its capacity as a holder of limited partnership units, was participating in the control or management of our partnership or conducting the affairs of, signing or executing documents for or otherwise binding our partnership (or purporting to do any of the foregoing) within the meaning of the Bermuda Limited Partnership Act or the Bermuda Exempted Partnerships Act, such limited partner would be liable as if it were a general partner of our partnership in respect of all debts of our partnership incurred while that limited partner was so acting or purporting to act. Neither our limited partnership agreement nor the Bermuda Limited Partnership Act specifically provides for legal recourse against our General Partner if a limited partner were to lose limited liability through any fault of our General Partner. While this does not mean that a limited partner could not seek legal recourse, we are not aware of any precedent for such a claim in Bermuda case law.

The Bermuda Limited Partnership Act provides that a limited partner does not take part in the management of a partnership by reason only of serving on a board or committee of that limited partnership's general partner.

#### *No Management or Control*

Our partnership's limited partners, in their capacities as such, may not take part in the management or control of the activities and affairs of our partnership and do not have any right or authority to act for or to bind our partnership or to take part or interfere in the conduct or management of our partnership. Limited partners are not entitled to vote on matters relating to our partnership, although holders of units are entitled to consent to certain matters as described under "—Amendment of Our Limited Partnership Agreement," "—Opinion of Counsel and Limited Partner Approval," "—Merger, Sale or Other Disposition of Assets," and "—Withdrawal of Our General Partner" which may be effected only with the consent of the holders of the percentages of our outstanding units specified below. In addition, limited partners have consent rights with respect to certain fundamental matters and on any other matters that require their approval in accordance with applicable securities laws and stock exchange rules. Each unit shall entitle the holder thereof to one vote for the purposes of any approvals of holders of units. Except as otherwise provided by law or as set out in the provisions attached to any series of Class A Preferred Units and except for meetings of the holders of Class A Preferred Units as a class or meetings of the holders of a series thereof, the holders of a series of Class A Preferred Units are not entitled to receive notice of, attend, or vote at any meeting of holders of units, unless and until our partnership shall have failed to pay eight quarterly distributions in respect of such series of Class A Preferred Units, whether or not consecutive and whether or not such distributions have been declared and whether or not there are any monies of our partnership properly applicable to the payment of distributions. In the event of such non-payment, and for only so long as any such distributions remain in arrears, such holders will be entitled to receive notice of and to attend each meeting of holders of units (other than any meetings at which only holders of another specified class or series are entitled to vote) and such holders shall have the right, at any such meeting, to one vote for each such Class A Preferred Unit held. Upon payment of the entire amount of all such distributions in arrears, the voting rights of such holders of Class A Preferred Units shall forthwith cease (unless and until the same default shall again arise as described herein).

#### *Meetings*

Our General Partner may call special meetings of partners at a time and place outside of Canada determined by our General Partner on a date not less than 10 days nor more than 60 days after the mailing of notice of the meeting. The limited partners do not have the ability to call a special meeting. Only holders of record on the date set by our General Partner (which may not be less than 10 days nor more than 60 days, before the meeting) are entitled to notice of any meeting.

Written consents may be solicited only by or on behalf of our General Partner. Any such consent solicitation may specify that any written consents must be returned to our partnership within the time period, which may not be less than 20 days, specified by our General Partner.

For purposes of determining holders of partnership interests entitled to provide consents to any action described above, our General Partner may set a record date, which may be not less than 10 nor more than 60 days before the date by which record holders are requested in writing by our General Partner to provide such consents. Only those holders of partnership interests on the record date established by our General Partner will be entitled to provide consents with respect to matters as to which a consent right applies.

#### *Amendment of Our Limited Partnership Agreement*

Amendments to our Limited Partnership Agreement may be proposed only by or with the consent of our General Partner. To adopt a proposed amendment, other than the amendments that do not require limited partner approval discussed below, our General Partner must seek approval of a majority of our outstanding units required to approve the amendment or call a meeting of the limited partners to consider and vote upon the proposed amendment.

Notwithstanding the above, in addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preferred Units as a class and any other approval to be given by the holders of the Class A Preferred Units may be (i) given by a resolution signed by the holders of Class A Preferred Units owning not less than the percentage of the Class A Preferred Units that would be necessary to authorize such action at a meeting of the holders of the Class A Preferred Units at which all holders of the Class A Preferred Units were present and voted or were represented by proxy, or (ii) passed by an affirmative vote of at least 66<sup>2/3</sup>% of the votes cast at a meeting of holders of the Class A Preferred Units duly called for that purpose and at which the holders of at least 25% of the outstanding Class A Preferred Units are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preferred Units then present would form the necessary quorum. At any meeting of holders of Class A Preferred Units as a class, each such holder shall be entitled to one vote in respect of each Class A Preferred Unit held.

Further, in addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to each series of Class A Preferred Units, as a series, and any other approval to be given by the holders of each series of Class A Preferred Units, as a series, may be (i) given by a resolution signed by the holders of the applicable series of Class A Preferred Units owning not less than the percentage of such series of Class A Preferred Units that would be necessary to authorize such action at a meeting of the holders of the applicable series of Class A Preferred Units at which all holders of the applicable series of Class A Preferred Units were present and voted or were represented by proxy, or (ii) passed by an affirmative vote of at least 66<sup>2/3</sup>% of the votes cast at a meeting of holders of the applicable series of Class A Preferred Units duly called for that purpose and at which the holders of at least 25% of the outstanding applicable series of Class A Preferred Units are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of the applicable series of Class A Preferred Units then present would form the necessary quorum. At any meeting of holders of a series of Class A Preferred Units, as a series, each such holder shall be entitled to one vote in respect of the applicable Class A Preferred Unit held.

### *Prohibited Amendments*

No amendment may be made that would:

- enlarge the obligations of any limited partner without its consent, except that any amendment that would have a material adverse effect on the rights or preferences of any class of partnership interests in relation to other classes of partnership interests may be approved by at least a majority of the type or class of partnership interests so affected; or
- enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable by our partnership to our General Partner or any of its affiliates without the consent of our General Partner, which may be given or withheld in its sole discretion.

The provision of our Limited Partnership Agreement preventing the amendments having the effects described directly above can be amended upon the approval of the holders of at least 90% of the outstanding units.

### *No Limited Partner Approval*

Subject to applicable law, our General Partner may generally make amendments to our limited partnership agreement without the approval of any limited partner to reflect:

- a change in the name of our partnership, the location of our partnership's registered office, or our partnership's registered agent;
- the admission, substitution or withdrawal of partners in accordance with our Limited Partnership Agreement;
- a change that our General Partner determines is necessary or appropriate for our partnership to qualify or to continue our partnership's qualification as a limited partnership or a partnership in which the limited partners have limited liability under the laws of any jurisdiction or to ensure that our partnership will not be treated as an association taxable as a corporation or otherwise taxed as an entity for tax purposes;
- an amendment that our General Partner determines to be necessary or appropriate to address certain changes in tax regulations, legislation or interpretation;
- an amendment that is necessary, in the opinion of our counsel, to prevent our partnership or our General Partner or its directors, officers, agents or trustees, from having a material risk of being in any manner being subjected to the provisions of the Investment Company Act or similar legislation in other jurisdictions;
- an amendment that our General Partner determines in its sole discretion to be necessary or appropriate for the creation, authorization or issuance of any class or series of partnership interests or options, rights, warrants or appreciation rights relating to partnership securities;
- any amendment expressly permitted in our Limited Partnership Agreement to be made by our General Partner acting alone;
- an amendment effected, necessitated or contemplated by an agreement of merger, consolidation or other combination agreement that has been approved under the terms of our Limited Partnership Agreement;

- any amendment that in the sole discretion of our General Partner is necessary or appropriate to reflect and account for the formation by our partnership of, or its investment in, any corporation, partnership, joint venture, limited liability company or other entity, as otherwise permitted by our Limited Partnership Agreement;
- a change in our partnership's fiscal year and related changes; or
- any other amendments substantially similar to any of the matters described directly above.

In addition, our General Partner may make amendments to our Limited Partnership Agreement without the approval of any limited partner if those amendments, in the discretion of our General Partner:

- do not adversely affect our partnership's limited partners considered as a whole (including any particular class of partnership interests as compared to other classes of partnership interests) in any material respect;
- are necessary or appropriate to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any governmental agency or judicial authority;
- are necessary or appropriate to facilitate the trading of our units or preferred units or to comply with any rule, regulation, guideline or requirement of any securities exchange on which our units or preferred units are or will be listed for trading;
- are necessary or appropriate for any action taken by our General Partner relating to splits or combinations of units or preferred units under the provisions of our Limited Partnership Agreement; or
- are required to effect the intent expressed in the provisions of our Limited Partnership Agreement or are otherwise contemplated by our Limited Partnership Agreement.

#### *Opinion of Counsel and Limited Partner Approval*

Our General Partner will not be required to obtain an opinion of counsel that an amendment will not result in a loss of limited liability to the limited partners if one of the amendments described above under “—No Limited Partner Approval” should occur. No other amendments to our limited partnership agreement will become effective without the approval of holders of at least 90% of our units, unless our partnership obtains an opinion of counsel to the effect that the amendment will not cause our partnership to be treated as an association taxable as a corporation or otherwise taxable as an entity for tax purposes (provided that for U.S. tax purposes our General Partner has not made the election described below under “—Election to be Treated as a Corporation”) or affect the limited liability of any of our partnership's limited partners under the Bermuda Limited Partnership Act or the Bermuda Exempted Partnerships Act.

Subject to the terms of any preferred units outstanding, in addition to the above restrictions, any amendment that would have a material adverse effect on the rights or preferences of any type or class of partnership interests in relation to other classes of partnership interests will also require the approval of the holders of at least a majority of the outstanding partnership interests of the class so affected.

In addition, any amendment that reduces the voting percentage required to take any action must be approved by the affirmative vote of limited partners whose aggregate outstanding voting units constitute not less than the voting requirement sought to be reduced.

### *Merger, Sale or Other Disposition of Assets*

Any merger, consolidation or other combination of our partnership requires the prior approval of our General Partner who has no duty or obligation to provide any such approval. Our limited partnership agreement generally prohibits our General Partner, without the prior approval of the holders of a majority of our units, from causing our partnership to, among other things, sell, exchange or otherwise dispose of all or substantially all of our partnership's assets in a single transaction or a series of related transactions, including by way of merger, consolidation or other combination, or approving on our partnership's behalf the sale, exchange or other disposition of all or substantially all of the assets of our partnership's subsidiaries. However, our General Partner in its sole discretion may mortgage, pledge, hypothecate or grant a security interest in all or substantially all of our partnership's assets (including for the benefit of persons other than our partnership or our partnership's subsidiaries) without that approval. Our General Partner may also sell all or substantially all of our partnership's assets under any forced sale of any or all of our partnership's assets pursuant to the foreclosure or other realization upon those encumbrances without that approval.

If conditions specified in our Limited Partnership Agreement are satisfied, our General Partner may convert or merge our partnership into, or convey some or all of our partnership's assets to, a newly formed entity if the sole purpose of that merger or conveyance is to effect a mere change in our partnership's legal form into another limited liability entity. Holders of partnership interests are not entitled to dissenters' rights of appraisal under our Limited Partnership Agreement or the Bermuda Limited Partnership Act or the Bermuda Exempted Partnerships Act in the event of a merger or consolidation, a sale of substantially all of our assets or any other transaction or event.

### *Election to be Treated as a Corporation*

If our General Partner determines that it is no longer in our partnership's best interests to continue as a partnership for U.S. federal income tax purposes, our General Partner may elect to treat our partnership as an association or as a publicly traded partnership taxable as a corporation for U.S. federal (and applicable state) income tax purposes.

### *Termination and Dissolution*

Our partnership will terminate upon the earlier to occur of (i) the date on which all of our partnership's assets have been disposed of or otherwise realized by our partnership and the proceeds of such disposals or realizations have been distributed to partners, (ii) the service of notice by our General Partner, with the special approval of a majority of its independent directors, that in its opinion the coming into force of any law, regulation or binding authority has or will render illegal or impracticable the continuation of our partnership, and (iii) at the election of our General Partner, if our partnership, as determined by our General Partner, is required to register as an "investment company" under the Investment Company Act or similar legislation in other jurisdictions.

Our partnership will be dissolved upon the withdrawal of our General Partner as the general partner of our partnership (unless Brookfield becomes the general partner as described in the following sentence or the withdrawal is effected in compliance with the provisions of our Limited Partnership Agreement that are described below under “—Withdrawal of Our General Partner”) or the entry by a court of competent jurisdiction of a decree of judicial dissolution of our partnership or an order to wind up or liquidate our General Partner. Our partnership will be reconstituted and continue without dissolution if within 30 days of the date of dissolution (and so long as a notice of dissolution has not been filed with the Bermuda Monetary Authority), Brookfield executes a transfer deed pursuant to which it becomes the general partner and assumes the rights and undertakes the obligations of the general partner and our partnership receives an opinion of counsel that the admission of Brookfield as general partner will not result in the loss of the limited liability of any limited partner.

#### *Liquidation and Distribution of Proceeds*

Upon our dissolution, unless our partnership is continued as a new limited partnership, the liquidator authorized to wind up our partnership’s affairs will, acting with all of the powers of our General Partner that the liquidator deems necessary or appropriate in its judgment, liquidate our partnership’s assets and apply the proceeds of the liquidation first, to discharge our partnership’s liabilities as provided in our Limited Partnership Agreement and by law, second to holders of any Class A Preferred Units in accordance with the terms of such units and thereafter to the partners holding units pro rata according to the percentages of their respective partnership interests as of a record date selected by the liquidator. The liquidator may defer liquidation of our partnership’s assets for a reasonable period of time or distribute assets to partners in kind if it determines that an immediate sale or distribution of all or some of our partnership’s assets would be impractical or would cause undue loss to the partners.

#### *Withdrawal of Our General Partner*

Our General Partner may withdraw as general partner without first obtaining approval of our unitholders and preferred unitholders by giving 90 days’ advance notice, and that withdrawal will not constitute a violation of our Limited Partnership Agreement.

Upon the withdrawal of our General Partner, the holders of a majority of the voting power of our outstanding units may select a successor to that withdrawing general partner. If a successor is not elected, or is elected but an opinion of counsel regarding limited liability, tax matters and the Investment Company Act (and similar legislation in other jurisdictions) cannot be obtained, our partnership will be dissolved, wound up and liquidated. See “—Termination and Dissolution” above.

In the event of withdrawal of a general partner where that withdrawal violates our Limited Partnership Agreement, a successor general partner will have the option to purchase the general partnership interest of the departing general partner for a cash payment equal to its fair market value. Under all other circumstances where a general partner withdraws, the departing general partner will have the option to require the successor general partner to purchase the general partnership interest of the departing general partner for a cash payment equal to its fair market value. In each case, this fair market value will be determined by agreement between the departing general partner and the successor general partner. If no agreement is reached within 30 days of the general partner’s departure, an independent investment banking firm or other independent expert selected by the departing general partner and the successor general partner will determine the fair market value. If the departing general partner and the successor general partner cannot agree upon an expert within 45 days of the general partner’s departure, then an expert chosen by agreement of the experts selected by each of them will determine the fair market value.

If the option described above is not exercised by either the departing general partner or the successor general partner, the departing general partner's general partnership interests will automatically convert into units pursuant to a valuation of those interests as determined by an investment banking firm or other independent expert selected in the manner described in the preceding paragraph.

#### *Transfer of the General Partnership Interest*

Our General Partner may transfer all or any part of its general partnership interests without first obtaining approval of any unitholder or preferred unitholder. As a condition of this transfer, the transferee must assume the rights and duties of our General Partner to whose interest that transferee has succeeded, agree to be bound by the provisions of our Limited Partnership Agreement and furnish an opinion of counsel regarding limited liability, tax matters, and the Investment Company Act (and similar legislation in other jurisdictions). Any transfer of the general partnership interest is subject to prior notice to and approval of the relevant Bermuda regulatory authorities. At any time, the members of our General Partner may sell or transfer all or part of their shares in our General Partner without the approval of the unitholders or preferred unitholders.

#### *Partnership Name*

If our General Partner ceases to be the general partner of our partnership and our new general partner is not an affiliate of Brookfield, our partnership will be required by our Limited Partnership Agreement to change the name of our partnership to a name that does not include "Brookfield" and which could not be capable of confusion in any way with such name. Our Limited Partnership Agreement explicitly provides that this obligation shall be enforceable and waivable by our General Partner notwithstanding that it may have ceased to be the general partner of our partnership.

#### *Transactions with Interested Parties*

Our General Partner, the Service Provider and their respective partners, members, shareholders, directors, officers, employees and shareholders, which we refer to as "interested parties," may become limited partners or beneficially interested in limited partners and may hold, dispose of or otherwise deal with our units or preferred units with the same rights they would have if our General Partner was not a party to our Limited Partnership Agreement. An interested party will not be liable to account either to other interested parties or to our partnership, our partnership's partners or any other persons for any profits or benefits made or derived by or in connection with any such transaction.

Our Limited Partnership Agreement permits an interested party to sell investments to, purchase assets from, vest assets in and enter into any contract, arrangement or transaction with our partnership, the Holding LP, any of the Holding Entities, any operating entity or any other holding vehicle established by our partnership and may be interested in any such contract, transaction or arrangement and shall not be liable to account either to our partnership, the Holding LP, any of the Holding Entities, any operating entity or any other holding vehicle established by our partnership or any other person in respect of any such contract, transaction or arrangement, or any benefits or profits made or derived therefrom, by virtue only of the relationship between the parties concerned, subject to any approval requirements that are contained in our conflicts protocol. See Item 7.B "Related Party Transactions—Conflicts of Interest and Fiduciary Duties."

### *Outside Activities of Our General Partner; Conflicts of Interest*

Under our Limited Partnership Agreement, our General Partner is required to maintain as its sole activity the role of general partner of our partnership. Our General Partner is not permitted to engage in any activity or incur or guarantee any debts or liabilities except in connection with or incidental to its performance as general partner or incurring, guaranteeing, acquiring, owning or disposing of debt or equity securities of the Holding LP, a Holding Entity or any other holding vehicle established by our partnership.

Our Limited Partnership Agreement provides that each person who is entitled to be indemnified by our partnership (other than our General Partner), as described below under “—Indemnification; Limitation on Liability,” has the right to engage in businesses of every type and description and other activities for profit, and to engage in and possess interests in business ventures of any and every type or description, irrespective of whether (i) such activities are similar to our affairs or activities or (ii) such affairs and activities directly compete with, or disfavor or exclude, our General Partner, our partnership, the Holding LP, any Holding Entity, any operating entity or any other holding vehicle established by our partnership. Such business interests, activities and engagements will be deemed not to constitute a breach of our Limited Partnership Agreement or any duties stated or implied by law or equity, including fiduciary duties, owed to any of our General Partner, our partnership, the Holding LP, any Holding Entity, any operating entity and any other holding vehicle established by our partnership (or any of their respective investors), and shall be deemed not to be a breach of our General Partner’s fiduciary duties or any other obligation of any type whatsoever of our General Partner. None of our General Partner, our partnership, the Holding LP, any Holding Entity, any operating entity, any other holding vehicle established by our partnership or any other person shall have any rights by virtue of our Limited Partnership Agreement or the partnership relationship established thereby or otherwise in any business ventures of any person who is entitled to be indemnified by our partnership as described below under “—Indemnification; Limitation on Liability.”

Our General Partner and the other indemnified persons described in the preceding paragraph do not have any obligation under our Limited Partnership Agreement or as a result of any duties stated or implied by law or equity, including fiduciary duties, to present business or investment opportunities to our partnership, the Holding LP, any Holding Entity, any operating entity or any other holding vehicle established by our partnership. These provisions will not affect any obligation of an indemnified person to present business or investment opportunities to our partnership, the Holding LP, any Holding Entity, any operating entity or any other holding vehicle established by our partnership pursuant to a separate written agreement between such persons.

Any conflicts of interest and potential conflicts of interest that are approved by a majority of our General Partner’s independent directors from time-to-time will be deemed approved by all partners. Pursuant to our conflicts protocol, independent directors may grant approvals for any of the transactions described above in the form of general guidelines, policies or procedures in which case no further special approval will be required in connection with a particular transaction or matter permitted thereby. See Item 7.B “Related Party Transactions—Conflicts of Interest and Fiduciary Duties.”



### *Indemnification; Limitations on Liability*

Under our Limited Partnership Agreement, our partnership is required to indemnify to the fullest extent permitted by law our General Partner, the Service Provider and any of their respective affiliates (and their respective officers, directors, agents, shareholders, partners, members and employees), any person who serves on a governing body of the Holding LP, a Holding Entity, operating entity or any other holding vehicle established by our partnership and any other person designated by our General Partner as an indemnified person, in each case, against all losses, claims, damages, liabilities, costs or expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, incurred by an indemnified person in connection with our investments and activities or by reason of their holding such positions, except to the extent that the claims, liabilities, losses, damages, costs or expenses are determined to have resulted from the indemnified person's bad faith, fraud or willful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful. In addition, under our Limited Partnership Agreement, (i) the liability of such persons has been limited to the fullest extent permitted by law, except to the extent that their conduct involves bad faith, fraud or willful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful and (ii) any matter that is approved by the independent directors of our General Partner will not constitute a breach of our Limited Partnership Agreement or any duties stated or implied by law or equity, including fiduciary duties. Our Limited Partnership Agreement requires us to advance funds to pay the expenses of an indemnified person in connection with a matter in which indemnification may be sought until it is determined that the indemnified person is not entitled to indemnification.

### *Accounts, Reports and Other Information*

Our partnership prepares its financial statements in accordance with IFRS. Our partnership's financial statements must be made publicly available together with a statement of the accounting policies used in their preparation, such information as may be required by applicable laws and regulations and such information as our General Partner deems appropriate. Our partnership's annual financial statements must be audited by an independent accountant firm of international standing and made publicly available within such period of time as is required to comply with applicable laws and regulations, including any rules of any applicable securities exchange. Our partnership's quarterly financial statements may be unaudited and are made available publicly as and within the time period required by applicable laws and regulations.

Our General Partner is also required to use commercially reasonable efforts to prepare and send to the limited partners of our partnership on an annual basis, additional information regarding our partnership, including Schedule K-1 (or equivalent) and information related to the passive foreign investment company status of any non-U.S. corporation that we control and, where reasonably possible, any other non-U.S. corporation in which we hold an interest. However, unitholders and preferred unitholders that do not ordinarily have U.S. federal tax filing requirements will not receive a Schedule K-1 and related information unless such unitholders and preferred unitholders request it within 60 days after the close of each calendar year. Our General Partner will, where reasonably possible, prepare and send information required by the non-U.S. limited partners of our partnership for U.S. federal income tax reporting purposes, including information related to investments in "U.S. real property interests," as that term is defined in Section 897 of the U.S. Internal Revenue Code. Our General Partner will also, where reasonably possible and applicable, prepare and send information required by limited partners of our partnership for Canadian federal income tax purposes.

### *Governing Law; Submission to Jurisdiction*

Our Limited Partnership Agreement is governed by and will be construed in accordance with the laws of Bermuda. Under our Limited Partnership Agreement, each of our partnership's partners (other than governmental entities prohibited from submitting to the jurisdiction of a particular jurisdiction) will submit to the non-exclusive jurisdiction of any court in Bermuda in any dispute, suit, action or proceeding arising out of or relating to our Limited Partnership Agreement. Each partner waives, to the fullest extent permitted by law, any immunity from jurisdiction of any such court or from any legal process therein and further waives, to the fullest extent permitted by law, any claim of inconvenient forum, improper venue or that any such court does not have jurisdiction over the partner. Any final judgment against a partner in any proceedings brought in a court in Bermuda will be conclusive and binding upon the partner and may be enforced in the courts of any other jurisdiction of which the partner is or may be subject, by suit upon such judgment. The foregoing submission to jurisdiction and waivers will survive the dissolution, liquidation, winding up and termination of our partnership.

### *Transfers of Units*

We are not required to recognize any transfer of our units or preferred units until certificates, if any, evidencing such units are surrendered for registration of transfer. Each person to whom a unit or preferred unit is transferred (including any nominee holder or an agent or representative acquiring such unit for the account of another person) will be admitted to our partnership as a partner with respect to the unit or preferred unit so transferred subject to and in accordance with the terms of our Limited Partnership Agreement. Any transfer of a unit or preferred unit will not entitle the transferee to share in the profits and losses of our partnership, to receive distributions, to receive allocations of income, gain, loss, deduction or credit or any similar item or to any other rights to which the transferor was entitled until the transferee becomes a partner and a party to our Limited Partnership Agreement.

By accepting a unit or preferred unit for transfer in accordance with our Limited Partnership Agreement, each transferee will be deemed to have:

- executed our Limited Partnership Agreement and become bound by the terms thereof;
- granted an irrevocable power of attorney to our General Partner and any officer thereof to act as such partner's agent and attorney-in-fact to execute, swear to, acknowledge, deliver, file and record in the appropriate public offices all (i) all agreements, certificates, documents and other instruments relating to the existence or qualification of our partnership as an exempted limited partnership (or a partnership in which the limited partners have limited liability) in Bermuda and in all jurisdictions in which our partnership may conduct activities and affairs or own property; any amendment, change, modification or restatement of our Limited Partnership Agreement, subject to the requirements of our Limited Partnership Agreement; the dissolution and liquidation of our partnership; the admission, withdrawal or removal of any partner of our partnership or any capital contribution of any partner of our partnership; the determination of the rights, preferences and privileges of any class or series of units or other partnership interests of our partnership, and to a merger or consolidation of our partnership; and (ii) subject to the requirements of our Limited Partnership Agreement, all ballots, consents, approvals, waivers, certificates, documents and other instruments necessary or appropriate, in the sole discretion of our General Partner or the liquidator of our partnership, to make, evidence, give, confirm or ratify any voting consent, approval, agreement or other action that is made or given by our partnership's partners or is consistent with the terms of our Limited Partnership Agreement or to effectuate the terms or intent of our Limited Partnership Agreement;

- made the consents and waivers contained in our Limited Partnership Agreement, including with respect to the approval of the transactions and agreements entered into in connection with our formation and the spin-off; and
- ratified and confirmed all contracts, agreements, assignments and instruments entered into on behalf of our partnership in accordance with our Limited Partnership Agreement.

The transfer of any unit or preferred unit and the admission of any new partner to our partnership will not constitute any amendment to our Limited Partnership Agreement.

#### *Transfer Agent and Registrar*

Computershare Inc. in Canton, Massachusetts, U.S.A. and Computershare Investor Services Inc. in Toronto, Ontario, Canada have been appointed to act as transfer agent and registrar for the purpose of registering our units and Class A Preferred Units, respectively, and transfers of our units and Class A Preferred Units, respectively, as provided in our Limited Partnership Agreement.

#### **Description of the Holding LP's Limited Partnership Agreement**

The following is a description of the material terms of the Holding LP's limited partnership agreement, as amended, and is qualified in its entirety by reference to all of the provisions of such agreement, as amended from time to time. Holders of units in our partnership are not partners of the Holding LP and do not have any rights under its limited partnership agreement. However, our partnership is the managing general partner of the Holding LP and is responsible for the management and control of the Holding LP.

Because this description is only a summary of the terms of the agreement, it does not necessarily contain all of the information that you may find useful. For more complete information, you should read the Holding LP's limited partnership agreement, as amended from time to time, which is available electronically on the website of the SEC at [www.sec.gov](http://www.sec.gov) and on our SEDAR profile at [www.sedar.com](http://www.sedar.com) and will be made available to our unitholders and preferred unitholders as described under Item 10.C "Material Contracts" and Item 10.H "Documents on Display."

During 2017, the limited partnership agreement of the Holding LP was amended to reclassify the special partner as a general partner of the Holding LP. In connection with the reclassification, the special partner delegated to our partnership, as managing general partner of the Holding LP, all of the rights, powers and authority granted to it as a general partner under applicable law. Accordingly, all management powers over the activities and affairs of the Holding LP continue to be exclusively vested in our partnership, except as expressly otherwise provided in the limited partnership agreement of the Holding LP.

#### *Formation and Duration*

The Holding LP is a Bermuda exempted limited partnership registered under the Bermuda Limited Partnership Act and the Bermuda Exempted Partnerships Act. The Holding LP has a perpetual existence and will continue as a limited liability partnership unless the partnership is terminated or dissolved in accordance with its limited partnership agreement.

### *Nature and Purpose*

Under its limited partnership agreement, the purpose of the Holding LP is to: acquire and hold interests in the Holding Entities and, subject to the approval of our partnership in its capacity as managing general partner of the Holding LP, any other entity; engage in any activity related to the capitalization and financing of the Holding LP's interests in such entities; and engage in any other activity that is incidental to or in furtherance of the foregoing and that is approved by our partnership in its capacity as managing general partner of the Holding LP and that lawfully may be conducted by a limited partnership organized under the Bermuda Limited Partnership Act and our Limited Partnership Agreement.

### *Units*

As of the date of this annual report on Form 20-F, the Holding LP has four classes of units: Special General Partner Units, Redeemable Partnership Units, Managing General Partner Units and Holding LP Class A Preferred Units. Holders of units are not entitled to the withdrawal or return of capital contributions in respect of their units, except to the extent, if any, that distributions are made to such holders pursuant to the Holding LP's limited partnership agreement or upon the liquidation of the Holding LP or as otherwise required by applicable law. Except to the extent expressly provided in the Holding LP's limited partnership agreement, as amended from time to time, a holder of units does not have priority over any other holder of units, either as to the return of capital contributions or as to profits, losses or distributions. The Holding LP Class A Preferred Units rank senior to the other Holding LP units with respect to priority in the payment of distributions and in the distribution of the assets in the event of the liquidation, dissolution or winding-up of the Holding LP, whether voluntary or involuntary. Each series of Holding LP Class A Preferred Units ranks on a parity with every other series of the Holding LP Class A Preferred Units with respect to priority in the payment of distributions and in the distribution of the assets in the event of the liquidation, dissolution or winding-up of the Holding LP, whether voluntary or involuntary.

### *Issuance of Additional Partnership Interests*

Subject to the rights of the holders of Holding LP Class A Preferred Units to approve issuances of additional partnership interests ranking senior to the Holding LP Class A Preferred Units with respect to priority in the payment of distributions and in the distribution of the assets in the event of the liquidation, dissolution or winding-up of the Holding LP, whether voluntary or involuntary, the Holding LP may issue additional partnership interests (including new classes of partnership interests and options, rights, warrants and appreciation rights relating to such interests) for any partnership purpose, at any time and on such terms and conditions as its managing general partner may determine. Any additional partnership interests may be issued in one or more classes, or one or more series of classes, with such designations, preferences, rights, powers and duties (which may be senior to existing classes and series of partnership interests) as our partnership in its capacity as managing general partner of the Holding LP may determine in its sole discretion.

### *Redemption-Exchange Mechanism*

At any time, one or more wholly-owned subsidiaries of Brookfield Asset Management that hold Redeemable Partnership Units will have the right to require the Holding LP to redeem for cash all or a portion of the Redeemable Partnership Units held by such subsidiary, subject to our partnership's right of first refusal, as described below. Any such redeeming subsidiary may exercise its right of redemption by delivering a notice of redemption to the Holding LP and our partnership. After presentation for redemption, such redeeming subsidiary will receive, subject to our partnership's right of first refusal, as described below, for each unit that is presented, cash in an amount equal to the market value of one of our units multiplied by the number of units to be redeemed (as determined by reference to the five day volume weighted average of the trading price of our units and subject to certain customary adjustments). Upon its receipt of the redemption notice, our partnership will have a right of first refusal entitling it, at its sole discretion, to elect to acquire all (but not less than all) units described in such notice and presented to the Holding LP for redemption in exchange for units on a one for one basis (subject to certain customary adjustments). Upon a redemption for cash, the holder's right to receive distributions with respect to the Holding LP's units so redeemed will cease.

Brookfield's aggregate limited partnership interest in our partnership would be approximately 29.5% assuming the exchange of the Redeemable Partnership Units (including the approximately 249,645 issued and outstanding units that Brookfield currently also owns). Brookfield's total percentage interest in our partnership would be increased if it participates in the Holding LP's distribution reinvestment plan.

### *Distributions*

Subject to the rights of holders of Holding LP Class A Preferred Units to receive cumulative preferential cash distributions in accordance with their terms, distributions by the Holding LP will be made in the sole discretion of our partnership in its capacity as managing general partner of the Holding LP. The holders of a series of Holding LP Class A Preferred Units will be entitled to receive the same distribution as the holders of the corresponding series of Class A Preferred Units. However, our partnership will not be permitted to cause the Holding LP to make a distribution if the Holding LP does not have sufficient cash on hand to make the distribution, the distribution would render the Holding LP insolvent or if, in the opinion of its managing general partner, the distribution would leave the Holding LP with insufficient funds to meet any future or contingent obligations.

Except as set forth below, prior to the dissolution of the Holding LP, distributions of available cash (if any) in any given quarter will be made by the Holding LP as follows (being the "Regular Distribution Waterfall"):

- first, 100% of any available cash to our partnership until our partnership has been distributed an amount equal to our partnership's expenses and outlays for the quarter properly incurred;
- second, 100% to the owners of the Holding LP's preferred units, in proportion to their respective relative percentage of Holding LP preferred units held (determined by reference to the aggregate value of the issue price of the Holding LP preferred units held by each holder relative to the aggregate value of the issue price of all Holding LP preferred units then outstanding) until there has been distributed to such holder an amount equal to all preferential distributions to which the holder are entitled under the terms of the Holding LP preferred units then outstanding and any outstanding accrued and unpaid preferential distributions from prior periods;

- third, 100% of any available cash then remaining to the owners of the Holding LP's partnership interests, other than holders of Holding LP preferred units, pro rata to their percentage interests, until each holder of a partnership unit of the Holding LP, other than a holder of a Holding LP preferred unit, has received distributions during such quarter in an amount equal to \$0.203, referred to as the First Distribution Threshold;
- fourth, 85% of any available cash then remaining to the owners of the Holding LP's partnership interests, other than holders of Holding LP preferred units, pro rata to their percentage interests, and 15% to the holder of Special General Partner Units, until each holder of a partnership unit of the Holding LP, other than a holder of a Holding LP preferred unit, has received distributions during such quarter in an amount equal to \$0.22, referred to as the Second Distribution Threshold; and
- thereafter, 75% of any available cash then remaining to the owners of the Holding LP's partnership interests, other than holders of Holding LP preferred units, pro rata to their percentage interests, and 25% to the holder of Special General Partner Units.

On September 14, 2016, concurrent with completion of the Unit Split, the Managing General Partner Units, Special General Partner Units and Redeemable Partnership Units of the Holding LP were concurrently split to reflect the Unit Split. The limited partnership agreement of the Holding LP was also amended on such date to adjust the First Distribution Threshold from \$0.305 to \$0.203 and the Second Distribution Threshold from \$0.33 to \$0.22 to reflect the Unit Split.

Set forth below is an example of how the incentive distributions described above are calculated on a quarterly and annualized basis going forward. The figures used below are for illustrative purposes only and are not indicative of Brookfield Infrastructure's expectations.

<u>Incentive Distribution Calculation</u>	<u>Units (m)</u>	<u>Quarterly</u>		<u>Annually</u>	
		<u>Per Unit (\$)</u>	<u>Total (\$m)</u>	<u>Per Unit (\$)</u>	<u>Total (\$m)</u>
Illustrative distribution .....		\$0.5025		\$2.010	
First distribution threshold .....		\$0.203		\$0.812	
Total units of Holding LP .....	395				
<b>Total first distribution</b> .....			\$ 80		\$ 320
Distribution in excess of first distribution threshold .....		\$0.017		\$0.068	
Total units of Holding LP .....	395				
Second distribution to partners .....			\$ 7		\$ 27
15% incentive distribution to the holder of Special General Partner Units .....			\$ 1		\$ 5
<b>Total second distribution</b> .....			\$ 8		\$ 32
Distribution in excess of second distribution threshold .....		\$0.2825		\$1.130	
Total units Holding LP .....	395				
Third distribution to partners .....			\$ 112		\$ 446
25% incentive distribution to the holder of Special General Partner Units .....			\$ 37		\$ 149
<b>Total third distribution</b> .....			\$ 149		\$ 595
<b>Total distributions to partners (including incentive distributions)</b> .....			\$ 237		\$ 947
<b>Total incentive distributions to the holder of Special General Partner Units</b> .....			\$ 38		\$ 154

The table below sets forth the incentive distributions for the years ended December 31, 2018, 2017 and 2016 paid to Infrastructure Special LP.

<u>US\$ MILLIONS</u>	<u>For the year ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Incentive Distributions .....	\$ 136	\$ 113	\$ 80

Subject to the terms of any Holding LP preferred units outstanding, if, prior to the dissolution of the Holding LP, available cash is deemed by its managing general partner, in its sole discretion, to be (i) attributable to sales or other dispositions of the Holding LP's assets and (ii) representative of unrecovered capital, then such available cash shall be distributed to the partners of the Holding LP, other than holders of Holding LP preferred units, in proportion to the unreturned capital attributable to the Holding LP's partnership interests held by such partners until such time as the unreturned capital attributable to each such partnership interest is equal to zero. Thereafter, distributions of available cash made by the Holding LP (to the extent made prior to dissolution) will be made in accordance with the Regular Distribution Waterfall.

Upon the occurrence of an event resulting in the dissolution of the Holding LP, all cash and property of the Holding LP in excess of that required to discharge the Holding LP's liabilities will be distributed as follows: (i) to the extent such cash and/or property is attributable to a realization event occurring prior to the event of dissolution, such cash and/or property will be distributed in accordance with the Regular Distribution Waterfall and/or the distribution waterfall applicable to unrecovered capital; and (ii) all other cash and/or property will be distributed in the manner set forth below.

- first, 100% to our partnership until our partnership has received an amount equal to the excess of (i) the amount of our partnership's outlays and expenses incurred during the term of the Holding LP, over (ii) the aggregate amount of distributions received by our partnership pursuant to the first tier of the Regular Distribution Waterfall during the term of the Holding LP;
- second, 100% to the preferred unitholders pro rata in proportion to their respective relative percentage of Holding LP preferred units held (determined by reference to the aggregate value of the issue price of the Holding LP preferred units held by each preferred unitholder relative to the aggregate value of the issue price of all Holding LP preferred units then outstanding) until there has been distributed in respect of each Holding LP preferred unit outstanding an amount equal to any preferential distributions to which the preferred unitholders are entitled in the event of dissolution, liquidation, or winding-up of Holding LP under the terms of the Holding LP preferred units then outstanding (including any outstanding accrued and unpaid preferential distributions from prior periods);
- third, if there are Holding LP preferred units outstanding, an amount equal to the amount of cash or property held by the Holding LP at such time, that is attributable to a realization event occurring prior to the date of a dissolution event and that has been deemed by our partnership as capital surplus shall be distributed as though such amount has been deemed by our partnership to be (i) attributable to sales or other dispositions of the Holding LP's assets and (ii) representative of unrecovered capital;
- fourth, 100% to the owners of the Holding LP's partnership interests, other than holders of Holding LP preferred units, in proportion to their respective amounts of unrecovered capital in the Holding LP;

- fifth, 100% to the owners of the Holding LP's partnership interests, other than holders of Holding LP preferred units, pro rata to their percentage interests, until each holder of a Holding LP partnership unit, other than a Holding LP preferred unit, has received an amount equal to the excess of (i) the First Distribution Threshold for each quarter during the term of the Holding LP (subject to adjustment upon the subsequent issuance of additional partnership interests in the Holding LP), over (ii) the aggregate amount of distributions made in respect of the Holding LP's partnership units, other than Holding LP preferred units, pursuant to the third tier of the Regular Distribution Waterfall during the term of the Holding LP (subject to adjustment upon the subsequent issuance of additional partnership interests in the Holding LP);
- sixth, 85% to the owners of the Holding LP's partnership interests, other than holders of Holding LP preferred units, pro rata to their percentage interests, and 15% to the holder of Special General Partner Units, until each holder of a partnership unit of the Holding LP, other than Holding LP preferred units, has received an amount equal to the excess of (i) the Second Distribution Threshold less the First Distribution Threshold for each quarter during the term of the Holding LP (subject to adjustment upon the subsequent issuance of additional partnership interests in the Holding LP), over (ii) the aggregate amount of distributions made in respect of the partnership units of the Holding LP pursuant to the fourth tier of the Regular Distribution Waterfall during the term of the Holding LP (subject to adjustment upon the subsequent issuance of additional partnership interests in the Holding LP); and
- thereafter, 75% to the owners of the Holding LP's partnership interests, other than holders of Holding LP preferred units, pro rata to their percentage interests, and 25% to the holder of Special General Partner Units.

Each partner's percentage interest is determined by the relative portion of all outstanding partnership interests, other than any Holding LP preferred units, held by that partner from time to time and is adjusted upon and to reflect the issuance of additional partnership interests of the Holding LP. In addition, the unreturned capital attributable to each of our partnership interests, as well as certain of the distribution thresholds set forth above, may be adjusted pursuant to the terms of the limited partnership agreement of the Holding LP so as to ensure the uniformity of the economic rights and entitlements of (i) the previously outstanding partnership interests of the Holding LP, and (ii) the subsequently issued partnership interests of the Holding LP.

The limited partnership agreement of the Holding LP provides that, to the extent that any Holding Entity or any operating entity pays to Brookfield any comparable performance or incentive distribution, the amount of any incentive distributions paid to the holder of Special General Partner Units in accordance with the distribution entitlements described above will be reduced in an equitable manner to avoid duplication of distributions.

The holder of Special General Partner Units may elect, at its sole discretion, to reinvest incentive distributions in Redeemable Partnership Units.

#### *No Management or Control*

The Holding LP's limited partners and special general partner, in their capacities as such, may not take part in the management or control of the activities and affairs of the Holding LP and do not have any right or authority to act for or to bind the Holding LP or to take part or interfere in the conduct or management of the Holding LP. To the extent that any such right or authority is vested in the special general partner by virtue of being a general partner of the Holding LP, the special general partner has delegated such right and authority to Holding LP's managing general partner and agreed to not exercise such right or authority.



Limited partners and the special general partner are not entitled to vote on matters relating to the Holding LP, although holders of units are entitled to consent to certain matters as described under “—Amendment of the Holding LP’s Limited Partnership Agreement,” “—Opinion of Counsel and Limited Partner Approval,” “—Merger, Sale or Other Disposition of Assets,” and “—Withdrawal of the General Partner” which may be effected only with the consent of the holders of the percentages of outstanding units specified below. For the purposes of any approval required from holders of the Holding LP’s units, if holders of Redeemable Partnership Units are entitled to vote, they will be entitled to one vote per unit held subject to a maximum number of votes equal to 49% of the total number of units of the Holding LP then issued and outstanding. Each unit shall entitle the holder thereof to one vote for the purposes of any approvals of holders of units. Except as otherwise provided by law or as set out in the provisions attached to any series of Holding LP Class A Preferred Units and except for meetings of the holders of Holding LP Class A Preferred Units as a class or meetings of the holders of a series thereof, the holders of a series of Holding LP Class A Preferred Units are not entitled to receive notice of, attend, or vote at any meeting of holders of units.

### *Meetings*

Special meetings of the limited partners and special general partner of the Holding LP may be called by Holding LP’s managing general partner at a time and place outside of Canada determined by it on a date not less than 10 days nor more than 60 days after the mailing of notice of the meeting. Special meetings of the limited partners may also be called by holders of units owning 50% or more of the voting power of the outstanding partnership interests of the class or classes for which a meeting is proposed. For this purpose, our partnership interests outstanding do not include partnership interests owned by Holding LP’s managing general partner or Brookfield. Only holders of partnership interests of the Holding LP of record on the date set by its managing general partner (which may not be less than 10 days nor more than 60 days, before the meeting) are entitled to notice of any meeting.

### *Amendment of the Holding LP’s Limited Partnership Agreement*

Amendments to the Holding LP’s limited partnership agreement may be proposed only by or with the consent of its managing general partner. To adopt a proposed amendment, other than the amendments discussed below that do not require approval of the limited partners or the special general partner, the managing general partner must seek approval of a majority of the Holding LP’s outstanding units required to approve the amendment or call a meeting of the limited partners to consider and vote upon the proposed amendment. Notwithstanding the above, in addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Holding LP Class A Preferred Units as a class and any other approval to be given by the holders of the Holding LP Class A Preferred Units may be (i) given by a resolution signed by the holders of Holding LP Class A Preferred Units owning not less than the percentage of the Holding LP Class A Preferred Units that would be necessary to authorize such action at a meeting of the holders of the Holding LP Class A Preferred Units at which all holders of the Holding LP Class A Preferred Units were present and voted or were represented by proxy, or (ii) passed by an affirmative vote of at least 66<sup>2/3</sup>% of the votes cast at a meeting of holders of the Holding LP Class A Preferred Units duly called for that purpose and at which the holders of at least 25% of the outstanding Holding LP Class A Preferred Units are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Holding LP Class A Preferred Units then present would form the necessary quorum. At any meeting of holders of Holding LP Class A Preferred Units as a class, each such holder shall be entitled to one vote in respect of each Holding LP Class A Preferred Unit held.

Further, in addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to each series of Holding LP Class A Preferred Units, as a series, and any other approval to be given by the holders of each series of Holding LP Class A Preferred Units, as a series, may be (i) given by a resolution signed by the holders of the applicable series of Holding LP Class A Preferred Units owning not less than the percentage of such series of Holding LP Class A Preferred Units that would be necessary to authorize such action at a meeting of the holders of the applicable series of Holding LP Class A Preferred Units at which all holders of the applicable series of Holding LP Class A Preferred Units were present and voted or were represented by proxy, or (ii) passed by an affirmative vote of at least 66<sup>2/3</sup>% of the votes cast at a meeting of holders of the applicable series of Holding LP Class A Preferred Units duly called for that purpose and at which the holders of at least 25% of the outstanding applicable series of Holding LP Class A Preferred Units are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of the applicable series of Holding LP Class A Preferred Units then present would form the necessary quorum. At any meeting of holders of a series of Holding LP Class A Preferred Units, as a series, each such holder shall be entitled to one vote in respect of the applicable Holding LP Class A Preferred Unit held.

#### *Prohibited Amendments*

No amendment may be made that would:

- enlarge the obligations of any limited partner of the Holding LP without its consent, except that any amendment that would have a material adverse effect on the rights or preferences of any class of partnership interests in relation to other classes of partnership interests may be approved by at least a majority of the type or class of partnership interests so affected; or
- enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable by the Holding LP to any general partner of the Holding LP or any of its affiliates without the consent of such general partner which may be given or withheld in its sole discretion.

The provision of the Holding LP's limited partnership agreement preventing the amendments having the effects described directly above can be amended upon the approval of the holders of at least 90% of the outstanding units.

#### *No Limited Partner or Special General Partner Approval*

Subject to applicable law, the managing general partner may generally make amendments to the Holding LP's limited partnership agreement without the approval of any limited partner or the special general partner to reflect:

- a change in the name of our partnership, the location of our partnership's registered office or our partnership's registered agent;
- the admission, substitution, withdrawal or removal of partners in accordance with the limited partnership agreement;
- a change that the managing general partner determines is necessary or appropriate for our partnership to qualify or to continue its qualification as a limited partnership or a partnership in which the limited partners have limited liability under the laws of any jurisdiction or to ensure that the Holding LP will not be treated as an association taxable as a corporation or otherwise taxed as an entity for tax purposes;
- an amendment that the managing general partner determines to be necessary or appropriate to address certain changes in tax regulations, legislation or interpretation;

- an amendment that is necessary, in the opinion of counsel, to prevent the Holding LP or the managing general partner or its directors, officers, agents or trustees, from having a material risk of being in any manner subjected to the provisions of the Investment Company Act or similar legislation in other jurisdictions;
- an amendment that the managing general partner determines in its sole discretion to be necessary or appropriate for the creation, authorization or issuance of any class or series of partnership interests or options, rights, warrants or appreciation rights relating to partnership securities;
- any amendment expressly permitted in the Holding LP's limited partnership agreement to be made by the managing general partner acting alone;
- an amendment effected, necessitated or contemplated by an agreement of merger, consolidation or other combination agreement that has been approved under the terms of the Holding LP's limited partnership agreement;
- any amendment that in the sole discretion of the managing general partner is necessary or appropriate to reflect and account for the formation by our partnership of, or its investment in, any corporation, partnership, joint venture, limited liability company or other entity, as otherwise permitted by the Holding LP's limited partnership agreement;
- a change in its fiscal year and related changes;
- any amendment concerning the computation or allocation of specific items of income, gain, expense or loss among the partners that, in the sole discretion of the managing general partner, is necessary or appropriate to (i) comply with the requirements of applicable law, (ii) reflect the partners' interests in the Holding LP, or (iii) consistently reflect the distributions made by the Holding LP to the partners pursuant to the terms of the limited partnership agreement of the Holding LP;
- any amendment that in the sole discretion of the managing general partner, is necessary or appropriate to address any statute, rule, regulation, notice or announcement that affects or could affect the U.S. federal tax treatment of any allocation or distribution related to any interest of the managing general partner in the profits of Holding LP; and
- any other amendments substantially similar to any of the matters described directly above.

In addition, amendments to the Holding LP's limited partnership agreement may be made by the managing general partner without the approval of any limited partner or the special general partner if those amendments, in the discretion of the managing general partner:

- do not adversely affect the Holding LP's limited partners or the special general partner considered as a whole (including any particular class of partnership interests as compared to other classes of partnership interests) in any material respect;
- are necessary or appropriate to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any governmental agency or judicial authority;
- are necessary or appropriate to comply with any rule, regulation, guideline or requirement of any securities exchange on which the limited partner interests are or will be listed for trading;
- are necessary or appropriate for any action taken by the managing general partner relating to splits or combinations of units under the provisions of the Holding LP's limited partnership agreement; or
- are required to effect the intent expressed in the provisions of the Holding LP's limited partnership agreement or are otherwise contemplated by the Holding LP's limited partnership agreement.

### *Opinion of Counsel and Limited Partner Approval*

The managing general partner of the Holding LP will not be required to obtain an opinion of counsel that an amendment will not result in a loss of limited liability to the limited partners if one of the amendments described above under “—No Limited Partner Approval” should occur. No other amendments to the Holding LP’s limited partnership agreement will become effective without the approval of holders of at least 90% of the Holding LP’s units, unless it obtains an opinion of counsel to the effect that the amendment will not cause the Holding LP to be treated as an association taxable as a corporation or otherwise taxable as an entity for tax purposes (provided that for U.S. tax purposes its managing general partner has not made the election described below under “—Election to be Treated as a Corporation”), or affect the limited liability under the Bermuda Limited Partnership Act of any of the Holding LP’s limited partners.

Subject to the terms of any Holding LP preferred units outstanding, in addition to the above restrictions, any amendment that would have a material adverse effect on the rights or preferences of any type or class of partnership interests in relation to other classes of partnership interests will also require the approval of the holders of at least a majority of the outstanding partnership interests of the class so affected.

In addition, any amendment that reduces the voting percentage required to take any action must be approved by the affirmative vote of limited partners whose aggregate outstanding voting units constitute not less than the voting requirement sought to be reduced.

### *Election to be Treated as a Corporation*

If, in the determination of the managing general partner, it is no longer in the Holding LP’s best interests to continue as a partnership for U.S. federal income tax purposes, the managing general partner may elect to treat the Holding LP as an association or as a publicly traded partnership taxable as a corporation for U.S. federal (and applicable state) income tax purposes.

### *Dissolution*

The Holding LP shall dissolve and its affairs shall be wound up, upon the earlier of (i) the service of notice by the managing general partner, with the approval of a majority of the members of the independent directors of our General Partner, that, in the opinion of the managing general partner, the coming into force of any law, regulation or binding authority renders illegal or impracticable the continuation of the Holding LP; (ii) the election of the managing general partner if the Holding LP, as determined by the managing general partner, is required to register as an “investment company” under the Investment Company Act or similar legislation in other jurisdictions; (iii) the date that any general partner withdraws from our partnership where that withdrawal violates the Holding LP’s limited partnership agreement; (iv) the date on which any court of competent jurisdiction enters a decree of judicial dissolution of the Holding LP or an order to wind up or liquidate the managing general partner without the appointment of a successor; and (v) the date on which the managing general partner decides to dispose of, or otherwise realize proceeds in respect of, all or substantially all of the Holding LP’s assets in a single transaction or series of transactions.

The Holding LP shall not dissolve if within 30 days of the date of dissolution resulting from the withdrawal of a general partner or dissolution of the managing general partner (and provided that a notice of dissolution with respect to the Holding LP has not been filed with the Bermuda Monetary Authority), any non-compliance with the terms of the Holding LP's limited partnership agreement has been cured and, where the managing general partner has withdrawn or been dissolved, a successor managing general partner executes a transfer deed pursuant to which the successor managing general partner assumes the rights and undertakes the obligations of the original managing general partner, but only if the Holding LP receives an opinion of counsel that the admission of a new managing general partner will not result in the loss of limited liability of any limited partner of the Holding LP.

#### *Withdrawal of the Managing General Partner*

Our partnership may withdraw as managing general partner without first obtaining approval of unitholders or preferred unitholders by giving 90 days advance notice, and that withdrawal will not constitute a violation of the limited partnership agreement of the Holding LP.

Upon the withdrawal of our partnership, the special general partner may select a successor to our partnership to act as managing general partner. If a successor is not elected, or is elected but an opinion of counsel regarding limited liability, tax matters and the Investment Company Act (and similar legislation in other jurisdictions) cannot be obtained, the Holding LP will be dissolved, wound up and liquidated. See “—Dissolution” above.

Our partnership may not be removed as managing general partner by the partners of Holding LP.

In the event of withdrawal of our partnership as the managing general partner where that withdrawal violates the Holding LP's limited partnership agreement, a successor managing general partner will have the option to purchase the managing general partnership interest of our partnership for a cash payment equal to its fair market value. Under all other circumstances where our partnership withdraws, our partnership will have the option to require the successor managing general partner to purchase the managing general partnership interest of our partnership for a cash payment equal to its fair market value. In each case, this fair market value will be determined by agreement between our partnership and the successor managing general partner. If no agreement is reached within 30 days of our partnership's departure, an independent investment banking firm or other independent expert selected by our partnership and the successor managing general partner will determine the fair market value. If our partnership and the successor managing general partner cannot agree upon an expert within 45 days of our partnership's departure, then an expert chosen by agreement of the experts selected by each of them will determine the fair market value.

If the option described above is not exercised by either the departing managing general partner or the successor managing general partner, the departing managing general partner's managing general partnership interests will automatically convert into units representing limited partner interests pursuant to a valuation of those interests as determined by an investment banking firm or other independent expert selected in the manner described in the preceding paragraph.

### *Transfer of the Managing General Partnership Interest*

Our partnership may transfer all or any part of its managing general partnership interests without first obtaining approval of any unitholder or preferred unitholder. As a condition of this transfer, the transferee must assume the rights and duties of the managing general partner to whose interest that transferee has succeeded, agree to be bound by the provisions of the Holding LP's limited partnership agreement and furnish an opinion of counsel regarding limited liability, tax matters and the Investment Company Act (and similar legislation in other jurisdictions). Any transfer of the managing general partnership interest is subject to prior notice to and approval of the relevant Bermuda regulatory authority.

### *Transactions with Interested Parties*

The managing general partner of the Holding LP, its affiliates and their respective partners, members, shareholders, directors, officers, employees and shareholders, which we refer to as "interested parties", may become limited partners or beneficially interested in limited partners and may hold, dispose of or otherwise deal with units of the Holding LP with the same rights they would have if the managing general partner of the Holding LP were not a party to the limited partnership agreement of the Holding LP. An interested party will not be liable to account either to other interested parties or to the Holding LP, its partners or any other persons for any profits or benefits made or derived by or in connection with any such transaction.

The limited partnership agreement of the Holding LP permits an interested party to sell investments to, purchase assets from, vest assets in and enter into any contract, arrangement or transaction with the Holding LP, any of the Holding Entities, any operating entity or any other holding vehicle established by the Holding LP and may be interested in any such contract, transaction or arrangement and shall not be liable to account either to the Holding LP, any of the Holding Entities, any operating entity or any other holding vehicle established by the Holding LP or any other person in respect of any such contract, transaction or arrangement, or any benefits or profits made or derived therefrom, by virtue only of the relationship between the parties concerned, subject to our conflicts protocol.

### *Outside Activities of the Managing General Partner*

In accordance with our limited partnership agreement, our partnership is authorized to: acquire and hold interests in the Holding LP and, subject to the approval of the General Partner, interests in any other entity; engage in any activity related to the capitalization and financing of our partnership's interests in such entities; serve as the managing general partner of the Holding LP; and engage in any other activity that is incidental to or in furtherance of the foregoing and that is approved by our General Partner and that lawfully may be conducted by a limited partnership organized under the Bermuda Limited Partnership Act, the Bermuda Exempted Partnerships Act, and our limited partnership agreement.

The Holding LP's limited partnership agreement provides that each person who is entitled to be indemnified by our partnership, as described below under “—Indemnification; Limitations on Liability” will have the right to engage in businesses of every type and description and other activities for profit, and to engage in and possess interests in business ventures of any and every type or description, irrespective of whether (i) such businesses and activities are similar to our activities, or (ii) such businesses and activities directly compete with, or disfavor or exclude, the Holding LP, the managing general partner, any Holding Entity, operating entity, or any other holding vehicle established by the Holding LP. Such business interests, activities and engagements will be deemed not to constitute a breach of the limited partnership agreement of the Holding LP or any duties stated or implied by law or equity, including fiduciary duties, owed to any of the Holding LP, the managing general partner, any Holding Entity, operating entity, and any other holding vehicle established by the Holding LP (or any of their respective investors), and shall be deemed not to be a breach of the managing general partner's fiduciary duties or any other obligation of any type whatsoever of the managing general partner. None of the Holding LP, the managing general partner, any Holding Entity, operating entity, any other holding vehicle established by the Holding LP or any other person shall have any rights by virtue of the Holding LP's limited partnership agreement or the partnership relationship established thereby or otherwise in any business ventures of any person who is entitled to be indemnified by the Holding LP as described below under “—Indemnification; Limitations on Liability.”

Our partnership and the other indemnified persons described in the preceding paragraph will not have any obligation under the Holding LP's limited partnership agreement or as a result of any duties stated or implied by law or equity, including fiduciary duties, to present business or investment opportunities to the Holding LP, any Holding Entity, operating entity, or any other holding vehicle established by the Holding LP. These provisions will not affect any obligation of such indemnified person to present business or investment opportunities to the Holding LP, any Holding Entity, operating entity or any other holding vehicle established by the Holding LP pursuant to a separate written agreement between such persons.

#### *Account Reports*

The Holding LP prepares its financial statements in accordance with IFRS. See also the information contained in this annual report on Form 20-F under Item 10.B “Memorandum and Articles of Association—Description of Our Units, Preferred Units and Our Limited Partnership Agreement—Accounts, Reports and Other Information”.

The managing general partner of the Holding LP is also required to use commercially reasonable efforts to prepare and send to the Holding LP's limited partners and the special general partner on an annual basis, additional information regarding the Holding LP, including Schedule K-1 (or equivalent) and information related to the passive foreign investment company status of any non-U.S. corporation that we control and, where reasonably possible, any other non-U.S. corporation in which we hold an interest. The managing general partner of the Holding LP will also, where reasonably possible, prepare and send information required by the Holding LP's non-U.S. limited partners for U.S. federal income tax reporting purposes, including information related to investments in “U.S. real property interests,” as that term is defined in Section 897 of the U.S. Internal Revenue Code. The managing general partner will also, where reasonably possible and applicable, prepare and send information required by the Holding LP's limited partners for Canadian federal income tax purposes.

### *Indemnification; Limitations on Liability*

Under the Holding LP's limited partnership agreement, it is required to indemnify to the fullest extent permitted by law the managing general partner, the special general partner, and any of its respective affiliates (and their respective officers, directors, agents, shareholders, partners, members and employees), any person who serves on a governing body of the Holding LP, a Holding Entity, operating entity or any other holding vehicle established by our partnership and any other person designated by the managing general partner as an indemnified person, in each case, against all losses, claims, damages, liabilities, costs or expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, incurred by an indemnified person in connection with its business, investments and activities or by reason of their holding such positions, except to the extent that the claims, liabilities, losses, damages, costs or expenses are determined to have resulted from the indemnified person's bad faith, fraud or willful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful. In addition, under the Holding LP's limited partnership agreement, (i) the liability of such persons has been limited to the fullest extent permitted by law, except to the extent that their conduct involves bad faith, fraud or willful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful and (ii) any matter that is approved by the independent directors will not constitute a breach of any duties stated or implied by law or equity, including fiduciary duties. The Holding LP's limited partnership agreement requires it to advance funds to pay the expenses of an indemnified person in connection with a matter in which indemnification may be sought until it is determined that the indemnified person is not entitled to indemnification.

### *Governing Law*

The Holding LP's limited partnership agreement is governed by and will be construed in accordance with the laws of Bermuda.

## **10.C MATERIAL CONTRACTS**

The following are the only material contracts, other than contracts entered into in the ordinary course of business, to which we have been a party within the past two years:

1. Amended and Restated Master Services Agreement by and among the Service Recipients, Brookfield Asset Management Inc., the Service Provider and others described under Item 6.A. "Directors and Senior Management—Our Master Services Agreement";
2. Amended and Restated Limited Partnership Agreement of our partnership, as amended from time to time, described under Item 10.B. "Description of our Units, Preferred Units and our Limited Partnership Agreement";
3. Amended and Restated Limited Partnership Agreement of the Holding LP, as amended from time to time, described under Item 10.B. "Description of the Holding LP's Limited Partnership Agreement";
4. Amended and Restated Relationship Agreement by and among our partnership, the Holding LP, the Holding Entities, the Service Provider and Brookfield Asset Management Inc., described under Item 7.B. "Related Party Transactions—Relationship Agreement";
5. Registration Rights Agreement, dated December 4, 2007, between Brookfield Infrastructure Partners L.P. and Brookfield Asset Management Inc., described under Item 7.B "Related Party Transactions—Registration Rights Agreement";



6. Indenture by and among Brookfield Infrastructure Finance ULC, Brookfield Infrastructure Finance LLC, Brookfield Infrastructure Finance Limited, Brookfield Infrastructure Finance Pty Ltd and Computershare Trust Company of Canada, described in Note 20, “Subsidiary Public Issuers” in our financial statements included in this annual report on Form 20-F;
7. Second Supplemental Indenture dated March 11, 2015 between Brookfield Infrastructure Finance ULC, Brookfield Infrastructure Finance LLC, Brookfield Infrastructure Finance Limited, Brookfield Infrastructure Finance Pty Ltd and Computershare Trust Company of Canada, described in Note 20, “Subsidiary Public Issuers” in our financial statements included in this annual report on Form 20-F;
8. Guarantee dated March 11, 2015 by Brookfield Infrastructure Partners L.P., Brookfield Infrastructure L.P., BIP Bermuda Holdings I Limited, Brookfield Infrastructure Holdings (Canada) Inc. and Brookfield Infrastructure US Holdings I Corporation in favor of Computershare Trust Company of Canada, described in Note 20, “Subsidiary Public Issuers” in our financial statements included in this annual report on Form 20-F;
9. Third Supplemental Indenture dated October 30, 2015 between Brookfield Infrastructure Finance ULC, Brookfield Infrastructure Finance LLC, Brookfield Infrastructure Finance Limited, Brookfield Infrastructure Finance Pty Ltd and Computershare Trust Company of Canada, described in Note 20, “Subsidiary Public Issuers” in our financial statements included in this annual report on Form 20-F;
10. Guarantee dated October 30, 2015 by Brookfield Infrastructure Partners L.P., Brookfield Infrastructure L.P., BIP Bermuda Holdings I Limited, Brookfield Infrastructure Holdings (Canada) Inc. and Brookfield Infrastructure US Holdings I Corporation in favor of Computershare Trust Company of Canada, described in Note 20, “Subsidiary Public Issuers” in our financial statements included in this annual report on Form 20-F;
11. Fifth Supplemental Indenture dated February 22, 2017 between Brookfield Infrastructure Finance ULC, Brookfield Infrastructure Finance LLC, Brookfield Infrastructure Finance Limited, Brookfield Infrastructure Finance Pty Ltd and Computershare Trust Company of Canada, described in Note 20, “Subsidiary Public Issuers” in our financial statements included in this annual report on Form 20-F;
12. Guarantee dated February 22, 2017 by Brookfield Infrastructure Partners L.P., Brookfield Infrastructure L.P., BIP Bermuda Holdings I Limited, Brookfield Infrastructure Holdings (Canada) Inc. and Brookfield Infrastructure US Holdings I Corporation in favor of Computershare Trust Company of Canada, described in Note 20, “Subsidiary Public Issuers” in our financial statements included in this annual report on Form 20-F;
13. Sixth Supplemental Indenture dated September 10, 2018 between Brookfield Infrastructure Finance ULC, Brookfield Infrastructure Finance LLC, Brookfield Infrastructure Finance Limited, Brookfield Infrastructure Finance Pty Ltd and Computershare Trust Company of Canada, described in Note 20, “Subsidiary Public Issuers” in our financial statements included in this annual report on Form 20-F;
14. Guarantee dated September 10, 2018 by Brookfield Infrastructure Partners L.P., Brookfield Infrastructure L.P., BIP Bermuda Holdings I Limited, Brookfield Infrastructure Holdings (Canada) Inc. and Brookfield Infrastructure US Holdings I Corporation in favor of Computershare Trust Company of Canada, described in Note 20, “Subsidiary Public Issuers” in our financial statements included in this annual report on Form 20-F;

15. Support Agreement, dated October 15, 2018, between Brookfield Infrastructure Partners L.P. and Brookfield Infrastructure Partners Exchange LP described under “Additional Information - Memorandum and Articles of Association - Description of Our Units, Preferred Units and Our Limited Partnership Agreement”; and
16. Guarantee indenture dated February 5, 2019 among Brookfield Infrastructure Partners L.P., Brookfield Infrastructure L.P., BIP Bermuda Holdings I Limited, Brookfield Infrastructure Holdings (Canada) Inc., Brookfield Infrastructure US Holdings I Corporation, BIP Investment Corporation and Computershare Trust Company of Canada, described in Note 20, “Subsidiary Public Issuers” in our financial statements included in this annual report on Form 20-F.

#### **10.D EXCHANGE CONTROLS**

There are currently no governmental laws, decrees, regulations or other legislation of Bermuda or the United States which restrict the import or export of capital or the remittance of dividends, interest or other payments to non-residents of Bermuda or the United States holding the Company’s securities, except as otherwise described in this annual report on Form 20-F under Item 10.E “Taxation.”

#### **10.E TAXATION**

The following summary discusses certain material United States, Canadian, Australian and Bermudian tax considerations related to the holding and disposition of our units as of the date hereof. Holders of our units are advised to consult their own tax advisors concerning the consequences under the tax laws of the country of which they are resident or in which they are otherwise subject to tax of making an investment in our units.

#### **CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS**

This summary discusses certain material United States federal income tax considerations to unitholders relating to the receipt, holding, and disposition of our units as of the date hereof. This summary is based on provisions of the U.S. Internal Revenue Code, on the regulations promulgated thereunder (“Treasury Regulations”), and on published administrative rulings, judicial decisions, and other applicable authorities, all as in effect on the date hereof and all of which are subject to change at any time, possibly with retroactive effect. This summary is necessarily general and may not apply to all categories of investors, some of whom may be subject to special rules, including, without limitation, persons that own (directly or indirectly, applying certain attribution rules) 5% or more of our units, dealers in securities or currencies, financial institutions or financial services entities, mutual funds, life insurance companies, persons that hold our units as part of a straddle, hedge, constructive sale or conversion transaction with other investments, persons whose units are loaned to a short seller to cover a short sale of units, persons whose functional currency is not the U.S. dollar, persons who have elected mark-to-market accounting, persons who hold our units through a partnership or other entity treated as a pass-through entity for U.S. federal income tax purposes, persons for whom our units are not a capital asset, persons who are liable for the alternative minimum tax, and certain U.S. expatriates or former long-term residents of the United States. This summary does not address any tax consequences to holders of our preferred units. Tax-exempt organizations are addressed separately below. The actual tax consequences of the ownership and disposition of our units will vary depending on your individual circumstances.

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of one or more of our units that is for U.S. federal tax purposes: (i) an individual citizen or resident of the United States; (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (a) that is subject to the primary supervision of a court within the United States and all substantial decisions of which one or more U.S. persons have the authority to control or (b) that has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

A “Non-U.S. Holder” is a beneficial owner of one or more of our units, other than a U.S. Holder or an entity classified as a partnership or other fiscally transparent entity for U.S. federal tax purposes.

If a partnership holds our units, the tax treatment of a partner of such partnership generally will depend upon the status of the partner and the activities of the partnership. Partners of partnerships that hold our units should consult their own tax advisers.

**This discussion does not constitute tax advice and is not intended to be a substitute for tax planning. You should consult your own tax adviser concerning the U.S. federal, state and local income tax consequences particular to your ownership and disposition of our units, as well as any tax consequences under the laws of any other taxing jurisdiction.**

#### ***Partnership Status of Our Partnership and the Holding LP***

Each of our partnership and the Holding LP has made a protective election to be classified as a partnership for U.S. federal tax purposes. An entity that is treated as a partnership for U.S. federal tax purposes generally incurs no U.S. federal income tax liability. Instead, each partner is generally required to take into account its allocable share of items of income, gain, loss, deduction, or credit of the partnership in computing its U.S. federal income tax liability, regardless of whether cash distributions are made. Distributions of cash by a partnership to a partner generally are not taxable unless the amount of cash distributed to a partner is in excess of the partner’s adjusted basis in its partnership interest.

Legislation that became effective for taxable years beginning after December 31, 2017, may impose liability for adjustments to a partnership’s tax returns on the partnership itself in certain circumstances, absent an election to the contrary. The effects of the application of this legislation on us are uncertain, and you should consult your own tax advisers regarding all aspects of this legislation as it affects your particular circumstances. See below under “Administrative Matters—Information Returns and Audit Procedures”.

An entity that would otherwise be classified as a partnership for U.S. federal income tax purposes may nonetheless be taxable as a corporation if it is a “publicly traded partnership”, unless an exception applies. Our partnership is publicly traded. However, an exception, referred to as the “Qualifying Income Exception”, exists with respect to a publicly traded partnership if (i) at least 90% of such partnership’s gross income for every taxable year consists of “qualifying income” and (ii) the partnership would not be required to register under the Investment Company Act if it were a U.S. corporation. Qualifying income includes certain interest income, dividends, real property rents, gains from the sale or other disposition of real property, and any gain from the sale or disposition of a capital asset or other property held for the production of income that otherwise constitutes qualifying income.

Our General Partner intends to manage the affairs of our partnership and the Holding LP so that our partnership will meet the Qualifying Income Exception in each taxable year. Accordingly, our General Partner believes that our partnership will be treated as a partnership and not as a corporation for U.S. federal income tax purposes.

If our partnership fails to meet the Qualifying Income Exception, other than a failure which is determined by the IRS to be inadvertent and which is cured within a reasonable time after discovery, or if our partnership is required to register under the Investment Company Act, our partnership will be treated as if it had transferred all of its assets, subject to liabilities, to a newly formed corporation, on the first day of the year in which our partnership fails to meet the Qualifying Income Exception, in return for stock in such corporation, and then distributed the stock to our unitholders in liquidation. This deemed contribution and liquidation could result in the recognition of gain (but not loss) to U.S. Holders, except that U.S. Holders generally would not recognize the portion of such gain attributable to stock or securities of non-U.S. corporations held by us. If, at the time of such contribution, our partnership were to have liabilities in excess of the tax basis of its assets, U.S. Holders generally would recognize gain in respect of such excess liabilities upon the deemed transfer. Thereafter, our partnership would be treated as a corporation for U.S. federal income tax purposes.

If our partnership were treated as a corporation in any taxable year, either as a result of a failure to meet the Qualifying Income Exception or otherwise, our partnership's items of income, gain, loss, deduction, or credit would be reflected only on our partnership's tax return rather than being passed through to our unitholders, and our partnership would be subject to U.S. corporate income tax and potentially branch profits tax with respect to its income, if any, effectively connected with a U.S. trade or business. Moreover, under certain circumstances, our partnership might be classified as a PFIC, for U.S. federal income tax purposes, and a U.S. Holder would be subject to the rules applicable to PFICs discussed below. See "—Consequences to U.S. Holders—Passive Foreign Investment Companies". Subject to the PFIC rules, distributions made to U.S. Holders would be treated as taxable dividend income to the extent of our partnership's current or accumulated earnings and profits. Any distribution in excess of current and accumulated earnings and profits would first be treated as a tax-free return of capital to the extent of a U.S. Holder's adjusted tax basis in its units. Thereafter, to the extent such distribution were to exceed a U.S. Holder's adjusted tax basis in its units, the distribution would be treated as gain from the sale or exchange of such units. The amount of a distribution treated as a dividend could be eligible for reduced rates of taxation, provided certain conditions are met. In addition, dividends, interest and certain other passive income received by our partnership with respect to U.S. investments generally would be subject to U.S. withholding tax at a rate of 30% (although certain Non-U.S. Holders nevertheless might be entitled to certain treaty benefits in respect of their allocable share of such income) and U.S. Holders would not be allowed a tax credit with respect to any such tax withheld. In addition, the "portfolio interest" exemption would not apply to certain interest income of our partnership (although certain Non-U.S. Holders nevertheless might be entitled to certain treaty benefits in respect of their allocable share of such income). Depending on the circumstances, additional adverse U.S. federal income tax consequences could result under the anti-inversion rules described in Section 7874 of the U.S. Internal Revenue Code, the Treasury Regulations under Section 385 of the U.S. Internal Revenue Code, or other provisions of the U.S. Internal Revenue Code, as implemented by the Treasury Regulations and IRS administrative guidance. Based on the foregoing consequences, the treatment of our partnership as a corporation could materially reduce a holder's after-tax return and therefore could result in a substantial reduction of the value of our units. If the Holding LP were to be treated as a corporation for U.S. federal income tax purposes, consequences similar to those described above would apply.

The remainder of this summary assumes that our partnership and the Holding LP will be treated as partnerships for U.S. federal tax purposes. Our partnership expects that a substantial portion of the items of income, gain, deduction, loss, or credit realized by our partnership will be realized in the first instance by the Holding LP and allocated to our partnership for reallocation to our unitholders. Unless otherwise specified, references in this section to realization of our partnership's items of income, gain, loss, deduction, or credit include a realization of such items by the Holding LP and the allocation of such items to our partnership.

## Consequences to U.S. Holders

### *Holding of Our Units*

**Income and Loss.** If you are a U.S. Holder, you will be required to take into account, as described below, your allocable share of our partnership's items of income, gain, loss, deduction, and credit for each of our partnership's taxable years ending with or within your taxable year. Each item generally will have the same character and source as though you had realized the item directly. You must report such items without regard to whether any distribution has been or will be received from our partnership. Our partnership intends to make cash distributions to all unitholders on a quarterly basis in amounts generally expected to be sufficient to permit U.S. Holders to fund their estimated U.S. tax obligations (including U.S. federal, state, and local income taxes) with respect to their allocable shares of our partnership's net income or gain. However, based upon your particular tax situation and simplifying assumptions that our partnership will make in determining the amount of such distributions, and depending upon whether you elect to reinvest such distributions pursuant to the distribution reinvestment plan, your tax liability might exceed cash distributions made to you, in which case any tax liabilities arising from your ownership of our units would need to be satisfied from your own funds.

With respect to U.S. Holders who are individuals, certain dividends paid by a corporation (including certain qualified foreign corporations) to our partnership and that are allocable to such U.S. Holders may qualify for reduced rates of taxation. A qualified foreign corporation includes a foreign corporation that is eligible for the benefits of specified income tax treaties with the United States. In addition, a foreign corporation is treated as a qualified corporation with respect to its shares that are readily tradable on an established securities market in the United States. Among other exceptions, U.S. Holders who are individuals will not be eligible for reduced rates of taxation on any dividends if the payer is a PFIC for the taxable year in which such dividends are paid or for the preceding taxable year. Dividends received by non-corporate U.S. Holders may be subject to an additional Medicare tax on unearned income of 3.8% (see "—Medicare Tax" below). U.S. Holders that are corporations may be entitled to a "dividends received deduction" in respect of dividends paid by U.S. corporations in which our partnership (through the Holding LP) owns stock. You should consult your own tax adviser regarding the application of the foregoing rules in light of your particular circumstances.

For U.S. federal income tax purposes, your allocable share of our partnership's items of income, gain, loss, deduction, or credit will be governed by our Limited Partnership Agreement if such allocations have "substantial economic effect" or are determined to be in accordance with your interest in our partnership. Similarly, our partnership's allocable share of items of income, gain, loss, deduction, or credit of the Holding LP will be governed by the limited partnership agreement of the Holding LP if such allocations have "substantial economic effect" or are determined to be in accordance with our partnership's interest in the Holding LP. Our General Partner believes that, for U.S. federal income tax purposes, such allocations should be given effect, and our General Partner intends to prepare and file tax returns based on such allocations. If the IRS were to successfully challenge the allocations made pursuant to either our limited partnership agreement or the Limited Partnership Agreement of the Holding LP, then the resulting allocations for U.S. federal income tax purposes might be less favorable than the allocations set forth in such agreements.

**Basis.** In general, you will have an initial tax basis in your units equal to the sum of (i) the amount of cash paid for our units and (ii) your share of our partnership's liabilities, if any. That basis will be increased by your share of our partnership's income and by increases in your share of our partnership's liabilities, if any. That basis will be decreased, but not below zero, by distributions you receive from our partnership, by your share of our partnership's losses, and by any decrease in your share of our partnership's liabilities. Under applicable U.S. federal income tax rules, a partner in a partnership has a single, or "unitary", tax basis in his or her partnership interest. As a result, any amount you pay to acquire additional units (including through the distribution reinvestment plan) will be averaged with the adjusted tax basis of units owned by you prior to the acquisition of such additional units.

For purposes of the foregoing rules, the rules discussed immediately below, and the rules applicable to a sale or exchange of our units, our partnership's liabilities generally will include our partnership's share of any liabilities of the Holding LP.

**Limits on Deductions for Losses and Expenses.** Your deduction of your allocable share of our partnership's losses will be limited to your tax basis in our units and, if you are an individual or a corporate holder that is subject to the "at risk" rules, to the amount for which you are considered to be "at risk" with respect to our partnership's activities, if that is less than your tax basis. In general, you will be at risk to the extent of your tax basis in our units, reduced by (i) the portion of that basis attributable to your share of our partnership's liabilities for which you will not be personally liable (excluding certain qualified non-recourse financing) and (ii) any amount of money you borrow to acquire or hold our units, if the lender of those borrowed funds owns an interest in our partnership, is related to you, or can look only to your units for repayment. Your at-risk amount generally will increase by your allocable share of our partnership's income and gain and decrease by cash distributions you receive from our partnership and your allocable share of losses and deductions. You must recapture losses deducted in previous years to the extent that distributions cause your at-risk amount to be less than zero at the end of any taxable year. Losses disallowed or recaptured as a result of these limitations will carry forward and will be allowable to the extent that your tax basis or at-risk amount, whichever is the limiting factor, subsequently increases. Upon the taxable disposition of our units, any gain recognized by you can be offset by losses that were previously suspended by the at-risk limitation, but may not be offset by losses suspended by the basis limitation. Any excess loss above the gain previously suspended by the at-risk or basis limitations may no longer be used. Under the Tax Cuts and Jobs Act, non-corporate taxpayers are not permitted to deduct "excess business losses" for taxable years beginning after December 31, 2017, and before January 1, 2026. You should consult your own tax adviser regarding the limitations on the deductibility of losses under the U.S. Internal Revenue Code.

**Limitations on Deductibility of Organizational Expenses and Syndication Fees.** In general, neither our partnership nor any U.S. Holder may deduct organizational or syndication expenses. Similar rules apply to organizational or syndication expenses incurred by the Holding LP. Syndication fees (which would include any sales or placement fees or commissions) must be capitalized and cannot be amortized or otherwise deducted.

***Limitations on Interest Deductions.*** Our General Partner intends to use commercially reasonable efforts to structure the activities of our partnership and the Holding LP to avoid generating UBTI attributable to debt-financed property. However, to the extent our partnership or the Holding LP incur debt, your share of our partnership's interest expense, if any, is likely to be treated as "investment interest" expense. For a non-corporate U.S. Holder, the deductibility of "investment interest" expense generally is limited to the amount of such holder's "net investment income". Net investment income includes gross income from property held for investment and amounts treated as portfolio income under the passive loss rules, less deductible expenses, other than interest, directly connected with the production of investment income, but generally does not include gains attributable to the disposition of property held for investment. Your share of our partnership's dividend and interest income will be treated as investment income, although "qualified dividend income" subject to reduced rates of tax in the hands of an individual will only be treated as investment income if such individual elects to treat such dividend as ordinary income not subject to reduced rates of tax. In addition, state and local tax laws may disallow deductions for your share of our partnership's interest expense. Under Section 163(j) of the U.S. Internal Revenue Code, additional limitations may apply to a corporate U.S. Holder's share of our partnership's interest expense, if any.

***Deductibility of Partnership Investment Expenditures by Individual Partners and by Trusts and Estates.*** Under the Tax Cuts and Jobs Act, individuals and certain estates and trusts will not be permitted to claim miscellaneous itemized deductions for taxable years beginning after December 31, 2017, and before January 1, 2026. Such miscellaneous itemized deductions may include the operating expenses of our partnership, including our partnership's allocable share of the base management fee or any other management fees.

### ***Treatment of Distributions***

Distributions of cash by our partnership generally will not be taxable to you to the extent of your adjusted tax basis (described above) in our units. Any cash distributions in excess of your adjusted tax basis generally will be considered to be gain from the sale or exchange of our units (described below). Such gain generally will be treated as capital gain and will be long-term capital gain if your holding period for our units exceeds one year. A reduction in your allocable share of our liabilities, and certain distributions of marketable securities by our partnership, if any, will be treated similar to cash distributions for U.S. federal income tax purposes.

### ***Sale or Exchange of Our Units***

You will recognize gain or loss on the sale or taxable exchange of our units equal to the difference, if any, between the amount realized and your tax basis in our units sold or exchanged. Your amount realized will be measured by the sum of the cash or the fair market value of other property received plus your share of our partnership's liabilities, if any.

Gain or loss recognized by you upon the sale or exchange of our units generally will be taxable as capital gain or loss and will be long-term capital gain or loss if our units were held for more than one year as of the date of such sale or exchange. Assuming you have not elected to treat your share of our partnership's investment in any PFIC as a "qualified electing fund", gain attributable to such investment in a PFIC would be taxable in the manner described below in "—Passive Foreign Investment Companies". In addition, certain gain attributable to our investment in a "controlled foreign corporation" ("CFC") may be characterized as ordinary income, and certain gain attributable to "unrealized receivables" or "inventory items" could be characterized as ordinary income rather than capital gain. For example, if our partnership were to hold debt acquired at a market discount, accrued market discount on such debt would be treated as "unrealized receivables". The deductibility of capital losses is subject to limitations.

Each U.S. Holder who acquires our units at different times and intends to sell all or a portion of our units within a year of the most recent purchase should consult its own tax adviser regarding the application of certain “split holding period” rules to such sale and the treatment of any gain or loss as long-term or short-term capital gain or loss.

### ***Medicare Tax***

U.S. Holders that are individuals, estates, or trusts may be required to pay a 3.8% Medicare tax on the lesser of (i) the excess of such U.S. Holders’ “modified adjusted gross income” (or “adjusted gross income” in the case of estates and trusts) over certain thresholds and (ii) such U.S. Holders’ “net investment income” (or “undistributed net investment income” in the case of estates and trusts). Net investment income generally includes your allocable share of our partnership’s income, as well as gain realized by you from a sale of our units. Special rules relating to the 3.8% Medicare tax may apply to dividends and gain, if any, derived by such U.S. Holders with respect to our partnership’s interest in a PFIC or CFC. See “—Passive Foreign Investment Companies” and “—Controlled Foreign Corporations” below. You should consult your own tax adviser regarding the implications of the 3.8% Medicare tax for your ownership and disposition of our units.

### ***Foreign Tax Credit Limitations***

If you are a U.S. Holder, you generally will be entitled to a foreign tax credit with respect to your allocable share of creditable foreign taxes paid on our partnership’s income and gains. Complex rules may, depending on your particular circumstances, limit the availability or use of foreign tax credits. Gain from the sale of our partnership’s investments may be treated as U.S.-source gain. Consequently, you may not be able to use the foreign tax credit arising from any foreign taxes imposed on such gain unless the credit can be applied (subject to applicable limitations) against U.S. tax due on other income treated as derived from foreign sources. Certain losses that our partnership incurs may be treated as foreign-source losses, which could reduce the amount of foreign tax credits otherwise available.

### ***Deduction for Qualified Business Income***

Under the Tax Cuts and Jobs Act, for taxable years beginning after December 31, 2017, and before January 1, 2026, U.S. taxpayers who have domestic “qualified business income” from a partnership generally are entitled to deduct the lesser of such qualified business income or 20% of taxable income. The 20% deduction is also allowed for “qualified publicly traded partnership income”. A U.S. Holder’s allocable share of our partnership’s income is not expected to be treated as qualified business income or as qualified publicly traded partnership income.

### ***Section 754 Election***

Our partnership and the Holding LP have each made the election permitted by Section 754 of the U.S. Internal Revenue Code (“Section 754 Election”). The Section 754 Election cannot be revoked without the consent of the IRS. The Section 754 Election generally requires our partnership to adjust the tax basis in its assets, or inside basis, attributable to a transferee of our units under Section 743(b) of the U.S. Internal Revenue Code to reflect the purchase price paid by the transferee for our units. This election does not apply to a person who purchases units directly from us. For purposes of this discussion, a transferee’s inside basis in our partnership’s assets will be considered to have two components: (i) the transferee’s share of our partnership’s tax basis in our partnership’s assets, or common basis, and (ii) the adjustment under Section 743(b) of the U.S. Internal Revenue Code to that basis. The foregoing rules would also apply to the Holding LP.



Generally, a Section 754 Election would be advantageous to a transferee U.S. Holder if such holder's tax basis in its units were higher than such units' share of the aggregate tax basis of our partnership's assets immediately prior to the transfer. In that case, as a result of the Section 754 Election, the transferee U.S. Holder would have a higher tax basis in its share of our partnership's assets for purposes of calculating, among other items, such holder's share of any gain or loss on a sale of our partnership's assets. Conversely, a Section 754 Election would be disadvantageous to a transferee U.S. Holder if such holder's tax basis in its units were lower than such units' share of the aggregate tax basis of our partnership's assets immediately prior to the transfer. Thus, the fair market value of our units may be affected either favorably or adversely by the election.

Whether or not the Section 754 Election is made, if our units are transferred at a time when our partnership has a "substantial built-in loss" in its assets, our partnership will be obligated to reduce the tax basis in the portion of such assets attributable to such units.

The calculations involved in the Section 754 Election are complex, and our General Partner advises that it will make such calculations on the basis of assumptions as to the value of our partnership assets and other matters. Each U.S. Holder should consult its own tax adviser as to the effects of the Section 754 Election.

### ***Uniformity of Our Units***

Because we cannot match transferors and transferees of our units, we must maintain the uniformity of the economic and tax characteristics of our units to a purchaser of our units. In the absence of uniformity, we may be unable to comply fully with a number of U.S. federal income tax requirements. A lack of uniformity can result from a literal application of certain Treasury Regulations to our partnership's Section 743(b) adjustments, a determination that our partnership's Section 704(c) allocations are unreasonable, or other reasons. Section 704(c) allocations would be intended to reduce or eliminate the disparity between tax basis and the value of our partnership's assets in certain circumstances, including on the issuance of additional units. In order to maintain the fungibility of all of our units at all times, we will seek to achieve the uniformity of U.S. tax treatment for all purchasers of our units which are acquired at the same time and price (irrespective of the identity of the particular seller of our units or the time when our units are issued by our partnership), through the application of certain tax accounting principles that our General Partner believes are reasonable for our partnership. However, the IRS may disagree with us and may successfully challenge our application of such tax accounting principles. Any non-uniformity could have a negative impact on the value of our units.

### ***Foreign Currency Gain or Loss***

Our partnership's functional currency is the U.S. dollar, and our partnership's income or loss is calculated in U.S. dollars. It is likely that our partnership will recognize "foreign currency" gain or loss with respect to transactions involving non-U.S. dollar currencies. In general, foreign currency gain or loss is treated as ordinary income or loss. You should consult your own tax adviser regarding the tax treatment of foreign currency gain or loss.

### ***Passive Foreign Investment Companies***

U.S. Holders may be subject to special rules applicable to indirect investments in foreign corporations, including an investment through our partnership in a PFIC. A PFIC is defined as any foreign corporation with respect to which (after applying certain look-through rules) either (i) 75% or more of its gross income for a taxable year is “passive income” or (ii) 50% or more of its assets in any taxable year (generally based on the quarterly average of the value of its assets) produce or are held for the production of “passive income”. There are no minimum stock ownership requirements for PFICs. If you hold an interest in a foreign corporation for any taxable year during which the corporation is classified as a PFIC with respect to you, then the corporation will continue to be classified as a PFIC with respect to you for any subsequent taxable year during which you continue to hold an interest in the corporation, even if the corporation’s income or assets would not cause it to be a PFIC in such subsequent taxable year, unless an exception applies.

Subject to certain elections described below, any gain on the disposition of stock of a PFIC owned by you indirectly through our partnership, as well as income realized on certain “excess distributions” by such PFIC, would be treated as though realized ratably over the shorter of your holding period of our units or our partnership’s holding period for the PFIC. Such gain or income generally would be taxable as ordinary income, and dividends paid by the PFIC would not be eligible for the preferential tax rates for dividends paid to non-corporate U.S. Holders. In addition, an interest charge would apply, based on the tax deemed deferred from prior years. To the extent reasonably practicable, we intend to make distributions of the earnings of each entity we are able to identify as a PFIC not less frequently than annually so as to minimize the likelihood that you will have excess distributions with respect to any such entity. However, because we cannot assure that will be the case, and because any gains on a sale of any such entity would remain subject to the PFIC tax regime, we urge you to consider making any applicable election described below.

If you were to elect to treat your share of our partnership’s interest in a PFIC as a “qualified electing fund” (“QEF Election”), for the first year you were treated as holding such interest, then in lieu of the tax consequences described in the paragraph immediately above, you would be required to include in income each year a portion of the ordinary earnings and net capital gains of the PFIC, even if not distributed to our partnership or to you. A QEF Election must be made by you on an entity-by-entity basis. To make a QEF Election, you must, among other things, (i) obtain a PFIC annual information statement (through an intermediary statement supplied by our partnership) and (ii) prepare and submit IRS Form 8621 with your annual income tax return. To the extent reasonably practicable, we intend to timely provide you with information related to the PFIC status of each entity we are able to identify as a PFIC, including information necessary to make a QEF Election with respect to each such entity. Any such election should be made for the first year our partnership holds an interest in such entity or for the first year in which you hold our units, if later. Under certain circumstances, we may be permitted to make a QEF Election on behalf of all U.S. Holders with respect to a PFIC held indirectly. However, no assurance can be provided that we will make any such QEF Election, if available.

Once you have made a QEF Election for an entity, such election applies to any additional shares of interest in such entity acquired directly or indirectly, including through additional units acquired after the QEF Election is made (such as units acquired under the distribution reinvestment plan). If you were to make a QEF Election after the first year that you were treated as holding an interest in a PFIC, the adverse tax consequences relating to PFIC stock would continue to apply with respect to the pre-QEF Election period, unless you were to make a “purging election”. The purging election would create a deemed sale of your previously held share of our partnership’s interests in a PFIC. The gain recognized by the purging election would be subject to the special tax and interest charge rules, which treat the gain as an excess distribution, as described above. As a result of the purging election, you would have a new basis and holding period in your share of our partnership’s interests in the PFIC. U.S. Holders should consult their own tax advisers as to the manner in which such direct inclusions could affect their allocable share of our partnership’s income and their tax basis in our units and the advisability of making a QEF Election or a purging election.

Treasury Regulations under Section 1411 of the U.S. Internal Revenue Code contain special rules for applying the 3.8% Medicare tax (as described above under “—Medicare Tax”) to U.S. persons owning an interest in a PFIC. Under the special rules, if you are a non-corporate U.S. Holder that has made a QEF Election with respect to our partnership’s interest in a PFIC, then you are permitted to make a special election to treat your share of the ordinary earnings and net capital gains of the PFIC as net investment income for purposes of the 3.8% Medicare tax. If you do not make the special election, then you may be required to calculate your basis in our units for purposes of the 3.8% Medicare tax in a manner that differs from the calculation of your basis in our units for U.S. federal income tax purposes generally. You should consult your own tax adviser regarding the implications of the special election, as well as the other implications of the 3.8% Medicare tax and the Treasury Regulations under Section 1411 of the U.S. Internal Revenue Code for your ownership and disposition of our units.

In the case of a PFIC that is a publicly traded foreign company, and in lieu of making a QEF Election, an election may be made to “mark to market” the stock of such publicly traded foreign company on an annual basis. Pursuant to such an election, you would include in each year as ordinary income the excess, if any, of the fair market value of such stock over its adjusted basis at the end of the taxable year. No assurance can be provided that any of our existing or future Holding Entities or operating entities will qualify as PFICs that are publicly traded or that a mark-to-market election will be available for any such entity. You should consult your own tax adviser regarding the availability of the mark-to-market election with respect to any PFIC in which you are treated as owning an interest through our partnership.

Based on our organizational structure, as well as our expected income and assets, our General Partner currently believes that a U.S. Holder is unlikely to be regarded as owning an interest in a PFIC solely by reason of owning our units for the taxable year ending December 31, 2019. However, our General Partner believes that some of our operating entities may have been PFICs in prior taxable years. In addition, we may decide to hold an existing or future operating entity through a Holding Entity that would be a PFIC in order to ensure that our partnership satisfies the Qualifying Income Exception, among other reasons. See “—Investment Structure”, below. Accordingly, there can be no assurance that a current or future investment will not qualify as a PFIC.

Subject to certain exceptions, a U.S. person who directly or indirectly owns an interest in a PFIC generally is required to file an annual report with the IRS, and the failure to file such report could result in the imposition of penalties on such U.S. person and in the extension of the statute of limitations with respect to federal income tax returns filed by such U.S. person. You should consult your own tax adviser regarding the PFIC rules, including the foregoing filing requirements, as well as the advisability of making a QEF Election, a special election under the Treasury Regulations under Section 1411 of the U.S. Internal Revenue Code, or a mark-to-market election, as applicable, with respect to any PFIC in which you are treated as owning an interest through our partnership.

### ***Controlled Foreign Corporations***

A non-U.S. entity will be treated as a CFC if it is treated as a corporation for U.S. federal income tax purposes and more than 50% of (i) the total combined voting power of all classes of stock of the non-U.S. entity entitled to vote or (ii) the total value of the stock of the non-U.S. entity is owned by U.S. Shareholders on any day during the taxable year of such non-U.S. entity. For this purpose, a “U.S. Shareholder” with respect to a non-U.S. entity means a U.S. person (including a U.S. partnership) that owns (directly, indirectly, or constructively) 10% or more of the total combined voting power of all classes of stock of the non-U.S. entity entitled to vote or 10% or more of the total value of shares of all classes of stock of the non-U.S. entity.

If a U.S. partnership in which we own an interest is a U.S. Shareholder of a CFC, then a U.S. Holder may be required to include in income its allocable share of the CFC’s “Subpart F” income and “global intangible low-taxed income” (“GILTI”). Subpart F income generally includes dividends, interest, net gain from the sale or disposition of securities, non-actively managed rents, and certain other generally passive types of income. The aggregate Subpart F income inclusions in any taxable year relating to a particular CFC are limited to such CFC’s current earnings and profits. Very generally, GILTI includes certain business income of a CFC in excess of a deemed return on the CFC’s tangible assets. Each of the foregoing inclusions will be treated as ordinary income (whether or not such inclusions are attributable to net capital gains). Thus, a U.S. Holder may be required to report as ordinary income its allocable share of the CFC’s Subpart F income and GILTI without corresponding receipts of cash and may not benefit from capital gain treatment with respect to the portion of any earnings attributable to net capital gains of the CFC. Corporate U.S. Holders are urged to consult their own tax advisers regarding the availability of a deduction under Section 250 of the U.S. Internal Revenue Code with respect to GILTI inclusions arising from their indirect interest in a CFC through our partnership.

Your tax basis in your units will be increased to reflect any required Subpart F or GILTI inclusions. Such income will be treated as income from sources within the United States, for certain foreign tax credit purposes, to the extent derived by the CFC from U.S. sources. Subpart F income and GILTI will not be eligible for the reduced rate of tax applicable to certain dividends paid by qualified foreign corporations to individual U.S. persons. See above under “—Consequences to U.S. Holders—Holding of Our Units—Income and Loss”. Amounts included as Subpart F income or GILTI with respect to direct and indirect investments generally will not be taxable again when actually distributed by the CFC.

Whether or not any CFC has Subpart F income or GILTI, any gain allocated to you from our disposition of an equity interest in a CFC will be treated as dividend income to the extent of your allocable share of the current and/or accumulated earnings and profits of the CFC. In this regard, earnings would not include any amounts previously taxed pursuant to the CFC rules. However, net losses (if any) of a CFC will not pass through to U.S. Holders.

As described above under “—Passive Foreign Investment Companies”, Treasury Regulations under Section 1411 of the U.S. Internal Revenue Code contain special rules for applying the 3.8% Medicare tax to U.S. persons owning an interest in a PFIC. Similar rules apply to U.S. Shareholders of a CFC. You should consult your own tax adviser regarding the implications of these special rules.

If a non-U.S. entity held by us through a U.S. partnership (treated as a U.S. Shareholder of such non-U.S. entity) is classified as both a CFC and a PFIC, then you will be required to include amounts in income with respect to such non-U.S. entity either under the CFC rules described under this subheading, or under the PFIC rules described under “—Passive Foreign Investment Companies”, but not both. The interaction of these rules is complex, and you should consult your own tax adviser in this regard.

Based on our organizational structure, the General Partner currently believes that one or more of our existing Holding Entities and operating entities are likely to be classified as CFCs. Moreover, we may in the future acquire certain investments or operating entities through one or more Holding Entities treated as corporations for U.S. federal income tax purposes, and such future Holding Entities or other companies in which we acquire an interest may be treated as CFCs. The application of the CFC rules to U.S. Holders is uncertain in certain respects, and the CFC rules, as amended by the Tax Cuts and Jobs Act, remain subject to proposed Treasury Regulations yet to be made final, as well as other guidance yet to be issued. You should consult your own tax adviser regarding the implications of the CFC rules for your ownership and disposition of our units.

### ***Investment Structure***

To ensure that our partnership meets the Qualifying Income Exception for publicly traded partnerships (discussed above) and complies with certain requirements in our Limited Partnership Agreement, among other reasons, our partnership may structure certain investments through an entity classified as a corporation for U.S. federal income tax purposes. Such investments will be structured as determined in the sole discretion of our General Partner generally to be tax efficient for our unitholders. However, because our unitholders will be located in numerous taxing jurisdictions, no assurance can be given that any such investment structure will benefit all our unitholders to the same extent, and such an investment structure might even result in additional tax burdens on some unitholders. As discussed above, if any such entity were a non-U.S. corporation, it might be considered a PFIC or CFC. If any such entity were a U.S. corporation, it would be subject to U.S. federal net income tax on its income, including any gain recognized on the disposition of its investments. In addition, if the investment were to involve U.S. real property, gain recognized on the disposition of the investment by a corporation generally would be subject to corporate-level tax, whether the corporation were a U.S. or a non-U.S. corporation.

### ***U.S. Withholding Taxes***

Although each U.S. Holder is required to provide us with an IRS Form W-9, we nevertheless may be unable to accurately or timely determine the tax status of our unitholders for purposes of determining whether U.S. withholding applies to payments made by our partnership to some or all of our unitholders. In such a case, payments made by our partnership to U.S. Holders might be subject to U.S. “backup” withholding at the applicable rate or other U.S. withholding taxes. You would be able to treat as a credit your allocable share of any U.S. withholding taxes paid in the taxable year in which such withholding taxes were paid and, as a result, you might be entitled to a refund of such taxes from the IRS. In the event you transfer or otherwise dispose of some or all of your units, special rules might apply for purposes of determining whether you or the transferee of such units were subject to U.S. withholding taxes in respect of income allocable to, or distributions made on account of, such units or entitled to refunds of any such taxes withheld. See below “Administrative Matters—Certain Effects of a Transfer of Units”. You should consult your own tax adviser regarding the treatment of U.S. withholding taxes.

### ***Transferor/Transferee Allocations***

Our partnership may allocate items of income, gain, loss, and deduction using a monthly convention, whereby any such items recognized in a given month by our partnership are allocated to our unitholders as of a specified date of such month. As a result, if you transfer your units, you might be allocated income, gain, loss, and deduction realized by our partnership after the date of the transfer. Similarly, if you acquire additional units, you might be allocated income, gain, loss, and deduction realized by our partnership prior to your ownership of such units.

Section 706 of the U.S. Internal Revenue Code generally governs allocations of items of partnership income and deductions between transferors and transferees of partnership interests, and the Treasury Regulations provide a safe harbor allowing a publicly traded partnership to use a monthly simplifying convention for such purposes. However, it is not clear that our partnership's allocation method complies with the requirements. If our partnership's convention were not permitted, the IRS might contend that our partnership's taxable income or losses must be reallocated among our unitholders. If such a contention were sustained, your tax liabilities might be adjusted to your detriment. Our General Partner is authorized to revise our partnership's method of allocation between transferors and transferees (as well as among investors whose interests otherwise vary during a taxable period).

### ***U.S. Federal Estate Tax Consequences***

If our units are included in the gross estate of a U.S. citizen or resident for U.S. federal estate tax purposes, then a U.S. federal estate tax might be payable in connection with the death of such person. Individual U.S. Holders should consult their own tax advisers concerning the potential U.S. federal estate tax consequences with respect to our units.

### ***Certain Reporting Requirements***

A U.S. Holder who invests more than \$100,000 in our partnership may be required to file IRS Form 8865 reporting the investment with such U.S. Holder's U.S. federal income tax return for the year that includes the date of the investment. You may be subject to substantial penalties if you fail to comply with this and other information reporting requirements with respect to an investment in our units. You should consult your own tax adviser regarding such reporting requirements.

### ***U.S. Taxation of Tax-Exempt U.S. Holders of Our Units***

Income recognized by a U.S. tax-exempt organization is exempt from U.S. federal income tax except to the extent of the organization's UBTI. UBTI is defined generally as any gross income derived by a tax-exempt organization from an unrelated trade or business that it regularly carries on, less the deductions directly connected with that trade or business. In addition, income arising from a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) that holds operating assets or is otherwise engaged in a trade or business generally will constitute UBTI. Notwithstanding the foregoing, UBTI generally does not include any dividend income, interest income, certain other categories of passive income, or capital gains realized by a tax-exempt organization, so long as such income is not "debt-financed", as discussed below. Our General Partner believes that our partnership should not be regarded as engaged in a trade or business, and anticipates that any operating assets held by our partnership will be held through entities that are treated as corporations for U.S. federal income tax purposes.

The exclusion from UBTI does not apply to income from “debt-financed property”, which is treated as UBTI to the extent of the percentage of such income that the average acquisition indebtedness with respect to the property bears to the average tax basis of the property for the taxable year. If an entity treated as a partnership for U.S. federal income tax purposes incurs acquisition indebtedness, a tax-exempt partner in such partnership will be deemed to have acquisition indebtedness equal to its allocable portion of such acquisition indebtedness. If any such indebtedness were used by our partnership or by the Holding LP to acquire property, such property generally would constitute debt-financed property, and any income from or gain from the disposition of such debt-financed property allocated to a tax-exempt organization generally would constitute UBTI to such tax-exempt organization. In addition, even if such indebtedness were not used either by our partnership or by the Holding LP to acquire property but were instead used to fund distributions to our unitholders, if a tax-exempt organization subject to taxation in the United States were to use such proceeds to make an investment outside our partnership, the IRS might assert that such investment constitutes debt-financed property to such unitholder with the consequences noted above. Our partnership and the Holding LP currently do not have any outstanding indebtedness used to acquire property, and our General Partner does not believe that our partnership or the Holding LP will generate UBTI attributable to debt-financed property in the future. Moreover, our General Partner intends to use commercially reasonable efforts to structure our activities to avoid generating UBTI. However, neither our partnership nor the Holding LP is prohibited from incurring indebtedness, and no assurance can be provided that neither our partnership nor the Holding LP will generate UBTI attributable to debt-financed property in the future. Tax-exempt U.S. Holders should consult their own tax advisers regarding the tax consequences of an investment in our units.

### **Consequences to Non-U.S. Holders**

Our General Partner intends to use commercially reasonable efforts to structure the activities of our partnership and the Holding LP, respectively, to avoid the realization by our partnership and the Holding LP, respectively, of income treated as effectively connected with a U.S. trade or business, including effectively connected income attributable to the sale of a “United States real property interest”, as defined in the U.S. Internal Revenue Code. Specifically, our partnership intends not to make an investment, whether directly or through an entity which would be treated as a partnership for U.S. federal income tax purposes, if our General Partner believes at the time of such investment that such investment would generate income treated as effectively connected with a U.S. trade or business. If, as anticipated, our partnership is not treated as engaged in a U.S. trade or business or as deriving income which is treated as effectively connected with a U.S. trade or business, and provided that a Non-U.S. Holder is not itself engaged in a U.S. trade or business, then such Non-U.S. Holder generally will not be subject to U.S. tax return filing requirements solely as a result of owning our units and generally will not be subject to U.S. federal income tax on its allocable share of our partnership’s interest and dividends from non-U.S. sources or gain from the sale or other disposition of securities or real property located outside of the United States.

However, there can be no assurance that the law will not change or that the IRS will not deem our partnership to be engaged in a U.S. trade or business. If, contrary to our General Partner's expectations, our partnership is treated as engaged in a U.S. trade or business, then a Non-U.S. Holder generally would be required to file a U.S. federal income tax return, even if no effectively connected income were allocable to it. If our partnership were to have income treated as effectively connected with a U.S. trade or business, then a Non-U.S. Holder would be required to report that income and would be subject to U.S. federal income tax at the regular graduated rates. In addition, our partnership might be required to withhold U.S. federal income tax on such Non-U.S. Holder's distributive share of such income. A corporate Non-U.S. Holder might also be subject to branch profits tax at a rate of 30%, or at a lower treaty rate, if applicable. If, contrary to expectation, our partnership were engaged in a U.S. trade or business, then gain or loss from the sale of our units by a Non-U.S. Holder would be treated as effectively connected with such trade or business to the extent that such Non-U.S. Holder would have had effectively connected gain or loss had our partnership sold all of its assets at their fair market value as of the date of such sale. In such case, any such effectively connected gain generally would be taxable at the regular graduated U.S. federal income tax rates, and the amount realized from such sale generally would be subject to a 10% U.S. federal withholding tax. The 10% U.S. federal withholding tax is temporarily suspended with respect to the disposition of an interest in a publicly traded partnership until regulations or other guidance has been made final.

In general, even if our partnership is not engaged in a U.S. trade or business, and assuming you are not otherwise engaged in a U.S. trade or business, you will nonetheless be subject to a withholding tax of 30% on the gross amount of certain U.S.-source income which is not effectively connected with a U.S. trade or business. Income subjected to such a flat tax rate is income of a fixed or determinable annual or periodic nature, including dividends and certain interest income. Such withholding tax may be reduced or eliminated with respect to certain types of income under an applicable income tax treaty between the United States and your country of residence or under the "portfolio interest" rules or other provisions of the U.S. Internal Revenue Code, provided that you provide proper certification as to your eligibility for such treatment. Notwithstanding the foregoing, and although each Non-U.S. Holder is required to provide us with an IRS Form W-8, we nevertheless may be unable to accurately or timely determine the tax status of our investors for purposes of establishing whether reduced rates of withholding apply to some or all of our investors. In such a case, your allocable share of distributions of U.S.-source dividend and interest income will be subject to U.S. withholding tax at a rate of 30%. Further, if you would not be subject to U.S. tax based on your tax status or otherwise were eligible for a reduced rate of U.S. withholding, you might need to take additional steps to receive a credit or refund of any excess withholding tax paid on your account, which could include the filing of a non-resident U.S. income tax return with the IRS. Among other limitations applicable to claiming treaty benefits, if you reside in a treaty jurisdiction which does not treat our partnership as a pass-through entity, you might not be eligible to receive a refund or credit of excess U.S. withholding taxes paid on your account. In the event you transfer or otherwise dispose of some or all of your units, special rules may apply for purposes of determining whether you or the transferee of such units are subject to U.S. withholding taxes in respect of income allocable to, or distributions made on account of, such units or entitled to refunds of any such taxes withheld. See "—Administrative Matters—Certain Effects of a Transfer of Units". You should consult your own tax adviser regarding the treatment of U.S. withholding taxes.

Special rules may apply to any Non-U.S. Holder (i) that has an office or fixed place of business in the United States; (ii) that is present in the United States for 183 days or more in a taxable year; or (iii) that is (a) a former citizen or long-term resident of the United States, (b) a foreign insurance company that is treated as holding a partnership interest in our partnership in connection with its U.S. business, (c) a PFIC, or (d) a CFC, or (e) a corporation that accumulates earnings to avoid U.S. federal income tax. You should consult your own tax adviser regarding the application of these special rules.



## **Taxes in Other Jurisdictions**

In addition to U.S. federal income tax consequences, an investment in our partnership could subject you to U.S. state and local taxes in the U.S. state or locality in which you are a resident for tax purposes. You could also be subject to tax return filing obligations and income, franchise, or other taxes, including withholding taxes, in non-U.S. jurisdictions in which we invest. We will attempt, to the extent reasonably practicable, to structure our operations and investments so as to avoid income tax filing obligations by U.S. Holders in non-U.S. jurisdictions. However, there may be circumstances in which we are unable to do so. Income or gain from investments held by our partnership may be subject to withholding or other taxes in jurisdictions outside the United States, except to the extent an income tax treaty applies. If you wish to claim the benefit of an applicable income tax treaty, you might be required to submit information to tax authorities in such jurisdictions. You should consult your own tax adviser regarding the U.S. state, local, and non-U.S. tax consequences of an investment in our partnership.

## **Administrative Matters**

### ***Information Returns and Audit Procedures***

We have agreed to use commercially reasonable efforts to furnish to you, within 90 days after the close of each calendar year, U.S. tax information (including IRS Schedule K-1) which describes on a U.S. dollar basis your share of our partnership's income, gain, loss and deduction for our preceding taxable year. However, providing this U.S. tax information to our unitholders will be subject to delay in the event of, among other reasons, the late receipt of any necessary tax information from lower-tier entities. It is therefore possible that, in any taxable year, you will need to apply for an extension of time to file your tax returns. In addition, unitholders that do not ordinarily have U.S. federal tax filing requirements will not receive a Schedule K-1 and related information unless such unitholders request it within 60 days after the close of each calendar year. In preparing this U.S. tax information, we will use various accounting and reporting conventions, some of which have been mentioned in the previous discussion, to determine your share of income, gain, loss and deduction. The IRS may successfully contend that certain of these reporting conventions are impermissible, which could result in an adjustment to your income or loss.

Our partnership may be audited by the IRS. Adjustments resulting from an IRS audit could require you to adjust a prior year's tax liability and result in an audit of your own tax return. Any audit of your tax return could result in adjustments not related to our partnership's tax returns, as well as those related to our partnership's tax returns. For taxable years beginning after December 31, 2017, if the IRS makes an audit adjustment to our income tax returns, it may assess and collect any taxes (including penalties and interest) resulting from such audit adjustment directly from our partnership instead of unitholders (as under prior law). We may be permitted to elect to have our General Partner and our unitholders take such audit adjustment into account in accordance with their interests in us during the taxable year under audit. However, there can be no assurance that we will choose to make such election or that it will be available in all circumstances. If we do not make the election, and we pay taxes, penalties, or interest as a result of an audit adjustment, then cash available for distribution to our unitholders might be substantially reduced. As a result, our current unitholders might bear some or all of the cost of the tax liability resulting from such audit adjustment, even if our current unitholders did not own our units during the taxable year under audit. The foregoing considerations also apply with respect to our partnership's interest in the Holding LP.

For taxable years beginning on or before December 31, 2017, our General Partner will act as our partnership's "tax matters partner." As the tax matters partner, our General Partner will have the authority, subject to certain restrictions, to act on behalf of our partnership in connection with any administrative or judicial review of our partnership's items of income, gain, loss, deduction, or credit. For taxable years beginning after December 31, 2017, a "partnership representative" designated by our partnership will have the sole authority to act on behalf of our partnership in connection with such administrative or judicial review. In particular, our partnership representative will have the sole authority to bind both our former and current unitholders and to make certain elections on behalf of our partnership pursuant to the partnership audit rules.

The application of the partnership audit rules to our partnership and our unitholders is uncertain and remains subject to Treasury Regulations and IRS guidance yet to be made final. You should consult your own tax adviser regarding the implications of the partnership audit rules for an investment in our units.

### ***Tax Shelter Regulations and Related Reporting Requirements***

If we were to engage in a "reportable transaction", we (and possibly our unitholders) would be required to make a detailed disclosure of the transaction to the IRS in accordance with regulations governing tax shelters and other potentially tax-motivated transactions. A transaction may be a reportable transaction based upon any of several factors, including the fact that it is a type of tax avoidance transaction publicly identified by the IRS as a "listed transaction" or "transaction of interest", or that it produces certain kinds of losses exceeding certain thresholds. An investment in our partnership may be considered a "reportable transaction" if, for example, our partnership were to recognize certain significant losses in the future. In certain circumstances, a unitholder who disposes of an interest in a transaction resulting in the recognition by such holder of significant losses in excess of certain threshold amounts may be obligated to disclose its participation in such transaction. Certain of these rules are unclear, and the scope of reportable transactions can change retroactively. Therefore, it is possible that the rules may apply to transactions other than significant loss transactions.

Moreover, if we were to participate in a reportable transaction with a significant purpose to avoid or evade tax, or in any listed transaction, you might be subject to significant accuracy-related penalties with a broad scope, for those persons otherwise entitled to deduct interest on federal tax deficiencies, non-deductibility of interest on any resulting tax liability, and in the case of a listed transaction, an extended statute of limitations. We do not intend to participate in any reportable transaction with a significant purpose to avoid or evade tax, nor do we intend to participate in any listed transactions. However, no assurance can be provided that the IRS will not assert that we have participated in such a transaction.

You should consult your own tax adviser concerning any possible disclosure obligation under the regulations governing tax shelters with respect to the disposition of our units.

### ***Taxable Year***

Our partnership uses the calendar year as its taxable year for U.S. federal income tax purposes. Under certain circumstances which we currently believe are unlikely to apply, a taxable year other than the calendar year may be required for such purposes.

### ***Withholding and Backup Withholding***

For each calendar year, we will report to you and to the IRS the amount of distributions that we pay, and the amount of tax (if any) that we withhold on these distributions. The proper application to our partnership of the rules for withholding under Sections 1441 through 1446 of the U.S. Internal Revenue Code (applicable to certain dividends, interest, and amounts treated as effectively connected with a U.S. trade or business, among other items) is unclear. Because the documentation we receive may not properly reflect the identities of unitholders at any particular time (in light of possible sales of our units), we may over-withhold or under-withhold with respect to a particular unitholder. For example, we may impose withholding, remit such amount to the IRS and thus reduce the amount of a distribution paid to a Non-U.S. Holder. It may be the case, however, that the corresponding amount of our income was not properly allocable to such holder, and the appropriate amount of withholding should have been less than the actual amount withheld. Such Non-U.S. Holder would be entitled to a credit against the holder's U.S. federal income tax liability for all withholding, including any such excess withholding. However, if the withheld amount were to exceed the holder's U.S. federal income tax liability, the holder would need to apply for a refund to obtain the benefit of such excess withholding. Similarly, we may fail to withhold on a distribution, and it may be the case that the corresponding income was properly allocable to a Non-U.S. Holder and that withholding should have been imposed. In such case, we intend to pay the under-withheld amount to the IRS, and we may treat such under-withholding as an expense that will be borne indirectly by all unitholders on a pro rata basis (since we may be unable to allocate any such excess withholding tax cost to the relevant Non-U.S. Holder).

Under the backup withholding rules, you may be subject to backup withholding tax with respect to distributions paid unless: (i) you are an exempt recipient and demonstrate this fact when required; or (ii) provide a taxpayer identification number, certify as to no loss of exemption from backup withholding tax, and otherwise comply with the applicable requirements of the backup withholding tax rules. A U.S. Holder that is exempt should certify such status on a properly completed IRS Form W-9. A Non-U.S. Holder may qualify as an exempt recipient by submitting a properly completed IRS Form W-8. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to you will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund from the IRS, provided you supply the required information to the IRS in a timely manner.

If you do not timely provide our partnership, or the applicable nominee, broker, clearing agent, or other intermediary, with IRS Form W-9 or IRS Form W-8, as applicable, or such form is not properly completed, then our partnership may become subject to U.S. backup withholding taxes in excess of what would have been imposed had our partnership or the applicable intermediary received properly completed forms from all unitholders. For administrative reasons, and in order to maintain the fungibility of our units, such excess U.S. backup withholding taxes, and if necessary similar items, may be treated by our partnership as an expense that will be borne indirectly by all unitholders on a pro rata basis (e.g., since it may be impractical for us to allocate any such excess withholding tax cost to the unitholders that failed to timely provide the proper U.S. tax forms).

### ***Foreign Account Tax Compliance***

FATCA imposes a 30% withholding tax on "withholdable payments" made to a "foreign financial institution" or a "non-financial foreign entity", unless such financial institution or entity satisfies certain information reporting or other requirements. Withholdable payments include certain U.S.-source income, such as interest, dividends, and other passive income. Recently proposed Treasury Regulations eliminate the requirement to withhold tax under FATCA on gross proceeds from the sale or disposition of property that can produce U.S.-source interest or dividends. The IRS has announced that taxpayers are permitted to rely on the proposed regulations until final Treasury Regulations are issued.

We intend to comply with FATCA, so as to ensure that the 30% withholding tax does not apply to any withholdable payments received by our partnership, the Holding LP, the Holding Entities, or the operating entities. Nonetheless, the 30% withholding tax may also apply to your allocable share of distributions attributable to withholdable payments, unless you properly certify your FATCA status on IRS Form W-8 or IRS Form W-9 (as applicable) and satisfy any additional requirements under FATCA.

In compliance with FATCA, information regarding certain unitholders' ownership of our units may be reported to the IRS or to a non-U.S. governmental authority. FATCA remains subject to modification by an applicable intergovernmental agreement between the United States and another country, such as the agreement in effect between the United States and Bermuda for cooperation to facilitate the implementation of FATCA, or by future Treasury Regulations or guidance. You should consult your own tax adviser regarding the consequences under FATCA of an investment in our units.

### ***Information Reporting with Respect to Foreign Financial Assets***

Under Treasury Regulations, certain U.S. persons that own "specified foreign financial assets" with an aggregate fair market value exceeding either \$50,000 on the last day of the taxable year or \$75,000 at any time during the taxable year generally are required to file an information report with respect to such assets with their tax returns. Significant penalties may apply to persons who fail to comply with these rules. Specified foreign financial assets include not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person, and any interest in a foreign entity. The failure to report information required under the current regulations could result in substantial penalties and in the extension of the statute of limitations with respect to federal income tax returns filed by you. You should consult your own tax adviser regarding the possible implications of these Treasury Regulations for an investment in our units.

### ***Certain Effects of a Transfer of Units***

Our partnership may allocate items of income, gain, loss, deduction, and credit using a monthly convention, whereby any such items recognized in a given month by our partnership are allocated to our unitholders as of a specified date of such month. Any U.S. withholding taxes applicable to dividends received by the Holding LP (and, in turn, our partnership) generally will be withheld by our partnership only when such dividends are paid. Because our partnership generally intends to distribute amounts received in respect of dividends shortly after receipt of such amounts, it is generally expected that any U.S. withholding taxes withheld by our partnership on such amounts will correspond to our unitholders who were allocated income and who received the distributions in respect of such amounts. The Holding LP may invest in debt obligations or other securities for which the accrual of interest or income thereon is not matched by a contemporaneous receipt of cash. Any such accrued interest or other income would be allocated pursuant to such monthly convention. Consequently, our unitholders may recognize income in excess of cash distributions received from our partnership, and any income so included by a unitholder would increase the basis such unitholder has in our units and would offset any gain (or increase the amount of loss) realized by such unitholder on a subsequent disposition of its units. In addition, U.S. withholding taxes generally would be withheld by our partnership only on the payment of cash in respect of such accrued interest or other income, and, therefore, it is possible that some unitholders would be allocated income which might be distributed to a subsequent unitholder, and such subsequent unitholder would be subject to withholding at the time of distribution. As a result, the subsequent unitholder, and not the unitholder who was allocated income, would be entitled to claim any available credit with respect to such withholding.

The Holding LP has invested and will continue to invest in certain Holding Entities and operating entities organized in non-U.S. jurisdictions, and income and gain from such investments may be subject to withholding and other taxes in such jurisdictions. If any such non-U.S. taxes were imposed on income allocable to a U.S. Holder, and such holder were thereafter to dispose of its units prior to the date distributions were made in respect of such income, under applicable provisions of the U.S. Internal Revenue Code and Treasury Regulations, the unitholder to whom such income was allocated (and not the unitholder to whom distributions were ultimately made) would, subject to other applicable limitations, be the party permitted to claim a credit for such non-U.S. taxes for U.S. federal income tax purposes. Thus a unitholder may be affected either favorably or adversely by the foregoing rules. Complex rules may, depending on a unitholder's particular circumstances, limit the availability or use of foreign tax credits, and you are urged to consult your own tax adviser regarding all aspects of foreign tax credits.

### ***Nominee Reporting***

Persons who hold an interest in our partnership as a nominee for another person may be required to furnish to us:

- (i) the name, address and taxpayer identification number of the beneficial owner and the nominee;
- (ii) whether the beneficial owner is (a) a person that is not a U.S. person, (b) a foreign government, an international organization, or any wholly-owned agency or instrumentality of either of the foregoing, or (c) a tax-exempt entity;
- (iii) the amount and description of units held, acquired, or transferred for the beneficial owner; and
- (iv) specific information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from sales.

Brokers and financial institutions may be required to furnish additional information, including whether they are U.S. persons and specific information on units they acquire, hold, or transfer for their own account. A penalty of \$250 per failure (as adjusted for inflation), up to a maximum of \$3,000,000 per calendar year (as adjusted for inflation), generally is imposed by the U.S. Internal Revenue Code for the failure to report such information to us. The nominee is required to supply the beneficial owner of our units with the information furnished to us.

### ***New Legislation or Administrative or Judicial Action***

The U.S. federal income tax treatment of our unitholders depends, in some instances, on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. You should be aware that the U.S. federal income tax rules, particularly those applicable to partnerships, are constantly under review (including currently) by the Congressional tax-writing committees and other persons involved in the legislative process, the IRS, the U.S. Treasury Department and the courts, frequently resulting in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and interpretations, any of which could adversely affect the value of our units and be effective on a retroactive basis. For example, changes to the U.S. federal tax laws and interpretations thereof could make it more difficult or impossible for our partnership to be treated as a partnership that is not taxable as a corporation for U.S. federal income tax purposes, change the character or treatment of portions of our partnership's income, reduce the net amount of distributions available to our unitholders, or otherwise affect the tax considerations of owning our units. Such changes could also affect or cause our partnership to change the way it conducts its activities and adversely affect the value of our units.

Our partnership's organizational documents and agreements permit our General Partner to modify our Limited Partnership Agreement from time to time, without the consent of our unitholders, to elect to treat our partnership as a corporation for U.S. federal tax purposes, or to address certain changes in U.S. federal income tax regulations, legislation or interpretation. In some circumstances, such revisions could have a material adverse impact on some or all of our unitholders.

THE FOREGOING DISCUSSION IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING. THE TAX MATTERS RELATING TO OUR PARTNERSHIP AND UNITHOLDERS ARE COMPLEX AND ARE SUBJECT TO VARYING INTERPRETATIONS. MOREOVER, THE EFFECT OF EXISTING INCOME TAX LAWS, THE MEANING AND IMPACT OF WHICH IS UNCERTAIN, AND OF PROPOSED CHANGES IN INCOME TAX LAWS WILL VARY WITH THE PARTICULAR CIRCUMSTANCES OF EACH UNITHOLDER, AND IN REVIEWING THIS ANNUAL REPORT ON FORM 20-F THESE MATTERS SHOULD BE CONSIDERED. EACH UNITHOLDER SHOULD CONSULT ITS OWN TAX ADVISER WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES OF ANY INVESTMENT IN OUR UNITS.

### **CERTAIN MATERIAL CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the following portion of the summary, references to our "units" are to the limited partnership units in our partnership, including the preferred units, and references to our "unitholders" are to the holders of our units and preferred units.

The following is a summary of the principal Canadian federal income tax consequences under the Tax Act of the holding and disposition of units in our partnership generally applicable to a holder who, for purposes of the Tax Act and at all relevant times, holds our units as capital property, deals at arm's length with and is not affiliated with our partnership, the Holding LP, our General Partner or their respective affiliates (a "Holder"). Generally, our units will be considered to be capital property to a Holder, provided that the Holder does not use or hold our units in the course of carrying on a business of trading or dealing in securities, and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Holder: (i) that is a "financial institution" (as defined in the Tax Act) for purposes of the "mark-to-market" property rules; (ii) that is a "specified financial institution" (as defined in the Tax Act); (iii) who makes or has made a functional currency reporting election pursuant to section 261 of the Tax Act; (iv) an interest in which would be a "tax shelter investment" (as defined in the Tax Act) or who acquires our units as a "tax shelter investment" (and this summary assumes that no such persons hold our units); (v) that has, directly or indirectly, a "significant interest" (as defined in subsection 34.2(1) of the Tax Act) in our partnership; (vi) if any affiliate of our partnership is, or becomes as part of a series of transactions that includes the acquisition of our units, a "foreign affiliate" (for purposes of the Tax Act) to such Holder or to any corporation that does not deal at arm's length with such Holder for purposes of the Tax Act, or (vii) that has entered or will enter into a "derivative forward agreement" (as defined in the Tax Act) in respect of our units. Any such Holders should consult their own tax advisors with respect to an investment in our units.

This summary is based on the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Tax Proposals"), and the current published administrative and assessing policies and practices of the CRA. This summary assumes that all Tax Proposals will be enacted in the form proposed but no assurance can be given that the Tax Proposals will be enacted in the form proposed or at all.

This summary does not otherwise take into account or anticipate any changes in law, whether by judicial, administrative or legislative decision or action, or changes in the CRA's administrative and assessing policies and practices, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ significantly from those described herein. This summary is not exhaustive of all possible Canadian federal income tax consequences that may affect unitholders. Holders should consult their own tax advisors in respect of the provincial, territorial or foreign income tax consequences to them of holding and disposing of our units.

This summary also assumes that neither our partnership nor the Holding LP is a “tax shelter” (as defined in the Tax Act) or a “tax shelter investment”. However, no assurance can be given in this regard.

This summary also assumes that neither our partnership nor the Holding LP will be a “SIFT partnership” at any relevant time for purposes of the SIFT Rules on the basis that neither our partnership nor the Holding LP will be a “Canadian resident partnership” at any relevant time. However, there can be no assurance that the SIFT Rules will not be revised or amended such that the SIFT Rules will apply.

This summary does not address the deductibility of interest on money borrowed to acquire our units nor whether any amounts in respect of the units could be “split income” for purposes of the Tax Act.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder, and no representation with respect to the Canadian federal income tax consequences to any particular Holder is made. Consequently, Holders are advised to consult their own tax advisors with respect to their particular circumstances. See also Item 3.D “Risk Factors—Risks Related to Taxation—Canada”.**

For purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of our units must be expressed in Canadian dollars including any distributions, adjusted cost base and proceeds of disposition. For purposes of the Tax Act, amounts denominated in a currency other than the Canadian dollar generally must be converted into Canadian dollars using the appropriate exchange rate determined in accordance with the detailed rules in the Tax Act in that regard.

### ***Holders Resident in Canada***

The following portion of the summary is generally applicable to a Holder who, for purposes of the Tax Act and at all relevant times, is resident or deemed to be resident in Canada (“Canadian Holder”).

### ***Computation of Income or Loss***

Each Canadian Holder is required to include (or, subject to the “at-risk rules” discussed below, entitled to deduct) in computing his or her income for a particular taxation year, the Canadian Holder's share of the income (or loss) of our partnership for its fiscal year ending in, or coincidentally with, the Canadian Holder's taxation year end, whether or not any of that income is distributed to the Canadian Holder in the taxation year and regardless of whether or not our units were held throughout such year.

Our partnership will not itself be a taxable entity and is not expected to be required to file an income tax return in Canada for any taxation year. However, the income (or loss) of our partnership for a fiscal period for purposes of the Tax Act will be computed as if it were a separate person resident in Canada and the partners will be allocated a share of that income (or loss) in accordance with our partnership's Limited Partnership Agreement. The income (or loss) of our partnership will include our partnership's share of the income (or loss) of the Holding LP for a fiscal year determined in accordance with the Holding LP's limited partnership agreement. For this purpose, our partnership's fiscal year end and that of the Holding LP will be December 31.

The income for tax purposes of our partnership for a given fiscal year will be allocated to each Canadian Holder in an amount calculated by multiplying such income that is allocable to unitholders by a fraction, the numerator of which is the sum of the distributions received by such Canadian Holder with respect to such fiscal year and the denominator of which is the aggregate amount of the distributions made by our partnership to all partners with respect to such fiscal year, subject to adjustment in respect of distributions on the preferred units that are in satisfaction of accrued distributions on the preferred units that were not paid in a previous fiscal year of our partnership where our General Partner determines that the allocation to preferred unitholders based on such distributions would result in a preferred unitholder being allocated more income than it would have been if the distributions were paid in the fiscal year of our partnership in which they were accrued.

If, with respect to a given fiscal year, no distribution is made by our partnership or our partnership has a loss for tax purposes, one quarter of the income, or loss, as the case may be, for tax purposes of our partnership for such fiscal year that is allocable to unitholders, will be allocated to the Canadian Holders of record at the end of each calendar quarter ending in such fiscal year as follows: (i) to the holders of preferred units in respect of the preferred units held by them on each such date, such amount of our partnership's income or loss for tax purposes, as the case may be, as our General Partner determines is reasonable in the circumstances having regard to such factors as our General Partner considers to be relevant, including, without limitation, the relative amount of capital contributed to our partnership on the issuance of preferred units as compared to all other units and the relative fair market value of the preferred units, as the case may be, as compared to all other units, and (ii) to the partners other than in respect of the preferred units, the remaining amount of our partnership's income or loss for tax purposes, as the case may be, pro rata in the proportion that the number of units of our partnership (other than the preferred units) held at each such date by a unitholder is of the total number of units of our partnership (other than the preferred units) that are issued and outstanding at each such date.

The income of our partnership as determined for purposes of the Tax Act may differ from its income as determined for accounting purposes and may not be matched by cash distributions. In addition, for purposes of the Tax Act, all income (or losses) of our partnership and the Holding LP must be calculated in Canadian currency. Where our partnership (or the Holding LP) holds investments denominated in U.S. dollars or other foreign currencies, gains and losses may be realized by our partnership as a consequence of fluctuations in the relative values of the Canadian and foreign currencies.

In computing the income (or loss) of our partnership, deductions may be claimed in respect of reasonable administrative costs, interest and other expenses incurred by our partnership for the purpose of earning income, subject to the relevant provisions of the Tax Act. Our partnership may also deduct from its income for the year a portion of the reasonable expenses, if any, incurred by our partnership to issue units. The portion of such issue expenses deductible by our partnership in a taxation year is 20% of such issue expenses, pro-rated where our partnership's taxation year is less than 365 days.

In general, a Canadian Holder's share of any income (or loss) from our partnership from a particular source will be treated as if it were income (or loss) of the Canadian Holder from that source, and any provisions of the Tax Act applicable to that type of income (or loss) will apply to the Canadian Holder. Our partnership will invest in partnership units of the Holding LP. In computing our partnership's income (or loss) under the Tax Act, the Holding LP will itself be deemed to be a separate person resident in Canada which computes its income (or loss) and allocates to its partners their respective share of such income (or loss). Accordingly, the source and character of amounts included in (or deducted from) the income of Canadian Holders on account of income (or loss) earned by the Holding LP generally will be determined by reference to the source and character of such amounts when earned by the Holding LP.



A Canadian Holder's share of taxable dividends received or considered to be received by our partnership in a fiscal year from a corporation resident in Canada will be treated as a dividend received by the Canadian Holder and will be subject to the normal rules in the Tax Act applicable to such dividends, including the enhanced gross-up and dividend tax credit for "eligible dividends" (as defined in the Tax Act) when the dividend received by the Holding LP is designated as an "eligible dividend".

Foreign taxes paid by our partnership or the Holding LP and taxes withheld at source on amounts paid or credited to our partnership or the Holding LP (other than for the account of a particular partner) will be allocated pursuant to the governing partnership agreement. Each Canadian Holder's share of the "business-income tax" and "non-business-income tax" paid to the government of a foreign country for a year will be creditable against its Canadian federal income tax liability to the extent permitted by the detailed foreign tax credit rules contained in the Tax Act. Although the foreign tax credit rules are designed to avoid double taxation, the maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, the foreign tax credit rules may not provide a full foreign tax credit for the "business-income tax" and "non-business-income tax" paid by our partnership or the Holding LP to the government of a foreign country. The Tax Act contains anti-avoidance rules to address certain foreign tax credit generator transactions. Under the Foreign Tax Credit Generator Rules, the foreign "business-income tax" or "non-business-income tax" allocated to a Canadian Holder for the purpose of determining such Canadian Holder's foreign tax credit for any taxation year may be limited in certain circumstances, including where a Canadian Holder's share of the income of our partnership or the Holding LP under the income tax laws of any country (other than Canada) under whose laws the income of our partnership or the Holding LP is subject to income taxation (the "Relevant Foreign Tax Law") is less than the Canadian Holder's share of such income for purposes of the Tax Act. For this purpose, a Canadian Holder is not considered to have a lesser direct or indirect share of the income of our partnership or the Holding LP under the Relevant Foreign Tax Law than for the purposes of the Tax Act solely because, among other reasons, of a difference between the Relevant Foreign Tax Law and the Tax Act in the manner of computing the income of our partnership or the Holding LP or in the manner of allocating the income of our partnership or the Holding LP because of the admission or withdrawal of a partner. No assurance can be given that the Foreign Tax Credit Generator Rules will not apply to any Canadian Holder. If the Foreign Tax Credit Generator Rules apply, the allocation to a Canadian Holder of foreign "business-income tax" or "non-business-income tax" paid by our partnership or the Holding LP, and therefore such Canadian Holder's foreign tax credits, will be limited.

Our partnership and the Holding LP will each be deemed to be a non-resident person in respect of certain amounts paid or credited or deemed to be paid or credited to them by a person resident or deemed to be resident in Canada, including dividends or interest. Dividends or interest (other than interest not subject to Canadian federal withholding tax) paid or deemed to be paid by a person resident or deemed to be resident in Canada to the Holding LP will be subject to withholding tax under Part XIII of the Tax Act at the rate of 25%. However, the CRA's administrative practice in similar circumstances is to permit the rate of Canadian federal withholding tax applicable to such payments to be computed by looking through the partnership and taking into account the residency of the partners (including partners who are resident in Canada) and any reduced rates of Canadian federal withholding tax that any non-resident partners may be entitled to under an applicable income tax treaty or convention, provided that the residency status and entitlement to the treaty benefits can be established. In determining the rate of Canadian federal withholding tax applicable to amounts paid by the Holding Entities to the Holding LP, our General Partner expects the Holding Entities to look-through the Holding LP and our partnership to the residency of the partners of our partnership (including partners who are resident in Canada) and to take into account any reduced rates of Canadian federal withholding tax that non-resident partners may be entitled to under an applicable income tax treaty or convention in order to determine the appropriate amount of Canadian federal withholding tax to withhold from dividends or interest paid to the Holding LP. However, there can be no assurance that the CRA will apply its administrative practice in this context. Under the Treaty, a Canadian-resident payer is required in certain circumstances to look-through fiscally transparent partnerships, such as our partnership and the Holding LP, to the residency and Treaty entitlements of their partners and to take into account the reduced rates of Canadian federal withholding tax that such partners may be entitled to under the Treaty. Under our Limited Partnership Agreement, the amount of any taxes withheld or paid by our Partnership, the Holding LP or the Holding Entities in respect of our units may be treated either as a distribution to our unitholders or as a general expense of our Partnership, as determined by our General Partner in its sole discretion. However, our General Partner's current intention is to treat all such amounts as a distribution to our unitholders.

If our partnership incurs losses for tax purposes, each Canadian Holder will be entitled to deduct in the computation of income for tax purposes the Canadian Holder's share of any net losses for tax purposes of our partnership for its fiscal year to the extent that the Canadian Holder's investment is "at-risk" within the meaning of the Tax Act. The Tax Act contains "at-risk rules" which may, in certain circumstances, restrict the deduction of a limited partner's share of any losses of a limited partnership. Our General Partner does not anticipate that our partnership or the Holding LP will incur losses but no assurance can be given in this regard. Accordingly, Canadian Holders should consult their own tax advisors for specific advice with respect to the potential application of the "at-risk rules".

Section 94.1 of the Tax Act contains rules relating to interests held by a taxpayer in Non-Resident Entities that could, in certain circumstances, cause income to be imputed to Canadian Holders, either directly or by way of allocation of such income imputed to our partnership or the Holding LP. These rules would apply if it is reasonable to conclude, having regard to all the circumstances, that one of the main reasons for the Canadian Holder, our partnership or the Holding LP acquiring, holding or having an investment in a Non-Resident Entity is to derive a benefit from “portfolio investments” in certain assets from which the Non-Resident Entity may reasonably be considered to derive its value in such a manner that taxes under the Tax Act on income, profits and gains from such assets for any year are significantly less than they would have been if such income, profits and gains had been earned directly. In determining whether this is the case, section 94.1 of the Tax Act provides that consideration must be given to, among other factors, the extent to which the income, profits and gains for any fiscal period are distributed in that or the immediately following fiscal period. No assurance can be given that section 94.1 of the Tax Act will not apply to a Canadian Holder, our partnership or the Holding LP. If these rules apply to a Canadian Holder, our partnership or the Holding LP, income, determined by reference to a prescribed rate of interest plus two percent applied to the “designated cost” (as defined in section 94.1 of the Tax Act) of the interest in the Non-Resident Entity, will be imputed directly to the Holder or to our partnership or the Holding LP and allocated to the Canadian Holder in accordance with the rules in section 94.1 of the Tax Act. The rules in section 94.1 of the Tax Act are complex and Canadian Holders should consult their own tax advisors regarding the application of these rules to them in their particular circumstances.

Certain of the Non-Resident Subsidiaries in which the Holding LP directly invests are expected to be CFAs of the Holding LP. Dividends paid to the Holding LP by a CFA of the Holding LP will be included in computing the income of the Holding LP. To the extent that any CFA or Indirect CFA of the Holding LP earns income that is characterized as FAPI in a particular taxation year of the CFA or Indirect CFA, the FAPI allocable to the Holding LP under the rules in the Tax Act must be included in computing the income of the Holding LP for Canadian federal income tax purposes for the fiscal period of the Holding LP in which the taxation year of that CFA or Indirect CFA ends, whether or not the Holding LP actually receives a distribution of that FAPI. Our partnership will include its share of such FAPI of the Holding LP in computing its income for Canadian federal income tax purposes and Canadian Holders will be required to include their proportionate share of such FAPI allocated from our partnership in computing their income for Canadian federal income tax purposes. As a result, Canadian Holders may be required to include amounts in their income even though they have not and may not receive an actual cash distribution of such amounts. If an amount of FAPI is included in computing the income of the Holding LP for Canadian federal income tax purposes, an amount may be deductible in respect of the “foreign accrual tax” applicable to the FAPI. Any amount of FAPI included in income net of the amount of any deduction in respect of “foreign accrual tax” will increase the adjusted cost base to the Holding LP of its shares of the particular CFA in respect of which the FAPI was included. At such time as the Holding LP receives a dividend of this type of income that was previously included in the Holding LP’s income as FAPI, such dividend will effectively not be included in computing the income of the Holding LP and there will be a corresponding reduction in the adjusted cost base to the Holding LP of the particular CFA shares. Under the Foreign Tax Credit Generator Rules, the “foreign accrual tax” applicable to a particular amount of FAPI included in the Holding LP’s income in respect of a particular “foreign affiliate” of the Holding LP may be limited in certain specified circumstances, including where the direct or indirect share of the income allocated to any member of the Holding LP (which is deemed for this purpose to include a Canadian Holder) that is a person resident in Canada or a “foreign affiliate” of such a person is, under a Relevant Foreign Tax Law, less than such member’s share of such income for purposes of the Tax Act. No assurance can be given that the Foreign Tax Credit Generator Rules will not apply to the Holding LP. For this purpose, a Canadian Holder is not considered to have a lesser direct or indirect share of the income of the Holding LP under the Relevant Foreign Tax Law than for the purposes of the Tax Act solely because, among other reasons, of a difference between the Relevant Foreign Tax Law and the Tax Act in the manner of computing the income of the Holding LP or in the manner of allocating the income of the Holding LP because of the admission or withdrawal of a partner. If the Foreign Tax Credit Generator Rules apply, the “foreign accrual tax” applicable to a particular amount of FAPI included in the Holding LP’s income in respect of a particular “foreign affiliate” of the Holding LP will be limited.

### ***Disposition of Units***

The disposition (or deemed disposition) by a Canadian Holder of a unit of any class or series will result in the realization of a capital gain (or capital loss) by such Canadian Holder in the amount, if any, by which the proceeds of disposition of the unit, less any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base of such unit.

Subject to the general rules on averaging of cost base, the adjusted cost base of each class or series of a Canadian Holder's units would generally be equal to: (i) the actual cost of such class or series of units (excluding any portion thereof financed with limited recourse indebtedness); plus (ii) the share of the income of our partnership allocated to the Canadian Holder for fiscal years of our partnership ending before the relevant time in respect of the particular class or series of units; less (iii) the aggregate of the share of losses of our partnership allocated to the Canadian Holder (other than losses which cannot be deducted because they exceed the Canadian Holder's "at-risk" amount) for the fiscal years of our partnership ending before the relevant time in respect of the particular class or series of units; and less (iv) the Canadian Holder's distributions from our partnership made before the relevant time in respect of the particular class or series of units.

The foregoing discussion of the calculation of the adjusted cost base assumes that each class or series of partnership interests in our partnership are treated as separate property for purposes of the Tax Act. However, the CRA's position is to treat all the different types of interests in a partnership that a partner may hold as one capital property, including for purposes of determining the adjusted cost base of all such partnership interests. As a result, on a disposition of a particular type of unit, a partner's total adjusted cost base is required to be allocated in a reasonable manner to the particular type of unit being disposed of. As acknowledged by the CRA, there is no particular method for determining a reasonable allocation of the adjusted cost base of a partnership interest to the part of the partnership interest that is disposed of. Furthermore, more than one method may be reasonable. If the CRA's position applies, on a disposition by a Canadian Holder of a particular type of units of our partnership, the Canadian Holder should generally be able to allocate his or her adjusted cost base in a manner that treats the different classes and series of units of our partnership as separate property. Accordingly, the General Partner intends to provide unitholders with partnership information returns using such allocation.

Where a Canadian Holder disposes of all of its units in our partnership, it will no longer be a partner of our partnership. If, however, a Canadian Holder is entitled to receive a distribution from our partnership after the disposition of all such units, then the Canadian Holder will be deemed to dispose of such units at the later of: (i) the end of the fiscal year of our partnership during which the disposition occurred; and (ii) the date of the last distribution made by our partnership to which the Canadian Holder was entitled. The share of the income (or loss) of our partnership for tax purposes for a particular fiscal year which is allocated to a Canadian Holder who has ceased to be a partner will generally be added (or deducted) in the computation of the adjusted cost base of the Canadian Holder's units in our partnership immediately prior to the time of the disposition.

A Canadian Holder will generally realize a deemed capital gain if, and to the extent that, the adjusted cost base of the Canadian Holder's units is negative at the end of any fiscal year of our partnership. In such a case, the adjusted cost base of the Canadian Holder's units will be nil at the beginning of the next fiscal year of our partnership.

Canadian Holders should consult their own tax advisors for advice with respect to the specific tax consequences to them of disposing of our units.

### ***Taxation of Capital Gains and Capital Losses***

In general, one-half of a capital gain realized by a Canadian Holder must be included in computing such Canadian Holder's income as a taxable capital gain. One-half of a capital loss is deducted as an allowable capital loss against taxable capital gains realized in the year and any remainder may be deducted against net taxable capital gains in any of the three years preceding the year or any year following the year to the extent and under the circumstances described in the Tax Act.

Special rules in the Tax Act may apply to disallow the one-half treatment on all or a portion of a capital gain realized on a disposition of our units if a partnership interest is acquired by a tax-exempt person or a non-resident person (or by a partnership or trust (other than certain trusts) of which a tax-exempt person or a non-resident person is a member or beneficiary, directly or indirectly through one or more partnerships or trusts (other than certain trusts)). Our General Partner does not expect these rules to apply to any disposition of our units. A Canadian Holder that is throughout the relevant taxation year a “Canadian—controlled private corporation” (as defined in the Tax Act) may be liable to pay an additional refundable tax on its “aggregate investment income” (as defined in the Tax Act) for the year, which is defined to include taxable capital gains.

### ***Eligibility for Investment***

Provided that our units are listed on a “designated stock exchange” (which currently includes the NYSE and the TSX), our units will be “qualified investments” under the Tax Act for a trust governed by an RRSP, deferred profit sharing plan, RRIF, RESP, RDSP, and a TFSA.

Notwithstanding the foregoing, an annuitant under an RRSP or RRIF, a holder of a TFSA or RDSP or a subscriber of an RESP, as the case may be, may be subject to a penalty tax if our units held in the RRSP, RRIF, TFSA, RDSP or RESP are “prohibited investments” for the RRSP, RRIF, TFSA, RDSP or RESP, as the case may be. Generally, our units will not be a “prohibited investment” for a trust governed by an RRSP, RRIF, TFSA, RDSP or RESP, provided that the annuitant under the RRSP or RRIF, the holder of the TFSA or RDSP or subscriber of the RESP, as applicable, deals at arm’s-length with our partnership for purposes of the Tax Act and does not have a “significant interest” in our partnership. Canadian Holders who hold our units in an RRSP, RRIF, TFSA, RDSP or RESP should consult with their own tax advisors regarding the application of the foregoing prohibited investment rules having regard to their particular circumstances.

### ***Alternative Minimum Tax***

Canadian Holders that are individuals or trusts may be subject to the alternative minimum tax rules. Such Canadian Holders should consult their own tax advisors.

### ***Holders Not Resident in Canada***

The following portion of the summary is generally applicable to a Holder who, for purposes of the Tax Act and at all relevant times, is not, and is not deemed to be, resident in Canada and who does not use or hold and is not deemed to use or hold its units in connection with a business carried on in Canada (a “Non-Canadian Holder”).

The following portion of the summary assumes that (i) our units are not, and will not at any relevant time constitute, “taxable Canadian property” of any Non-Canadian Holder and (ii) our partnership and the Holding LP will not dispose of property that is “taxable Canadian property”. “Taxable Canadian property” includes, but is not limited to, property that is used or held in a business carried on in Canada and shares of corporations that are not listed on a “designated stock exchange” if more than 50% of the fair market value of the shares is derived from certain Canadian properties in the 60-month period immediately preceding the particular time. In general, our units will not constitute “taxable Canadian property” of any Non-Canadian Holder at the time of disposition or deemed disposition, unless (a) at any time during the 60-month period immediately preceding the particular time, more than 50% of the fair market value of our units was derived, directly or indirectly (excluding through a corporation, partnership or trust, the shares or interests in which were not themselves “taxable Canadian property”), from one or any combination of (i) real or immovable property situated in Canada; (ii) “Canadian resource properties”; (iii) “timber resource properties”; and (iv) options in respect of, or interests in, or for civil law rights in, such property, whether or not such property exists, or (b) our units are otherwise deemed to be “taxable Canadian property”. Since our partnership’s assets will consist principally of units of the Holding LP, our units would generally be “taxable Canadian property” at a particular time if the units of the Holding LP held by our partnership derived, directly or indirectly (excluding through a corporation, partnership or trust, the shares or interests in which were not themselves “taxable Canadian property”) more than 50% of their fair market value from properties described in (i) to (iv) above, at any time in the 60-month period preceding the particular time. Our General Partner does not expect our units to be “taxable Canadian property” at any relevant time and does not expect our partnership or the Holding LP to dispose of “taxable Canadian property”. However, no assurance can be given in this regard. See Item 3.D “Risk Factors—Risks Related to Taxation—Canada”.

The following portion of the summary also assumes that neither our partnership nor the Holding LP will be considered to carry on business in Canada. Our General Partner intends to organize and conduct the affairs of each of these entities, to the extent possible, so that neither of these entities should be considered to carry on business in Canada for purposes of the Tax Act. However, no assurance can be given in this regard. If our partnership or the Holding LP carry on business in Canada, the tax implications to our partnership or the Holding LP and to Non-Canadian Holders may be materially and adversely different than as set out herein.

Special rules, which are not discussed in this summary, may apply to a Non-Canadian Holder that is an insurer carrying on business in Canada and elsewhere.

### ***Taxation of Income or Loss***

A Non-Canadian Holder will not be subject to Canadian federal income tax under Part I of the Tax Act on its share of income from a business carried on by our partnership (or the Holding LP) outside Canada or the non-business income earned by our partnership (or the Holding LP) from sources in Canada. However, a Non-Canadian Holder may be subject to Canadian federal withholding tax under Part XIII of the Tax Act, as described below.

Our partnership and the Holding LP will each be deemed to be a non-resident person in respect of certain amounts paid or credited or deemed to be paid or credited to them by a person resident or deemed to be resident in Canada, including dividends or interest. Dividends or interest (other than interest not subject to Canadian federal withholding tax) paid or deemed to be paid by a person resident or deemed to be resident in Canada to the Holding LP will be subject to withholding tax under Part XIII of the Tax Act at the rate of 25%. However, the CRA's administrative practice in similar circumstances is to permit the rate of Canadian federal withholding tax applicable to such payments to be computed by looking through the partnership and taking into account the residency of the partners (including partners who are resident in Canada) and any reduced rates of Canadian federal withholding tax that any non-resident partners may be entitled to under an applicable income tax treaty or convention, provided that the residency status and entitlement to the treaty benefits can be established. In determining the rate of Canadian federal withholding tax applicable to amounts paid by the Holding Entities to the Holding LP, our General Partner expects the Holding Entities to look-through the Holding LP and our partnership to the residency of the partners of our partnership (including partners who are resident in Canada) and to take into account any reduced rates of Canadian federal withholding tax that non-resident partners may be entitled to under an applicable income tax treaty or convention in order to determine the appropriate amount of Canadian federal withholding tax to withhold from dividends or interest paid to the Holding LP. However, there can be no assurance that the CRA will apply its administrative practice in this context. Under the Treaty, a Canadian-resident payer is required in certain circumstances to look-through fiscally transparent partnerships such as our partnership and the Holding LP to the residency and Treaty entitlements of their partners and take into account the reduced rates of Canadian federal withholding tax that such partners may be entitled to under the Treaty. Under our Limited Partnership Agreement, the amount of any taxes withheld or paid by our Partnership, the Holding LP or the Holding Entities in respect of our units may be treated either as a distribution to our unitholders or as a general expense of our Partnership, as determined by our General Partner in its sole discretion. However, our General Partner's current intention is to treat all such amounts as a distribution to our unitholders.

## **AUSTRALIAN TAX CONSIDERATIONS**

Set out below are general Australian income tax implications for Australian tax resident holders of units (Australian Holders).

This is not tax advice an Australian Holder can rely on. The individual circumstances of each Australian Holder will affect the taxation implications of each Australian Holder's interest in our partnership. Australian Holders should seek appropriate independent professional advice that considers the taxation implications in respect of their own specific circumstances.

The discussion is primarily intended for Australian Holders who hold their interest in our partnership on capital account. Different outcomes will potentially arise for Australian Holders who are investing on revenue account. Those Australian Holders should seek professional taxation advice in relation to their interest in our partnership.

The summary of the Australian income tax implications set out below is based on established judicial and administrative interpretations of the Income Tax Assessment Act 1997 (Cth) ("ITAA 1997"), the Income Tax Assessment Act 1936 (Cth) ("ITAA 1936") and the Taxation Administration Act 1953 (Cth) ("Administration Act") as at the date of this annual report.



## *Summary*

The key Australian income tax implications for Australian Holders of units are set out below:

Our partnership should be classified as a “corporate limited partnership” for Australian income tax purposes as:

- it satisfies the definition of “corporate limited partnership”; and
- it is not either a “venture capital limited partnership”, an “early stage venture capital limited partnership”, an “Australian venture capital fund of funds” or a “venture capital management partnership”; and
- it is not a “foreign hybrid limited partnership”.

On the basis that our partnership is a corporate limited partnership and at least one member’s liability is limited, it should be treated as a company for Australian tax purposes.

Our partnership is a non-resident of Australia for tax purposes and therefore, should not be subject to income tax in Australia except for any income sourced in Australia, or in respect of certain capital gains that relate to “taxable Australian property” as detailed in the ITAA 1997.

Distributions made by our partnership to Australian Holders should be characterized as dividends for Australian income tax purposes and included in Australian Holders’ assessable unfranked dividend income on the basis that a “foreign hybrid election” is not able to be made by Australian resident shareholders to treat the partnership as a partnership for Australian tax purposes.

Australian Holders should not be subject to income tax on an accruals basis under the Controlled Foreign Company rules. This conclusion is dependent on the quantum and nature of the interests held in our partnership.

The disposal of units by Australian Holders should give rise to a capital gains tax (“CGT”) event for the Australian Holders. Broadly, Australian Holders that hold their units on capital account should realize a capital gain (or loss) equal to the difference between any capital proceeds received and the cost base (or reduced cost base) of the units.

## *Characterization of the Partnership*

### *Definition of “limited partnership”*

A limited partnership is defined in section 995-1 of the ITAA 1997 and means:

- a. an association of persons (other than a company) carrying on business as partners or in receipt of ordinary income or statutory income jointly, where the liability of at least one of those persons is limited; or
- b. an association of persons (other than one referred to in paragraph (a)) with legal personality separate from those persons that was formed solely for the purpose of becoming a “venture capital limited partnership” (“VCLP”), an “early stage venture capital limited partnership” (“ESVCLP”), an “Australian venture capital fund of funds” (“AFOF”) or a “venture capital management partnership” (“VCMP”) and to carry on activities that are carried on by a body of that kind.

There is no requirement as to where or under which law the liability is limited. For tax purposes, the liability is limited if it is effectively limited under the laws applying to the partnership (as per the partnership agreement). Our partnership should be a limited partnership for Australian tax purposes.

*Definition of “corporate limited partnership”*

Under subsection 94D(1)(a) of the ITAA 1936, a partnership will be a corporate limited partnership in relation to the year of income of the partnership if the year of income is the 1995-96 year of income or a later year of income. Our partnership should be a corporate limited partnership under subsection 94D(1) of the above definition.

Subsection 94D(2) of the ITAA 1936 specifically excludes from a corporate limited partnership a VCLP, ESVCLP, or AFOF. A requirement for each of these definitions is that the partnership be registered either in Australia or a country prescribed by relevant regulations or be an Australian resident. Our partnership is registered in Bermuda and is not a resident of Australia. Bermuda is not a country prescribed by relevant regulations. Therefore our partnership will not be a VCLP, ESVCLP or AFOF. A VCLP is defined by reference to the Venture Capital Act 2002. Our partnership, as a Bermudian Exempted Limited Partnership, will not be excluded from the definition of a corporate limited partnership as subsection 9-1(1) of the Venture Capital Act requires of a VCLP that:

- (a) the partnership was established by or under a law in force in, or in any part of:
  - I. Australia; or
  - II. foreign country in respect of which a double tax agreement (as defined in Part X of the ITAA 1936) is in force; and
- (b) all of the partners who are general partners are residents of a country referred to in paragraph (a).

*Definition of “foreign hybrid limited partnership”*

Pursuant to sub-section 94D(5) of the ITAA 1936, an exception to our partnership being a corporate limited partnership applies if it is a “foreign hybrid limited partnership” (“FHLP”), as defined in section 830-10 of the ITAA 1997. A limited partnership will be a FHLP if:

- a. it was formed in a foreign country (i.e. other than Australia); and
- b. foreign income tax is imposed under the law of the foreign country on the partners, not the limited partnership, in respect of the income or profits of the partnership for the income year; and
- c. at no time during the income year is the limited partnership, for the purposes of a law of any foreign country that imposes foreign income tax on entities because they are residents of the foreign country, a resident of that country; and
- d. disregarding subsection 94D(5) of the ITAA 1936, at no time during the income year is it an Australian resident; and
- e. disregarding that subsection, in relation to the same income year of another taxpayer:
  - I. the limited partnership is a Controlled Foreign Company at the end of a statutory accounting period that ends in the income year; and
  - II. at the end of the statutory accounting period, the taxpayer is an attributable taxpayer in relation to the Controlled Foreign Company with an attribution percentage greater than nil.

Paragraph (a) should be met on the basis that our partnership was formed in Bermuda. Paragraph (b) would not be met on the basis that Bermuda does not impose any tax on income, profits, dividends or wealth. Therefore, there is no foreign tax imposed under the laws of Bermuda on the partners of our partnership and this paragraph will not be satisfied. This position is confirmed by the Australia Taxation Office (“ATO”) in ATO ID 2006/149. On the basis that paragraph (b) is not met, our partnership should not be a FHLP.

### *Conclusion*

Our partnership should be classified as a corporate limited partnership for Australian income tax purposes in accordance with section 94D of the ITAA 1997. The consequences of that include that our partnership is treated as a company for the purposes of applying Australian domestic income tax law (sections 94J and 94K of the ITAA 1936). Accordingly, Australian Holders' units in our partnership should be treated as shares in a company.

### *Partnership distributions to Australian Holders*

Australian Holders will potentially receive distributions from our partnership. Distributions will be treated as dividends on the basis that our partnership is a corporate limited partnership for Australian tax purposes. The distributions should be treated as unfranked dividends to Australian Holders.

Our partnership will not provide information to enable Australian Holders to determine whether a return of capital has been made for Australian tax purposes. Therefore, Australian Holders should treat all distributions as unfranked dividends.

The taxation treatment of a partnership dividend received by Australian Holders will vary depending on the type of Australian Holder. Australian Holders should seek further independent advice in relation to the nature of future distributions received from our partnership.

Set out below is a summary of how different types of Australian Holders should treat a distribution received from our partnership.

#### *Australian tax resident individuals*

Distributions received by Australian tax resident individuals should in most cases be included in their Australian assessable income. Australian Holders should be entitled to an Australian foreign income tax offset which reduces the Australian tax payable on assessable dividends by up to an amount of any foreign income tax withheld by our partnership.

Australian Holders should seek independent advice in relation to their entitlement to Australian foreign income tax offsets to the extent foreign tax is withheld.

#### *Australian tax resident companies*

The taxation treatment of a dividend received by an Australian tax resident company is the same as that described above for an Australian tax resident individual.

#### *Australian tax resident trusts*

The comments below relate to Australian tax resident beneficiaries who are not under a legal disability where those beneficiaries are presently entitled to income of an Australian resident trust. If the beneficiary is under a legal disability, we recommend those beneficiaries seek independent professional taxation advice.

Distributions in the form of dividend income should either be included in the trustee's, or the beneficiary's, assessable income, as the case may be. The tax treatment of the dividend then depends on the tax status of the Australian resident trust and the legal identity of the beneficiary as an individual, a company or a trust (refer to comments above).

### *Australian tax resident superannuation funds*

Dividends paid to an Australian tax resident superannuation fund should be included in the fund's Australian assessable income. Superannuation funds should be entitled to an Australian foreign income tax offset against the Australian tax payable on assessable dividends of up to the amount of any foreign income tax withheld by our partnership on the distribution.

Australian Holders should seek further independent advice in relation to their entitlement to Australian foreign income tax offsets to the extent foreign tax is withheld on our partnership distributions.

### *Documentation for Australian Holders*

Australian Holders with income tax years that end on 30 June will not receive any documentation from our partnership that will correlate directly to a 30 June income tax year end. Australian Holders will need to rely on distribution payment statements to support their Australian income tax disclosures.

### *Australian CGT implications for Australian Holders*

#### *Cost base of the Partnership Units*

The cost base of the units for Australian Holders who bought their units in our partnership directly should equal the money paid for those units plus any incidental costs of acquisition and disposal of the units (e.g. broker's fees, borrowing expenses).

Where an Australian Holder received the units as consideration for entering into the Merger Transaction, the cost base or reduced cost base of the units acquired is made up of a number of elements including the money paid or market value of property given to acquire the units. That amount should be the market value of the Prime Infrastructure securities exchanged for the units under the Merger Transaction plus the incidental costs of acquisition and disposal of the Prime Infrastructure securities (if any).

On the basis that our partnership and the Prime Infrastructure security holders were acting at arm's length, the market value of the Prime Infrastructure securities disposed of under the Merger Transaction should be the same as the market value of the units received in exchange.

The acquisition date for the units for CGT purposes should be the date the units were allotted to the Prime Infrastructure security holders (8 December 2010 Australian Eastern Standard Time).

The market value of the units may be determined by reference to the NYSE/TSX VWAP of these units on 8 December 2010 (A\$20.651 per unit).

#### *Disposal of units*

In the event Australian Holders dispose of units, a capital gain should arise where the sale proceeds received exceed an Australian Holders' cost base in the units. A capital loss should arise where the Australian Holders' reduced cost base exceeds the sale proceeds. The time that the CGT event occurs is when the contract is entered into or, if there is no contract, when the change of ownership occurs.

Partnership distributions should be treated as unfranked dividends and no CGT cost base reduction should be calculated as a result of the distributions.

Where the proceeds received are in foreign currency (e.g. US\$ or C\$), these should be converted into A\$ at the daily average exchange rate for the day of the sale (the date the sale contract is entered into). The ATO publish daily average exchange rates on their website ([www.ato.gov.au](http://www.ato.gov.au)). This may be a different amount than the A\$ cash an Australian Holder ultimately receives.

Accordingly, there may be a foreign exchange gain or loss if there are any fluctuations in the exchange rate between the date of the sale contract and the date payment is received by the Australian Holders. To the extent payment is received within 12 months of the date of disposal (the date the sale contract is entered into) of the units any such foreign exchange realization gains or losses will be capital in nature and subject to the CGT provisions (i.e. included in the overall gain or loss on the disposal of the units).

If payment is received more than 12 months after the contract date, the foreign exchange gain or loss provisions of the ITAA 1997 apply. Australian Holders should seek specific advice in this circumstance.

#### *Discount of capital gain*

Provided the units that gave rise to the capital gain were held for at least 12 months prior to the occurrence of the CGT event (excluding the date of acquisition), any net capital gain realized by an Australian Holder on those units (e.g. if a sale were to occur) may qualify for discount capital gains tax treatment.

The discount is taken into account after applying any available capital losses against the capital gain eligible for the discount.

This treatment broadly only applies in respect of units held by Australian Holders that are individuals, trustees of trusts, and trustees of superannuation funds. No such discount is available for corporate Australian Holders.

Where the CGT discount is available, individual Australian Holders (either holding their units directly or indirectly through a trust) may reduce their net capital gain by 50%. For trustees (responsible entities) of superannuation funds, the net capital gain may be reduced by 33<sup>1/3</sup>%.

## **BERMUDA TAX CONSIDERATIONS**

In Bermuda there are no taxes on profits, income or dividends, nor is there any capital gains tax, estate duty or death duty. Profits can be accumulated and it is not obligatory to pay dividends. As “exempted undertakings”, exempted partnerships and overseas partnerships are entitled to apply for (and will ordinarily receive) an assurance pursuant to the Exempted Undertakings Tax Protection Act 1966 that, in the event that legislation introducing taxes computed on profits or income, or computed on any capital asset, gain or appreciation, is enacted, such taxes shall not be applicable to the partnership or any of its operations until March 31, 2035. Such an assurance may include the assurance that any tax in the nature of estate duty or inheritance tax shall not be applicable to the units, debentures or other obligations of the partnership.

Exempted partnerships and overseas partnerships fall within the definition of “international businesses” for the purposes of the Stamp Duties (International Businesses Relief) Act 1990, which means that instruments executed by or in relation to an exempted partnership or an overseas partnership are exempt from stamp duties (such duties were formerly applicable under the Stamp Duties Act 1976). Thus, stamp duties are not payable upon, for example, an instrument which effects the transfer or assignment of a unit in an exempted partnership or an overseas partnership, or the sale or mortgage of partnership assets; nor are they payable upon the partnership capital.

### **10.F DIVIDENDS AND PAYING AGENTS**

Not applicable.

### **10.G STATEMENT BY EXPERTS**

Not applicable.

## **10.H DOCUMENTS ON DISPLAY**

Our partnership is subject to the information filing requirements of the Exchange Act, and accordingly we are required to file periodic reports and other information with the SEC. As a foreign private issuer under the SEC's regulations, we file annual reports on Form 20-F and other reports on Form 6-K. The information disclosed in our reports may be less extensive than that required to be disclosed in annual and quarterly reports on Forms 10-K and 10-Q required to be filed with the SEC by U.S. issuers.

Moreover, as a foreign private issuer, we are not subject to the proxy requirements under Section 14 of the Exchange Act, and our directors and principal shareholders are not subject to the insider short swing profit reporting and recovery rules under Section 16 of the Exchange Act. The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding us and other issuers that file electronically with the SEC. The address of the SEC internet site is [www.sec.gov](http://www.sec.gov). Our website is at <https://bip.brookfield.com>.

In addition, our partnership is required to file documents required by Canadian securities laws electronically with Canadian securities regulatory authorities and these filings are available on our SEDAR profile at [www.sedar.com](http://www.sedar.com). Written requests for such documents should be directed to our Corporate Secretary at 73 Front Street, Hamilton HM 12, Bermuda.

## **10.I SUBSIDIARY INFORMATION**

Not applicable.

## **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT NON-PRODUCT RELATED MARKET RISK**

See the information contained in this annual report on Form 20-F under Item 5.B "Liquidity and Capital Resources—Other Market Risks", Item 5.B "Liquidity and Capital Resources—Foreign Currency Hedging Strategy" and Item 18 "Financial Statements" (Note 7, "Fair Value of Financial Instruments", Note 33, "Derivative Financial Instruments" and Note 34, "Financial Risk Management").

## **ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Not applicable.

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

### ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

### ITEM 15. CONTROLS AND PROCEDURES

#### Disclosure Controls and Procedures

As of December 31, 2018, an evaluation of the effectiveness of our “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) was carried out under the supervision and with the participation of persons performing the functions of principal executive and principal financial officers for us and the Service Provider. Based upon that evaluation, the persons performing the functions of principal executive and principal financial officers for us have concluded that, as of December 31, 2018, our disclosure controls and procedures were effective: (i) to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms; and (ii) to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including the persons performing the functions of principal executive and principal financial officers for us, to allow timely decisions regarding required disclosure.

It should be noted that while our management, including persons performing the functions of principal executive and principal financial officers for us, believe our disclosure controls and procedures provide a reasonable level of assurance that such controls and procedures are effective, they do not expect that our disclosure controls and procedures or internal controls will prevent all error and all fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

#### Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including persons performing the functions of principal executive and principal financial officers for us, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2018, based on the criteria set forth in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on evaluation under Internal Control—Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2018. Excluded from our evaluation were internal controls over financial reporting at Dawn Acquisitions LLC, for which control was acquired on December 31, 2018, Rayalseema Expressway Private Limited, for which control was acquired on November 5, 2018, Enercare Inc., for which control was acquired on October 16, 2018, NorthRiver Midstream Inc., for which control was acquired on October 1, 2018, Simhapuri Expressway Limited, for which control was acquired September 7, 2018 and Gas Natural, S.A. ESP, for which control was acquired June 1, 2018. The financial statements of these entities constitute, in aggregate, 26% of total assets, 29% of partnership capital, 17% of revenues and 3% of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2018.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Report of Independent Registered Public Accounting Firm**

The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by Deloitte LLP, Independent Registered Public Accounting Firm, who have also audited the financial statements of our partnership, as stated in their reports which are included herein.

#### **Changes in Internal Control**

There was no change in our internal control over financial reporting during the year ended December 31, 2018, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

#### **ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our General Partner's board of directors has determined that Danesh Varma possesses specific accounting and financial management expertise, that he is the audit committee financial expert as defined by the SEC and that he is independent within the meaning of the rules of the NYSE. The board of directors of our General Partner has also determined that other members of the audit committee have sufficient experience and ability in finance and compliance matters to enable them to adequately discharge their responsibilities.

#### **ITEM 16B. CODE OF ETHICS**

On December 4, 2007, our General Partner adopted a Code of Conduct and Ethics ("Code") that applies to the members of the board of directors of our General Partner, our partnership and any officers or employees of our General Partner. The Code is periodically updated and we have posted a copy of the current Code on our website at <https://bip.brookfield.com/corporate-governance/governance-documents>.

#### **ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Our General Partner has retained Deloitte LLP to act as our partnership's Independent Registered Public Accounting Firm.



The table below summarizes the fees for professional services rendered by Deloitte LLP:

<b>FEES</b>	<b>For the year ended December 31,</b>			
	<b>2018</b>		<b>2017</b>	
	<b>USD ('000)</b>	<b>%</b>	<b>USD ('000)</b>	<b>%</b>
Audit fees <sup>(1)</sup>	\$ 6,970	91%	\$ 7,438	93%
Audit-related fees <sup>(2)</sup>	526	7%	442	6%
All other fees <sup>(3)</sup>	165	2%	13	1%
Total	<u>\$ 7,661</u>	<u>100%</u>	<u>\$ 7,893</u>	<u>100%</u>

(1) Audit fees relate to annual fees for the audits and interim reviews of our partnership and the Holding LP, including its subsidiaries, associates, and joint ventures.

(2) Audit-related fees relate primarily to services pertaining to the filing of our partnership's short form base shelf prospectuses and other securities-related matters.

(3) Other relates to certain permissible operational and pre-acquisition consulting and advisory services, and includes a nominal amount associated with income tax related activities performed for subsidiaries of our partnership.

The audit committee of our General Partner pre-approves all audit and audit-related services provided to our partnership and the Holding LP by Deloitte LLP.

#### **ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEE**

None.

#### **ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASER**

Our partnership may from time-to-time, subject to applicable law, purchase our units or preferred units for cancellation in the open market, provided that any necessary approval has been obtained. Brookfield has also advised our partnership that it may from time-to-time, subject to applicable law, purchase our units in the market without making an offer to all unitholders.

In November 2018, we announced that the TSX accepted a notice filed by our partnership of its intention to renew its normal course issuer bid to repurchase units and Class A Preferred Units. A copy of the notice may be obtained free of charge by contacting our partnership. We believe that at times our units and Class A Preferred Units may trade in a price range that does not fully reflect their value. As a result, from time to time, acquiring our units and Class A Preferred Units for cancellation represents an attractive use of available funds. Under the normal course issuer bid, the board of directors of our General Partner authorized our partnership to repurchase up to 13,843,928 of our units, representing approximately 5% of our issued and outstanding units. Under the normal course issuer bid, our partnership may purchase up to 45,442 units on the TSX during any trading day.

The board of directors of our General Partner also authorized our partnership to repurchase up to 500,000 Series 1 Preferred Units, 500,000 Series 3 Preferred Units, 1,000,000 Series 5 Preferred Units, 1,200,000 Series 7 Preferred Units, 800,000 Series 9 Preferred Units and 1,000,000 Series 11 Preferred Units, representing approximately 10% of the public float of each series of Class A Preferred Units. Under the normal course issuer bid, our partnership may purchase up to 1,396 Series 1 Preferred Units, 1,316 Series 3 Preferred Units and 1,184 Series 5 Preferred Units, 1,731 Series 7 Preferred Units, 1,442 Series 9 Preferred Units and 10,808 Series 11 Preferred Units on the TSX during any trading day. The price to be paid for our Class A Preferred Units under the normal course issuer bid will be the market price of the relevant series of Class A Preferred Units at the time of purchase. The actual number of any particular series of Class A Preferred Units to be purchased and the timing of such purchases will be determined by our partnership, and all purchases will be made through the facilities of the TSX.

Repurchases of units and Class A Preferred Units were authorized to commence on November 12, 2018 and will terminate on November 11, 2019 or earlier should our partnership complete its repurchases prior to such date. The price to be paid for our units and Class A Preferred Units under the normal course issuer bid will be the market price at the time of purchase. The actual number of units and Class A Preferred Units to be purchased and the timing of such purchases will be determined by our partnership, and all purchases will be made through the facilities of the TSX or the NYSE. Repurchases may occur subject to prevailing market conditions and will be funded from available cash. Repurchases will also be subject to compliance with applicable U.S. federal securities laws, including Rule 10b-18 under the Exchange Act, as well as applicable Canadian securities laws. All of our units and Class A Preferred Units acquired by our partnership under the normal course issuer bid will be cancelled.

In the year ended December 31, 2018, we repurchased 862,780 of our units at an average unit price of \$34.43 under our normal course issuer bid for an aggregate of \$30 million and we incurred less than \$1 million in commission costs. We also repurchased 70,023 of our Class A Preferred Units at an average unit price of \$16.81 under our normal course issuer bid for an aggregate of \$1 million. We incurred less than \$1 million in commission costs.

The following table provides our repurchase information for our units on a month-by-month basis for the year ended December 31, 2018<sup>(1)</sup>:

Period	Total Number of Units Purchased	Average Price Paid per Unit	Total Number of Units Purchased as Part of Our Normal Course Issuer Bid <sup>(1)</sup>	Maximum Number of Units that May Yet Be Purchased under Our Normal Course Issuer Bid <sup>(1)</sup>
December 2018 .....	862,780	\$ 34.43	862,780	12,981,148

(1) Our normal course issuer bid currently in effect was announced on November 7, 2018, and authorizes us to purchase up to 13,843,928 of our units, commencing on November 12, 2018 and expiring on November 11, 2019, or earlier should we complete our repurchases prior to that date.

## ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

## ITEM 16G. CORPORATE GOVERNANCE

Our corporate governance practices are not materially different from those required of domestic limited partnerships under the NYSE listing standards.

**ITEM 16H. MINE SAFETY DISCLOSURES**

Not applicable.

## PART III

### ITEM 17. FINANCIAL STATEMENTS

Not applicable.

### ITEM 18. FINANCIAL STATEMENTS

See the financial statements and notes thereto beginning on page F-1 which are filed as part of this annual report on Form 20-F.

### ITEM 19. EXHIBITS

Number	Description
1.1	Certificate of registration of Brookfield Infrastructure Partners L.P., registered as of May 29, 2007-incorporated by reference to Exhibit 1.1 to our partnership's Registration Statement on Form 20-F filed July 31, 2007. (With regard to applicable cross-references in this report, our partnership's registration statement was filed with the SEC under File No. 1-33632).
1.2	Amended and Restated Limited Partnership Agreement of Brookfield Infrastructure Partners L.P., dated February 16, 2018-incorporated by reference to Exhibit 99.1 to our partnership's Form 6-K filed February 16, 2018.
1.3	First Amendment to the Amended and Restated Limited Partnership Agreement of Brookfield Infrastructure Partners L.P., dated September 12, 2018-incorporated by reference to Exhibit 99.1 to our partnership's Form 6-K filed September 12, 2018.
4.1	Amended and Restated Limited Partnership Agreement of Brookfield Infrastructure L.P., dated February 16, 2018-incorporated by reference to Exhibit 99.2 to our partnership's Form 6-K filed February 16, 2018.
4.2	First Amendment to the Amended and Restated Limited Partnership Agreement of Brookfield Infrastructure L.P., dated September 12, 2018-incorporated by reference to Exhibit 99.2 to our partnership's Form 6-K filed September 12, 2018.
4.3	Amended and Restated Master Services Agreement, dated March 13, 2015, by and among Brookfield Asset Management Inc., Brookfield Infrastructure Partners L.P., Brookfield Infrastructure L.P., and others-incorporated by reference to Exhibit 4.3 to our partnership's Annual Report on Form 20-F filed March 18, 2015.
4.4	Amended and Restated Relationship Agreement, dated March 28, 2014, by and among Brookfield Asset Management Inc., Brookfield Infrastructure Partners L.P., Brookfield Infrastructure L.P., and others-incorporated by reference to Exhibit 4.3 to our partnership's Annual Report on Form 20-F filed March 28, 2014.
4.5	Registration Rights Agreement, dated December 4, 2007, between Brookfield Infrastructure Partners L.P. and Brookfield Asset Management Inc.-incorporated by reference to Exhibit 4.4 to our partnership's Registration Statement on Form 20-F/A filed December 13, 2007.
4.6	Support Agreement, dated October 15, 2018, between Brookfield Infrastructure Partners L.P. and Brookfield Infrastructure Partners Exchange LP.*
4.7	Indenture dated October 10, 2012 between Brookfield Infrastructure Finance ULC, Brookfield Infrastructure Finance LLC, Brookfield Infrastructure Finance Limited, Brookfield Infrastructure Finance Pty Ltd and Computershare Trust Company of Canada, as supplemented from time to time-incorporated by reference to Exhibit 4.6 to our partnership's Annual Report on Form 20-F filed March 18, 2015.
4.8	Second Supplemental Indenture dated March 11, 2015 between Brookfield Infrastructure Finance ULC, Brookfield Infrastructure Finance LLC, Brookfield Infrastructure Finance Limited, Brookfield Infrastructure Finance Pty Ltd and Computershare Trust Company of Canada-incorporated by reference to Exhibit 4.10 to our partnership's Annual Report on Form 20-F filed March 18, 2015.

- 4.9 Guarantee dated March 11, 2015 by Brookfield Infrastructure Partners L.P., Brookfield Infrastructure L.P., BIP Bermuda Holdings I Limited, Brookfield Infrastructure Holdings (Canada) Inc. and Brookfield Infrastructure US Holdings I Corporation in favor of Computershare Trust Company of Canada-incorporated by reference to Exhibit 4.11 to our partnership's Annual Report on Form 20-F filed March 18, 2015.
- 4.10 Third Supplemental Indenture dated October 30, 2015 between Brookfield Infrastructure Finance ULC, Brookfield Infrastructure Finance LLC, Brookfield Infrastructure Finance Limited, Brookfield Infrastructure Finance Pty Ltd and Computershare Trust Company of Canada-incorporated by reference to Exhibit 99.1 to our partnership's Form 6-K filed October 30, 2015.
- 4.11 Guarantee dated October 30, 2015 by Brookfield Infrastructure Partners L.P., Brookfield Infrastructure L.P., BIP Bermuda Holdings I Limited, Brookfield Infrastructure Holdings (Canada) Inc. and Brookfield Infrastructure US Holdings I Corporation in favor of Computershare Trust Company of Canada-incorporated by reference to Exhibit 99.2 to our partnership's Form 6-K filed October 30, 2015.
- 4.12 Fifth Supplemental Indenture dated February 22, 2017 between Brookfield Infrastructure Finance ULC, Brookfield Infrastructure Finance LLC, Brookfield Infrastructure Finance Limited, Brookfield Infrastructure Finance Pty Ltd and Computershare Trust Company of Canada-incorporated by reference to Exhibit 99.1 to our partnership's Form 6-K filed February 22, 2017.
- 4.13 Guarantee dated February 22, 2017 by Brookfield Infrastructure Partners L.P., Brookfield Infrastructure L.P., BIP Bermuda Holdings I Limited, Brookfield Infrastructure Holdings (Canada) Inc. and Brookfield Infrastructure US Holdings I Corporation in favor of Computershare Trust Company of Canada-incorporated by reference to Exhibit 99.2 to our partnership's Form 6-K filed February 22, 2017.
- 4.14 Sixth Supplemental Indenture dated September 10, 2018 between Brookfield Infrastructure Finance ULC, Brookfield Infrastructure Finance LLC, Brookfield Infrastructure Finance Limited, Brookfield Infrastructure Finance Pty Ltd and Computershare Trust Company of Canada-incorporated by reference to Exhibit 99.1 to our partnership's Form 6-K filed September 10, 2018.
- 4.15 Guarantee dated September 10, 2018 by Brookfield Infrastructure Partners L.P., Brookfield Infrastructure L.P., BIP Bermuda Holdings I Limited, Brookfield Infrastructure Holdings (Canada) Inc. and Brookfield Infrastructure US Holdings I Corporation in favor of Computershare Trust Company of Canada-incorporated by reference to Exhibit 99.2 to our partnership's Form 6-K filed September 10, 2018.
- 4.16 Guarantee indenture dated February 5, 2019 among Brookfield Infrastructure Partners L.P., Brookfield Infrastructure L.P., BIP Bermuda Holdings I Limited, Brookfield Infrastructure Holdings (Canada) Inc., Brookfield Infrastructure US Holdings I Corporation, BIP Investment Corporation and Computershare Trust Company of Canada.\*
- 8.1 Subsidiaries of Brookfield Infrastructure Partners L.P. (Incorporated by reference to Item 4.C, "Organizational Structure").
- 12.1 Certification of Samuel Pollock, Chief Executive Officer, Brookfield Infrastructure Group L.P., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\*
- 12.2 Certification of Bahir Manios, Chief Financial Officer, Brookfield Infrastructure Group L.P., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\*
- 13.1 Certification of Samuel Pollock, Chief Executive Officer, Brookfield Infrastructure Group L.P., pursuant to 18 U.S.C. Section 1350, as adopted to Section 906 of the Sarbanes-Oxley Act of 2002.\*
- 13.2 Certification of Bahir Manios, Chief Financial Officer, Brookfield Infrastructure Group L.P., pursuant to 18 U.S.C. Section 1350, as adopted to Section 906 of the Sarbanes-Oxley Act of 2002.\*
- 15.1 Consent of Deloitte LLP, Independent Registered Public Accounting Firm, relating to the incorporation of the consolidated financial statements of Brookfield Infrastructure Partners L.P. into this Annual Report on Form 20-F.\*

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\* Filed electronically herewith.

The registrant hereby agrees to furnish to the SEC at its request copies of long-term debt instruments defining the rights of holders of outstanding long-term debt that are not required to be filed herewith.

## **SIGNATURE**

The registrant hereby certifies that it meets all of the requirements for filing an annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Dated: February 28, 2019

BROOKFIELD INFRASTRUCTURE PARTNERS L.P. by its  
general partner, Brookfield Infrastructure Partners Limited

By: /s/ WILLIAM COX

Name: William Cox

Title: *Director*

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Partners of  
Brookfield Infrastructure Partners L.P.

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated statements of financial position of Brookfield Infrastructure Partners L.P. and subsidiaries (the “Partnership”) as of December 31, 2018 and 2017, the related consolidated statements of operating results, comprehensive (loss) income, partnership capital, and cash flows, for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2018 and 2017, and the results of its financial performance and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Partnership’s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2019 expressed an unqualified opinion on the Partnership’s internal control over financial reporting.

### **Basis for Opinion**

These financial statements are the responsibility of the Partnership’s management. Our responsibility is to express an opinion on the Partnership’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte LLP

Chartered Professional Accountants  
Licensed Public Accountants  
Toronto, Canada  
February 28, 2019

We have served as the Partnership’s auditor since 2007.



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Partners of  
Brookfield Infrastructure Partners L.P.

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Brookfield Infrastructure Partners L.P. and subsidiaries (the “Partnership”) as of December 31, 2018, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2018, of the Partnership and our report dated February 28, 2019, expressed an unqualified opinion on those financial statements.

As described in Management’s Annual Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Dawn Acquisitions LLC, for which control was acquired on December 31, 2018, Rayalseema Expressway Private Limited, for which control was acquired on November 5, 2018, Enercare Inc., for which control was acquired on October 16, 2018, NorthRiver Midstream Inc., for which control was acquired on October 1, 2018, Simhapuri Expressway Limited, for which control was acquired September 7, 2018, and Gas Natural, S.A. ESP, for which control was acquired June 1, 2018. The financial statements of these entities constitute, in aggregate, 26% of total assets, 29% of partnership capital, 17% of revenues and 3% of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2018. Accordingly, our audit did not include the internal control over financial reporting at Dawn Acquisitions LLC, Rayalseema Expressway Private Limited, Enercare Inc., NorthRiver Midstream Inc., Simhapuri Expressway Limited and Gas Natural, S.A. ESP.

### Basis for Opinion

The Partnership’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Partnership’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte LLP

Chartered Professional Accountants  
Licensed Public Accountants  
Toronto, Canada  
February 28, 2019

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

<u>US\$ MILLIONS</u>	<u>Notes</u>	<u>As of December 31, 2018</u>	<u>As of December 31, 2017</u>
<b>Assets</b>			
Cash and cash equivalents . . . . .	7, 8	\$ 540	\$ 374
Financial assets . . . . .	7, 9	424	192
Accounts receivable and other . . . . .	7, 10	1,171	838
Inventory . . . . .	11	141	108
Current assets . . . . .		2,276	1,512
Property, plant and equipment . . . . .	13	12,814	9,937
Intangible assets . . . . .	14	11,635	9,894
Investments in associates and joint ventures . . . . .	12	4,591	5,572
Investment properties . . . . .	16	190	192
Goodwill . . . . .	15	3,859	1,301
Financial assets . . . . .	7, 9	921	730
Other assets . . . . .	10	219	273
Deferred income tax asset . . . . .	25	75	66
Total assets . . . . .		<u>\$ 36,580</u>	<u>\$ 29,477</u>
<b>Liabilities and Partnership Capital</b>			
<b>Liabilities</b>			
Accounts payable and other . . . . .	7, 17	1,308	864
Corporate borrowings . . . . .	7, 19, 20	—	99
Non-recourse borrowings . . . . .	7, 19	985	364
Financial liabilities . . . . .	7, 18	124	237
Current liabilities . . . . .		2,417	1,564
Corporate borrowings . . . . .	7, 19, 20	1,993	2,002
Non-recourse borrowings . . . . .	7, 19	12,128	7,699
Financial liabilities . . . . .	7, 18	1,156	1,076
Other liabilities . . . . .	17	777	793
Deferred income tax liability . . . . .	25	3,421	2,849
Preferred shares . . . . .	7, 21	20	20
Total liabilities . . . . .		21,912	16,003
<b>Partnership capital</b>			
Limited partners . . . . .		4,513	4,967
General partner . . . . .		22	25
Non-controlling interest attributable to:			
Redeemable Partnership Units held by Brookfield . . . . .		1,823	2,012
Exchange LP Units . . . . .	26	71	—
Interest of others in operating subsidiaries . . . . .		7,303	5,875
Preferred unitholders . . . . .		936	595
Total partnership capital . . . . .		14,668	13,474
Total liabilities and partnership capital . . . . .		<u>\$ 36,580</u>	<u>\$ 29,477</u>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**CONSOLIDATED STATEMENTS OF OPERATING RESULTS**

US\$ MILLIONS (except per unit information)	Notes	For the year ended December 31,		
		2018	2017	2016
Revenues	4	<b>\$4,652</b>	\$3,535	\$2,115
Direct operating costs		<b>(2,208)</b>	(1,509)	(1,063)
General and administrative expenses		<b>(223)</b>	(239)	(166)
Depreciation and amortization expense	13, 14	<b>(801)</b>	(671)	(447)
		<b>1,420</b>	1,116	439
Interest expense	22	<b>(555)</b>	(428)	(392)
Share of (losses) earnings from investments in associates and joint ventures	12	<b>(13)</b>	118	248
Mark-to-market on hedging items	7	<b>137</b>	(66)	74
Gain on sale of associate	5	<b>338</b>	—	—
Other (expense) income		<b>(157)</b>	7	174
Income before income tax		<b>1,170</b>	747	543
Income tax (expense) recovery				
Current	25	<b>(318)</b>	(106)	(33)
Deferred	25	<b>(46)</b>	(67)	18
Net income		<b>\$ 806</b>	\$ 574	\$ 528
<b>Attributable to:</b>				
Limited partners		<b>\$ 192</b>	\$ 11	\$ 285
General partner		<b>137</b>	113	84
Non-controlling interest attributable to:				
Redeemable Partnership Units held by Brookfield		<b>81</b>	1	118
Exchange LP Units		<b>—</b>	—	—
Interest of others in operating subsidiaries		<b>396</b>	449	41
Basic and diluted earnings (loss) per unit attributable to:				
Limited partners	26	<b>\$ 0.59</b>	\$ (0.04)	\$ 1.13

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**

<u>US\$ MILLIONS</u>	<u>Notes</u>	<u>For the year ended December 31,</u>		
		<u>2018</u>	<u>2017</u>	<u>2016</u>
Net income .....		<u><b>\$ 806</b></u>	<u><b>\$ 574</b></u>	<u><b>\$ 528</b></u>
Other comprehensive income:				
<b>Items that will not be reclassified subsequently to profit or loss:</b>				
Revaluation of property, plant and equipment .....	13	<b>462</b>	418	335
Marketable securities .....	7	<b>(47)</b>	5	9
Unrealized actuarial gains (losses) .....		<b>28</b>	8	(49)
Taxes on the above items .....	25	<b>(100)</b>	(206)	(83)
Share of income from investments in associates and joint ventures .....	12	<b>117</b>	259	199
		<u><b>460</b></u>	<u>484</u>	<u>411</u>
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Foreign currency translation .....		<b>(1,577)</b>	38	(37)
Cash flow hedge .....	7	<b>(71)</b>	137	(1)
Net investment hedge .....	7	<b>97</b>	(266)	169
Taxes on the above items .....	25	<b>3</b>	6	8
Share of income (losses) from investments in associates and joint ventures .....	12	<b>143</b>	(76)	26
		<u><b>(1,405)</b></u>	<u>(161)</u>	<u>165</u>
Total other comprehensive (loss) income .....		<u><b>(945)</b></u>	<u>323</u>	<u>576</u>
Comprehensive (loss) income .....		<u><b>\$ (139)</b></u>	<u><b>\$ 897</b></u>	<u><b>\$1,104</b></u>
<b>Attributable to:</b>				
Limited partners .....	27	<b>\$ (13)</b>	\$ 139	\$ 643
General partner .....	27	<b>137</b>	112	88
Non-controlling interest attributable to:				
Redeemable Partnership Units held by Brookfield .....	27	<b>(6)</b>	57	265
Exchange LP Units .....		<b>4</b>	—	—
Interest of others in operating subsidiaries .....		<u><b>(261)</b></u>	<u>589</u>	<u>108</u>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**CONSOLIDATED STATEMENTS OF PARTNERSHIP CAPITAL**

US\$ MILLIONS	Limited Partners				General Partner				Non-Controlling Interest—Redeemable Partnership Units held by Brookfield								Preferred Unitholders Capital	Total partners' capital
	Limited partners' capital	(Deficit) Retained earnings	Ownership Changes	Accumulated other comprehensive income <sup>(1)</sup>	Limited partners	General partner capital	Retained earnings	Accumulated other comprehensive income <sup>(1)</sup>	General partner	Redeemable units held by Brookfield	(Deficit) Retained earnings	Ownership Changes	Accumulated other comprehensive income <sup>(1)</sup>	Non-Controlling Interest—Redeemable Partnership Units held by Brookfield	Non-controlling interest - Exchange LP Units	Non-controlling interest in operating subsidiaries		
Balance as at December 31, 2017	4,907	(953)	149	864	4,967	19	—	6	25	2,078	(413)	(40)	387	2,012	—	5,875	595	13,474
Changes in accounting policies <sup>(2)</sup>	—	4	—	—	4	—	—	—	—	—	2	—	—	2	—	10	—	16
Balance as at January 1, 2018	4,907	(949)	149	864	4,971	19	—	6	25	2,078	(411)	(40)	387	2,014	—	5,885	595	13,490
Net income	—	192	—	—	192	—	137	—	137	—	81	—	—	81	—	396	—	806
Other comprehensive (loss) income	—	—	—	(205)	(205)	—	—	—	—	—	—	—	(87)	(87)	4	(657)	—	(945)
Comprehensive income (loss)	—	192	—	(205)	(13)	—	137	—	137	—	81	—	(87)	(6)	4	(261)	—	(139)
Unit issuance (note 26)	14	—	—	—	14	—	—	—	—	—	—	—	—	—	232	—	342	588
Unit repurchases (note 26)	(30)	—	—	—	(30)	—	—	—	—	—	—	—	—	—	—	—	(1)	(31)
Partnership distributions (note 28)	—	(520)	—	—	(520)	—	(140)	—	(140)	—	(216)	—	—	(216)	(2)	—	—	(878)
Partnership preferred distributions (note 28)	—	(29)	—	—	(29)	—	—	—	—	—	(12)	—	—	(12)	—	—	—	(41)
Acquisition of subsidiaries (note 6)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3,232	—	3,232
Subsidiary distributions to non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(676)	—	(676)
Capital provided to non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(877)	—	(877)
Other items (note 27)	20	450	100	(450)	120	—	3	(3)	—	—	188	43	(188)	43	(163)	—	—	—
Balance as at December 31, 2018	<u>\$ 4,911</u>	<u>\$ (856)</u>	<u>\$ 249</u>	<u>\$ 209</u>	<u>\$ 4,513</u>	<u>\$ 19</u>	<u>\$ —</u>	<u>\$ 3</u>	<u>\$ 22</u>	<u>\$ 2,078</u>	<u>\$ (370)</u>	<u>\$ 3</u>	<u>\$ 112</u>	<u>\$ 1,823</u>	<u>\$ 71</u>	<u>\$ 7,303</u>	<u>\$ 936</u>	<u>\$ 14,668</u>

(1) Refer to Note 27, Accumulated Other Comprehensive Income (Loss) for an analysis of accumulated other comprehensive income (loss) by item.

(2) Refer to Note 3 Significant Accounting Policies.

US\$ MILLIONS	Limited Partners				General Partner				Non-Controlling Interest—Redeemable Partnership Units held by Brookfield								
	Limited partners' capital	(Deficit) Retained earnings	Ownership Changes	Accumulated other comprehensive income <sup>(1)</sup>	Limited partners	General partner capital	Retained earnings	Accumulated other comprehensive income <sup>(1)</sup>	General partner	Redeemable units held by Brookfield	(Deficit) Retained earnings	Ownership Changes	Accumulated other comprehensive income <sup>(1)</sup>	Non-Controlling Interest—Redeemable Partnership Units held by Brookfield	Non-controlling interest—in operating subsidiaries	Preferred Unitholders Capital	Total partners' capital
Balance as at January 1, 2017	\$ 4,215	\$ (483)	\$ 143	\$ 736	\$ 4,611	\$ 19	\$ 1	\$ 7	\$ 27	\$ 1,778	\$ (215)	\$ (34)	\$ 331	\$ 1,860	\$ 2,771	\$ 375	\$ 9,644
Net income	—	11	—	—	11	—	113	—	113	—	1	—	—	1	449	—	574
Other comprehensive income	—	—	—	128	128	—	—	(1)	(1)	—	—	—	56	56	140	—	323
Comprehensive income	—	11	—	128	139	—	113	(1)	112	—	1	—	56	57	589	—	897
Unit issuance (note 26)	692	—	—	—	692	—	—	—	—	300	—	—	—	300	—	220	1,212
Partnership distributions (note 28)	—	(459)	—	—	(459)	—	(114)	—	(114)	—	(191)	—	—	(191)	—	—	(764)
Partnership preferred distributions (note 28)	—	(22)	—	—	(22)	—	—	—	—	—	(8)	—	—	(8)	—	—	(30)
Acquisition of subsidiaries (note 6)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3,523	—	3,523
Subsidiary distributions to non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(831)	—	(831)
Disposition of interests	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(177)	—	(177)
Other items (note 27)	—	—	6	—	6	—	—	—	—	—	—	(6)	—	(6)	—	—	—
Balance as at December 31, 2017	\$ 4,907	\$ (953)	\$ 149	\$ 864	\$ 4,967	\$ 19	\$ —	\$ 6	\$ 25	\$ 2,078	\$ (413)	\$ (40)	\$ 387	\$ 2,012	\$ 5,875	\$ 595	\$ 13,474

(1) Refer to Note 27, Accumulated Other Comprehensive Income (Loss) for an analysis of accumulated other comprehensive income (loss) by item.

US\$ MILLIONS	Limited Partners				General Partner				Non-Controlling Interest— Redeemable Partnership Units held by Brookfield								
	Limited partners' capital	(Deficit) Retained earnings	Ownership Changes	Accumulated other comprehensive income <sup>(1)</sup>	Limited partners	General partner capital	Retained earnings	Accumulated other comprehensive income <sup>(1)</sup>	General partner	Redeemable units held by Brookfield	(Deficit) Retained earnings	Ownership Changes	Accumulated other comprehensive income <sup>(1)</sup>	Non-Controlling Interest— Redeemable Partnership Units held by Brookfield	Non- controlling interest—in operating subsidiaries	Preferred Unitholders Capital	Total partners' capital
Balance as at January 1, 2016	\$ 3,716	\$ (559)	\$ 126	\$ 555	\$ 3,838	\$ 19	\$ —	\$ 4	\$ 23	\$ 1,528	\$ (245)	\$ (19)	\$ 254	\$ 1,518	\$ 1,608	\$ 189	\$ 7,176
Net income <sup>(2)</sup>	—	285	—	—	285	—	84	—	84	—	118	—	—	118	41	—	528
Other comprehensive loss	—	—	—	358	358	—	—	4	4	—	—	—	147	147	67	—	576
Comprehensive income (loss)	—	285	—	358	643	—	84	4	88	—	118	—	147	265	108	—	1,104
Unit issuance (note 26)	505	—	—	—	505	—	—	—	—	250	—	—	—	250	—	186	941
Unit repurchases (note 26)	(6)	—	—	—	(6)	—	—	—	—	—	—	—	—	—	—	—	(6)
Partnership distributions (note 28)	—	(377)	—	—	(377)	—	(84)	—	(84)	—	(154)	—	—	(154)	—	—	(615)
Partnership preferred distributions (note 28) <sup>(2)</sup>	—	(9)	—	—	(9)	—	—	—	—	—	(4)	—	—	(4)	—	—	(13)
Acquisition of subsidiaries (note 6)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,241	—	1,241
Subsidiary distributions to non- controlling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(169)	—	(169)
Disposition of interests	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(24)	—	(24)
Other items (note 27)	—	177	17	(177)	17	—	1	(1)	—	—	70	(15)	(70)	(15)	7	—	9
Balance as at December 31, 2016	\$ 4,215	\$ (483)	\$ 143	\$ 736	\$ 4,611	\$ 19	\$ 1	\$ 7	\$ 27	\$ 1,778	\$ (215)	\$ (34)	\$ 331	\$ 1,860	\$ 2,771	\$ 375	\$ 9,644

(1) Refer to Note 27, Accumulated Other Comprehensive Income (Loss) for an analysis of accumulated other comprehensive income (loss) by item.

(2) Certain net income allocations have been reclassified to provide comparability with the current year consolidated statements of partnership capital.



**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

US\$ MILLIONS	Notes	For the year ended December 31,		
		2018	2017	2016
<b>Operating Activities</b>				
Net income		\$ 806	\$ 574	\$ 528
Adjusted for the following items:				
Earnings from investments in associates and joint ventures, net of distributions received	12	72	(52)	(202)
Depreciation and amortization expense	13, 14	801	671	447
Mark-to-market on hedging items, provisions and other	7	99	90	(47)
Gain on sale of associate	5	(338)	—	—
Deferred income tax expense (recovery)	25	46	67	(18)
Changes in non-cash working capital, net	36	(124)	131	45
Cash from operating activities		<u>1,362</u>	<u>1,481</u>	<u>753</u>
<b>Investing Activities</b>				
Acquisition of subsidiaries, net of cash acquired	6	(5,825)	(4,223)	(520)
Disposal of subsidiaries, net of cash disposed		—	—	353
Additions of investments in associates and joint ventures	12	(61)	(620)	(887)
Disposal of investments in associates and joint ventures	5	1,289	—	—
Purchase of long lived assets	13, 14	(839)	(714)	(690)
Disposal of long lived assets	13, 14	23	47	7
Purchase of financial assets		(202)	(318)	(191)
Sale of financial assets and other		104	258	727
Net settlement of foreign exchange hedging items		(53)	(151)	143
Cash used by investing activities		<u>(5,564)</u>	<u>(5,721)</u>	<u>(1,058)</u>
<b>Financing Activities</b>				
Distributions to general partner	28	(140)	(114)	(84)
Distributions to other unitholders	28	(779)	(680)	(544)
Subsidiary distributions to non-controlling interest		(676)	(831)	(169)
Capital provided by non-controlling interest	6	2,610	2,847	835
Capital provided to non-controlling interest	6	(877)	—	(51)
Proceeds from corporate borrowings	19	377	537	—
Repayment of corporate borrowings	19	(94)	(306)	—
Proceeds from corporate credit facility	19	1,303	2,403	2,316
Repayment of corporate credit facility	19	(1,582)	(1,614)	(2,723)
Proceeds from non-recourse borrowings	19	5,601	668	1,406
Repayment of non-recourse borrowings	19	(1,650)	(308)	(984)
Repayment of other financing activities		—	—	(38)
Preferred units issued, net of repurchases	26	341	220	186
Partnership units issued, net of issuance costs	26	14	992	755
Partnership units repurchased	26	(30)	—	(6)
Cash from financing activities		<u>4,418</u>	<u>3,814</u>	<u>899</u>
<b>Cash and cash equivalents</b>				
Change during the year		216	(426)	594
Impact of foreign exchange on cash		(50)	14	(7)
Balance, beginning of year		374	786	199
Balance, end of year		<u>\$ 540</u>	<u>\$ 374</u>	<u>\$ 786</u>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

**NOTE 1. ORGANIZATION AND DESCRIPTION OF THE BUSINESS**

Brookfield Infrastructure Partners L.P. (our “partnership” and, together with its subsidiaries and operating entities, “Brookfield Infrastructure”) owns and operates utilities, transport, energy and data infrastructure businesses in North and South America, Europe and the Asia Pacific region. Our partnership was formed as a limited partnership established under the laws of Bermuda, pursuant to a limited partnership agreement dated May 17, 2007, as amended and restated. Our partnership is a subsidiary of Brookfield Asset Management Inc. (“Brookfield”). Our partnership’s units are listed on the New York Stock Exchange and the Toronto Stock Exchange under the symbols “BIP” and “BIP.UN”, respectively. Our cumulative Class A preferred limited partnership units, Series 1, Series 3, Series 5, Series 7, Series 9 and Series 11 are listed on the Toronto Stock Exchange under the symbols “BIP.PR.A”, “BIP.PR.B”, “BIP.PR.C”, “BIP.PR.D”, “BIP.PR.E” and “BIP.PR.F”, respectively. Our partnership’s registered office is 73 Front Street, Hamilton, HM12, Bermuda.

In these notes to the consolidated financial statements, references to “units” are to the limited partnership units in our partnership other than the preferred units, references to our “preferred units” are to preferred limited partnership units in our partnership and references to our “unitholders” and “preferred unitholders” are to the holders of our units and preferred units, respectively. References to “Class A Preferred Units”, “Series 1 Preferred Units”, “Series 3 Preferred Units”, “Series 5 Preferred Units”, “Series 7 Preferred Units”, “Series 9 Preferred Units” and “Series 11 Preferred Units” are to cumulative Class A preferred limited partnership units, cumulative Class A preferred limited partnership units, Series 1, cumulative Class A preferred limited partnership units, Series 3, cumulative Class A preferred limited partnership units, Series 5, cumulative Class A preferred limited partnership units, Series 7, cumulative Class A preferred limited partnership units, Series 9, and cumulative Class A preferred limited partnership units, Series 11 in our partnership, respectively.

On September 14, 2016, we completed a three-for-two split of our units by way of a subdivision of units (the “Unit Split”), whereby unitholders received an additional one-half of a unit for each unit held, resulting in the issuance of an approximately 115 million additional units. Our preferred units were not affected by the Unit Split. All historical per unit disclosures have been adjusted to effect for the change in units due to the Unit Split.

**NOTE 2. SUBSIDIARIES**

The following provides information about our partnership’s wholly-owned subsidiaries as of December 31, 2018 and 2017:

Defined Name	Name of entity	Country of incorporation	Ownership interest (%)	
			2018	2017
Transport				
Australian rail operation . . . . .	Arc Infrastructure Holdings No. 1 Pty Ltd	Australia	100	100
Energy				
Australian energy distribution operation . . . . .	Tas Gas Networks Pty Ltd	Australia	100	100

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

The following table presents details of non-wholly owned subsidiaries of our partnership:

Defined Name	Name of entity	Country of incorporation	Effective Ownership Interest (%)		Voting interest (%)	
			2018	2017	2018	2017
Utilities						
U.K. regulated distribution operation	BUUK Infrastructure Holdings Limited	U.K.	80	80	80	80
Australian regulated terminal operation	DBCT Management Pty Ltd <sup>(1)</sup>	Australia	71	71	100	100
Colombian regulated distribution operation	Empresa de Energia de Boyaca S.A. <sup>(1)</sup>	Colombia	17	17	100	100
Brazilian regulated gas transmission operation	Nova Transportadora do Sudeste S.A. <sup>(1),(2)</sup>	Brazil	28	28	90	90
Colombian natural gas distribution operation	Gas Natural, S.A. ESP <sup>(1),(2)</sup>	Colombia	16	—	55	—
Transport						
U.K. ports operation	Brookfield Port Acquisitions (UK) Limited <sup>(1)</sup>	U.K.	59	59	100	100
Australian port operation	Linx Cargo Care Group Pty Ltd <sup>(1)</sup>	Australia	27	27	67	67
Chilean toll roads	Sociedad Concesionaria Vespucio Norte Express S.A. <sup>(1)</sup>	Chile	51	51	89	89
Indian toll roads	BIF India Holdings Pte Ltd <sup>(1)</sup>	Singapore	40	40	93	93
Peruvian toll roads	Rutas de Lima S.A.C <sup>(1)</sup>	Peru	17	17	57	57
Indian toll roads	Simhapuri Expressway Limited <sup>(1),(2)</sup>	India	29	—	93	—
Indian toll roads	Rayalseema Expressway Private Limited <sup>(1),(2)</sup>	India	26	—	84	—
Energy						
North American gas storage operation <sup>(6)</sup>	Warwick Gas Storage L.P.	Canada	25	25	100	100
Canadian district energy operation	Enwave Energy Corporation	Canada	25	25	100	100
U.S. district energy operation	Enwave USA	U.S.	40	40	100	100
North American gas storage operation <sup>(6)</sup>	Lodi Gas Storage	U.S.	40	40	100	100
North American gas storage operation <sup>(6)</sup>	Rockpoint Gas Storage Partners L.P.	U.S.	40	40	100	100
Western Canadian natural gas gathering and processing operation	NorthRiver Midstream Inc. <sup>(1),(2)</sup>	Canada	29	—	100	—
North American residential energy infrastructure operation	Enercare Inc. <sup>(1),(2)</sup>	Canada	30	—	100	—

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

### *Data Infrastructure*

U.S. data center operation . . . . .	Dawn Acquisitions LLC <sup>(1),(2)</sup>	U.S.	<b>29</b>	—	<b>100</b>	—
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### *Corporate*

Holding LP . . . . .	Brookfield Infrastructure L.P.	Bermuda	<b>70</b>	70	<b>100</b>	100
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- (1) *For the above noted subsidiaries, our partnership has entered into voting arrangements to provide our partnership with the ability to direct the relevant activities of the investee. Our partnership controls these investees given that our partnership is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Our partnership exercises judgment to determine the level of variability that will achieve control over an investee, particularly in circumstances where our partnership's voting interest differs from its ownership interest in an investee. The following were considered to determine whether our partnership controls these investees: the degree of power (if any) held by other investors, the degree of exposure to variability of each investor, the determination of whether any general partner removal rights are substantive and the purpose and design of the investee.*
- (2) *See Note 6 Acquisition of Businesses for further details.*

## **NOTE 3. SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Statement of Compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

The consolidated financial statements were authorized for issue by the Board of Directors on February 28, 2019.

### **(b) Basis of Preparation**

The consolidated financial statements are prepared on a going concern basis. Standards and guidelines not yet effective for the current accounting period are described in Note 3(s), Future Changes in Accounting Policies.

#### *(i) Subsidiaries*

These consolidated financial statements include the accounts of our partnership and subsidiaries over which our partnership has control. Subsidiaries are consolidated from the date of acquisition, being the date on which our partnership obtains control, and continue to be consolidated until the date when control is lost. Our partnership (investor) controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Together, our partnership and its subsidiaries are referred to as “Brookfield Infrastructure” in these financial statements.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition by acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in partnership capital in addition to changes in ownership interests. Total comprehensive income is attributed to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

Holding LP has issued Redeemable Partnership Units held by Brookfield, which may, at the request of the holder, require the Holding LP to redeem the Redeemable Partnership Units for cash consideration equal to the market price of our partnership's units. This right is subject to our partnership's right of first refusal which entitles it, at its sole discretion, to elect to acquire any Redeemable Partnership Unit so presented to Holding LP in exchange for one of our partnership's units subject to certain customary adjustments.

All intercompany balances, transactions, revenues and expenses are eliminated in full.

*(ii) Associates and Joint Ventures*

Associates and joint ventures are entities over which our partnership has significant influence or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control. Our partnership accounts for investments over which it has significant influence using the equity method, and are recorded as Investments in associates and joint ventures on the Consolidated Statements of Financial Position.

Interests in investments accounted for using the equity method are initially recorded at cost. If the cost of the associate is lower than the proportionate share of the investment's underlying fair value, our partnership records a gain on the difference between the cost and the underlying fair values of the identifiable net assets of the associate. If the cost of the associate is greater than our partnership's proportionate share of the underlying fair value, goodwill and other adjustments arising from the purchase price allocation relating to the associate is included in the carrying amount of the investment. Subsequent to initial recognition, the carrying value of our partnership's interest in an investee is adjusted for our partnership's share of comprehensive income or loss and distributions from the investee.

Profits or losses resulting from transactions with an associate are recognized in the consolidated financial statements based on the interests of unrelated investors in the associate.

**(c) Foreign Currency Translation**

The U.S. dollar is the functional and presentation currency of Brookfield Infrastructure. Each of Brookfield Infrastructure's subsidiaries, associates and jointly controlled entities determines its own functional currency and items included in the financial statements of each subsidiary and associate are measured using that functional currency.

Assets and liabilities of foreign operations having a functional currency other than the U.S. dollar are translated at the rate of exchange prevailing at the reporting date and revenues and expenses at average rates during the period. Gains or losses on translation are included as a component of other comprehensive income. On disposal of a foreign operation resulting in the loss of control, the component of other comprehensive income due to accumulated foreign currency translation relating to that foreign operation is reclassified to net income. Gains or losses on foreign currency denominated balances and transactions that are designated as hedges of net investments in these operations are reported in the same manner. On partial disposal of a foreign operation in which control is retained, the proportionate share of the component of other comprehensive income or loss relating to that foreign operation is reclassified to non-controlling interests in that foreign operation.

## **BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

Foreign currency denominated monetary assets and liabilities are translated using the rate of exchange prevailing at the reporting date and non-monetary assets and liabilities measured at fair value are translated at the rate of exchange prevailing at the date when the fair value was determined. Revenues and expenses are measured at average rates during the period. Gains or losses on translation of these items are included in net income. Gains and losses on transactions which hedge these items are also included in net income or loss. Foreign currency denominated non-monetary assets and liabilities, measured at historic cost, are translated at the rate of exchange at the transaction date.

#### **(d) Business Combinations**

Business acquisitions in which control is acquired are accounted for using the acquisition method, other than those between and among entities under common control. The consideration of each acquisition is measured at the aggregate of the fair values at the acquisition date of assets transferred by the acquirer, liabilities incurred or assumed, and equity instruments issued by Brookfield Infrastructure in exchange for control of the acquiree. Acquisition related costs are recognized in the Consolidated Statement of Operating Results as incurred and included in other expenses.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in fair values are adjusted against the cost of the acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as liabilities will be recognized in the Consolidated Statements of Operating Results, whereas changes in the fair values of contingent consideration classified within partnership capital are not subsequently re-measured.

Where a business combination is achieved in stages, Brookfield Infrastructure's previously held interests in the acquired entity are remeasured to fair value at the acquisition date, that is, the date Brookfield Infrastructure attains control and the resulting gain or loss, if any, is recognized in the Consolidated Statements of Operating Results. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to the Consolidated Statements of Operating Results, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, Brookfield Infrastructure reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

The measurement period is the period from the date of acquisition to the date Brookfield Infrastructure obtains complete information about facts and circumstances that existed as of the acquisition date. The measurement period is subject to a maximum of one year subsequent to the acquisition date.

## **BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

If, after reassessment, Brookfield Infrastructure's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree if any, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37") and the amount initially recognized less cumulative amount of income recognized in accordance with IFRS 15, *Revenue from Contracts with Customers*.

#### **(e) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and short-term investments with original maturities of three months or less.

#### **(f) Accounts Receivable**

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for credit losses.

#### **(g) Property, Plant and Equipment**

Brookfield Infrastructure uses the revaluation method of accounting for all classes of property, plant and equipment. Property, plant and equipment is initially measured at cost and subsequently carried at its revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and any accumulated impairment losses. Revaluations are made on at least an annual basis, and on a sufficient basis to ensure that the carrying amount does not differ significantly from fair value. Where the carrying amount of an asset is increased as a result of a revaluation, the increase is recognized in other comprehensive income or loss and accumulated in equity within the revaluation surplus reserve, unless the increase reverses a previously recognized impairment recorded through net income, in which case that portion of the increase is recognized in net income. Where the carrying amount of an asset is decreased, the decrease is recognized in other comprehensive income to the extent of any balance existing in revaluation surplus in respect of the asset, with the remainder of the decrease recognized in net income. Revaluation gains are included in other comprehensive income, but are not subsequently recycled into profit or loss.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Consolidated Statements of Operating Results. However, any balance accumulated in revaluation surplus is subsequently recorded in retained earnings when an asset is derecognized and not transferred to profit or loss.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

Depreciation of an asset commences when it is available for use. Property, plant and equipment are depreciated on a straight line or declining-balance basis over the estimated useful lives of each component of the assets as follows:

Buildings .....	Up to 75 years
Transmission stations, towers and related fixtures .....	Up to 40 years
Leasehold improvements .....	Up to 50 years
Plant and equipment .....	Up to 40 years
Network systems .....	Up to 65 years
Track .....	Up to 40 years
District energy systems .....	Up to 50 years
Gas storage assets .....	Up to 50 years

Depreciation on property, plant and equipment is calculated on a straight-line or declining-balance basis so as to depreciate the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes recognized on a prospective basis.

**(h) Investment Property**

Brookfield Infrastructure uses the fair value method to account for assets classified as investment property. An asset is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment property is initially measured at cost including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are included in profit or loss.

Fair values are primarily determined by valuation of the lease term and freehold reversion. An income capitalization approach is used by applying a yield to the rental income of the capitalization rate is reflective of the characteristics, location and market of each property. Fair value is estimated by management of our partnership with due consideration given to observable market inputs, where available.



## **BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

#### **(i) Asset Impairment**

At each reporting date Brookfield Infrastructure assesses whether for assets, other than those measured at fair value with changes in values recorded in profit or loss, there is any indication that such assets are impaired. This assessment includes a review of internal and external factors which includes, but is not limited to, changes in the technological, political, economic or legal environment in which the entity operates in, structural changes in the industry, changes in the level of demand, physical damage and obsolescence due to technological changes. An impairment is recognized if the recoverable amount, determined as the higher of the estimated fair value less costs of disposal or the discounted future cash flows generated from use and eventual disposal from an asset or cash generating unit is less than its carrying value. The projections of future cash flows take into account the relevant operating plans and management's best estimate of the most probable set of conditions anticipated to prevail. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

#### **(j) Intangible Assets**

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Brookfield Infrastructure's intangible assets are comprised primarily of conservancy rights, service concession arrangements, customer order backlogs and customer contracts and relationships.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization unless indefinite-lived and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Public service concessions that provide Brookfield Infrastructure the right to charge users for a service in which the service and fee is regulated by the grantor are accounted for as an intangible asset under IFRIC 12, *Service Concession Arrangements*.

Concession arrangements were acquired as part of the acquisition of the Australian regulated terminal operation, Brazilian regulated gas transmission, and Chilean, Indian and Peruvian toll roads and were initially recognized at their fair values. The intangible asset at the Australian regulated terminal operation relates to use of a specific coal port terminal for a contractual length of time and is amortized over the life of the contractual arrangement with 82 years remaining on a straight-line basis. The intangible assets at the Brazilian regulated gas transmission operation relate to pipeline concession contracts, amortized on a straight-line basis over the life of the contractual arrangement. The intangible assets at the Chilean, Indian and Peruvian toll roads relate to the right to operate a road and charge users a specified tariff for a contractual length of time and is amortized over the life of the contractual arrangement with an average of 15, 15, and 24 years remaining, respectively.

The conservancy right was acquired as part of the acquisition of the U.K. port operation and was recorded at its fair value. As a right in perpetuity issued by the Statutory Harbour Authority in the U.K., the conservancy right is classified as having an indefinite life and is subject to an annual impairment assessment.

## **BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

The customer order backlog was acquired as part of the acquisition of the U.K. regulated distribution operation and was initially recorded at its fair value. The customer order backlog represents the present value of future earnings derived from the build out of contracted connections at the acquisition date of the U.K. regulated distribution operation. The customer order backlog is amortized over its estimated useful life of 15 years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

#### **(k) Goodwill**

Goodwill represents the excess of the price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets and liabilities acquired. Goodwill is allocated to the cash generating unit or units to which it relates. Brookfield Infrastructure identifies cash generating units as identifiable groups of assets that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill is evaluated for impairment annually or more often if events or circumstances indicate there may be impairment. Impairment is determined for goodwill by assessing if the carrying value of a cash generating unit, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs of disposal or the value in use. Impairment losses recognized in respect of a cash generating unit are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the cash generating unit. Any goodwill impairment is charged to profit or loss in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. In the year of a business acquisition, the recoverability of the acquired goodwill is assessed by revisiting the assumptions of the related underwriting model.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal of the operation.

#### **(l) Revenue Recognition**

Our partnership has adopted IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") as of January 1, 2018 retrospectively with no restatement of comparative periods. IFRS 15 specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. This standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. IFRS 15 supersedes IAS 18, Revenue, IAS 11, Construction Contracts and a number of revenue-related interpretations. IFRS 15 applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.

Our partnership recognizes revenue when it transfers control of a product or service to a customer.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

Brookfield Infrastructure recognizes revenue when the specific criteria have also been met for each of Brookfield Infrastructure's activities as described below. Cash received by Brookfield Infrastructure from customers is recorded as deferred revenue until revenue recognition criteria are met.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

***Utilities***

Revenue from utilities infrastructure is derived from the transmission of energy and natural gas, the distribution of energy and from Brookfield Infrastructure's Australian regulated terminal operation. Distribution and transmission revenue each contain a single performance obligation that is recognized over time. The connection revenue relating to Brookfield Infrastructure's regulated distribution operation contains a distinct performance obligation that is recognized over the period that the connection is constructed, based on an input method of progress recognition on the basis that this methodology is most reflective of the underlying transfer of control. Terminal infrastructure revenue contains both a capacity charge and a handling charge associated with operating the terminal. The terminal infrastructure service contracts contain a performance obligation recognized over time pertaining to capacity for the period the services are provided and for handling services based on tons of coal shipped through the terminal when service is provided. The payment terms for all of our businesses in the utilities segment require payment upon completion, except for connections income whereby payment is typically collected up-front prior to the completion of any services.

***Transport***

Revenue from transport infrastructure consists primarily of freight, toll road operations and transportation services revenue. These services consist of a single performance obligation and revenue is recognized over time when services are rendered, based primarily on usage or volume during the period. The payment terms for all of our businesses in the transport segment require payment upon completion of the underlying transportation service.

***Energy***

Revenue from energy infrastructure consists primarily of natural gas midstream and storage services and distributed energy control infrastructure. Natural gas midstream services revenue consists of a single performance obligation and is recognized over time as services are rendered, based primarily on volume throughput or contracted capacity. Gas storage revenues contain both a capacity charge and a variable charge, however the associated services are highly interdependent and represent a single performance obligation that is satisfied over time as the services are provided. Performance obligations relating to distributed energy control contracts are satisfied over time as the services are rendered. The sale of district energy solutions to customers contains a distinct performance obligation and revenue is recognized when installation is completed. The payment terms for all of our businesses in the energy segment require payment upon completion of the underlying service within a given period.

***Data Infrastructure***

Revenue from data infrastructure is derived from contracts with media broadcasting and telecom customers to access infrastructure. These contracts consist of performance obligations that are satisfied over time in accordance with the underlying agreements. The payment terms for our businesses in the data infrastructure segment require upfront and recurring payments to utilize space on towers to host the customers' equipment. The differing payment terms do not constitute separate performance obligations as revenue is recognized over time for the period the services are provided.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

**(m) Financial Instruments and Hedge Accounting**

*(i) Financial Instrument Classification*

Our partnership has adopted IFRS 9, *Financial Instruments* (“IFRS 9”) as of January 1, 2018 retrospectively with no restatement of comparative periods. IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows. The standard includes changes regarding the classification of certain financial instruments as discussed below. These changes have not had a material impact on our partnership’s consolidated financial statements. The standard also includes a new general hedge accounting standard which aligns hedge accounting more closely with an entity’s risk management activities. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it allows more hedging strategies that are used for risk management purposes to qualify for hedge accounting and introduces more judgment to assess the effectiveness of a hedging relationship.

Our partnership classifies cash and cash equivalents and accounts receivable and other as amortized cost. Additionally, our partnership maintains a portfolio of marketable securities comprised of liquid equity and debt securities. The marketable securities are classified either as fair value through other comprehensive income (“FVTOCI”) or fair value through profit or loss (“FVTPL”). Derivative assets are classified as FVTPL, except for derivatives in certain hedging relationships. Other financial assets are classified as either amortized cost or FVTOCI.

Financial assets classified as FVTPL or FVTOCI are subsequently measured at fair value at each reporting date. For financial assets classified as FVTPL, the change in fair value is recorded through profit or loss. For financial assets classified as FVTOCI, the change in fair value is recorded in other comprehensive income. The cumulative gains or losses related to FVTOCI equity instruments are not reclassified to profit or loss on disposal, whereas the cumulative gains or losses on all other FVTOCI assets are reclassified to profit or loss on disposal. For financial instruments at amortized cost or debt instruments at FVTOCI, the partnership assesses if there have been significant increases in credit risk since initial recognition to determine whether lifetime or 12-month expected credit losses should be recognized. Any related loss allowances are recorded through profit or loss.

Borrowings, accounts payable and other, and preferred shares are classified as amortized cost, except for derivatives embedded in related financial instruments. Embedded derivatives and any other derivative liabilities are classified as FVTPL and are subsequently measured at fair value, except for derivatives in certain hedging relationships. Other financial liabilities are classified as either FVTPL or amortized cost.

Financial instruments classified as amortized cost upon adoption of IFRS 9—Financial Instruments (“IFRS 9”) were previously classified as loans and receivables. Financial assets classified as FVTOCI and certain marketable securities classified as FVTPL were previously classified as available-for-sale securities. The changes in classification had no impact on the carrying values and there were no changes to the classification of the remainder of financial assets classified as FVTPL.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

*(ii) Hedge Accounting*

Brookfield Infrastructure selectively utilizes derivative financial instruments primarily to manage financial risks, including interest rate and foreign exchange risks. Derivative financial instruments are recorded at fair value. Hedge accounting is applied when the derivative is designated as a hedge of a specific exposure and that the hedging relationship meets all of the hedge effectiveness requirements. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as a hedge or the hedging relationship is terminated. Once discontinued, the cumulative change in fair value of a derivative that was previously recorded in other comprehensive income by the application of hedge accounting is recognized in profit or loss over the remaining term of the original hedging relationship as amounts related to the hedged item are recognized in profit or loss. The assets or liabilities relating to unrealized mark-to-market gains and losses on derivative financial instruments are recorded in financial assets and financial liabilities, respectively.

Realized and unrealized gains and losses on foreign exchange contracts, designated as hedges of currency risks relating to a net investment in a subsidiary with a functional currency other than the U.S. dollar are included in equity and are included in net income in the period in which the subsidiary is disposed of or to the extent partially disposed and control is not retained. Derivative financial instruments that are designated as hedges to offset corresponding changes in the fair value of assets and liabilities and cash flows are measured at estimated fair value with changes in fair value recorded in profit or loss or as a component of equity as applicable.

Unrealized gains and losses on interest rate contracts designated as hedges of future variable interest payments are included in equity as a cash flow hedge when the interest rate risk relates to an anticipated variable interest payment. The periodic exchanges of payments on interest rate swap contracts designated as hedges of debt are recorded on an accrual basis as an adjustment to interest expense.

**(n) Income Taxes**

Income tax expense represents the sum of the tax accrued in the period and deferred income tax.

*(i) Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries based on the tax rates and laws enacted or substantively enacted at the reporting date. Current income tax relating to items recognized directly in partnership capital are also recognized directly in partnership capital and other comprehensive income.

## **BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

#### *(ii) Deferred income tax*

Deferred income tax liabilities are provided for using the liability method on temporary differences between the tax bases used in the computation of taxable income and carrying amounts of assets and liabilities in the consolidated financial statements. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. Such deferred income tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income, other than in a business combination. The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the income tax asset will be recovered.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where Brookfield Infrastructure is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and assets reflect the tax consequences that would follow from the manner in which Brookfield Infrastructure expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority within a single taxable entity or Brookfield Infrastructure intends to settle its current tax assets and liabilities on a net basis in the case where there exist different taxable entities in the same taxation authority and when there is a legally enforceable right to set off current tax assets against current tax liabilities.

#### **(o) Assets Held for Sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification subject to limited exceptions.

When Brookfield Infrastructure is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether Brookfield Infrastructure will retain a non-controlling interest in its former subsidiary after the sale.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Non-current assets classified as held for sale and the assets of a disposal group are presented separately from other assets in the Consolidated Statements of Financial Position and are classified as current. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Consolidated Statements of Financial Position.

Once classified as held for sale, property, plant and equipment and intangible assets are not depreciated or amortized, respectively.

**(p) Provisions**

Provisions are recognized when Brookfield Infrastructure has a present obligation, either legal or constructive, as a result of a past event, it is probable that Brookfield Infrastructure will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**(q) Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

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

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

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 and estimates made by management and utilized in the normal course of preparing Brookfield Infrastructure's consolidated financial statements are outlined below.

*(i) Common control transactions*

IFRS 3 (2008) *Business Combinations* does not include specific measurement guidance for transfers of businesses or subsidiaries between entities under common control. Accordingly, Brookfield Infrastructure has developed a policy to account for such transactions taking into consideration other guidance in the IFRS framework and pronouncements of other standard-setting bodies. Brookfield Infrastructure's policy is to record assets and liabilities recognized as a result of transactions between entities under common control at the carrying value on the transferor's financial statements, and to have the Consolidated Statements of Financial Position, Consolidated Statements of Operating Results, Consolidated Statements of Comprehensive Income and Statements of Cash Flows reflect the results of combining entities for all periods presented for which the entities were under the transferor's common control, irrespective of when the combination takes place.

*(ii) Financial instruments*

Brookfield Infrastructure's accounting policies relating to derivative financial instruments are described in Note 3(m), Financial Instruments and Hedge Accounting. The critical judgments inherent in these policies 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 company relative to its counterparties; the credit risk of our partnership and counterparty; estimated future cash flows; and discount rates.

*(iii) Revaluation of property, plant and equipment*

Property, plant and equipment is revalued on a regular basis. The critical estimates and assumptions underlying the valuation of property, plant and equipment are set out in Note 13, Property, Plant and Equipment.

*(iv) Fair values in business combinations*

Brookfield Infrastructure accounts for business combinations using the acquisition method of accounting. This method requires the application of fair values for both the consideration given and the assets and liabilities acquired. The calculation of fair values is often predicated on estimates and judgments including future cash flows discounted at an appropriate rate to reflect the risk inherent in the acquired assets and liabilities (refer to Note 6, Acquisition of Businesses for details of business combinations). 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 at the reporting date, this is disclosed in the financial statements, including observations on the estimates and judgments made as of the reporting date.



**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

*(v) Assets held for sale*

Brookfield Infrastructure applies judgment to determine whether an asset or disposal group is available for immediate sale in its present condition and that its sale is highly probable and therefore should be classified as held for sale at the balance sheet date. Conditions that support a highly probable sale include the following: an appropriate level of management is committed to a plan to sell the asset or disposal group, an active program to locate a buyer is initiated, the asset is being actively marketed for sale at a price reasonable in relation to its fair value, the sale is highly probable within 12 months of classification as held for sale, and actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

*(vi) Impairment of goodwill, intangibles with indefinite lives and investment in associates and joint ventures*

The impairment assessment of goodwill and intangible assets with indefinite lives requires estimation of the value-in-use or fair value less costs of disposal of the cash-generating units or groups of cash generating units to which goodwill or the intangible asset has been allocated. Brookfield Infrastructure uses the following critical assumptions and estimates: the circumstances that gave rise to the goodwill, timing and amount of future cash flows expected from the cash-generating units; discount rates; terminal capitalization rates; terminal valuation dates and useful lives.

The impairment assessment of investments in associates and joint ventures requires estimation of the recoverable amount of the asset.

Other estimates utilized in the preparation of our partnership's financial statements are: depreciation and amortization rates and useful lives; recoverable amount of goodwill and intangible assets; ability to utilize tax losses and other tax measurements.

Other critical judgments utilized in the preparation of our partnership's financial statements include the methodologies for calculating amortization, determination of operating segments and determination of control.

**(r) Recently adopted accounting standards**

Brookfield Infrastructure applied, for the first time, certain new standards applicable to our partnership that became effective January 1, 2018. The impact of adopting these new standards on our partnership's accounting policies are as follows:

***IFRS 15 Revenue from Contracts with Customers ("IFRS 15")***

Our partnership adopted the standard on January 1, 2018, on a modified retrospective basis. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. Brookfield Infrastructure's accounting policies related to revenue are described in Note 3(l), Revenue Recognition. Apart from additional disclosure requirements, the adoption did not have a significant impact on our partnership's consolidated financial statements and therefore has not been included in the "Cumulative effect of changes" section below.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

***IFRS 9 Financial Instruments (“IFRS 9”)***

Our partnership has adopted IFRS 9 as of January 1, 2018 retrospectively with no restatement of comparative periods. Certain hedge accounting relationships relating to aggregated foreign currency exposures now qualify for hedge accounting under this new standard. Consequently, our partnership has applied hedge accounting to these relationships prospectively commencing on January 1, 2018. In addition, our partnership has elected certain gas storage contracts to be measured at fair value through profit or loss. A cumulative catch-up adjustment has been recorded through equity upon initial adoption as described in the cumulative effect of changes section. Brookfield Infrastructure’s accounting policies related to financial instruments are described in Note 3(m), Financial Instruments and Hedge Accounting.

***IFRIC 22 Foreign Currency Transactions (“IFRIC 22”)***

In December 2016, the IASB issued IFRIC 22, effective for annual periods beginning on or after January 1, 2018. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. Our partnership has adopted the standard as of January 1, 2018 prospectively. The adoption did not have a significant impact on our partnership’s consolidated financial statements.

***Cumulative effect of changes***

The changes made to our January 1, 2018 consolidated statement of financial position for the adoption of IFRS 9 was driven by our North American gas storage business, which elected to account for certain physical commodity contracts as financial instruments under IFRS 9. This election resulted in the recognition of the contracts as financial assets or financial liabilities at fair value and the cumulative mark-to-market gains directly in partnership capital. The impacts of this election were increases of \$25 million, \$9 million and \$16 million in total assets, total liabilities and total partnership capital, respectively.

The adoption of all other accounting standards did not have an impact to our January 1, 2018 assets, liabilities or partnership capital.

**(s) Future Changes in Accounting Policies**

***Standards issued but not yet adopted***

***IFRS 16 Leases—(“IFRS 16”)***

In January 2016, the IASB published a new standard, IFRS 16. The new standard brings most leases on balance sheet, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17, Leases and related interpretations and is effective for periods beginning on or after January 1, 2019.

## **BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

Our partnership is adopting the standard using a modified retrospective approach, whereby any transitional impact is recorded in equity as at January 1, 2019, and comparative periods are not restated. We will apply certain transition reliefs, practical expedients and policy choice options on adoption of the new standard. Specifically, we have elected to apply practical expedients associated with short-term leases.

After leading strategic planning sessions with its subsidiaries and associates, our partnership implemented an adoption project plan. Using the population of existing contractual arrangements, we have completed the identification of leases that are required to be recognized in the Consolidated Statements of Financial Position under the new standard. Additionally, our partnership has substantially completed quantifying the present value of the identified lease contracts to determine the impact on adoption, except for acquisitions that closed in the fourth quarter of 2018. At this time, our partnership has nearly finalized the documented analysis and assessment of the potential impact to IT systems and internal controls and has drafted a preliminary version of the disclosures required by the new standard.

The estimated range of the transitional impact of the new standard, excluding the impact of acquisitions closed in the last quarter of the year, are increases in total assets and liabilities of \$0.4 billion to \$0.6 billion, and no significant impact to partnership capital. These are preliminary estimates and subject to change as we complete our adoption procedures. Certain acquisitions completed in the last quarter of the year include significant lease arrangements and given proximity of the closing date to our fiscal year end we are still in the progress of completing the evaluation and quantification of impact, which could be significant.

*Interpretations and amendments issued but not yet adopted*

#### ***IFRIC 23 Uncertainty over Income Tax Treatments—(“IFRIC 23”)***

In June 2017, the IASB published IFRIC 23, effective for annual periods beginning on or after January 1, 2019. The interpretation requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. An entity also has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The interpretation may be applied on either a fully retrospective basis or a modified retrospective basis without restatement of comparative information. The interpretation will be adopted on a modified retrospective basis and it is not anticipated that the impact will be material.

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

### *IFRS 3 Business Combinations (“IFRS 3”)*

In October 2018, the IASB issued an amendment to IFRS 3, effective for annual periods beginning on or after January 1, 2020. The amendment clarifies the definition of a business and assists companies in determining whether an acquisition is a business combination or an acquisition of a group of assets. The amendment emphasizes that the output of a business is to provide goods and services to customers and also provides supplementary guidance. Our partnership will adopt the standard prospectively and is currently evaluating the impact of this amendment on its consolidated financial statements.

### NOTE 4. SEGMENT INFORMATION

IFRS 8, *Operating Segments*, requires operating segments to be determined based on information that is regularly reviewed by the Executive Management and the Board of Directors for the purpose of allocating resources to the segment and to assess its performance. Key measures used by the Chief Operating Decision Maker (“CODM”) in assessing performance and in making resource allocation decisions are Funds from Operations (“FFO”) and adjusted earnings before interest, tax, depreciation and amortization (“Adjusted EBITDA”), which enable the determination of return on the equity deployed. FFO is calculated as net income excluding the impact of depreciation and amortization, deferred income taxes, breakage and transaction costs, and non-cash valuation gains or losses. Adjusted EBITDA is calculated as net income excluding the impact of depreciation and amortization, interest expense, current and deferred income taxes, breakage and transaction costs, and non-cash valuation gains or losses.

FOR THE YEAR ENDED DECEMBER 31, 2018 US\$ MILLIONS	Total attributable to Brookfield Infrastructure						Contribution from investments in associates	Attributable to non- controlling interest	As per IFRS financials <sup>(2)</sup>
	Utilities	Transport	Energy	Data Infrastructure <sup>(1)</sup>	Corporate	Total			
Revenues <sup>(3)</sup>	\$ 1,055	\$ 1,612	\$ 668	\$ 170	\$ —	\$ 3,505	\$ (1,524)	\$ 2,671	\$ 4,652
Costs attributed to revenues	(322)	(930)	(340)	(77)	—	(1,669)	833	(1,372)	(2,208)
General and administrative costs	—	—	—	—	(223)	(223)	—	—	(223)
Adjusted EBITDA	733	682	328	93	(223)	1,613	(691)	1,299	
Other (expense) income	(30)	2	22	(4)	72	62	11	(107)	(34)
Interest expense	(127)	(166)	(81)	(12)	(58)	(444)	134	(245)	(555)
FFO	576	518	269	77	(209)	1,231	(546)	947	
Depreciation and amortization	(187)	(345)	(154)	(72)	—	(758)	370	(413)	(801)
Deferred taxes	(49)	47	(3)	7	10	12	(44)	(14)	(46)
Mark-to-market on hedging items and other	(82)	(208)	(73)	(6)	85	(284)	233	(124)	(175)
Gain on sale of associate, net of tax	—	—	—	—	209	209	—	—	209
Share of losses from associates	—	—	—	—	—	—	(13)	—	(13)
Net income attributable to non-controlling interest	—	—	—	—	—	—	—	(396)	(396)
<b>Net income attributable to partnership<sup>(4)</sup></b>	<b>\$ 258</b>	<b>\$ 12</b>	<b>\$ 39</b>	<b>\$ 6</b>	<b>\$ 95</b>	<b>\$ 410</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 410</b>

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

FOR THE YEAR ENDED DECEMBER 31, 2017 US\$ MILLIONS	Total attributable to Brookfield Infrastructure						Contribution from investments in associates	Attributable to non- controlling interest	As per IFRS financials <sup>(2)</sup>
	Utilities	Transport	Energy	Data Infrastructure <sup>(1)</sup>	Corporate	Total			
Revenues <sup>(3)</sup> . . . . .	\$ 988	\$ 1,589	\$ 559	\$ 165	\$ —	\$ 3,301	\$ (1,624)	\$ 1,858	\$ 3,535
Costs attributed to revenues . .	(250)	(895)	(278)	(75)	—	(1,498)	861	(872)	(1,509)
General and administrative costs . . . . .	—	—	—	—	(239)	(239)	—	—	(239)
Adjusted EBITDA . . . . .	738	694	281	90	(239)	1,564	(763)	986	
Other income (expense) . . . . .	(14)	(4)	15	(2)	45	40	7	(108)	(61)
Interest expense . . . . .	(114)	(158)	(87)	(12)	(63)	(434)	172	(166)	(428)
FFO . . . . .	610	532	209	76	(257)	1,170	(584)	712	
Depreciation and amortization . . . . .	(186)	(312)	(151)	(77)	—	(726)	382	(327)	(671)
Deferred taxes . . . . .	(52)	(1)	11	21	14	(7)	(22)	(38)	(67)
Mark-to-market on hedging items and other . . . . .	(59)	(80)	(37)	(9)	(127)	(312)	106	102	(104)
Share of earnings from associates . . . . .	—	—	—	—	—	—	118	—	118
Net income attributable to non-controlling interest . . .	—	—	—	—	—	—	—	(449)	(449)
Net income (loss) attributable to partnership <sup>(4)</sup> . . . . .	<u>\$ 313</u>	<u>\$ 139</u>	<u>\$ 32</u>	<u>\$ 11</u>	<u>\$ (370)</u>	<u>\$ 125</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 125</u>

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

FOR THE YEAR ENDED DECEMBER 31, 2016 US\$ MILLIONS	Total attributable to Brookfield Infrastructure						Contribution from investments in associates	Attributable to non- controlling interest	As per IFRS financials <sup>(2)</sup>
	Utilities	Transport	Energy	Data Infrastructure <sup>(1)</sup>	Corporate	Total			
Revenues <sup>(3)</sup>	684	1,247	496	163	—	2,590	(1,311)	836	2,115
Costs attributed to revenues	(160)	(650)	(220)	(72)	—	(1,102)	651	(612)	(1,063)
General and administrative costs	—	—	—	—	(166)	(166)	—	—	(166)
Adjusted EBITDA	524	597	276	91	(166)	1,322	(660)	224	
Other income (expense)	5	(17)	8	(2)	84	78	16	1	95
Interest expense	(130)	(157)	(109)	(12)	(48)	(456)	190	(126)	(392)
FFO	399	423	175	77	(130)	944	(454)	99	
Depreciation and amortization	(154)	(253)	(128)	(74)	—	(609)	328	(166)	(447)
Deferred taxes	5	26	(38)	29	(17)	5	9	4	18
Mark-to-market on hedging items and other	(88)	10	81	(5)	149	147	(131)	104	120
Share of earnings from associates	—	—	—	—	—	—	248	—	248
Net income attributable to non-controlling interest	—	—	—	—	—	—	—	(41)	(41)
Net income attributable to partnership <sup>(4)</sup>	162	206	90	27	2	487	—	—	487

- (1) During the second quarter of 2018, our Communications Infrastructure segment was renamed to Data Infrastructure. There was no concurrent change in the operations which comprise the segment.
- (2) The above table provides each segment's results in the format that management organizes its reporting segments to make operating decisions and assess performance. Each segment is presented on a proportionate basis, taking into account Brookfield Infrastructure's ownership in operations accounted for using the consolidation and equity methods under IFRS. The above table reconciles Brookfield Infrastructure's proportionate results to our partnership's Consolidated Statements of Operating Results on a line by line basis by aggregating the components comprising the earnings from our partnership's investments in associates and reflecting the portion of each line item attributable to non-controlling interests.
- (3) Revenues on a consolidated basis were \$2,563 million (2017: \$1,785 million, 2016: \$825 million) from our utilities segment, \$1,322 million (2017: \$1,290 million, 2016: \$892 million) from our transport segment and \$767 million (2017: \$460 million, 2016: \$398 million) from our energy segment.
- (4) Includes net income (loss) attributable to non-controlling interests—Redeemable Partnership Units held by Brookfield, non-controlling interests—Exchange LP Units, general partner and limited partners.

### Segment assets

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

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

The following is an analysis of Brookfield Infrastructure's assets by reportable operating segment:

AS AT DECEMBER 31, 2018 US\$ MILLIONS	Total Attributable to Brookfield Infrastructure						Contribution from investments in associates	Attributable to non- controlling interest	Working capital adjustment and other	As per IFRS financials on F-5 <sup>(1)</sup>
	Utilities	Transport	Energy	Data Infrastructure	Corporate	Brookfield Infrastructure				
Total assets	\$ 4,864	\$ 6,424	\$ 4,722	\$ 1,446	\$ (929)	\$ 16,527	\$ (2,350)	\$ 17,545	\$ 4,858	\$ 36,580

AS AT DECEMBER 31, 2017 US\$ MILLIONS	Total Attributable to Brookfield Infrastructure						Contribution from investments in associates	Attributable to non- controlling interest	Working capital adjustment and other	As per IFRS financials on F-5 <sup>(1)</sup>
	Utilities	Transport	Energy	Data Infrastructure	Corporate	Brookfield Infrastructure				
Total assets	\$ 6,542	\$ 6,990	\$ 3,134	\$ 1,049	\$ (1,083)	\$ 16,632	\$ (3,134)	\$ 11,668	\$ 4,311	\$ 29,477

(1) The above table provides each segment's assets in the format that management organizes its reporting segments to make operating decisions and assess performance. Each segment is presented on a proportionate basis, taking into account Brookfield Infrastructure's ownership in operations using consolidation and the equity method whereby our partnership either controls or exercises significant influence over the investment respectively. The above table reconciles Brookfield Infrastructure's proportionate assets to total assets presented on our partnership's Consolidated Statements of Financial Position by removing net liabilities contained within investments in associates and joint ventures and reflecting the assets attributable to non-controlling interests, and adjusting for working capital assets which are netted against working capital liabilities.

## Geographic Information

### Revenues from external customers

Substantially all of our partnership's revenues are recognized over time as services are rendered. The following table disaggregates revenues by geographical region.

US\$ MILLIONS	2018	2017	2016
Brazil	\$ 1,112	\$ 938	\$ —
Australia	1,104	1,093	793
Colombia	693	161	150
United Kingdom	653	565	566
Canada	379	193	163
United States of America	293	183	154
Chile	168	153	127
Peru	92	103	97
India	60	57	39
Other	98	89	26
	<u>\$ 4,652</u>	<u>\$ 3,535</u>	<u>\$ 2,115</u>

Brookfield Infrastructure's customer base is comprised predominantly of investment grade companies. Our revenues are well diversified by region and counterparty with only one customer that makes up greater than 10% of our partnership's consolidated revenues. For the year ended December 31, 2018, revenue generated from this customer within the utilities segment was \$1,112 million (2017: \$938 million).

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

**Non-current assets**

<u>US\$ MILLIONS</u>	<u>2018</u>	<u>2017</u>
Canada .....	\$ 6,867	\$ 1,468
Brazil .....	6,829	8,184
Australia .....	5,304	5,770
United Kingdom .....	4,708	4,431
United States of America .....	4,569	2,818
Colombia .....	1,857	764
Peru .....	1,308	1,356
India .....	982	256
Europe .....	863	836
Chile .....	940	2,045
Other .....	77	37
	<u>\$ 34,304</u>	<u>\$ 27,965</u>

**NOTE 5. DISPOSITION OF CHILEAN ELECTRICITY TRANSMISSION OPERATION**

On March 15, 2018, Brookfield Infrastructure sold its 27.8% interest in a Chilean electricity transmission operation, ETC Transmission Holdings, S.L. (ETC Holdings), the parent company of Transelec S.A. The Chilean electricity transmission operation was previously included in the utilities operating segment and was sold to a third party for total proceeds of \$1.3 billion. After recognizing our share of earnings and foreign currency translation until March 15, 2018, the partnership's carrying value of ETC Holdings was \$951 million. On disposition of the business, the partnership recognized a gain of \$338 million in the Consolidated Statement of Operating Results, net of transaction costs of \$11 million, along with the associated income tax expense of \$129 million. As a result of the disposition, accumulated revaluation surplus of \$641 million (net of tax) was reclassified from accumulated other comprehensive income directly to retained earnings and recorded within Other items on the Consolidated Statements of Partnership Capital. Accumulated other comprehensive losses of \$35 million were reclassified to share of earnings (losses) from associates and joint ventures on the Consolidated Statement of Operating Results.



# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

### NOTE 6. ACQUISITION OF BUSINESSES

#### a) Acquisition of Evoque Data Center Solutions

On December 31, 2018, Brookfield Infrastructure, alongside institutional partners (the “Evoque consortium”), acquired an effective 29% interest in AT&T’s large-scale data center business for total consideration of \$315 million (Evoque consortium total of \$1,103 million). Under Brookfield’s ownership, the business was renamed Evoque Data Center Solutions (“Evoque”). The acquisition was funded through equity of \$164 million (Evoque consortium total of \$577 million of which \$413 million was provided by non-controlling interests subsequent to year-end), and \$151 million (Evoque consortium total of \$526 million) of asset level debt raised on closing. Concurrently, Brookfield Infrastructure entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to direct the relevant activities of the entity, thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity effective December 31, 2018. Acquisition costs of \$10 million were recorded as Other (expense) income within the Consolidated Statements of Operating Results in 2018.

*Consideration transferred*

#### US\$ MILLIONS

Cash .....	<u>\$ 315</u>
<b>Total Consideration .....</b>	<b><u>\$ 315</u></b>

*Fair value of assets and liabilities acquired as of December 31, 2018 (provisional)<sup>(1)</sup>:*

#### US\$ MILLIONS

Accounts receivable and other .....	\$ 3
Property, plant and equipment .....	440
Intangible assets .....	221
Goodwill .....	463
Accounts payable and other liabilities .....	<u>(24)</u>
Net assets acquired before non-controlling interest .....	1,103
Non-controlling interest <sup>(2)</sup> .....	<u>(788)</u>
Net assets acquired .....	<b><u>\$ 315</u></b>

(1) The fair values of all acquired assets and liabilities for this operation have been determined on a provisional basis given the proximity of the acquisition to the reporting date. Our partnership is in the process of obtaining additional information primarily related to the fair value of property, plant and equipment, intangible assets, goodwill and provisions as at the date of acquisition.

(2) Non-controlling interest represents the consideration paid for the interest not acquired by Brookfield Infrastructure, measured at fair value at the acquisition date.

The goodwill recorded on acquisition is largely reflective of potential customer growth, arising from the business’ position as one of the largest colocation providers in the United States and the increasing rate of worldwide data consumption. All of the goodwill recognized is deductible for income tax purposes.

For the year ended December 31, 2018, Evoque contributed revenues of \$nil and net income of \$nil.

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

### b) Acquisition of Rayalseema Expressway Private Limited (“REPL”)

On November 5, 2018, Brookfield Infrastructure, alongside institutional partners (the “REPL consortium”), acquired an effective 26% interest in an Indian toll road business, REPL, for total consideration of \$5 million (REPL consortium total of \$16 million). The consideration consists of \$3 million in cash (REPL consortium total of \$10 million) and contingent consideration of \$2 million (REPL consortium total of \$6 million), measured at fair value based on a probability-weighted average. Brookfield Infrastructure entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to direct the relevant activities of the entity, thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity effective November 5, 2018. Acquisition costs of less than \$1 million were recorded as Other (expense) income within the Consolidated Statements of Operating Results in 2018.

#### *Consideration transferred*

##### US\$ MILLIONS

Cash .....	\$ 3
Contingent consideration .....	2
<b>Total Consideration .....</b>	<b><u><u>\$ 5</u></u></b>

#### *Fair value of assets and liabilities acquired as of November 5, 2018 (provisional)<sup>(1)</sup>:*

##### US\$ MILLIONS

Accounts receivable and other .....	\$ 3
Intangible assets .....	226
Accounts payable and other liabilities .....	(60)
Non-recourse borrowings .....	(151)
Net assets acquired before non-controlling interest .....	18
Non-controlling interest <sup>(2)</sup> .....	(13)
Net assets acquired .....	<b><u><u>\$ 5</u></u></b>

(1) The fair values of certain acquired assets and liabilities for this operation have been determined on a provisional basis given the proximity of the acquisition to the reporting date. Our partnership is in the process of obtaining additional information primarily related to the fair value of intangible assets and provisions as at the date of acquisition.

(2) Non-controlling interest represents the consideration paid for the interest not acquired by Brookfield Infrastructure, measured at fair value at the acquisition date.

For the year ended December 31, 2018, REPL contributed revenues of \$2 million and net income of \$nil.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

**c) Acquisition of Enercare Inc.**

On October 16, 2018, Brookfield Infrastructure, alongside institutional partners (the “Enercare consortium”), acquired an effective 30% interest in Enercare Inc. (“Enercare”), a North American residential energy infrastructure business, for total consideration of \$723 million (Enercare consortium total of \$2.4 billion). As part of the transaction, certain Enercare shareholders were given the right to elect to receive, in lieu of cash consideration, 0.5509 exchangeable units (“Exchange LP Units”) to be issued by a subsidiary of our partnership (“Exchange LP”) for each share of Enercare Inc. The Exchange LP Units provide holders with economic terms that are substantially equivalent to those of our units and are exchangeable, on a one-for-one basis, for units of our partnership. The acquisition was funded through equity of \$427 million (Enercare consortium total of \$2.0 billion), \$232 million of Exchange LP Units (5.7 million units issued by Exchange LP), and \$64 million (Enercare consortium total of \$216 million) of asset level debt raised on closing. Concurrently, Brookfield Infrastructure entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to direct the relevant activities of the entity, thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity effective October 16, 2018. Acquisition costs of \$4 million were recorded as Other (expense) income within the Consolidated Statements of Operating Results in 2018.

*Consideration transferred*

**US\$ MILLIONS**

Cash	\$ 491
Exchange LP Units	232
<b>Total Consideration</b>	<b><u>\$ 723</u></b>

*Fair value of assets and liabilities acquired as of October 16, 2018 (provisional)<sup>(1)</sup>:*

**US\$ MILLIONS**

Cash and cash equivalents	\$ 24
Accounts receivable and other	187
Property, plant and equipment	669
Intangible assets <sup>(2)</sup>	1,863
Inventory	23
Goodwill	1,260
Accounts payable and other liabilities	(235)
Deferred income tax liabilities	(472)
Non-recourse borrowings	(877)
Net assets acquired before non-controlling interest	2,442
Non-controlling interest <sup>(3)</sup>	(1,719)
Net assets acquired	<b><u>\$ 723</u></b>

(1) The fair values of certain acquired assets and liabilities for this operation have been determined on a provisional basis given the proximity of the acquisition to the reporting date. Our partnership is in the process of obtaining additional information primarily related to the measurement of provisions, the deferred income tax liabilities and resulting impact to goodwill as at the date of acquisition.

(2) Refer to Note 14, Intangible Assets for details.

(3) Non-controlling interest represents the consideration paid for the interest not acquired by Brookfield Infrastructure, measured at fair value at the acquisition date.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

The goodwill recorded on acquisition reflects potential growth prospects and a strong market position as a key provider of residential energy infrastructure in North America. None of the goodwill recognized is deductible for income tax purposes.

For the year ended December 31, 2018, Enercare contributed revenues of \$192 million and net income of \$5 million.

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

### d) Acquisition of Western Canadian natural gas midstream business

On October 1, 2018, Brookfield Infrastructure, alongside institutional partners (the “NorthRiver consortium”), acquired an effective 29% interest in the provincially regulated portion of Enbridge Inc.’s Canadian natural gas midstream business for total consideration of \$559 million (NorthRiver consortium total of \$2.0 billion). Under Brookfield’s ownership, the business was renamed NorthRiver Midstream Inc. (“NorthRiver”). The acquisition was funded through equity of \$281 million (NorthRiver consortium total of \$982 million) and \$278 million (NorthRiver consortium total of \$974 million) of asset level debt raised on closing. Concurrently, Brookfield Infrastructure entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to direct the relevant activities of the entity, thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity effective October 1, 2018. Acquisition costs of \$3 million were recorded as Other (expense) income within the Consolidated Statements of Operating Results in 2018.

#### *Consideration transferred*

##### US\$ MILLIONS

Cash .....	<u>\$ 559</u>
<b>Total Consideration .....</b>	<b><u>\$ 559</u></b>

#### *Fair value of assets and liabilities acquired as of October 1, 2018 (provisional)<sup>(1)</sup>:*

##### US\$ MILLIONS

Cash and cash equivalents .....	\$ 10
Accounts receivable and other .....	55
Property, plant and equipment .....	1,442
Intangible assets .....	157
Goodwill .....	524
Accounts payable and other liabilities .....	(46)
Deferred income tax liabilities .....	(186)
Net assets acquired before non-controlling interest .....	1,956
Non-controlling interest <sup>(2)</sup> .....	(1,397)
Net assets acquired .....	<u>\$ 559</u>

(1) The fair values of certain acquired assets and liabilities for this operation have been determined on a provisional basis given the proximity of the acquisition to the reporting date. Our partnership is in the process of obtaining additional information primarily related to the acquired tax pools and balances. This information will be used to finalize the measurement of the deferred income tax liabilities and other liabilities acquired, and related impacts on the consideration paid and resulting goodwill as at the date of acquisition.

(2) Non-controlling interest represents the consideration paid for the interest not acquired by Brookfield Infrastructure, measured at fair value at the acquisition date.

The goodwill recorded on acquisition is largely reflective of the potential to obtain long-term contracts for the business’ unutilized capacity and production growth in certain locations. None of the goodwill recognized is deductible for income tax purposes.

For the year ended December 31, 2018, NorthRiver contributed revenues of \$61 million and net income of \$4 million.

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

### e) Acquisition of Simhapuri Expressway Limited (“SEL”)

On September 7, 2018, Brookfield Infrastructure, along with institutional partners (the “SEL consortium”), expanded its toll road operations through the acquisition of an effective 29% interest in an Indian toll road business, SEL, for total consideration by Brookfield Infrastructure of \$53 million (SEL consortium total of \$182 million). Concurrently, Brookfield Infrastructure entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to direct the relevant activities of the entity, thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity effective September 7, 2018. Acquisition costs of \$1 million were recorded as Other (expense) income within the Consolidated Statements of Operating Results in 2018.

#### *Consideration transferred*

##### US\$ MILLIONS

Cash .....	\$ 53
<b>Total Consideration .....</b>	<b><u>\$ 53</u></b>

#### *Fair value of assets and liabilities acquired as of September 7, 2018 (provisional)<sup>(1)</sup>:*

##### US\$ MILLIONS

Cash and cash equivalents .....	\$ 1
Accounts receivable and other .....	33
Intangible assets .....	488
Goodwill .....	37
Accounts payable and other liabilities .....	(61)
Deferred income tax liabilities .....	(37)
Non-recourse borrowings .....	(279)
Net assets acquired before non-controlling interest .....	182
Non-controlling interest <sup>(2)</sup> .....	(129)
Net assets acquired .....	<b><u>\$ 53</u></b>

(1) The fair values of certain acquired assets and liabilities for this operation have been determined on a provisional basis given the proximity of the acquisition to the reporting date. Our partnership is in the process of obtaining additional information primarily related to the fair value of intangible assets, goodwill and provisions as at the date of acquisition.

(2) Non-controlling interest represents the consideration paid for the interest not acquired by Brookfield Infrastructure, measured at fair value at the acquisition date.

Upon consolidation of SEL, a deferred tax liability of \$37 million was recorded. The deferred income tax liability arose as the tax bases of the net assets acquired were lower than their fair values. The inclusion of this liability in the net book value of the acquired business gave rise to goodwill of \$37 million, which is recoverable so long as the tax circumstances that gave rise to the goodwill do not change. To date, no such changes have occurred. None of the goodwill recognized is deductible for income tax purposes.

For the year ended December 31, 2018, SEL contributed revenues of \$15 million and a net loss of \$8 million.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

**f) Acquisition of Colombian natural gas distribution business**

On June 1, 2018, Brookfield Infrastructure, alongside institutional partners (the “GN consortium”), acquired an effective 16% interest in Gas Natural, S.A. ESP (“GN”), a Colombian natural gas distribution business, for total consideration of \$150 million (GN consortium total of \$522 million). The acquisition was funded through equity of \$88 million (GN consortium total of \$309 million) and \$62 million (GN consortium total of \$213 million) with asset level debt raised concurrently on closing. On acquisition, Brookfield Infrastructure entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to direct the relevant activities of the entity, thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity effective June 1, 2018. Acquisition costs of \$2 million were recorded as Other (expenses) income within the Consolidated Statements of Operating Results in 2018.

*Consideration transferred*

US\$ MILLIONS

Cash	\$ 118
Pre-existing interest of GN <sup>(1)</sup>	32
<b>Total Consideration</b>	<b><u>\$ 150</u></b>

(1) Brookfield Infrastructure acquired a 3% interest in GN in December 2017, which had a fair market value of \$32 million as at the date of acquisition. No gain or loss resulted from the deemed disposition of this interest upon acquisition of control.

*Fair value of assets and liabilities acquired as of June 1, 2018 (provisional)<sup>(1)</sup>:*

US\$ MILLIONS

Cash and cash equivalents	\$ 36
Accounts receivable and other	245
Property, plant and equipment	394
Intangible assets	253
Goodwill	621
Accounts payable and other liabilities	(165)
Deferred income tax liabilities	(143)
Non-recourse borrowings	(177)
Net assets acquired before non-controlling interest	1,064
Non-controlling interest <sup>(2)</sup>	(914)
<b>Net assets acquired</b>	<b><u>\$ 150</u></b>

(1) The fair values of certain acquired assets and liabilities for this operation have been determined on a provisional basis given the proximity of the acquisition to the reporting date. Our partnership is in the process of obtaining additional information primarily related to the fair value of property, plant and equipment, intangible assets, goodwill and provisions as at the date of acquisition.

(2) Non-controlling interest represents the interest not acquired by Brookfield Infrastructure, measured at fair value at the acquisition date.

The goodwill recorded on acquisition is largely reflective of potential customer growth and growth under existing contracts arising from the business’ position as a key distributor of natural gas in various markets of Colombia. None of the goodwill recognized is deductible for income tax purposes.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

For the year ended December 31, 2018, GN contributed revenues of \$516 million and net income of \$41 million.

**g) Acquisition of Brazilian regulated gas transmission business**

On April 4, 2017, Brookfield Infrastructure, alongside institutional partners (the “consortium”), acquired an effective 28% interest in Nova Transportadora do Sudeste S.A. (“NTS”), a Brazilian regulated gas transmission business, for total consideration by Brookfield Infrastructure of approximately \$1.6 billion (consortium total of \$5.1 billion). Brookfield Infrastructure’s consideration consists of \$1.3 billion in cash (consortium total of \$4.2 billion) and deferred consideration of \$0.3 billion (consortium total of \$0.9 billion) payable five years from the close of the transaction. Concurrently, Brookfield Infrastructure entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to direct the relevant activities of the entity, thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity effective April 4, 2017. Acquisition costs of \$8 million were recorded as Other expenses within the Consolidated Statements of Operating Results in 2017.

*Consideration transferred*

**US\$ MILLIONS**

Cash .....	<b>\$1,306</b>
Consideration payable <sup>(1)</sup> .....	<b>262</b>
<b>Total Consideration</b> .....	<b><u>\$1,568</u></b>

(1) The deferred consideration is payable on the fifth anniversary of the date of acquisition and has therefore been initially recorded at fair value within non-current financial liabilities on the consolidated statements of financial position. The deferred consideration is denominated in U.S. dollars and accrues interest at 3.35% compounded annually. The financial liability is subsequently measured at amortized cost.

*Fair value of assets and liabilities acquired as of April 4, 2017:*

**US\$ MILLIONS**

Cash and cash equivalents .....	<b>\$ 89</b>
Accounts receivable and other .....	<b>317</b>
Intangible assets <sup>(1)</sup> .....	<b>5,515</b>
Goodwill .....	<b>804</b>
Accounts payable and other liabilities .....	<b>(202)</b>
Deferred income tax liabilities .....	<b>(946)</b>
Net assets acquired before non-controlling interest .....	<b>5,577</b>
Non-controlling interest <sup>(2)</sup> .....	<b>(4,009)</b>
Net assets acquired .....	<b><u>\$1,568</u></b>

(1) Represents authorizations that expire between 2039 and 2041.

(2) Non-controlling interest represents the interest not acquired by Brookfield Infrastructure, measured at fair value at the acquisition date.



# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

Upon consolidation of NTS, an additional deferred tax liability of \$893 million was recorded. The deferred income tax liability arose as the tax bases of the net assets acquired were lower than their fair values. The inclusion of this liability in the net book value of the acquired business gave rise to goodwill of \$804 million, which is recoverable so long as the tax circumstances that gave rise to the goodwill do not change. To date, no such changes have occurred. None of the goodwill recognized is deductible for income tax purposes.

### **h) Individually insignificant business combinations**

The following table summarizes the purchase price allocation of individually insignificant business combinations that have been completed during the year ended December 31, 2017.

#### US\$ MILLIONS

Cash .....	\$ 9
Consideration payable .....	21
<b>Total consideration .....</b>	<b><u>\$ 30</u></b>

*Fair value of assets and liabilities acquired:*

#### US\$ MILLIONS

Accounts receivable and other .....	\$ 28
Goodwill .....	14
Property, plant and equipment .....	104
Deferred income tax and other liabilities .....	(30)
Non-recourse borrowings .....	(30)
Net assets acquired before non-controlling interest .....	86
Non-controlling interest <sup>(1)</sup> .....	(56)
Net assets acquired .....	<b><u>\$ 30</u></b>

(1) *Non-controlling interest represents the interest not acquired by Brookfield Infrastructure, measured at fair value at the acquisition date.*

### **j) Supplemental information**

Had the acquisitions of Evoque, REPL, Enercare, NorthRiver, SEL and GN been effective January 1, 2018, the revenue and net income of Brookfield Infrastructure would have been \$6,328 million (unaudited) and \$819 million (unaudited), respectively, for the year ended December 31, 2018.

In determining the pro-forma revenue and net income attributable to our partnership, management has:

- Calculated depreciation of property, plant and equipment and amortization of intangible assets acquired on the basis of the fair values at the time of the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements and;
- Based borrowing costs on the funding levels, credit ratings and debt and equity position of Brookfield Infrastructure after the business combination.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

**NOTE 7. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those assumptions, Brookfield Infrastructure looks primarily to external readily observable market inputs such as interest rate yield curves, currency rates, and price and rate volatilities as applicable. The fair value of interest rate swap contracts which form part of financing arrangements is calculated by way of discounted cash flows using market interest rates and applicable credit spreads.

**Classification of Financial Instruments**

Financial instruments classified as fair value through profit or loss are carried at fair value on the Consolidated Statements of Financial Position. Changes in the fair values of financial instruments classified as fair value through profit or loss are recognized in profit or loss. Mark-to-market adjustments on hedging items for those in an effective hedging relationship and changes in the fair value of securities designated as fair value through other comprehensive income are recognized in other comprehensive income.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

**Carrying Value and Fair Value of Financial Instruments**

The following table provides the allocation of financial instruments and their associated financial instrument classifications as at December 31, 2018:

US\$ MILLIONS

**Financial Instrument Classification**

MEASUREMENT BASIS	Fair value through profit or loss	Fair value through OCI	Amortized Cost	Total
<b>Financial assets</b>				
Cash and cash equivalents	\$ —	\$ —	\$ 540	\$ 540
Accounts receivable and other	—	—	1,171	1,171
Financial assets (current and non-current) <sup>(1)</sup>	989	17	166	1,172
Marketable securities	126	47	—	173
Total	<u>\$ 1,115</u>	<u>\$ 64</u>	<u>\$ 1,877</u>	<u>\$ 3,056</u>
<b>Financial liabilities</b>				
Corporate borrowings	\$ —	\$ —	\$ 1,993	\$ 1,993
Non-recourse borrowings (current and non-current)	—	—	13,113	13,113
Accounts payable and other	—	—	1,308	1,308
Preferred shares <sup>(2)</sup>	—	—	20	20
Financial liabilities (current and non-current) <sup>(1)</sup>	373	—	907	1,280
Total	<u>\$ 373</u>	<u>\$ —</u>	<u>\$ 17,341</u>	<u>\$ 17,714</u>

(1) Derivative instruments which are elected for hedge accounting totaling \$718 million are included in financial assets and \$109 million of derivative instruments are included in financial liabilities.

(2) \$20 million of preferred shares issued to wholly-owned subsidiaries of Brookfield.

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

The following table provides the allocation of financial instruments and their associated financial instrument classifications as at December 31, 2017:

### US\$ MILLIONS

#### Financial Instrument Classification

MEASUREMENT BASIS	Fair value through profit or loss	Fair value through OCI	Amortized Cost	Total
<b>Financial assets</b>				
Cash and cash equivalents	\$ —	\$ —	\$ 374	\$ 374
Accounts receivable and other	—	—	838	838
Financial assets (current and non-current) <sup>(1)</sup>	608	57	172	837
Marketable securities	—	85	—	85
Total	<u>\$ 608</u>	<u>\$ 142</u>	<u>\$ 1,384</u>	<u>\$ 2,134</u>
<b>Financial liabilities</b>				
Corporate borrowings	\$ —	\$ —	\$ 2,101	\$ 2,101
Non-recourse borrowings (current and non-current)	—	—	8,063	8,063
Accounts payable and other	—	—	864	864
Preferred shares <sup>(2)</sup>	—	—	20	20
Financial liabilities (current and non-current) <sup>(1)</sup>	440	—	873	1,313
Total	<u>\$ 440</u>	<u>\$ —</u>	<u>\$ 11,921</u>	<u>\$ 12,361</u>

(1) Derivative instruments which are elected for hedge accounting totaling \$464 million are included in financial assets and \$146 million of derivative instruments are included in financial liabilities.

(2) \$20 million of preferred shares issued to wholly-owned subsidiaries of Brookfield.

The following table provides the carrying values and fair values of financial instruments as at December 31, 2018 and December 31, 2017:

US\$ MILLIONS	Dec. 31, 2018		Dec. 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial assets</b>				
Cash and cash equivalents	\$ 540	\$ 540	\$ 374	\$ 374
Accounts receivable and other	1,171	1,171	838	838
Financial assets (current and non-current)	1,172	1,172	837	837
Marketable securities	173	173	85	85
Total	<u>\$ 3,056</u>	<u>\$ 3,056</u>	<u>\$ 2,134</u>	<u>\$ 2,134</u>

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

US\$ MILLIONS	Dec. 31, 2018		Dec. 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial liabilities</b>				
Corporate borrowings <sup>(1)</sup>	\$ 1,993	\$ 1,978	\$ 2,101	\$ 2,113
Non-recourse borrowings <sup>(2)</sup>	13,113	13,372	8,063	8,392
Accounts payable and other	1,308	1,308	864	864
Preferred shares <sup>(3)</sup>	20	20	20	20
Financial liabilities (current and non-current)	1,280	1,280	1,313	1,313
	\$ 17,714	\$ 17,958	\$ 12,361	\$ 12,702

(1) Corporate borrowings are classified under level 1 of the fair value hierarchy; quoted prices in an active market are available.

(2) Non-recourse borrowings are classified under level 2 of the fair value hierarchy with the exception of certain borrowings at the U.K. port operation, which are classified under level 1. For level 2 fair values, future cash flows are estimated based on observable forward interest rates at the end of the reporting period.

(3) \$20 million of preferred shares issued to wholly-owned subsidiaries of Brookfield.

### Hedging Activities

Brookfield Infrastructure uses derivatives and non-derivative financial instruments to manage or maintain exposures to interest and currency risks. For certain derivatives which are used to manage exposures, Brookfield Infrastructure determines whether hedge accounting can be applied. When hedge accounting can be applied, a hedge relationship can be designated as a fair value hedge, cash flow hedge or a hedge of foreign currency exposure of a net investment in a foreign operation with a functional currency other than the U.S. dollar. To qualify for hedge accounting, the derivative must be designated as a hedge of a specific exposure and the hedging relationship must meet all of the hedge effectiveness requirements in accomplishing the objective of offsetting changes in the fair value or cash flows attributable to the hedged risk both at inception and over the life of the hedge. If it is determined that the hedging relationship does not meet all of the hedge effectiveness requirements, hedge accounting is discontinued prospectively.

### Cash Flow Hedges

Brookfield Infrastructure uses interest rate swaps to hedge the variability in cash flows related to a variable rate asset or liability and highly probable forecasted issuances of debt. The settlement dates coincide with the dates on which the interest is payable on the underlying debt, and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss. For the year ended December 31, 2018, pre-tax net unrealized losses of \$71 million (2017: gains of \$50 million, 2016: losses of \$14 million) were recorded in other comprehensive income for the effective portion of the cash flow hedges. As at December 31, 2018, there was a net derivative asset balance of \$542 million relating to derivative contracts designated as cash flow hedges (2017: asset balance of \$447 million).

## **BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

#### **Net Investment Hedges**

Brookfield Infrastructure uses foreign exchange contracts and foreign currency denominated debt instruments to manage its foreign currency exposures arising from net investments in foreign operations having a functional currency other than the U.S. dollar. For the year ended December 31, 2018, gains of \$97 million (2017: losses of \$202 million, 2016: gains of \$70 million) were recorded in other comprehensive income relating to the effective portion of hedges of net investments in foreign operations. Further, Brookfield Infrastructure paid \$53 million (2017: \$151 million, 2016: received \$143 million) relating to the settlement of foreign exchange contracts in the period. Consistent with our risk management objectives, these contracts are replaced at expiration; therefore, no reclassification to profit or loss has been recorded during the period. As at December 31, 2018, there was a net unrealized derivative asset balance of \$67 million relating to derivative contracts designated as net investment hedges (2017: net unrealized derivative liability balance of \$129 million).

#### **Fair Value Hierarchical Levels—Financial Instruments**

Fair value hierarchical levels are directly determined by the amount of subjectivity associated with the valuation inputs of these assets and liabilities, and are as follows:

- Level 1 — Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 — Inputs other than quoted prices included in Level 1 are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life. Fair valued assets and liabilities that are included in this category are primarily certain derivative contracts and other financial assets carried at fair value in an inactive market.
- Level 3 — Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to determining the estimate. Fair valued assets and liabilities that are included in this category are interest rate swap contracts, derivative contracts, certain equity securities carried at fair value which are not traded in an active market and the non-controlling interest's share of net assets of limited life funds.

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

The fair value of our partnership's financial assets and financial liabilities are measured at fair value on a recurring basis. The following table summarizes the valuation techniques and significant inputs for Brookfield Infrastructure's financial assets and financial liabilities:

US\$ MILLIONS	Fair value hierarchy	Dec. 31, 2018	Dec. 31, 2017
<b>Marketable securities</b> .....	Level 1 <sup>(1)</sup>	\$ 173	\$ 85
<b>Foreign currency forward contracts</b> .....	Level 2 <sup>(2)</sup>		
Financial asset .....		\$ 241	\$ 236
Financial liability .....		23	196
<b>Interest rate swaps &amp; other</b> .....	Level 2 <sup>(2)</sup>		
Financial asset .....		\$ 718	\$ 381
Financial liability .....		257	155
<b>Other contracts</b> .....	Level 3 <sup>(3)</sup>		
Financial asset .....		\$ 47	\$ 48
Financial liability .....		93	89

(1) Valuation technique: Quoted bid prices in an active market.

(2) Valuation technique: Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects our credit risk and the credit risk of various counterparties.

(3) Valuation technique: Discounted cash flow. Future cash flows primarily driven by assumptions concerning the amount and timing of estimated future cash flows and discount rates.

Assets and liabilities measured at fair value on a recurring basis include \$1,179 million (2017: \$750 million) of financial assets and \$373 million (2017: \$440 million) of financial liabilities which are measured at fair value using valuation inputs based on management's best estimates.

During the year, no transfers were made between level 1 and 2 or level 2 and 3. The following table categorizes financial assets and liabilities, which are carried at fair value, based upon the level of input.

US\$ MILLIONS	Dec. 31, 2018			Dec. 31, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial assets</b>						
Marketable securities .....	\$ 173	\$ —	\$ —	\$ 85	\$ —	\$ —
Financial assets (current and non-current) .....	—	959	47	—	617	48
<b>Financial liabilities</b>						
Financial liabilities (current and non-current) .....	\$ —	\$ 280	\$ 93	\$ —	\$ 351	\$ 89

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

### NOTE 8. CASH AND CASH EQUIVALENTS

<u>US\$ MILLIONS</u>	<u>2018</u>	<u>2017</u>
Cash .....	\$ 294	\$ 258
Cash equivalents <sup>(1)</sup> .....	150	83
Restricted cash <sup>(2)</sup> .....	96	33
<b>Total cash and cash equivalents</b> .....	<b>\$ 540</b>	<b>\$ 374</b>

(1) Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(2) Restricted cash primarily relates to our partnership's financing arrangements, including debt service accounts.

### NOTE 9. FINANCIAL ASSETS

<u>US\$ MILLIONS</u>	<u>2018</u>	<u>2017</u>
<b>Current:</b>		
Marketable securities .....	\$ 173	\$ 85
Foreign currency forward contracts .....	123	10
Loans and receivables .....	61	43
Other .....	67	54
<b>Total current</b> .....	<b>\$ 424</b>	<b>\$ 192</b>
<b>Non-current:</b>		
Foreign currency forward contracts .....	\$ 118	\$ 226
Cross currency interest rate swaps .....	594	243
Loans and receivables .....	145	210
Other .....	64	51
<b>Total non-current</b> .....	<b>\$ 921</b>	<b>\$ 730</b>

### NOTE 10. ACCOUNTS RECEIVABLE AND OTHER

<u>US\$ MILLIONS</u>	<u>2018</u>	<u>2017</u>
<b>Current:</b>		
Accounts receivable .....	\$1,044	\$ 738
Prepayments & other assets .....	127	100
<b>Total current</b> .....	<b>\$1,171</b>	<b>\$ 838</b>
<b>Non-current:</b>		
Tax recovery receivables .....	\$ 39	\$ 52
Other assets .....	180	221
<b>Total non-current</b> .....	<b>\$ 219</b>	<b>\$ 273</b>



**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

**NOTE 11. INVENTORY**

<u>US\$ MILLIONS</u>	<u>2018</u>	<u>2017</u>
<b>Current:</b>		
Natural gas inventory .....	\$ 94	\$ 84
Raw materials and other .....	47	24
Carrying amount of inventories .....	<u>\$ 141</u>	<u>\$ 108</u>

During the year ended December 31, 2018, Brookfield Infrastructure recognized \$502 million (2017: \$418 million, 2016: \$154 million) worth of inventories as an expense in the Consolidated Statements of Operating Results and \$nil (2017: \$nil, 2016: \$nil) relating to impairments of inventory.

**NOTE 12. INVESTMENT IN ASSOCIATES AND JOINT VENTURES**

Our partnership's investment in associates and joint ventures are reviewed and reported on a segmented basis. Investments in the utilities segment include a 15% interest in a Brazilian electricity transmission operation, our partnership's 11% interest in a Texas electricity transmission project and four associates of our Colombian natural gas distribution operation. Transport investments include a 45% interest in a Brazilian toll road business, an 11% interest in a Brazilian rail and port logistics business, a 19% ownership interest of a North American west coast container terminal, and our 13% and 50% interests in port operations in Australia, and a 40% stake in a European port operation. In our energy segment, investments in associates and joint ventures include our 50% interest in a North American natural gas business and a 20% interest in a North American gas storage operation. Our investments in the data infrastructure segment relates to our 21% interest in a European telecommunications infrastructure operation.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

The following table represents the change in the balance of investments in associates and joint ventures:

<u>US\$ MILLIONS</u>	<u>2018</u>	<u>2017</u>
Balance at beginning of year	\$5,572	\$4,727
Share of earnings for the year <sup>(4)</sup>	(13)	118
Foreign currency translation and other	(296)	167
Share of other comprehensive income	260	183
Distributions	(59)	(66)
Disposition of interest <sup>(1)</sup>	(951)	(177)
Acquisitions <sup>(2),(3)</sup>	78	620
Balance at end of year	<u>\$4,591</u>	<u>\$5,572</u>

- (1) In August 2017, Brookfield Infrastructure, alongside institutional partners and a Brookfield-sponsored infrastructure fund, reorganized the holding entities of its investment in the Brazilian toll road operation. This transaction resulted in no gain or loss being recorded within the Consolidated Statements of Operating Results. The reorganization resulted in Brookfield Infrastructure no longer consolidating an 8% interest of the investment attributable to an institutional partner. The reorganization concurrently reduced the investments in associates and joint venture and non-controlling interest partnership capital balances by \$177 million during the third quarter of 2017.
- (2) Throughout 2017, Brookfield Infrastructure, alongside an institutional partner, injected \$349 million into the Brazilian toll road operation for growth capital expenditure requirements increasing our partnership's ownership interest to 45%.
- (3) In May 2017, Brookfield Infrastructure and its partner in its North American natural gas transmission operation each injected \$200 million into the business to pay down operating level debt. A similar transaction was completed in April 2016 by Brookfield Infrastructure and its partner in the amount of \$312 million.
- (4) In March 2018, Brookfield Infrastructure sold its ownership in ETC Transmission Holdings, S.L. for \$1.3 billion. On disposition, Brookfield Infrastructure recognized a gain on sale of \$338 million (\$209 million, net of taxes) presented within gain on sale of associate on the Consolidated Statements of Operating Results. In association with the gain, \$35 million of accumulated other comprehensive losses were reclassified to share of losses from associates and joint ventures on the Consolidated Statements of Operating Results. Please refer to Note 5 Disposition of Chilean Electricity Transmission Operation for additional details.

The following tables present the gross assets and liabilities of Brookfield Infrastructure's investments in associates and joint ventures:

<u>As at December 31, 2018</u>										
<u>US\$ MILLIONS</u>	<u>Ownership and Voting Interest</u>	<u>Total</u>							<u>Attributable to</u>	
		<u>Current Assets</u>	<u>Non-Current Assets</u>	<u>Total Assets</u>	<u>Current Liabilities</u>	<u>Non-Current Liabilities</u>	<u>Total Liabilities</u>	<u>Total Net Assets</u>	<u>Other Ownership Interests</u>	<u>Partnership's Share</u>
Utilities	11-20%	\$ 289	\$ 2,227	\$ 2,516	\$ 325	\$ 1,391	\$ 1,716	\$ 800	\$ 708	\$ 92
Transport	11-50%	1,520	15,892	17,412	1,876	6,447	8,323	9,089	6,592	2,497
Energy	20-50%	178	5,307	5,485	162	2,875	3,037	2,448	1,265	1,183
Data infrastructure	21%	447	6,692	7,139	438	2,902	3,340	3,799	3,089	710
Corporate & other	25-50%	105	386	491	99	55	154	337	228	109
Total		<u>\$ 2,539</u>	<u>\$ 30,504</u>	<u>\$ 33,043</u>	<u>\$ 2,900</u>	<u>\$ 13,670</u>	<u>\$ 16,570</u>	<u>\$16,473</u>	<u>\$ 11,882</u>	<u>\$ 4,591</u>

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

		As at December 31, 2017								
		Total							Attributable to	
US\$ MILLIONS	Ownership and Voting Interest	Current Assets	Non-Current Assets	Total Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities	Total Net Assets	Other Ownership Interests	Partnership's Share
Utilities .....	11-28%	\$ 631	\$ 9,068	\$ 9,699	\$ 756	\$ 4,892	\$ 5,648	\$ 4,051	\$ 3,037	\$ 1,014
Transport .....	11-50%	1,548	17,096	18,644	1,396	7,002	8,398	10,246	7,385	2,861
Energy .....	20-50%	164	5,054	5,218	162	2,784	2,946	2,272	1,196	1,076
Data infrastructure .....	21%	464	6,281	6,745	561	2,968	3,529	3,216	2,602	614
Corporate & other .....	25-40%	15	54	69	12	42	54	15	8	7
Total .....		\$ 2,822	\$ 37,553	\$ 40,375	\$ 2,887	\$ 17,688	\$ 20,575	\$ 19,800	\$ 14,228	\$ 5,572

The following tables present the gross amounts of revenue, net income, other comprehensive income from Brookfield Infrastructure's investments in associates and joint ventures for the years ended December 31, 2018, 2017, and 2016:

		Year ended December 31, 2018					
		Total				Attributable to	
US\$ MILLIONS		Revenue	Net Income	OCI	Total Comprehensive Income	Other Ownership Interests	Partnership's Share
Utilities .....		\$ 541	\$ 92	\$ 110	\$ 202	\$ 146	\$ 56
Transport .....		3,747	(74)	(856)	(930)	(597)	(333)
Energy .....		739	91	8	99	53	46
Data infrastructure .....		804	64	244	308	234	74
Corporate & other .....		41	(132)	356	224	169	55
Total .....		<u>\$ 5,872</u>	<u>\$ 41</u>	<u>\$ (138)</u>	<u>\$ (97)</u>	<u>\$ 5</u>	<u>\$ (102)</u>

		Year ended December 31, 2017					
		Total				Attributable to	
US\$ MILLIONS		Revenue	Net Income	OCI	Total Comprehensive Income	Other Ownership Interests	Partnership's Share
Utilities .....		\$ 1,164	\$ 101	\$ 779	\$ 880	\$ 642	\$ 238
Transport .....		3,796	213	718	931	744	187
Energy .....		724	22	(37)	(15)	(22)	7
Data infrastructure .....		783	58	435	493	409	84
Corporate & other .....		2	(16)	(145)	(161)	(108)	(53)
Total .....		<u>\$ 6,469</u>	<u>\$ 378</u>	<u>\$ 1,750</u>	<u>\$ 2,128</u>	<u>\$ 1,665</u>	<u>\$ 463</u>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

US\$ MILLIONS	Year ended December 31, 2016					
	Total				Attributable to	
	Revenue	Net Income	OCI	Total Comprehensive Income	Other Ownership Interests	Partnership's Share
Utilities .....	\$ 592	\$ 87	\$ 233	\$ 320	\$ 241	\$ 79
Transport .....	2,861	221	1,399	1,620	1,210	410
Energy .....	598	141	138	279	183	96
Data infrastructure .....	767	121	385	506	399	107
Total .....	<u>\$ 4,818</u>	<u>\$ 570</u>	<u>\$ 2,155</u>	<u>\$ 2,725</u>	<u>\$ 2,033</u>	<u>\$ 692</u>

As at December 31, 2018 and 2017, none of the associates or joint ventures have quoted prices in an active market.

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

The following tables present the cash flow activities of Brookfield Infrastructure's investments in associates and joint ventures for the years ended December 31, 2018, 2017, and 2016:

Year ended December 31, 2018						
US\$ MILLIONS	Total				Attributable to	
	Operating	Investing	Financing	Total Cash Flows	Other Ownership Interests	Partnership's Share
Utilities .....	\$ 380	\$ 6,189	\$ (6,716)	\$ (147)	\$ (106)	\$ (41)
Transport .....	776	(1,018)	369	127	77	50
Energy .....	320	(288)	(46)	(14)	(10)	(4)
Data infrastructure .....	323	(305)	19	37	29	8
Corporate & other .....	7	(7)	—	—	—	—
Total .....	<u>\$ 1,806</u>	<u>\$ 4,571</u>	<u>\$ (6,374)</u>	<u>\$ 3</u>	<u>\$ (10)</u>	<u>\$ 13</u>

Year ended December 31, 2017						
US\$ MILLIONS	Total				Attributable to	
	Operating	Investing	Financing	Total Cash Flows	Other Ownership Interests	Partnership's Share
Utilities .....	\$ 433	\$ (803)	\$ 494	\$ 124	\$ 102	\$ 22
Transport .....	1,000	(1,673)	1,121	448	370	78
Energy .....	261	(171)	(77)	13	6	7
Data infrastructure .....	338	(226)	(57)	55	44	11
Corporate & other .....	1	(10)	4	(5)	(3)	(2)
Total .....	<u>\$ 2,033</u>	<u>\$ (2,883)</u>	<u>\$ 1,485</u>	<u>\$ 635</u>	<u>\$ 519</u>	<u>\$ 116</u>

Year ended December 31, 2016						
US\$ MILLIONS	Total				Attributable to	
	Operating	Investing	Financing	Total Cash Flows	Other Ownership Interests	Partnership's Share
Utilities .....	\$ 352	\$ (311)	\$ (21)	\$ 20	\$ 12	\$ 8
Transport .....	675	(1,783)	969	(139)	(122)	(17)
Energy .....	152	(174)	15	(7)	(4)	(3)
Data infrastructure .....	325	(323)	(83)	(81)	(63)	(18)
Total .....	<u>\$ 1,504</u>	<u>\$ (2,591)</u>	<u>\$ 880</u>	<u>\$ (207)</u>	<u>\$ (177)</u>	<u>\$ (30)</u>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

**NOTE 13. PROPERTY, PLANT AND EQUIPMENT**

<u>US\$ MILLIONS</u>	<u>Utility Assets</u>	<u>Transport Assets</u>	<u>Energy Assets</u>	<u>Data Infrastructure Assets</u>	<u>Total Assets</u>
<b>Gross Carrying Amount:</b>					
<b>Balance at January 1, 2017</b>	\$ 2,895	\$ 2,362	\$ 2,380	\$ —	\$ 7,637
Additions, net of disposals	349	104	95	—	548
Non-cash (disposals) additions	—	—	(14)	—	(14)
Acquisitions through business combinations <sup>(1)</sup>	—	—	100	—	100
Net foreign currency exchange differences	227	191	68	—	486
<b>Balance at December 31, 2017</b>	<u>\$ 3,471</u>	<u>\$ 2,657</u>	<u>\$ 2,629</u>	<u>\$ —</u>	<u>\$ 8,757</u>
Additions, net of disposals	441	77	140	4	662
Non-cash (disposals) additions	(19)	(4)	6	—	(17)
Acquisitions through business combinations <sup>(1)</sup>	394	—	2,111	440	2,945
Net foreign currency exchange differences	(267)	(245)	(205)	—	(717)
<b>Balance at December 31, 2018</b>	<u>\$ 4,020</u>	<u>\$ 2,485</u>	<u>\$ 4,681</u>	<u>\$ 444</u>	<u>\$11,630</u>
<b>Accumulated depreciation:</b>					
<b>Balance at January 1, 2017</b>	\$ (383)	\$ (517)	\$ (258)	\$ —	\$ (1,158)
Depreciation expense	(118)	(147)	(117)	—	(382)
Non-cash disposals	19	21	—	—	40
Disposals	—	—	5	—	5
Net foreign currency exchange differences	(28)	(44)	(13)	—	(85)
<b>Balance at December 31, 2017</b>	<u>\$ (510)</u>	<u>\$ (687)</u>	<u>\$ (383)</u>	<u>\$ —</u>	<u>\$ (1,580)</u>
Depreciation expense	(149)	(147)	(134)	—	(430)
Disposals	7	22	8	—	37
Non-cash disposals	(2)	—	(1)	—	(3)
Net foreign currency exchange differences	41	68	18	—	127
<b>Balance at December 31, 2018</b>	<u>\$ (613)</u>	<u>\$ (744)</u>	<u>\$ (492)</u>	<u>\$ —</u>	<u>\$ (1,849)</u>
<b>Accumulated fair value adjustments:</b>					
<b>Balance at January 1, 2017</b>	\$ 1,043	\$ 782	\$ 352	\$ —	\$ 2,177
Fair value adjustments	137	24	257	—	418
Net foreign currency exchange differences	78	67	20	—	165
<b>Balance at December 31, 2017</b>	<u>\$ 1,258</u>	<u>\$ 873</u>	<u>\$ 629</u>	<u>\$ —</u>	<u>\$ 2,760</u>
Fair value adjustments	220	18	224	—	462
Net foreign currency exchange differences	(77)	(81)	(31)	—	(189)
<b>Balance at December 31, 2018</b>	<u>\$ 1,401</u>	<u>\$ 810</u>	<u>\$ 822</u>	<u>\$ —</u>	<u>\$ 3,033</u>
<b>Net book value:</b>					
<b>December 31, 2018</b>	<u>\$ 4,808</u>	<u>\$ 2,551</u>	<u>\$ 5,011</u>	<u>\$ 444</u>	<u>\$12,814</u>
<b>December 31, 2017</b>	<u>\$ 4,219</u>	<u>\$ 2,843</u>	<u>\$ 2,875</u>	<u>\$ —</u>	<u>\$ 9,937</u>

(1) See Note 6, Acquisition of Businesses for additional information.

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

The partnership's property, plant, and equipment is measured at fair value on a recurring basis with an effective date of revaluation for all asset classes of December 31, 2018 and 2017. Brookfield Infrastructure determined fair value under the income method. Assets under development were revalued where fair value could be reliably measured.

The following table summarizes the valuation techniques and significant inputs for Brookfield Infrastructure's property, plant and equipment assets, categorized by segment.

Segment	Dec. 31, 2018				Dec. 31, 2017			
	Valuation Technique	Discount Rate	Terminal Value Multiple	Investment Horizon	Valuation Technique	Discount Rate	Terminal Value Multiple	Investment Horizon
Utilities . . . . .	Discounted cash flow model	7% to 14%	8x to 22x	10 to 20 yrs	Discounted cash flow model	7% to 12%	7x to 21x	10 to 20 yrs
Transport . . . . .	Discounted cash flow model	10% to 13%	9x to 14x	10 to 20 yrs	Discounted cash flow model	10% to 15%	9x to 14x	10 to 20 yrs
Energy . . . . .	Discounted cash flow model	12% to 15%	10x to 14x	10 yrs	Discounted cash flow model	12% to 15%	8x to 13x	10 yrs
Data Infrastructure . . . . .	Discounted cash flow model	13% to 15%	10x to 11x	10 yrs	N/A	N/A	N/A	N/A

An increase in the discount rate would lead to a decrease in the fair value of property, plant and equipment. Conversely, an increase to the terminal value multiple would increase the fair value of property, plant and equipment. Our partnership has classified all property, plant and equipment under level 3 of the fair value hierarchy.

At December 31, 2018, Brookfield Infrastructure carried out an assessment of the fair value of its Utilities property, plant and equipment, resulting in a gain from revaluation of \$220 million (2017: \$137 million) which was recognized in revaluation surplus in the Consolidated Statements of Comprehensive Income. Key drivers behind the revaluation gain recorded include; growth in underlying cash flows at our U.K. regulated distribution business associated with new connections and smart meter adoptions made during the year and a modest increase in our terminal value assumption commensurate with observable market valuations for regulated utilities in mature geographies.

At December 31, 2018, Brookfield Infrastructure carried out an assessment of the fair value of its Transport property, plant and equipment. A gain from revaluation of \$18 million (2017: \$24 million) was recognized in revaluation surplus in the Consolidated Statements of Comprehensive Income. Underlying valuation assumptions in the Transport segment remain relatively consistent with the prior year with the current year's gain attributable to increasing cash flows.

At December 31, 2018, Brookfield Infrastructure carried out an assessment of the fair value of its Energy property, plant and equipment. A gain from revaluation of \$224 million (2017: \$257 million) was recognized in revaluation surplus in the Consolidated Statements of Comprehensive Income. The revaluation gain was primarily associated with growth in underlying cash flows at our North American district energy operations associated with new customer connections during the last 12 months and a more robust pipeline of growth opportunities which resulted in an increase in our terminal value assumption to align our values with observable market transactions.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

The following table summarizes the carrying amount of property, plant and equipment that would have been recognized had assets been carried under the cost model.

<u>US\$ MILLIONS</u>	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2017</u>
Utilities .....	\$ 3,407	\$ 2,961
Transport .....	1,741	1,970
Energy .....	4,189	2,246
Data Infrastructure .....	444	—

**NOTE 14. INTANGIBLE ASSETS**

<u>US\$ MILLIONS</u>	<u>2018</u>	<u>2017</u>
Cost .....	\$ 12,515	\$ 10,470
Accumulated amortization .....	(880)	(576)
Net intangible assets .....	<u>\$ 11,635</u>	<u>\$ 9,894</u>

Intangible assets are allocated to the following cash generating units:

<u>US\$ MILLIONS</u>	<u>2018</u>	<u>2017</u>
Brazilian regulated gas transmission operation .....	\$ 4,211	\$ 5,134
Australian regulated terminal .....	1,766	1,957
North American residential energy infrastructure operation .....	1,763	—
Peruvian toll roads .....	1,118	1,144
Chilean toll roads .....	928	1,100
Indian toll roads <sup>(1)</sup> .....	843	130
U.K. port operation .....	273	289
Other <sup>(2)</sup> .....	733	140
Total .....	<u>\$ 11,635</u>	<u>\$ 9,894</u>

(1) Indian toll roads include \$738 million of intangible assets at our investments in Simhapuri Expressway Limited and Rayalseema Expressway Limited and \$105 million at BIF India Holdings Pte Ltd.

(2) Other intangibles are comprised of customer contracts at our Australian port operation, Western Canadian natural gas gathering and processing operation, U.S. data center operation, and contracted order book at our U.K. regulated distribution operation.

The intangible assets at Brookfield Infrastructure's Brazilian regulated gas transmission operation, Australian regulated terminal operation, and Chilean, Peruvian and Indian toll roads relate to service concession arrangements.

The terms and conditions of concession arrangements at the Brazilian regulated gas transmission operation are regulated by the Agência Nacional do Petróleo, Gás Natural e Biocombustíveis ("ANP"). Each gas transportation agreement ("GTA") took into account a return on regulatory asset base ("RAB"), and the tariffs were calculated on an inflation adjusted regulatory weighted average cost of capital ("WACC") fixed for the GTA life. Upon expiry of the authorizations, the assets shall be returned to the government and will be subject to concession upon public bidding. These assets operate as authorizations that expire between 2039 and 2041.



## **BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

The terms and conditions of access to the Australian regulated terminal's services, including tariffs that can be charged to the users, are regulated by the Queensland Competition Authority. Brookfield Infrastructure's Australian regulated terminal operation has Standard Access Agreements with the users of the terminal which entails 100% take-or-pay contracts at a designated tariff rate based on the asset value. The concession arrangement has an expiration date of 2051 with an option to extend the arrangement for an additional 49 years.

The intangible assets at Brookfield Infrastructure's residential infrastructure operation comprise contractual customer relationships, customer contracts, proprietary technology and brands. The contractual customer relationships and customer contracts represent ongoing economic benefits from leasing customers and annuity-based management agreements. Proprietary technology is recognized for the development of new metering technology, which allows the business to generate revenue through its sub-metering business. Brands represent the intrinsic value customers place on the operation's various brand names. Brands are classified as having an indefinite life and are subject to annual impairment reviews. The remaining intangible assets are amortized straight-line over 10 to 20 years.

The terms and conditions of the Peruvian toll roads concession, including tariffs that can be charged to the users and the duties to be performed by the operator, are regulated by the Municipalidad Metropolitana de Lima ("MML") and its municipal arm, Fondo Metropolitano de Inversiones. The service concession provides the operator the right to charge a tariff to vehicles which use the road network over the life of the concession in exchange for the design, construction, improvement, maintenance and operation of the road network. Until December 2018, tariffs are increased by fixed amounts and on specified dates, and thereafter, are adjusted annually for the Lima Metropolitana Consumer Price Index. For the year ended December 31, 2018, revenue and profit related to construction contracts were \$16 million (2017: \$31 million, 2016: \$66 million) and \$nil (2017: \$nil, 2016: \$nil), respectively. Due to construction services relating to the concession arrangement \$16 million (2017: \$35 million, 2016: \$20 million) of borrowing costs were capitalized as an intangible asset, based on the stage of project completion. The concession arrangement has an expiration date of 2043 at which point the underlying concession assets will be returned to the MML.

The terms and conditions of the Chilean toll roads concession, including tariffs that can be charged to the users and the duties to be performed by the operator, are regulated by the Ministerio de Obras Publicas ("MOP"). The service concession provides the operator the right to charge a tariff to vehicles which use the road over the term of the concession in exchange for operating the road, including preserving the road based on a defined maintenance and construction schedule. Tariffs are adjusted annually for the Chilean Consumer Price Index plus 3.5%, in addition to congestion charges which may be levied should specified traffic levels be reached. The concession arrangement has an expiration date of 2033, at which point the underlying concessions assets will be returned to the MOP.

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

The terms and conditions of the Simhapuri Expressway (“SEL”), Rayalseema Expressway (“REPL”) and Mumbai Nasik (“MNEL”) Indian toll road concessions, including tariffs that can be charged to the users and the duties to be performed by the operator, are regulated by the National Highways Authority of India (“NHAI”). The Service Concession Agreements provides the operators the right to charge a tariff to vehicles which use the road over the term of the concession in exchange for operating the road, including preserving the road based on a defined maintenance schedule. Tariffs are revised annually for the Indian Wholesale Price Index. The Concession Arrangements have expiration dates of 2041, 2040 and 2027, respectively, for SEL, REPL and MNEL, at which point the underlying concessions assets will be returned to the NHAI.

The intangible asset at Brookfield Infrastructure’s U.K. port operation relates to a conservancy right. As a right in perpetuity issued by the Statutory Harbour Authority in the U.K., the conservancy right is classified as having an indefinite life, and is subject to an annual impairment review.

The carrying value as at December 31, 2018, of Brookfield Infrastructure’s indefinite lived intangibles is \$653 million (2017: \$297 million). The increase from 2017 is primarily attributable to the brand value at our North American residential energy infrastructure operation.

The following table presents the change in the cost balance of intangible assets:

<u>US\$ MILLIONS</u>	<u>2018</u>	<u>2017</u>
Cost at beginning of the year	\$ 10,470	\$ 4,732
Additions, net of disposals	117	79
Acquisitions through business combinations <sup>(1)</sup>	3,208	5,515
Non-cash additions	7	18
Foreign currency translation	(1,287)	126
Cost at end of year	<u>\$ 12,515</u>	<u>\$ 10,470</u>

(1) See Note 6, Acquisition of Businesses for additional information.

The following table presents the accumulated amortization for Brookfield Infrastructure’s intangible assets:

<u>US\$ MILLIONS</u>	<u>2018</u>	<u>2017</u>
Accumulated amortization at beginning of year	\$ (576)	\$ (267)
Amortization	(371)	(289)
Foreign currency translation	67	(20)
Accumulated amortization at end of year	<u>\$ (880)</u>	<u>\$ (576)</u>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

**NOTE 15. GOODWILL**

The following table presents the carrying amount for Brookfield Infrastructure's goodwill:

<u>US\$ MILLIONS</u>	<u>2018</u>	<u>2017</u>
<b>Balance at beginning of the year</b> .....	<b>\$ 1,301</b>	<b>\$ 502</b>
Acquisitions through business combinations <sup>(1)</sup> .....	<b>2,905</b>	815
Foreign currency translation and other .....	<b>(347)</b>	(16)
<b>Balance at end of the year</b> .....	<b>\$ 3,859</b>	<b>\$ 1,301</b>

*(1) See Note 6, Acquisition of Businesses for additional information.*

**NOTE 16. INVESTMENT PROPERTIES**

The following table presents the carrying amount for Brookfield Infrastructure's investment properties:

<u>US\$ MILLIONS</u>	<u>2018</u>	<u>2017</u>
<b>Balance at beginning of the year</b> .....	<b>\$ 192</b>	<b>\$ 154</b>
Fair value adjustments .....	<b>13</b>	23
Foreign currency translation .....	<b>(15)</b>	15
<b>Balance at end of the year</b> .....	<b>\$ 190</b>	<b>\$ 192</b>

For the year ended December 31, 2018, fair value adjustments of \$13 million were recognized for our U.K. port operation (2017: \$23 million).

Investment properties are measured at fair value on a recurring basis and the effective date of revaluation is December 31, 2018 and 2017. The fair value of our partnership's investment properties are determined by management of our partnership with due consideration given to other relevant market conditions. The following table summarizes the valuation techniques and significant inputs for Brookfield Infrastructure's investment property. Our partnership has classified all assets below under level 3 of the fair value hierarchy:

Segment	Valuation technique	Significant unobservable inputs	Range of inputs
<i>Transport</i>	Direct Income Capitalization	Capitalization Rate	6% to 14%

An increase in the capitalization rate would lead to a decrease in the fair value of investment property, with the opposite impact for a decrease in the capitalization rate.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

**NOTE 17. ACCOUNTS PAYABLE AND OTHER**

<u>US\$ MILLIONS</u>	<u>Note</u>	<u>2018</u>	<u>2017</u>
<b>Current:</b>			
Accounts payable <sup>(1)</sup> .....		\$ 463	\$ 246
Accrued & other liabilities .....		585	400
Deferred revenue .....	(i)	154	159
Provisions .....		106	59
<b>Total current</b> .....		<b>\$ 1,308</b>	<b>\$ 864</b>
<b>Non-current:</b>			
Deferred revenue .....	(i)	\$ 323	\$ 300
Pension liabilities <sup>(2)</sup> .....		81	100
Provisions .....		148	95
Other liabilities .....		225	298
<b>Total non-current</b> .....		<b>\$ 777</b>	<b>\$ 793</b>

(1) The average credit period on purchases of goods and services is 30 days. No interest is incurred on trade creditors. Brookfield Infrastructure has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

(2) See Note 31, Retirement Benefit Plans for further details.

Brookfield Infrastructure's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 34, Financial Risk Management.

**(i) Deferred revenue**

Deferred revenue relates primarily to cash contributions from third parties to build or upgrade existing network capabilities at Brookfield Infrastructure's Australian rail operation and for future natural gas and electricity connections at Brookfield Infrastructure's U.K. regulated distribution operation. The deferred revenue is recorded on receipt of cash payments and recognized as revenue as services are rendered over the life of the contracted track access or connections arrangement.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

**NOTE 18. FINANCIAL LIABILITIES**

<u>US\$ MILLIONS</u>	<u>2018</u>	<u>2017</u>
<b>Current:</b>		
Foreign currency forward contracts .....	\$ 16	\$ 150
Other financial liabilities .....	<b>108</b>	87
<b>Total current financial liabilities .....</b>	<b>\$ 124</b>	<b>\$ 237</b>
<b>Non-current:</b>		
Deferred consideration <sup>(1)</sup> .....	\$ 953	\$ 916
Interest rate swaps .....	<b>100</b>	9
Inflation swaps .....	<b>78</b>	84
Other financial liabilities .....	<b>25</b>	67
<b>Total non-current financial liabilities .....</b>	<b>\$1,156</b>	<b>\$1,076</b>

(1) The deferred consideration is related to the acquisitions completed during 2017 and 2018. See Note 6, Acquisition of Businesses for further details.

**NOTE 19. BORROWINGS**

**(a) Corporate Borrowings**

Brookfield Infrastructure has a \$1.975 billion senior unsecured revolving credit facility used for general working capital including acquisitions. The \$1.975 billion is available on a revolving basis for the full term of the facility. All amounts outstanding under this facility will be repayable on June 30, 2023. All obligations of Brookfield Infrastructure under the facility are guaranteed by our partnership. Loans under this facility accrue interest at a floating rate based on LIBOR plus 1.2%. Brookfield Infrastructure is required to pay an unused commitment fee under the facility of 18 basis points per annum. As at December 31, 2018, draws on the credit facility were \$510 million (2017: \$789 million) and \$47 million of letters of credit were issued (2017: \$106 million).

	<u>Maturity</u>	<u>Annual Rate</u>	<u>Currency</u>	<u>2018</u>	<u>2017</u>
Corporate revolving credit facility .....	June 30, 2023	LIBOR plus 1.2%	US\$	<b>510</b>	789
Medium Term Notes <sup>(1)</sup> :					
<b>Current:</b> .....					
Public - Canadian .....	October 30, 2018	3.0%	C\$	—	99
<b>Non-Current:</b> .....					
Public - Canadian .....	October 30, 2020	3.5%	C\$	<b>275</b>	298
Public - Canadian .....	March 11, 2022	3.5%	C\$	<b>330</b>	358
Public - Canadian .....	February 22, 2024	3.3%	C\$	<b>220</b>	239
Public - Canadian .....	February 22, 2024	3.3%	C\$	<b>293</b>	318
Public - Canadian .....	September 11, 2028	4.2%	C\$	<b>365</b>	—
<b>Total .....</b>				<b>\$1,993</b>	<b>\$2,101</b>

(1) See Note 20, Subsidiary Public Issuers for further details.

## BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

On October 30, 2018, Brookfield Infrastructure Finance ULC repaid C\$125 million of maturing medium-term notes.

On September 10, 2018, Brookfield Infrastructure Finance ULC issued C\$500 million of medium-term notes maturing September 11, 2028 with a coupon of 4.2%. The proceeds were swapped into U.S. dollars on a matched maturity basis at an all-in rate of 4.7%.

On April 17, 2017, Brookfield Infrastructure Finance ULC issued C\$400 million of medium-term notes maturing February 22, 2024 with a coupon of 3.3%. The notes were issued at a premium with an effective interest rate of 3.1% per annum, which was swapped into U.S. dollars on a matched maturity basis at an all-in rate of 4.0%.

On February 22, 2017, Brookfield Infrastructure Finance ULC issued C\$300 million of medium-term notes maturing February 22, 2024 with a coupon of 3.3%, which was swapped into U.S. dollars on a matched maturity basis at an all-in rate of 4.1%.

The decrease in corporate borrowings of \$108 million during the year ended December 31, 2018 is due to a net repayment of \$279 million on the corporate revolving credit facility, repayment of \$94 million of maturing debt and the impact of a weaker Canadian dollar relative to the U.S. dollar. These reductions were partially offset by the September 2018 medium-term note issuance of \$377 million.

Brookfield Infrastructure has entered into a \$500 million revolving credit facility with Brookfield to provide additional liquidity for general corporate purposes and capital expenditures, if required. The revolving credit facility has an effective date of February 8, 2018 and automatically renews for four consecutive one year terms on the first, second, third and fourth anniversary of such effective date, which would result it in ultimately maturing on February 8, 2023. Brookfield has the option to terminate the agreement prior to February 8 each year by providing Brookfield Infrastructure with written notice. All obligations of Brookfield Infrastructure under the facility were guaranteed by our partnership. Loans under this facility accrued interest on LIBOR plus 2.0% and no commitment fees were incurred for any undrawn balance. As of December 31, 2018, there were \$nil (2017: \$nil) of borrowings outstanding.

#### (b) Non-Recourse Borrowings

The current and non-current balances of non-recourse borrowings are as follows:

<u>US\$ MILLIONS</u>	<u>2018</u>	<u>2017</u>
Current .....	\$ 985	\$ 364
Non-current .....	12,128	7,699
Total .....	<u>\$13,113</u>	<u>\$ 8,063</u>

Non-recourse borrowings have increased by \$5.1 billion since year-end. This increase is primarily attributable to \$4.0 billion of borrowings associated with our recent acquisitions and the issuance of \$1.5 billion five-year senior notes at our Brazilian regulated gas transmission business. These increases are partially offset by a decrease in the U.S. dollar equivalent of foreign denominated debt as most of the currencies we operate in depreciated relative to the U.S. dollar during the year ended December 31, 2018.

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

Principal repayments on non-recourse borrowings due over the next five years and thereafter are as follows:

<u>US\$ MILLIONS</u>	<u>Utilities</u>	<u>Transport</u>	<u>Energy</u>	<u>Data Infrastructure</u>	<u>Total</u>
2019 .....	98	233	82	583	996
2020 .....	348	205	247	6	806
2021 .....	501	307	11	16	835
2022 .....	205	340	211	6	762
2023 .....	2,252	340	925	6	3,523
Thereafter .....	2,008	2,023	1,733	520	6,284
Total Principal repayments .....	5,412	3,448	3,209	1,137	13,206
Deferred financing costs and other .....	(15)	(4)	(54)	(20)	(93)
<b>Total - Dec. 31, 2018 .....</b>	<b>\$ 5,397</b>	<b>\$ 3,444</b>	<b>\$ 3,155</b>	<b>\$ 1,117</b>	<b>\$ 13,113</b>
Total - Dec. 31, 2017 .....	\$ 3,649	\$ 3,257	\$ 1,157	\$ —	\$ 8,063

The weighted average interest rates of non-recourse borrowings are as follows:

<u>US\$ MILLIONS</u>	<u>Utilities</u>	<u>Transport</u>	<u>Energy</u>	<u>Data Infrastructure</u>	<u>Total</u>
<b>Dec. 31, 2018 .....</b>	<b>4%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>5%</b>
Dec. 31, 2017 .....	4 %	5 %	5 %	—	5 %

Principal repayments on non-recourse borrowings in their local currency are as follows:

<u>US\$ MILLIONS, except as noted</u>	<u>Dec. 31, 2018</u>	<u>Local Currency</u>	<u>Dec. 31, 2017</u>	<u>Local Currency</u>
U.S. dollars .....	\$ 5,317	USD 5,317	\$ 3,087	USD \$ 3,087
British pounds .....	1,847	GBP 1,447	1,735	GBP 1,283
Canadian dollars .....	1,388	CAD 1,893	397	CAD 499
Brazilian real .....	1,342	BRL 5,200	—	BRL —
Australian dollars .....	925	AUD 1,312	1,013	AUD 1,297
Chilean Unidad de Fomento <sup>(1)</sup> .....	837	UF 21	960	UF 22
Indian rupees .....	565	INR 39,236	186	INR 11,847
Colombian pesos .....	411	COP 1,337,497	184	COP 549,384
Peruvian soles .....	441	PEN 1,486	458	PEN 1,483
New Zealand dollars .....	40	NZD 60	43	NZD 61

(1) Chilean Unidad de Fomento is an inflation adjusted unit of account indexed to the Chilean Peso.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

**(c) Supplemental Information**

Details of the “Changes in liabilities from financing activities”, including both changes arising from cash flows and non-cash changes are as follows:

<u>US\$ MILLIONS</u>	<u>2017</u>	<u>Cash Flows</u>	<u>Acquisitions</u>	<u>Foreign Exchange Movement</u>	<u>2018</u>
Corporate borrowings . . . . .	\$2,101	\$ 4	\$ —	\$ (112)	\$ 1,993
Non-recourse borrowings . . . . .	8,063	3,951	1,484	(385)	13,113

**NOTE 20. SUBSIDIARY PUBLIC ISSUERS**

An indenture dated as of October 10, 2012 between certain wholly-owned subsidiaries of our partnership, Brookfield Infrastructure Finance ULC, Brookfield Infrastructure Finance LLC, Brookfield Infrastructure Finance Pty Ltd and Brookfield Infrastructure Finance Limited (collectively, the “Debt Issuers”), and Computershare Trust Company of Canada, as supplemented and amended from time to time (“Indenture”) provides for the issuance of one or more series of unsecured notes of the Debt Issuers.

On September 10, 2018, the Debt Issuers issued C\$500 million of medium-term notes under the Indenture maturing September 11, 2028 in the Canadian bond market with a coupon of 4.2%, which was swapped into U.S. dollars on a matched maturity basis at an all-in rate of 4.7%.

On April 17, 2017, the Debt Issuers issued C\$400 million of medium-term notes under the Indenture maturing February 22, 2024 in the Canadian bond market with a coupon of 3.3%, which was swapped into U.S. dollars on a matched maturity basis at an all-in rate of 4.0%.

On February 22, 2017, the Debt Issuers issued C\$300 million of medium-term notes under the Indenture maturing February 22, 2024 in the Canadian bond market with a coupon of 3.3%, which was swapped into U.S. dollars on a matched maturity basis at an all-in rate of 4.1%.

As they matured, the Debt Issuers repaid C\$400 million of medium-term notes on October 10, 2017 and C\$125 million of medium term notes on October 30, 2018.

These notes are fully and unconditionally guaranteed by our partnership and its subsidiaries, the Holding LP, Brookfield Infrastructure Holdings (Canada) Inc., Brookfield Infrastructure US Holdings I Corporation and BIP Bermuda Holdings I Limited (collectively, the “Guarantors”).

The Guarantors will also fully and unconditionally guarantee the payment obligations of Brookfield Infrastructure Preferred Equity Inc. (“Pref Finco” and collectively with the Debt Issuers, the “Fincos”) in respect of any Class A preference shares issued to the public by the Pref Finco, if and when issued.

A base shelf prospectus of BIP Investment Corporation (“BIPIC”) dated as of November 23, 2018 provides for the issuance of one or more series of senior preferred shares of BIPIC. The Guarantors will fully and unconditionally guarantee the payment obligations of BIPIC in respect of any senior preferred shares issued by BIPIC under the prospectus.

Each of the Fincos and BIPIC are subsidiaries of our partnership. In the tables below, information relating to the Fincos has been combined. The Fincos have not guaranteed the obligations of BIPIC, nor has BIPIC guaranteed the obligations of the Fincos.



**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

Subsequent to year end, on February 5, 2019, BIPIC issued 4 million Series 1 Senior Preferred Shares at C\$25 per unit with a quarterly fixed dividend at a rate of 5.85% annually for the initial period ending March 31, 2024. In total, C\$100 million or \$75 million of gross proceeds were raised, \$2 million in underwriting costs were incurred and less than \$1 million in issuance costs were incurred.

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

The following tables set forth consolidated summary financial information for our partnership, the Fincos and BIPIC:

For the year ended December 31, 2018 US\$ MILLIONS	Our partnership <sup>(2)</sup>	The Fincos	BIPIC	Subsidiaries of our partnership other than the Fincos and BIPIC <sup>(3)</sup>	Consolidating adjustments <sup>(5)</sup>	Our partnership consolidated
Revenues .....	\$ —	\$ —	\$ —	\$ —	\$ 4,652	\$ 4,652
Net income attributable to partnership <sup>(1)</sup> .....	192	—	—	410	(192)	410
<b>For the year ended December 31, 2017</b>						
Revenues .....	\$ —	\$ —	\$ —	\$ —	\$ 3,535	\$ 3,535
Net income attributable to partnership <sup>(1)</sup> .....	11	—	—	125	(11)	125
<b>For the year ended December 31, 2016</b>						
Revenues .....	\$ —	\$ —	\$ —	\$ —	\$ 2,115	\$ 2,115
Net income attributable to partnership <sup>(1)</sup> .....	285	—	—	487	(285)	487
<b>As at December 31, 2018</b>						
Current assets .....	\$ —	\$ —	\$ —	\$ —	\$ 2,276	\$ 2,276
Non-current assets .....	5,449	—	568	8,281	20,006	34,304
Current liabilities .....	—	—	—	—	2,417	2,417
Non-current liabilities .....	—	1,483	—	—	18,012	19,495
Non-controlling interests— Redeemable Partnership Units held by Brookfield .....	—	—	—	—	1,823	1,823
Non-controlling interests— Exchange LP Units .....	—	—	—	—	71	71
Non-controlling interests—in operating subsidiaries .....	—	—	—	—	7,303	7,303
Preferred unitholders .....	—	—	—	—	936	936
<b>As at December 31, 2017</b>						
Current assets .....	\$ —	\$ —	\$ —	\$ —	\$ 1,512	\$ 1,512
Non-current assets .....	5,514	—	—	5,987	16,464	27,965
Current liabilities .....	—	—	—	—	1,564	1,564
Non-current liabilities .....	—	1,313	—	—	13,126	14,439
Non-controlling interests— Redeemable Partnership Units held by Brookfield .....	—	—	—	—	2,012	2,012
Non-controlling interests—in operating subsidiaries .....	—	—	—	—	5,875	5,875
Preferred unitholders .....	—	—	—	—	595	595

(1) Includes net income attributable to non-controlling interest—Exchange LP Units and non-controlling interest—Redeemable Partnership Units held by Brookfield, general partner and limited partners.

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

- (2) *Includes investments in all subsidiaries of our partnership under the equity method.*
- (3) *Includes investments in all subsidiaries of the Holding LP, Brookfield Infrastructure Holdings (Canada) Inc., Brookfield Infrastructure US Holdings I Corporation and BIP Bermuda Holdings I Limited under the equity method.*
- (4) *Includes elimination of intercompany transactions and balances necessary to present our partnership on a consolidated basis.*

### **NOTE 21. PREFERRED SHARES**

As at December 31, 2018, Brookfield Infrastructure Holdings (Canada) Inc., Brookfield Infrastructure US Holdings I Corporation and BIP Bermuda Holdings I Limited (wholly owned subsidiaries of Brookfield Infrastructure) have issued 196,000, 1 and 400,000 preferred shares, respectively, to wholly owned subsidiaries of Brookfield, for proceeds of \$5 million, \$5 million and \$10 million, respectively. Each preferred share is non-voting and is redeemable at \$25 per share except in the case of the preferred share issued by Brookfield Infrastructure US Holdings I Corporation, which is redeemable for \$5 million. Each of these preferred shares is redeemable, together with any accrued and unpaid dividends, at the option of the issuer on or after the tenth anniversary of the date of issue, subject to certain restrictions. Further, these preferred shares entitle the holders thereof to a fixed cumulative 6% preferential cash dividend payable quarterly as and when declared by the issuer's board of directors. At December 31, 2018, there were no dividends in arrears (2017: \$nil).

### **NOTE 22. INTEREST EXPENSE**

#### US\$ MILLIONS

	2018	2017	2016
Interest on corporate facility .....	\$ 4	\$ 12	\$ 12
Interest on corporate debt .....	56	51	39
Interest on non-recourse borrowings .....	483	361	338
Other financing fees .....	12	4	3
	<u>\$ 555</u>	<u>\$ 428</u>	<u>\$ 392</u>

### **NOTE 23. PAYROLL EXPENSE**

Our partnership has no key employees or directors; therefore Brookfield Infrastructure does not remunerate key management personnel. Key decision makers of Brookfield Infrastructure are all employees of the ultimate parent company who provide management services under Brookfield Infrastructure's Master Services Agreement. Details of the management fees paid are disclosed in Note 32, Related Party Transactions.

Throughout the year, the General Partner in its capacity as our partnership's general partner, incurs director fees, a portion of which are charged to our partnership in accordance with the limited partnership agreement. Less than \$1 million in director fees were incurred during the year ended December 31, 2018 (2017: less than \$1 million, 2016: less than \$1 million).

For the year ended December 31, 2018, payroll expense across all of Brookfield Infrastructure's subsidiaries was \$588 million, inclusive of benefits (2017: \$519 million, 2016: \$309 million).

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

**NOTE 24. NON-WHOLLY OWNED SUBSIDIARIES**

The following tables present summarized accounts for non-wholly owned subsidiaries on the Consolidated Statement of Financial Position:

<u>US\$ MILLIONS</u>	As of December 31, 2018					
	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Non-Controlling Interest in Operating Subsidiaries	Partnership Capital <sup>(1)</sup>
<i>Utilities</i>						
U.K. regulated distribution operation . . . . .	\$ 131	\$ 3,844	\$ 248	\$ 2,452	\$ 247	\$ 1,028
Australian regulated terminal operation . . . . .	34	2,074	27	1,943	45	93
Colombian regulated distribution operation . . . . .	51	708	32	396	273	58
Brazilian regulated gas transmission operation . . . . .	310	4,955	106	3,185	1,540	434
Colombian natural gas distribution operation . . . . .	230	1,149	235	374	691	79
<i>Transport</i>						
U.K. port operation . . . . .	48	847	71	347	195	282
Australian port operation . . . . .	141	593	239	59	319	117
Chilean toll roads . . . . .	82	940	59	862	43	58
Peruvian toll roads . . . . .	104	1,308	20	654	622	116
Indian toll roads <sup>(2)</sup> . . . . .	90	975	65	667	229	104
<i>Energy</i>						
North American gas storage operation . . . . .	281	1,273	155	566	515	318
Canadian district energy operation . . . . .	25	754	32	387	269	91
U.S. district energy operation . . . . .	42	834	26	681	90	79
Western Canadian natural gas gathering and processing operation . . . . .	86	2,069	84	1,161	650	260
North American residential energy infrastructure operation . . . . .	196	3,647	152	1,551	1,506	634
<i>Data Infrastructure</i>						
U.S. data center operation . . . . .	17	1,131	438	562	(12)	160
<i>Corporate</i>						
Holding LP and other . . . . .	320	248	336	2,031	83	(1,882)
Total . . . . .	<u>\$2,188</u>	<u>\$ 27,349</u>	<u>\$ 2,325</u>	<u>\$ 17,878</u>	<u>\$ 7,305</u>	<u>\$ 2,029</u>

(1) Attributable to non-controlling interest—Redeemable Partnership Units held by Brookfield, non-controlling interest—Exchange LP Units, general partner and limited partners.

(2) Indian toll roads include our investments in BIF India Holdings Pte Ltd, Simhapuri Expressway Limited and Rayalseema Expressway Private Limited.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

US\$ MILLIONS	As of December 31, 2017					
	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Non-Controlling Interest in Operating Subsidiaries	Partnership Capital <sup>(1)</sup>
<i>Utilities</i>						
U.K. regulated distribution operation . . . . .	\$ 107	\$ 3,550	\$ 281	\$ 2,261	\$ 217	\$ 898
Australian regulated terminal operation . . . . .	38	2,229	34	2,035	62	136
Colombian regulated distribution operation . . . . .	68	764	26	438	302	66
Brazilian regulated gas transmission operation . . . . .	322	5,990	73	2,015	3,081	1,143
<i>Transport</i>						
U.K. port operation . . . . .	44	880	133	353	179	259
Australian port operation . . . . .	163	628	101	218	346	126
Chilean toll roads . . . . .	84	1,116	59	989	75	77
Peruvian toll roads . . . . .	101	1,356	18	674	644	121
Indian toll roads . . . . .	58	256	30	185	60	39
<i>Energy</i>						
North American gas storage . . . . .	206	1,259	244	409	502	310
Canadian district energy operation . . . . .	75	699	55	394	243	82
U.S. district energy operation . . . . .	37	799	19	668	78	71
<i>Corporate</i>						
Holding LP and other . . . . .	127	244	392	2,060	84	(2,165)
Total . . . . .	<u>\$1,430</u>	<u>\$ 19,770</u>	<u>\$ 1,465</u>	<u>\$ 12,699</u>	<u>\$ 5,873</u>	<u>\$ 1,163</u>

(1) Attributable to non-controlling interest—Redeemable Partnership Units held by Brookfield, general partner and limited partners.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

The following tables present summarized accounts for non-wholly owned subsidiaries on the Consolidated Statement of Operating Results:

US\$ MILLIONS	Year ended December 31, 2018				
	Revenue	Attributable to non-controlling interest		Attributable to unitholders	
		Net Income (loss)	Other Comprehensive Income (loss)	Net Income (loss)	Other Comprehensive Income (loss)
<i>Utilities</i>					
U.K. regulated distribution operation . . . . .	\$ 449	\$ 22	\$ 19	\$ 99	\$ 86
Australian regulated terminal operation . . . . .	307	14	(6)	34	(16)
Colombian regulated distribution operation . . . . .	177	15	(11)	3	(2)
Brazilian regulated gas transmission operation . . . . .	1,112	357	(469)	139	(190)
Colombian natural gas distribution operation . . . . .	516	34	(91)	7	(14)
<i>Transport</i>					
U.K. port operation . . . . .	205	12	3	19	4
Australian port operation . . . . .	522	(6)	(33)	(3)	(11)
Chilean toll roads . . . . .	168	(1)	(7)	(1)	(7)
Peruvian toll roads . . . . .	92	3	(25)	1	(5)
Indian toll roads <sup>(1)</sup> . . . . .	61	(12)	2	(6)	(1)
<i>Energy</i>					
North American gas storage operation . . . . .	150	(16)	22	(12)	15
Canadian district energy operation . . . . .	118	7	32	3	11
U.S. district energy operation . . . . .	149	(13)	35	(8)	23
Western Canadian natural gas gathering and processing operation . . . . .	61	3	(53)	1	(21)
North American residential energy infrastructure operation . . . . .	191	4	(73)	1	(30)
<i>Data Infrastructure</i>					
U.S. data center operation . . . . .	—	—	(1)	—	—
<i>Corporate</i>					
Holding LP and other . . . . .	23	(26)	(1)	108	44
Total . . . . .	<u>\$4,301</u>	<u>\$ 397</u>	<u>\$ (657)</u>	<u>\$ 385</u>	<u>\$ (114)</u>

(1) Indian toll roads include our investments in BIF India Holdings Pte Ltd, Simhapuri Expressway Limited and Rayalseema Expressway Private Limited.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

US\$ MILLIONS	Year ended December 31, 2017				
	Revenue	Attributable to non-controlling interest		Attributable to unitholders	
		Net Income (loss)	Other Comprehensive Income (loss)	Net Income (loss)	Other Comprehensive Income (loss)
<i>Utilities</i>					
U.K. regulated distribution operation . . . . .	\$ 385	\$ 21	\$ 29	\$ 114	\$ 118
Australian regulated terminal operation . . . . .	301	15	3	35	7
Colombian regulated distribution operation . . . . .	161	12	38	2	7
Brazilian regulated gas transmission operation . . . . .	938	349	(160)	146	(72)
<i>Transport</i>					
U.K. port operation . . . . .	180	8	21	22	29
Australian port operation . . . . .	501	(7)	28	(3)	9
Chilean toll roads . . . . .	154	—	7	—	8
Peruvian toll roads . . . . .	103	12	22	2	5
Indian toll roads . . . . .	57	(2)	4	(1)	3
<i>Energy</i>					
North American gas storage operation . . . . .	149	30	74	18	47
Canadian district energy operation . . . . .	95	(2)	39	—	13
U.S. district energy operation . . . . .	131	10	40	7	26
<i>Corporate</i>					
Holding LP and other . . . . .	22	(3)	1	(349)	(410)
Total . . . . .	<u>\$3,177</u>	<u>\$ 443</u>	<u>\$ 146</u>	<u>\$ (7)</u>	<u>\$ (210)</u>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

US\$ MILLIONS	Year ended December 31, 2016				
	Revenue	Attributable to non-controlling interest		Attributable to unitholders	
		Net Income	Other Comprehensive Income (loss)	Net Income (loss)	Other Comprehensive Income (loss)
<i>Utilities</i>					
U.K. regulated distribution operation . . . . .	\$ 347	\$ 12	\$ (14)	\$ 79	\$ (55)
Australian regulated terminal operation . . . . .	299	15	(5)	46	(12)
Colombian regulated distribution operation . . . . .	150	10	45	2	10
<i>Transport</i>					
U.K. port operation . . . . .	178	11	(37)	20	(52)
Australian port operation . . . . .	182	(18)	(24)	(7)	(8)
Chilean toll roads . . . . .	127	(9)	7	(10)	8
Brazilian toll roads . . . . .	—	6	38	5	25
Peruvian toll roads . . . . .	97	(8)	(7)	(2)	(1)
Indian toll roads . . . . .	39	(3)	1	(3)	—
<i>Energy</i>					
North American gas storage operation . . . . .	100	1	—	1	—
Canadian district energy operation . . . . .	79	(1)	31	1	11
U.S. district energy operation . . . . .	111	(6)	31	—	20
<i>Corporate</i>					
Holding LP and other . . . . .	15	31	1	31	180
Total . . . . .	<u>\$1,724</u>	<u>\$ 41</u>	<u>\$ 67</u>	<u>\$ 163</u>	<u>\$ 126</u>



**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

The following tables present summarized accounts for non-wholly owned subsidiaries on the Consolidated Statement of Cash Flows:

US\$ MILLIONS	Cash Flow Activities					
	Year ended December 31, 2018			Year ended December 31, 2017		
	Operating	Investing	Financing	Operating	Investing	Financing
<i>Utilities</i>						
U.K. regulated distribution operation . . . . .	\$ 226	\$ (413)	\$ 179	\$ 220	\$ (343)	\$ 129
Australian regulated terminal operation . . . . .	85	(21)	(63)	96	(9)	(87)
Colombian regulated distribution operation . . . . .	11	(26)	—	7	(22)	26
Brazilian regulated gas transmission operation . . . . .	868	(26)	(792)	819	83	(839)
Colombian natural gas distribution operation . . . . .	94	(217)	205	—	—	—
<i>Transport</i>						
U.K. port operation . . . . .	27	(17)	(8)	46	(40)	(10)
Australian port operation . . . . .	42	(68)	22	37	(39)	12
Chilean toll roads . . . . .	74	(1)	(82)	56	(5)	(88)
Peruvian toll roads . . . . .	91	(33)	—	46	(67)	—
Indian toll roads <sup>(1)</sup> . . . . .	18	(184)	209	30	(7)	(22)
<i>Energy</i>						
North American gas storage operation . . . . .	—	(8)	7	55	(9)	(76)
Canadian district energy operation . . . . .	39	(42)	(45)	26	(82)	102
U.S. district energy operation . . . . .	24	(16)	(18)	24	8	(28)
Western Canadian natural gas gathering and processing operation . . . . .	48	(1,923)	1,910	—	—	—
North American residential energy infrastructure operation . . . . .	16	(2,182)	2,188	—	—	—
<i>Data Infrastructure</i>						
U.S. data center operation . . . . .	(1)	(1,103)	1,118	—	—	—
<i>Corporate</i>						
Holding LP and other . . . . .	(417)	794	(379)	(98)	(5,089)	4,721
<b>Total . . . . .</b>	<b>\$ 1,245</b>	<b>\$ (5,486)</b>	<b>\$ 4,451</b>	<b>\$ 1,364</b>	<b>\$ (5,621)</b>	<b>\$ 3,840</b>

(1) Indian toll roads include our investments in BIF India Holdings Pte Ltd, Simhapuri Expressway Limited and Rayalseema Expressway Private Limited.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

<u>US\$ MILLIONS</u>	<u>Cash Flow Activities</u>		
	<u>Year ended December 31, 2016</u>		
	<u>Operating</u>	<u>Investing</u>	<u>Financing</u>
<i>Utilities</i>			
U.K. regulated distribution operation . . . . .	\$ 244	\$ (487)	\$ 245
Australian regulated terminal operation . . . . .	128	(22)	(106)
Colombian regulated distribution operation . . . . .	17	(18)	—
<i>Transport</i>			
U.K. port operation . . . . .	33	(24)	(14)
Australian port operation . . . . .	7	(99)	154
Chilean toll roads . . . . .	63	(1)	(99)
Brazilian toll roads . . . . .	2	(70)	70
Peruvian toll roads . . . . .	29	25	1
Indian toll roads . . . . .	(7)	28	(10)
<i>Energy</i>			
North American gas storage operation . . . . .	(12)	6	46
Canadian district energy operation . . . . .	27	(18)	(13)
U.S. district energy operation . . . . .	26	(33)	9
<i>Corporate</i>			
Holding LP and other . . . . .	124	(282)	618
Total . . . . .	<u>\$ 681</u>	<u>\$ (995)</u>	<u>\$ 901</u>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

**NOTE 25. INCOME TAXES**

Our partnership is a flow through entity for tax purposes and as such is not subject to taxation. However, income taxes are recognized for the amount of taxes payable by the partnership's corporate subsidiaries and for the impact of deferred tax assets and liabilities related to such subsidiaries.

**(a) Deferred Income Tax Balances**

The sources of deferred income tax balances are as follows:

<u>US\$ MILLIONS</u>	<u>As of December 31,</u>	
	<u>2018</u>	<u>2017</u>
<b>Deferred income tax assets</b>		
Tax losses carried forward .....	<u>\$ 394</u>	<u>\$ 361</u>
	<u><b>\$ 394</b></u>	<u><b>\$ 361</b></u>
<b>Deferred income tax liabilities</b>		
Property, plant and equipment and investment properties .....	<u>\$(1,702)</u>	<u>\$(1,374)</u>
Intangible assets .....	<u>(2,115)</u>	<u>(1,761)</u>
Financial instruments and other .....	<u>77</u>	<u>(9)</u>
	<u><b>\$(3,740)</b></u>	<u><b>\$(3,144)</b></u>
<b>Net deferred income tax liabilities</b> .....	<u><b>\$(3,346)</b></u>	<u><b>\$(2,783)</b></u>
Reflected in the statement of financial position as follows: .....		
Deferred income tax assets .....	<u>\$ 75</u>	<u>\$ 66</u>
Deferred income tax liabilities .....	<u><b>(3,421)</b></u>	<u><b>(2,849)</b></u>
<b>Net deferred income tax liabilities</b> .....	<u><b>\$(3,346)</b></u>	<u><b>\$(2,783)</b></u>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

The sources of deferred income tax balances and movements are as follows:

<u>US\$ MILLIONS</u>	<u>Jan. 1, 2018</u>	<u>Net Income</u>	<u>Recognized in</u>			<u>Dec. 31, 2018</u>
			<u>Other Comprehensive Income</u>	<u>Other<sup>(1)</sup></u>	<u>Acquisitions (Dispositions)</u>	
Deferred income tax assets related to non-capital losses and capital losses .....	\$ 361	\$ (13)	\$ —	\$ 8	\$ 38	\$ 394
Deferred income tax liabilities related to differences in tax and book basis, net .....	(3,144)	(33)	(97)	266	(732)	(3,740)
Net deferred income tax liabilities ..	<u>\$ (2,783)</u>	<u>\$ (46)</u>	<u>\$ (97)</u>	<u>\$ 274</u>	<u>\$ (694)</u>	<u>\$ (3,346)</u>

<u>US\$ MILLIONS</u>	<u>Jan. 1, 2017</u>	<u>Net Income</u>	<u>Recognized in</u>			<u>Dec. 31, 2017</u>
			<u>Other Comprehensive Income</u>	<u>Other<sup>(1)</sup></u>	<u>Acquisitions (Dispositions)</u>	
Deferred income tax assets related to non-capital losses and capital losses .....	\$ 357	\$ (19)	\$ —	\$ 23	\$ —	\$ 361
Deferred income tax liabilities related to differences in tax and book basis, net .....	(1,895)	(48)	(200)	(71)	(930)	(3,144)
Net deferred income tax liabilities ..	<u>\$ (1,538)</u>	<u>\$ (67)</u>	<u>\$ (200)</u>	<u>\$ (48)</u>	<u>\$ (930)</u>	<u>\$ (2,783)</u>

(1) Other items relates to foreign exchange as deferred income taxes are calculated based on the functional currency of each operating entity.

The amount of non-capital and capital losses and deductible temporary differences for which no deferred income tax assets have been recognized is approximately \$765 million (2017: \$859 million). Of the \$765 million (2017: \$859 million) deductible temporary differences not recognized, \$433 million (2017: \$480 million) relates to capital losses which can be carried forward indefinitely and have no expiry dates. The remaining \$332 million (2017: \$379 million) relates to non-capital losses, of which \$26 million (2017: \$7 million) expire between 2022 to 2032 and \$306 million (2017: \$372 million) that carry forward indefinitely and have no expiry dates.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

**(b) Income Tax Recognized in Profit or Loss**

The major components of income tax expense include the following:

<u>US\$ MILLIONS</u>	<u>For the year ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Tax expense comprises:</b>			
Current income tax expense	\$ 318	\$ 106	\$ 33
Deferred income tax expense (recovery)			
Origination and reversal of temporary differences	53	92	(62)
Changes in tax rates or the imposition of new taxes	(11)	(41)	1
Previously unrecognized deferred taxes	4	16	43
<b>Total income tax expense</b>	<b>\$ 364</b>	<b>\$ 173</b>	<b>\$ 15</b>
<b>Net income before income tax expense reconciles to income tax expense as follows:</b>			
Net income before income tax	\$1,170	\$ 747	\$ 543
Income tax expense calculated at the domestic rates applicable to profits in the country concerned	278	304	77
Change in substantively enacted tax rates	(11)	(41)	1
Earnings from investments in associates and joint ventures	(3)	(12)	(34)
Portion of gains subject to different tax rates	141	2	(54)
Taxable income attributable to non-controlling interests	(35)	(65)	(7)
International operations subject to different tax rates	(17)	(39)	(6)
Deferred tax assets not recognized	4	15	41
Permanent differences and other	7	9	(3)
Income tax expense recognized in profit or loss	<b>\$ 364</b>	<b>\$ 173</b>	<b>\$ 15</b>

As the partnership is not subject to tax, the above reconciliation has been prepared using a composite statutory rate for jurisdictions where Brookfield Infrastructure's subsidiaries operate. The composite rate has decreased due to changes in the related operating income in the various subsidiaries and changes in local statutory rates.

The partnership has approximately \$2,867 million (2017: \$2,411 million) of temporary differences associated with investments in subsidiaries, and associates for which no deferred income taxes have been provided.

**(c) Income Tax Recognized Directly in Other Comprehensive Income**

<u>US\$ MILLIONS</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Deferred income tax arising on income and expenses recognized in other comprehensive income:</b>			
Revaluation of property, plant and equipment	\$ (95)	\$ (204)	\$ (90)
Cash flow hedges	3	8	8
Other	(5)	(4)	7
<b>Total income tax expense recognized directly in other comprehensive income</b>	<b>\$ (97)</b>	<b>\$ (200)</b>	<b>\$ (75)</b>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

**NOTE 26. PARTNERSHIP CAPITAL**

As at December 31, 2018, our partnership's capital structure was comprised of three classes of partnership units: units, preferred units and general partnership units. Units entitle the holder to their proportionate share of distributions. Preferred units entitle the holder to cumulative preferential cash distributions in accordance with their terms. General partnership units entitle the holder the right to govern the financial and operating policies of our partnership. The Holding LP's capital structure is composed of four classes of partnership units: Special General Partner Units, Holding LP Class A Preferred Units, Managing General Partner Units and Redeemable Partnership Units held by Brookfield.

In its capacity as the holder of the Special General Partner Units of the Holding LP, the special general partner is entitled to incentive distribution rights which are based on the amount by which quarterly distributions on the Holding LP's units (other than Holding LP Class A Preferred Units) exceed specified target levels. To the extent distributions on the Holding LP's units (other than Holding LP Class A Preferred Units) exceed \$0.203 per quarter, the incentive distribution rights entitle the special general partner to 15% of incremental distributions above this threshold. To the extent that distributions on the Holding LP's units (other than Holding LP Class A Preferred Units) exceed \$0.22 per unit, the incentive distribution rights entitle the special general partner to 25% of incremental distributions above this threshold. During the year, the Holding LP paid incentive distributions of \$136 million (2017: \$113 million, 2016: \$80 million).

The Holding LP has issued 115.8 million Redeemable Partnership Units to Brookfield, which may, at the request of the holder, require the Holding LP to redeem the Redeemable Partnership Units for cash in an amount equal to the market value of our units. This right is subject to our partnership's right of first refusal which entitles it, at its sole discretion, to elect to acquire any Redeemable Partnership Units so presented to the Holding LP in exchange for one of our partnership's units (subject to certain customary adjustments). Both the units issued by our partnership and the Redeemable Partnership Units issued by the Holding LP have the same economic attributes in all respects, except for the redemption right described above. The Redeemable Partnership Units participate in earnings and distributions on a per Redeemable Partnership Unit basis equivalent to the per unit participation of the units of our partnership. Our partnership reflects the Redeemable Partnership Units issued to Brookfield by the Holding LP as non-controlling interest—Redeemable Partnership Units held by Brookfield.

On September 14, 2016, our partnership completed a three-for-two split of its units by way of a subdivision of units, whereby unitholders received an additional one-half of a unit for each unit held, resulting in the issuance of approximately 115 million additional units. Any fractional units otherwise issuable to registered holders as a result of the Unit Split were rounded up to the nearest whole unit. Our preferred units were not affected by the Unit Split. The Managing General Partner Units, Special General Partner Units and Redeemable Partnership Units of the Holding LP were concurrently split to reflect the Unit Split.

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

### (a) Special and Limited Partnership Capital

	Special General Partner Units			Limited Partnership Units			Total		
UNITS MILLIONS	2018	2017	2016	2018	2017	2016	2018	2017	2016
<b>Opening balance</b>	<b>1.6</b>	1.6	1.6	<b>276.6</b>	259.4	243.2	<b>278.2</b>	261.0	244.8
Issued for cash	—	—	—	<b>0.3</b>	17.2	16.4	<b>0.3</b>	17.2	16.4
Conversion from Exchange LP Units	—	—	—	<b>1.3</b>	—	—	<b>1.3</b>	—	—
Repurchased and cancelled	—	—	—	<b>(0.9)</b>	—	(0.2)	<b>(0.9)</b>	—	(0.2)
<b>Ending balance</b>	<b>1.6</b>	1.6	1.6	<b>277.3</b>	276.6	259.4	<b>278.9</b>	278.2	261.0

	Special General Partner			Limited Partners			Total		
US\$ MILLIONS	2018	2017	2016	2018	2017	2016	2018	2017	2016
<b>Opening balance</b>	<b>\$ 19</b>	\$ 19	\$ 19	<b>\$4,907</b>	\$4,215	\$3,716	<b>\$4,926</b>	\$4,234	\$3,735
Unit issuance	—	—	—	<b>14</b>	692	505	<b>14</b>	692	505
Conversion from Exchange LP Units	—	—	—	<b>20</b>	—	—	<b>20</b>	—	—
Repurchased and cancelled	—	—	—	<b>(30)</b>	—	(6)	<b>(30)</b>	—	(6)
<b>Ending balance</b>	<b>\$ 19</b>	\$ 19	\$ 19	<b>\$4,911</b>	\$4,907	\$4,215	<b>\$4,930</b>	\$4,926	\$4,234

During the year ended December 31, 2018, Brookfield Infrastructure repurchased and cancelled 0.9 million units for \$30 million (2017: nil, 2016: 0.2 million units for \$6 million) and incurred less than \$1 million in commission costs (2017: \$nil, 2016: less than \$1 million).

In September 2017, Brookfield Infrastructure issued 16.6 million limited partnership units at \$42 per unit under shelf registrations in the United States and Canada. In total, \$700 million of gross proceeds were raised through the issuance and \$28 million in equity issuance costs were incurred. Concurrently, Brookfield Infrastructure issued 7.4 million Redeemable Partnership Units to Brookfield for proceeds of \$300 million. As Brookfield participated in the unit offering at a percentage greater than its ownership interest in the Holding LP prior to the equity offering, this resulted in a slight decrease in our partnership's ownership interest in the Holding LP without resulting in a loss of control. The difference between the proportionate amount by which the non-controlling interest in Holding LP was increased and the proceeds of the Redeemable Partnership Unit offering resulted in a gain of \$6 million that was recognized directly in equity.

The gain on changes in ownership interest recognized in equity is recorded as ownership changes within the Statements of Partnership Capital. Amounts in accumulated other comprehensive income at the date of the unit offering that were attributable to the limited partners were ratably allocated to accumulated other comprehensive income attributable to non-controlling interest—Redeemable Partnership Units held by Brookfield.

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

In December 2016, Brookfield Infrastructure issued 15.6 million limited partnership units at \$32 per unit under shelf registrations in the United States and Canada. In total, \$500 million of gross proceeds were raised through the issuance and \$20 million in equity issuance costs were incurred. Concurrently, Brookfield Infrastructure issued 8.1 million Redeemable Partnership Units to Brookfield for proceeds of \$250 million. The difference between the proportionate amount by which the non-controlling interest in Holding LP was increased and the proceeds of the Redeemable Partnership Unit offering resulted in a gain of \$16 million that was recognized directly in equity.

In June 2010, we implemented a distribution reinvestment plan (the “Plan”) that allows eligible holders of our partnership to purchase additional units by reinvesting their cash distributions. Under the Plan, units are acquired at a price per unit calculated by reference to the volume weighted average of the trading price for our units on the NYSE for the five trading days immediately preceding the relevant distribution date. During the year ended December 31, 2018, our partnership issued less than 1 million units for proceeds of \$14 million (2017: less than 1 million units for proceeds of \$20 million, 2016: less than 1 million units for proceeds of \$25 million) under the Plan.

The weighted average number of Special General Partner Units outstanding for the year ended December 31, 2018 was 1.6 million (2017: 1.6 million, 2016: 1.6 million). The weighted average number of limited partnership units outstanding for the year ended December 31, 2018 was 276.9 million (2017: 264.6 million, 2016: 244.7 million).

### **(b) Non-controlling interest—Redeemable Partnership Units held by Brookfield**

<u>UNITS MILLIONS</u>	<b>Non-controlling interest— Redeemable Partnership Units held by Brookfield</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Opening balance</b> .....	<b>115.8</b>	108.4	100.3
Issued for cash .....	—	7.4	8.1
<b>Ending balance</b> .....	<b>115.8</b>	115.8	108.4

<u>US\$ MILLIONS</u>	<b>Non-controlling interest— Redeemable Partnership Units held by Brookfield</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Opening balance</b> .....	<b>\$2,078</b>	\$1,778	\$1,528
Unit issuance .....	—	300	250
<b>Ending balance</b> .....	<b>\$2,078</b>	\$2,078	\$1,778

In September 2017, Brookfield Infrastructure issued 7.4 million Redeemable Partnership Units to Brookfield for proceeds of \$300 million.

In December 2016, Brookfield Infrastructure issued 8.1 million Redeemable Partnership Units to Brookfield for proceeds of \$250 million.

The weighted average number of Redeemable Partnership Units outstanding for the year ended December 31, 2018 was 115.8 million (2017: 110.6 million, 2016: 100.9 million).



**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

**(c) Non-controlling interest—Exchange LP Units**

<u>UNITS MILLIONS</u>	Non-controlling interest— Exchange LP Units held by Brookfield		
	2018	2017	2016
<b>Opening balance</b>	—	—	—
Unit issuance	5.7	—	—
Exchange LP conversion	(1.3)	—	—
<b>Ending balance</b>	<b>4.4</b>	—	—

<u>US\$ MILLIONS</u>	Non-controlling interest— Exchange LP Units held by Brookfield		
	2018	2017	2016
<b>Opening balance</b>	\$ —	\$ —	\$ —
Unit issuance	232	—	—
Exchange LP conversion	(20)	—	—
<b>Ending balance</b>	<b>\$ 212</b>	\$ —	\$ —

On October 16, 2018, Exchange LP, a subsidiary of our partnership, issued 5.7 million Exchange LP Units for proceeds of \$232 million in connection with the privatization of Enercare Inc. The Exchange LP Units provide holders with economic terms that are substantially equivalent to those of our units and are exchangeable, on a one-for-one basis, for our units. Given the exchangeable feature, we present the Exchange LP Units as a component of non-controlling interests.

During the year ended December 31, 2018, Exchange LP unitholders exchanged 1.3 million units for \$20 million of limited partners capital.

**(d) Preferred Unitholders' Capital**

<u>UNITS MILLIONS</u>	Preferred Units		
	2018	2017	2016
<b>Opening balance</b>	<b>32.0</b>	20.0	10.0
Issued for cash	18.0	12.0	10.0
Repurchased and cancelled	(0.1)	—	—
<b>Ending balance</b>	<b>49.9</b>	32.0	20.0

<u>US\$ MILLIONS</u>	Preferred Units		
	2018	2017	2016
<b>Opening balance</b>	<b>\$ 595</b>	\$ 375	\$ 189
Unit issuance	342	220	186
Repurchased and cancelled	(1)	—	—
<b>Ending balance</b>	<b>\$ 936</b>	\$ 595	\$ 375

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

During the year ended December 31, 2018, Brookfield Infrastructure repurchased and cancelled 0.1 million preferred units for \$1 million and incurred less than \$1 million in commission costs. No preferred units were repurchased and cancelled in 2017 or 2016.

On September 12, 2018, our partnership issued 10 million Series 11 Preferred Units at C\$25 per unit with a quarterly fixed distribution at a rate of 5.10% annually for the initial period ending December 31, 2023. In total, C\$250 million or \$190 million of gross proceeds were raised, \$4 million in underwriting costs were incurred and less than \$1 million in issuance costs were incurred.

On January 23, 2018, our partnership issued 8 million Series 9 Preferred Units at C\$25 per unit with a quarterly fixed distribution at a rate of 5.00% annually for the initial period ending March 31, 2023. In total, C\$200 million or \$161 million of gross proceeds were raised, \$4 million in underwriting costs were incurred and less than \$1 million in issuance costs were incurred.

On January 26, 2017, our partnership issued 12 million Series 7 Preferred Units at C\$25 per unit with a quarterly fixed distribution at a rate of 5.00% annually for the initial period ending March 31, 2022. In total, C\$300 million or \$225 million of gross proceeds were raised, \$5 million in underwriting costs were incurred and less than \$1 million in issuance costs were incurred.

In August 2016, our partnership issued 10 million Series 5 Preferred Units at C\$25 per unit with a quarterly fixed distribution at a rate of 5.35% annually for the initial period ending September 30, 2021. In total, C\$250 million or \$190 million of gross proceeds were raised and \$4 million in issuance costs were incurred.

### NOTE 27. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

#### (a) Attributable to Limited Partners'

US\$ MILLIONS	Revaluation Surplus	Foreign Currency Translation	Net Investment Hedges	Cash Flow Hedges	Marketable Securities	Unrealized Actuarial Losses	Equity accounted investments	Accumulated Other Comprehensive Income
Balance at December 31, 2016 .....	\$ 957	\$ (891)	\$ 215	\$ (130)	\$ (4)	\$ (30)	\$ 619	\$ 736
Other comprehensive income (loss) .....	19	56	(187)	104	4	3	129	128
<b>Balance at December 31, 2017 .....</b>	<b>\$ 976</b>	<b>\$ (835)</b>	<b>\$ 28</b>	<b>\$ (26)</b>	<b>\$ —</b>	<b>\$ (27)</b>	<b>\$ 748</b>	<b>\$ 864</b>
Other comprehensive income (loss) <sup>(1)</sup> .....	141	(501)	67	(70)	(33)	9	182	(205)
Other items <sup>(1)</sup> .....	(450)	—	—	—	—	—	—	(450)
<b>Balance at December 31, 2018 .....</b>	<b>\$ 667</b>	<b>\$ (1,336)</b>	<b>\$ 95</b>	<b>\$ (96)</b>	<b>\$ (33)</b>	<b>\$ (18)</b>	<b>\$ 930</b>	<b>\$ 209</b>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

**(b) Attributable to General Partner**

US\$ MILLIONS	Revaluation Surplus	Foreign Currency Translation	Net Investment Hedges	Cash Flow Hedges	Marketable Securities	Unrealized Actuarial Losses	Equity accounted investments	Accumulated Other Comprehensive Income
Balance at December 31, 2016 .....	\$ 7	\$ (5)	\$ 3	\$ (1)	\$ —	\$ —	\$ 3	\$ 7
Other comprehensive (loss) income .....	—	(1)	(2)	1	—	—	1	(1)
Balance at December 31, 2017 .....	\$ 7	\$ (6)	\$ 1	\$ —	\$ —	\$ —	\$ 4	\$ 6
Other comprehensive income (loss) <sup>(1)</sup> .....	1	(3)	1	—	—	—	1	—
Other items <sup>(1)</sup> .....	(3)	—	—	—	—	—	—	(3)
Balance at December 31, 2018 .....	<u>\$ 5</u>	<u>\$ (9)</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5</u>	<u>\$ 3</u>

**(c) Attributable to Non-controlling interest—Redeemable Partnership Units held by Brookfield**

US\$ MILLIONS	Revaluation Surplus	Foreign Currency Translation	Net Investment Hedges	Cash Flow Hedges	Marketable Securities	Unrealized Actuarial Losses	Equity accounted investments	Accumulated Other Comprehensive Income
Balance at December 31, 2016 .....	\$ 417	\$ (365)	\$ 88	\$ (58)	\$ (3)	\$ (9)	\$ 261	\$ 331
Other comprehensive income (loss) .....	8	26	(77)	44	1	1	53	56
Balance at December 31, 2017 .....	\$ 425	\$ (339)	\$ 11	\$ (14)	\$ (2)	\$ (8)	\$ 314	\$ 387
Other comprehensive income (loss) <sup>(1)</sup> .....	59	(213)	29	(29)	(14)	4	77	(87)
Other items <sup>(1)</sup> .....	(188)	—	—	—	—	—	—	(188)
Balance at December 31, 2018 .....	<u>\$ 296</u>	<u>\$ (552)</u>	<u>\$ 40</u>	<u>\$ (43)</u>	<u>\$ (16)</u>	<u>\$ (4)</u>	<u>\$ 391</u>	<u>\$ 112</u>

**d) Attributable to Non-controlling interest—Exchange LP Units**

US\$ MILLIONS	Revaluation Surplus	Foreign Currency Translation	Net Investment Hedges	Cash Flow Hedges	Marketable Securities	Unrealized Actuarial Losses	Equity accounted investments	Accumulated Other Comprehensive Income
Balance at December 31, 2017 .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Other comprehensive income (loss) .....	2	1	—	(1)	—	—	2	4
Balance at December 31, 2018 .....	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ 4</u>

(1) In relation to the sale of our Chilean electricity transmission business, \$641 million of revaluation surplus previously recognized within accumulated other comprehensive income was reclassified directly to retained earnings in the Consolidated Statements of Partnership Capital. Additionally, \$127 million of deferred tax expense previously recognized within accumulated other comprehensive income was reclassified as current income tax expense within accumulated other comprehensive income.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

**NOTE 28. DISTRIBUTIONS**

For the year ended December 31, 2018, distributions to partnership unitholders were \$742 million or \$1.88 per unit (2017: \$651 million or \$1.74 per unit, 2016: \$535 million or \$1.55 per unit). Additionally, incentive distributions were made to the special general partner of \$136 million (2017: \$113 million, 2016: \$80 million).

On February 5, 2019, the Board of Directors of our General Partner approved a 7% increase in our quarterly distribution to \$0.5025 per unit, payable on March 29, 2019 to unitholders on record as of the close of business on February 28, 2019.

For the year ended December 31, 2018, our partnership declared preferred unit distributions of \$41 million or \$0.97 per preferred unit on a prorated basis (2017: \$30 million, 2016: \$13 million).

**NOTE 29. CONTINGENT ASSETS & LIABILITIES**

Brookfield Infrastructure, including its associates, had bank and customs guarantees and letters of credit outstanding to third parties totaling \$195 million (2017: \$182 million). These guarantees are generally supported by cash on deposit with banks.

Our partnership and its subsidiaries are contingently liable with respect to litigation and claims that arise in the normal course of operations.

**NOTE 30. CONTRACTUAL COMMITMENTS**

In the normal course of business, our partnership will enter into contractual obligations which include commitments relating primarily to contracted project costs for various growth initiatives, committed expenditures associated with gas and electricity sales contracts at our U.K. regulated distribution operation, and operating leases associated with our U.S. data center operation, Australian port operation and North American gas storage operations. As at December 31, 2018, our partnership had \$2,466 million (2017: \$1,448 million) of commitments outstanding, of which 17% mature in less than one year, 38% between two and five years, and 45% after five years.

In addition, pursuant to the Master Service Agreement, on a quarterly basis, Brookfield Infrastructure pays a base management fee to the Service Provider equal to 0.3125% per quarter (1.25% annually) of the market value of our partnership. This fee is recorded on the Consolidated Statements of Operating Results in general and administrative expenses.

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

### NOTE 31. RETIREMENT BENEFIT PLANS

Brookfield Infrastructure offers pension plans to certain employees of its subsidiaries. Brookfield Infrastructure's obligations under its defined benefit pension plans are determined periodically through the preparation of actuarial valuations. The benefit plans' expense for 2018 was \$2 million (2017: \$10 million, 2016: \$7 million). The discount rate used was 4.5% (2017: 4.1%, 2016: 4.2%) with a rate of compensation of 3.0% (2017: 3.5%, 2016: 3.5%).

<u>US\$ MILLIONS</u>	<u>2018</u>	<u>2017</u>
Plan assets .....	\$ 287	\$ 228
Less accrued benefit obligation .....	(368)	(328)
<b>Accrued benefit liability<sup>(1)</sup></b> .....	<b>\$ (81)</b>	<b>\$ (100)</b>

*(1) Presented within 'Accounts payable and other' of the consolidated statements of financial position.*

### NOTE 32. RELATED PARTY TRANSACTIONS

In the normal course of operations, Brookfield Infrastructure entered into the transactions below with related parties. The immediate parent of Brookfield Infrastructure is our partnership. The ultimate parent of Brookfield Infrastructure is Brookfield. Other related parties of Brookfield Infrastructure represent its subsidiary and operating entities.

#### a) Transactions with the immediate parent

Throughout the year, the General Partner, in its capacity as our partnership's general partner, incurs director fees, a portion of which are charged at cost to our partnership in accordance with our limited partnership agreement. Less than \$1 million in director fees were incurred during the year ended December 31, 2018 (2017: less than \$1 million, 2016: less than \$1 million).

#### b) Transactions with other related parties

Since inception, Brookfield Infrastructure has had a management agreement (the "Master Services Agreement") with certain service providers (the "Service Provider"), which are wholly-owned subsidiaries of Brookfield.

Pursuant to the Master Services Agreement, on a quarterly basis, Brookfield Infrastructure pays a base management fee, referred to as the Base Management Fee, to the Service Provider equal to 0.3125% per quarter (1.25% annually) of the market value of our partnership. The Base Management Fee was \$214 million for the year ended December 31, 2018 (2017: \$230 million, 2016: \$158 million). As of December 31, 2018, \$51 million was outstanding as payable to the Service Provider (2017: \$64 million).

For purposes of calculating the Base Management Fee, the market value of our partnership is equal to the aggregate value of all the outstanding units of our partnership (assuming full conversion of Brookfield's Redeemable Partnership Units in the Holdings LP into units of our partnership), preferred units and securities of the other Service Recipients (as defined in Brookfield Infrastructure's Master Services Agreement) that are not held by Brookfield Infrastructure, plus all outstanding third party debt with recourse to a Service Recipient, less all cash held by such entities.

## **BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

#### **As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

As of December 31, 2018, Brookfield Infrastructure had a receivable balance of \$20 million from subsidiaries of Brookfield (December 31, 2017: \$20 million) and loans payable of \$73 million to subsidiaries of Brookfield (December 31, 2017: \$75 million). The loans are payable in full between 2019 and 2026 with interest rates ranging from 3.8% to 8.5% per annum.

Brookfield Infrastructure, from time to time, will place funds on deposit with Brookfield. As at December 31, 2018, Brookfield Infrastructure's deposit balance with Brookfield was less than \$1 million (December 31, 2017: less than \$1 million) and earned interest of less than \$1 million for the year ended December 31, 2018 (2017: less than \$1 million, 2016: less than \$1 million).

Brookfield Infrastructure has entered into a \$500 million revolving credit facility with Brookfield to provide additional liquidity for general corporate purposes and capital expenditures, if required. As of December 31, 2018, there were \$nil (December 31, 2017: \$nil) borrowings outstanding.

Brookfield Infrastructure's subsidiaries provide heating, cooling, and connection services in the normal course of operations on market terms to subsidiaries and associates of Brookfield Property Properties L.P. In addition, our subsidiaries lease office space and obtain construction, consulting and engineering services in the normal course of operations on market terms from subsidiaries and associates of Brookfield Property Properties L.P. For the year ended December 31, 2018, revenues of \$16 million were generated (2017: \$8 million, 2016: \$1 million) and expenses of \$5 million were incurred (2017: \$4 million, 2016: less than \$1 million).

Brookfield Infrastructure utilizes a wholly-owned subsidiary of Brookfield to negotiate and purchase insurance and assess the adequacy of insurance on behalf of our partnership and certain subsidiaries. During the year ended December 31, 2018, Brookfield Infrastructure paid less than \$1 million for these services (2017: less than \$1 million, 2016: less than \$1 million).

Brookfield Infrastructure's U.K. port operation provides port marine services on market terms to a subsidiary acquired by Brookfield Business Partners L.P. during 2017. For the year ended December 31, 2018, \$4 million of revenues were generated (December 31, 2017: \$2 million). In addition, Brookfield Infrastructure's Australian port operation provides transportation services on market terms to a subsidiary of Brookfield Business Partners L.P. in the normal course of its operations. For the year ended December 31, 2018, revenues of less than \$1 million were generated (2017: \$nil).

Brookfield Infrastructure's subsidiaries purchase electricity from, and distribute electricity on behalf of, a subsidiary of Brookfield Renewable Partners L.P. in the normal course of operations on market terms. For the year ended December 31, 2018, revenues of \$1 million were generated (2017: \$nil) and expenses of \$11 million were incurred (2017: \$nil).

#### **NOTE 33. DERIVATIVE FINANCIAL INSTRUMENTS**

Brookfield Infrastructure's activities expose it to a variety of financial risks, including market risk (i.e. currency risk, interest rate risk, commodity risk and other price risk), credit risk and liquidity risk. Brookfield Infrastructure and its subsidiaries selectively use derivative financial instruments principally to manage these risks.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

The aggregate notional amount of Brookfield Infrastructure's derivative positions at December 31, 2018 and 2017 were as follows:

<u>US\$ MILLIONS</u>	<u>Note</u>	<u>2018</u>	<u>2017</u>
Foreign exchange contracts .....	<b>(a)</b>	<b>\$ 3,482</b>	\$ 3,816
Interest rates swaps and other .....	<b>(b)</b>	<b>6,484</b>	5,013
		<u><b>\$ 9,966</b></u>	<u><b>\$ 8,829</b></u>

The following table presents the change in fair values of Brookfield Infrastructure's derivative positions during the years ended December 31, 2018 and 2017:

<u>US\$ MILLIONS</u>	<u>Unrealized Gains on Derivative Financial Assets</u>	<u>Unrealized Losses on Derivative Financial Liabilities</u>	<u>Net Change During 2018</u>	<u>Net Change During 2017</u>
Foreign exchange derivatives .....	<b>\$ 182</b>	<b>\$ 173</b>	<b>\$ 355</b>	\$ (305)
Interest rate derivative .....	<b>40</b>	<b>(182)</b>	<b>(142)</b>	63
	<u><b>\$ 222</b></u>	<u><b>\$ (9)</b></u>	<u><b>\$ 213</b></u>	<u><b>\$ (242)</b></u>

**(a) Foreign Exchange**

Brookfield Infrastructure held the following foreign exchange contracts with notional amounts at December 31, 2018 and 2017.

<u>US\$ MILLIONS</u>	<u>Notional Amount (U.S. Dollars)</u>		<u>Average Exchange Rate</u>	
	<u><b>2018</b></u>	<u>2017</u>	<u><b>2018</b></u>	<u>2017</u>
Foreign exchange contracts				
Australian dollars .....	<b>\$1,184</b>	\$1,214	<b>0.75</b>	0.74
British pounds .....	<b>1,263</b>	2,069	<b>1.36</b>	1.30
European Union euros .....	<b>461</b>	491	<b>1.22</b>	1.17
Canadian dollars .....	<b>308</b>	42	<b>0.78</b>	0.77
Chilean pesos .....	<b>255</b>	—	<b>0.0015</b>	—
Peruvian soles .....	<b>11</b>	—	<b>0.30</b>	—
	<u><b>\$3,482</b></u>	<u><b>\$3,816</b></u>		

**(b) Interest Rates**

At December 31, 2018, Brookfield Infrastructure held interest rate and cross currency interest rate swap contracts having an aggregate notional amount of \$6,324 million (2017: \$4,843 million). Brookfield Infrastructure has inflation linked swaps with an aggregate notional amount of \$160 million (2017: \$170 million).

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

### Other Information Regarding Derivative Financial Instruments

The following table presents the notional amounts underlying Brookfield Infrastructure's derivative instruments by term to maturity as at December 31, 2018 and the comparative notional amounts at December 31, 2017, for both derivatives that are classified as fair value through profit or loss and derivatives that qualify for hedge accounting:

US\$ MILLIONS	2018			2017	
	< 1 year	1 to 5 years	> 5 years	Total Notional Amount	Total Notional Amount
<b>Fair value through profit or loss</b>					
Foreign exchange derivatives	\$ 742	\$ 1,026	\$ —	\$ 1,768	\$ 1,447
Interest rate derivatives					
Interest rate and cross currency interest rate swaps	247	—	53	300	816
Inflation linked swaps	—	—	160	160	170
	<u>\$ 989</u>	<u>\$ 1,026</u>	<u>\$ 213</u>	<u>\$ 2,228</u>	<u>\$ 2,433</u>
<b>Elected for hedge accounting</b>					
Foreign exchange derivatives	\$ 1,590	\$ 124	\$ —	\$ 1,714	\$ 2,369
Interest rate derivatives					
Interest rate and cross currency interest rate swaps	15	3,858	2,151	6,024	4,027
	<u>\$ 1,605</u>	<u>\$ 3,982</u>	<u>\$ 2,151</u>	<u>\$ 7,738</u>	<u>\$ 6,396</u>

The following table classifies derivatives elected for hedge accounting during the years ended December 31, 2018 and 2017 as either cash flow hedges or net investment hedges. Changes in the fair value of the effective portion of the hedges are recorded in either other comprehensive income or net income, depending on the hedge classification, whereas changes in the fair value of the ineffective portion of the hedge are recorded in net income:

AS AT AND FOR THE YEARS ENDED (MILLIONS)	2018			2017		
	Notional	Effective Portion	Ineffective Portion	Notional	Effective Portion	Ineffective Portion
Cash flow hedges	\$ 6,024	\$ (101)	\$ (1)	\$ 4,027	\$ 15	\$ —
Net investment hedges	1,714	189	9	2,369	(197)	—
	<u>\$ 7,738</u>	<u>\$ 88</u>	<u>\$ 8</u>	<u>\$ 6,396</u>	<u>\$ (182)</u>	<u>\$ —</u>

Our partnership settles the difference between the contracted fixed and floating rates of its interest rate swaps on a net basis. All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce our partnership's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the borrowings occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on borrowings affect profit or loss.



**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

**NOTE 34. FINANCIAL RISK MANAGEMENT**

Brookfield Infrastructure is exposed to the following risks as a result of holding financial instruments: capital risk; liquidity risk; market risk (i.e. interest rate risk and foreign currency risk); and credit risk. The following is a description of these risks and how they are managed:

**(a) Liquidity Risk Management**

Brookfield Infrastructure manages its capital structure to be able to continue as a going concern while maximizing the return to stakeholders. Brookfield Infrastructure's overall capital strategy remains unchanged from 2017.

The capital structure of Brookfield Infrastructure consists of debt, offset by cash and cash equivalents, and partnership capital comprised of issued capital and accumulated gains.

<u>US\$ MILLIONS</u>	<u>2018</u>	<u>2017</u>
Corporate borrowings	\$ 1,993	\$ 2,101
Non-recourse borrowings	13,113	8,063
Subsidiary and corporate borrowings	15,106	10,164
Preferred shares	20	20
Cash and cash equivalents <sup>(1)</sup>	(713)	(459)
Net debt	14,413	9,725
Total partnership capital	14,668	13,474
Total capital and net debt	\$ 29,081	\$ 23,199
Net debt to capitalization ratio	50%	42%

<sup>(1)</sup> Includes marketable securities.

The Board, along with senior management of the Service Provider, reviews Brookfield Infrastructure's capital structure and as part of this review, considers the cost of capital and the risk associated with each class of capital.

Brookfield Infrastructure manages its debt exposure by financing its operations on a non-recourse basis with prudent levels of debt, ensuring a diversity of funding sources as well as laddering its maturity profile to minimize refinance risk. Brookfield Infrastructure also borrows in the currency where the asset operates, where possible, in order to hedge its currency risk.

Generally, Brookfield Infrastructure's equity strategy is to issue equity in conjunction with acquisitions or outsized organic growth initiatives or acquisition activity at our businesses. The equity portion of capital expenditures and normal levels of acquisition of activity will be fully self-funded through operating cash flows retained in the business and capital recycling. However, Brookfield Infrastructure may also issue equity opportunistically to enhance its liquidity to pursue investments. Brookfield Infrastructure maintains active shelf registrations to enable it to issue securities in both the U.S. and Canadian markets.

## BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

Brookfield Infrastructure's financing plan is to fund its recurring growth capital expenditures with cash flow generated by its operations after maintenance capital expenditure, as well as debt financing that is sized to maintain its credit profile. To fund large scale development projects and acquisitions, Brookfield Infrastructure will evaluate a variety of capital sources including proceeds from selling non-core assets, equity and debt financing. Our partnership will seek to raise additional equity if Brookfield Infrastructure believes it can earn returns on these investments in excess of the cost of the incremental partnership capital.

As disclosed within Note 19, Borrowings, Brookfield Infrastructure has various loan facilities in place. In certain cases, the facilities have financial covenants which are generally in the form of interest coverage ratios and leverage ratios. Brookfield Infrastructure does not have any market capitalization covenants attached to any of its borrowings, nor does it have any other externally imposed capital requirements.

During the years ended December 31, 2018 and 2017, there were no breaches of any loan covenants within Brookfield Infrastructure.

Brookfield Infrastructure attempts to maintain sufficient financial liquidity at all times so that it is able to participate in attractive opportunities as they arise, better withstand sudden adverse changes in economic circumstances and maintain its distribution of FFO to unitholders. Brookfield Infrastructure's principal sources of liquidity are cash flows from its operations, undrawn credit facilities and access to public and private capital markets. Brookfield Infrastructure also structures the ownership of its assets to enhance its ability to monetize them to provide additional liquidity, if necessary.

Brookfield Infrastructure's corporate liquidity as at December 31 was as follows:

<u>US\$ MILLIONS<sup>(1)</sup></u>	<u>2018</u>	<u>2017</u>
Corporate cash and financial assets . . . . .	\$ 238	\$ 205
Availability under committed credit facilities . . . . .	2,475	2,475
Draws on credit facility . . . . .	(510)	(789)
Commitments under credit facility . . . . .	(47)	(106)
Corporate liquidity . . . . .	<u>\$ 2,156</u>	<u>\$ 1,785</u>

(1) Corporate level only.

Brookfield Infrastructure's \$1.975 billion committed revolving credit facility and \$500 million credit facility with Brookfield are available for investments and acquisitions, as well as general corporate purposes. Commitments under the committed revolving credit facility will be available on a revolving basis until June 30, 2023. All amounts outstanding at that time will be repayable in full. The facility is intended to be a bridge to equity financing rather than a permanent source of capital. At December 31, 2018, there was \$510 million drawn on this facility (2017: \$789 million) and \$47 million was committed to letters of credit (2017: \$106 million).

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

The following tables detail the contractual maturities for Brookfield Infrastructure's financial liabilities. The tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which Brookfield Infrastructure can be required to pay. The tables include both interest and principal cash flows:

December 31, 2018 US\$ MILLIONS	Less than 1 year	1-2 years	2-5 years	5+ years	Total contractual cash flows
Accounts payable and other liabilities	\$ 1,048	\$ 48	\$ 36	\$ 220	\$ 1,352
Corporate borrowings	—	—	605	1,388	1,993
Non-recourse borrowings	995	794	5,127	6,290	13,206
Financial liabilities	124	26	1,037	93	1,280
<b>Interest Expense:</b>					
Corporate borrowings	67	66	178	75	386
Non-Recourse borrowings	595	542	1,397	1,771	4,305
 December 31, 2017 US\$ MILLIONS	 Less than 1 year	 1-2 years	 2-5 years	 5+ years	 Total contractual cash flows
Accounts payable and other liabilities	\$ 646	\$ 45	\$ 59	\$ 293	\$ 1,043
Corporate borrowings	99	—	1,445	557	2,101
Non-recourse borrowings	372	571	2,043	5,101	8,087
Financial liabilities	237	58	930	88	1,313
<b>Interest Expense:</b>					
Corporate borrowings	49	47	106	25	227
Non-recourse borrowings	381	348	864	1,343	2,936

### (b) Market Risk

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by Brookfield Infrastructure will fluctuate because of the change in market prices. Market risk includes the risk of changes in interest rates, foreign currency exchange rates and equity prices.

Brookfield Infrastructure seeks to minimize the risks associated with foreign currency exchange rates and interest rates primarily through the use of derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by Brookfield Infrastructure's Treasury Policy. Brookfield Infrastructure does not enter into, or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Treasury Policy provides written principles on the use of financial derivatives. With respect to its treasury policy, the Service Provider performs the monitoring, review and approval role and report to the Board on a regular basis.

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

Financial instruments held by Brookfield Infrastructure that are subject to market risk include other financial assets, borrowings, derivative instruments, such as interest rate and foreign currency contracts, and marketable securities. Our partnership is exposed to equity price risks arising from marketable securities. As at December 31, 2018 the balance of the portfolio was \$173 million (2017: \$85 million), a 10% change in the value of the portfolio would impact our equity by \$17 million and result in an impact on the Consolidated Statements of Operating Results of \$13 million and Consolidated Statements of Comprehensive Income of \$4 million.

### Interest Rate Risk Management

Brookfield Infrastructure's primary objectives with respect to interest rate risk management are to ensure that:

- Brookfield Infrastructure is not exposed to interest rate movements that could adversely impact its ability to meet financial obligations;
- Earnings and distributions are not adversely affected;
- Volatility of debt servicing costs is managed within acceptable parameters; and
- All borrowing covenants under various borrowing facilities, including interest coverage ratios, are complied with.

To achieve these objectives, in general terms, Brookfield Infrastructure's funding mix comprises both fixed and floating rate debt. Fixed rate debt is achieved either through fixed rate debt funding or through the use of financial derivative instruments. In addition, where possible, interest rate risk is minimized by matching the terms of interest rate swap contracts in regulated businesses to the term of the rate period, thus providing natural hedges.

The sensitivity analyses below reflect Brookfield Infrastructure's exposure to interest rates for both derivative and non-derivative instruments at the reporting date, assuming that a 10 basis point increase or decrease in rates takes place at the beginning of the financial year and is held constant throughout the reporting period. The sensitivity analyses assume a 10 basis point change to reflect the current methodology employed by Brookfield Infrastructure in assessing interest rate risk. Such parallel shift in the yield curve by 10 basis points would have had the following impact, assuming all other variables were held constant:

	2018		2017		2016	
	10 bp decrease	10 bp increase	10 bp decrease	10 bp increase	10 bp decrease	10 bp increase
<b>US\$ MILLIONS</b>						
Net income (loss) . . . . .	\$ 1	\$ (1)	\$ —	\$ —	\$ 1	\$ (1)
Other comprehensive (loss) income . . . .	(2)	2	(1)	1	(1)	1

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

***Foreign Currency Risk Management***

Brookfield Infrastructure has exposure to foreign currency risk in respect of currency transactions, the value of Brookfield Infrastructure's net investment, cash flows and capital expenditures that are denominated outside of the U.S. Brookfield Infrastructure's approach to foreign currency risk management is:

- Brookfield Infrastructure leverages any natural hedges that may exist within its operations;
- Brookfield Infrastructure utilizes local currency debt financing to the extent possible; and
- Brookfield Infrastructure may utilize derivative contracts to the extent that natural hedges are insufficient.

The tables below set out Brookfield Infrastructure's currency exposure at December 31, 2018, 2017 and 2016:

**2018**

<b>US\$ MILLIONS</b>	<b>USD</b>	<b>AUD</b>	<b>GBP</b>	<b>BRL</b>	<b>CLP</b>	<b>CAD</b>	<b>EUR</b>	<b>COP</b>	<b>PEN</b>	<b>INR</b>	<b>NZD &amp; Other</b>	<b>Total</b>
<b>Assets:</b>												
Current assets .....	\$ 695	\$ 245	\$ 185	\$ 310	\$ 82	\$ 258	\$ —	\$ 279	\$ 104	\$ 90	\$ 28	\$ 2,276
Non-current assets .....	5,237	5,303	4,708	6,828	940	6,206	861	1,857	1,308	976	80	34,304
	<u>\$5,932</u>	<u>\$5,548</u>	<u>\$4,893</u>	<u>\$7,138</u>	<u>\$1,022</u>	<u>\$6,464</u>	<u>\$861</u>	<u>\$2,136</u>	<u>\$1,412</u>	<u>\$1,066</u>	<u>\$ 108</u>	<u>\$36,580</u>
<b>Liabilities:</b>												
Current liabilities .....	\$1,031	\$ 316	\$ 320	\$ 106	\$ 60	\$ 187	\$ —	\$ 262	\$ 20	\$ 65	\$ 50	\$ 2,417
Non-current liabilities .....	3,836	3,628	2,798	3,185	861	3,093	—	772	654	668	—	19,495
	<u>4,867</u>	<u>3,944</u>	<u>3,118</u>	<u>3,291</u>	<u>921</u>	<u>3,280</u>	<u>—</u>	<u>1,034</u>	<u>674</u>	<u>733</u>	<u>50</u>	<u>21,912</u>
Non-controlling interest —in operating subsidiaries and preferred unitholders ..	1,261	372	442	1,540	43	2,766	—	964	622	229	—	8,239
Non-controlling interest —Redeemable Partnership Units held by Brookfield .....	(55)	349	378	654	16	119	244	39	33	29	17	1,823
Non-controlling interest —Exchange LP .....	(4)	14	15	25	1	5	10	2	1	1	1	71
Net investment attributable to limited partners and general partner .....	<u>\$ (137)</u>	<u>\$ 869</u>	<u>\$ 940</u>	<u>\$1,628</u>	<u>\$ 41</u>	<u>\$ 294</u>	<u>\$607</u>	<u>\$ 97</u>	<u>\$ 82</u>	<u>\$ 74</u>	<u>\$ 40</u>	<u>\$ 4,535</u>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

2017												
<u>US\$ MILLIONS</u>	<u>USD</u>	<u>AUD</u>	<u>GBP</u>	<u>BRL</u>	<u>CLP</u>	<u>CAD</u>	<u>EUR</u>	<u>COP</u>	<u>PEN</u>	<u>INR</u>	<u>NZD</u>	<u>Total</u>
<b>Assets:</b>												
Current assets .....	\$ 358	\$ 276	\$ 151	\$ 322	\$ 85	\$ 78	\$ —	\$ 68	\$ 100	\$ 57	\$ 17	\$ 1,512
Non-current assets .....	4,400	5,770	4,431	8,184	1,117	814	836	764	1,356	256	37	27,965
	<u>\$4,758</u>	<u>\$6,046</u>	<u>\$4,582</u>	<u>\$8,506</u>	<u>\$1,202</u>	<u>\$ 892</u>	<u>\$836</u>	<u>\$ 832</u>	<u>\$1,456</u>	<u>\$ 313</u>	<u>\$ 54</u>	<u>\$29,477</u>
<b>Liabilities:</b>												
Current liabilities .....	\$ 641	\$ 227	\$ 414	\$ 73	\$ 59	\$ 55	\$ —	\$ 26	\$ 18	\$ 30	\$ 21	\$ 1,564
Non-current liabilities .....	3,093	3,983	2,614	2,015	989	443	—	438	673	185	6	14,439
	<u>3,734</u>	<u>4,210</u>	<u>3,028</u>	<u>2,088</u>	<u>1,048</u>	<u>498</u>	<u>—</u>	<u>464</u>	<u>691</u>	<u>215</u>	<u>27</u>	<u>16,003</u>
Non-controlling interest —in operating subsidiaries and preferred unitholders ..	602	417	396	3,082	75	891	—	302	644	60	1	6,470
Non-controlling interest —Redeemable Partnership Units held by Brookfield .....	(50)	407	332	959	23	28	240	19	35	11	8	2,012
Net investment attributable to limited partners and general partner .....	<u>\$ 472</u>	<u>\$1,012</u>	<u>\$ 826</u>	<u>\$2,377</u>	<u>\$ 56</u>	<u>\$ (525)</u>	<u>\$596</u>	<u>\$ 47</u>	<u>\$ 86</u>	<u>\$ 27</u>	<u>\$ 18</u>	<u>\$ 4,992</u>
2016												
<u>US\$ MILLIONS</u>	<u>USD</u>	<u>AUD</u>	<u>GBP</u>	<u>BRL</u>	<u>CLP</u>	<u>CAD</u>	<u>EUR</u>	<u>COP</u>	<u>PEN</u>	<u>INR</u>	<u>NZD</u>	<u>Total</u>
<b>Assets:</b>												
Current assets .....	\$ 849	\$ 214	\$ 127	\$ 42	\$ 102	\$ 18	\$ —	\$ 55	\$ 127	\$ 52	\$ 46	\$ 1,632
Non-current assets .....	3,744	5,542	3,739	1,895	1,070	677	718	700	1,260	265	33	19,643
	<u>\$4,593</u>	<u>\$5,756</u>	<u>\$3,866</u>	<u>\$1,937</u>	<u>\$1,172</u>	<u>\$ 695</u>	<u>\$ 718</u>	<u>\$ 755</u>	<u>\$1,387</u>	<u>\$ 317</u>	<u>\$ 79</u>	<u>\$21,275</u>
<b>Liabilities:</b>												
Current liabilities .....	\$ 833	\$ 206	\$ 262	\$ 23	\$ 50	\$ 35	\$ —	\$ 27	\$ 27	\$ 36	\$ 16	\$ 1,515
Non-current liabilities .....	1,636	3,764	2,243	—	941	309	—	369	636	186	32	10,116
	<u>2,469</u>	<u>3,970</u>	<u>2,505</u>	<u>23</u>	<u>991</u>	<u>344</u>	<u>—</u>	<u>396</u>	<u>663</u>	<u>222</u>	<u>48</u>	<u>11,631</u>
Non-controlling interest —in operating subsidiaries and preferred unitholders ..	919	370	333	189	89	261	—	294	610	58	23	3,146
Non-controlling interest —Redeemable Partnership Units held by Brookfield .....	344	405	294	493	26	26	206	19	33	11	3	1,860
Net investment attributable to limited partners and general partner .....	<u>\$ 861</u>	<u>\$1,011</u>	<u>\$ 734</u>	<u>\$1,232</u>	<u>\$ 66</u>	<u>\$ 64</u>	<u>\$512</u>	<u>\$ 46</u>	<u>\$ 81</u>	<u>\$ 26</u>	<u>\$ 5</u>	<u>\$ 4,638</u>

The following tables detail Brookfield Infrastructure's sensitivity to a 10% increase and decrease in the U.S. dollar against the relevant foreign currencies, with all other variables held constant as at reporting date. 10% is the sensitivity rate used when reporting foreign currency risk internally. The sensitivity analysis is performed as follows:

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

- Outstanding foreign currency denominated monetary items (excluding foreign exchange derivative contracts) are adjusted at period end for a 10% change in foreign currency rates from the rate at which they are translated;
- Foreign currency derivative contracts are measured as the change in fair value of the derivative as a result of a 10% change in the spot currency rate; and
- The impact on net income results from performing a sensitivity of a 10% change in foreign exchange rates applied to the profit or loss contribution from foreign operations (after considering the impact of foreign exchange derivative contracts).

US\$ MILLIONS	Impact on Net Income					
	2018		2017		2016	
	-10%	10%	-10%	10%	-10%	10%
USD/AUD	\$ (20)	\$ 20	\$ (18)	\$ 18	\$ (2)	\$ 2
USD/EUR	(19)	19	(9)	9	(8)	8
USD/GBP	(11)	11	(3)	3	(6)	6
USD/CLP	(3)	3	1	(1)	—	—
USD/COP	1	(1)	—	—	—	—
USD/BRL	10	(10)	21	(21)	14	(14)
USD/CAD	(2)	2	(1)	1	(1)	1
USD/PEN	—	—	—	—	—	—
USD/INR	(1)	1	—	—	—	—

US\$ MILLIONS	Impact on Partnership Capital					
	2018		2017		2016	
	-10%	10%	-10%	10%	-10%	10%
USD/AUD	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
USD/EUR	—	—	—	—	35	(35)
USD/GBP	—	—	—	—	—	—
USD/CLP	(28)	28	8	(8)	10	(10)
USD/COP	8	(8)	7	(7)	6	(6)
USD/BRL	231	(231)	334	(334)	172	(172)
USD/CAD	—	—	—	—	—	—
USD/PEN	11	(11)	12	(12)	11	(11)
USD/INR	10	(10)	4	(4)	4	(4)

### (c) Credit Risk Management

Credit risk is the risk of loss due to the failure of a borrower or counterparty to fulfill its contractual obligations.

# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016

From a treasury perspective, counterparty credit risk is managed through the establishment of authorized counterparty credit limits which are designed to ensure that Brookfield Infrastructure only deals with credit worthy counterparties and that counterparty concentration is addressed and the risk of loss is mitigated. Credit limits are sufficiently low to restrict Brookfield Infrastructure from having credit exposures concentrated with a single counterparty but rather encourages spreading such risks among several parties. The limits are set at levels that reflect Brookfield Infrastructure's scale of activity and allow it to manage its treasury business competitively.

Brookfield Infrastructure does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. Exposure to credit risk is limited to the carrying amount of the assets on the Consolidated Statements of Financial Position.

### NOTE 35. CAPITAL MANAGEMENT

Our partnership's approach to capital management is focused on maximizing returns to unitholders and ensuring capital is deployed in a manner consistent with achieving our investment return objectives.

Invested Capital, which tracks the amount of capital that has been contributed to our partnership, is a measure we utilize to assess returns on capital deployed, relative to targeted returns. Investment decisions are based on, amongst other measures and factors, targeted returns on Invested Capital of 12% to 15% annually over the long-term. We measure return on Invested Capital as Adjusted Funds from Operations ("AFFO"), less estimated returns of capital on operations that are not perpetual in nature, divided by the weighted average Invested Capital for the period.

We define AFFO as FFO less capital expenditures required to maintain the current performance of our operations (maintenance capital expenditures). We define Invested Capital as partnership capital removing the impact of the following items: non-controlling interest - in operating subsidiaries, retained earnings or deficit, accumulated other comprehensive income and ownership changes.

US\$ MILLIONS	2018	2017
<b>Partnership Capital</b>	<b>\$ 14,668</b>	<b>\$ 13,474</b>
Remove impact of the following items since inception:		
Non-controlling interest - in operating subsidiaries	(7,303)	(5,875)
Deficit	1,228	1,366
Accumulated other comprehensive income	(328)	(1,257)
Ownership changes	(109)	(109)
<b>Invested Capital</b>	<b>\$ 8,156</b>	<b>\$ 7,599</b>



# BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**As of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016**

The following table presents the change in Invested Capital during year ended December 31, 2018:

<u>US\$ MILLIONS</u>	<u>2018</u>	<u>2017</u>
<b>Opening balance</b>	<b>\$ 7,599</b>	<b>\$ 6,387</b>
Issuance of preferred units, net of repurchases	341	220
Repurchases of limited partnership units and redeemable partnership units, net of issuances	(16)	992
Issuance of Exchange LP Units	232	—
<b>Ending balance</b>	<b>\$ 8,156</b>	<b>\$ 7,599</b>
<b>Weighted Average Invested Capital</b>	<b>\$ 7,858</b>	<b>\$ 6,885</b>

### NOTE 36. SUPPLEMENTAL CASH FLOW INFORMATION

<u>US\$ MILLIONS</u>	<u>For the year ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Interest paid	\$ 507	\$ 451	\$ 366
Income taxes paid	\$ 427	\$ 132	\$ 33

Amounts paid and received for interest were reflected as operating cash flows in the Consolidated Statements of Cash Flows. Interest paid is net of debt related hedges.

Amounts paid for income taxes were reflected as either operating cash flows or investing cash flows in the Consolidated Statements of Cash Flows depending upon the nature of the underlying transaction.

Details of “Changes in non-cash working capital, net” on the Consolidated Statements of Cash Flows are as follows:

<u>US\$ MILLIONS</u>	<u>For the year ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Accounts receivable	\$ 176	\$ (31)	\$ 31
Prepayments and other	5	4	3
Accounts payable and other	(305)	158	11
Changes in non-cash working capital, net	<u>\$ (124)</u>	<u>\$ 131</u>	<u>\$ 45</u>

### NOTE 37. SUBSEQUENT EVENTS

#### (a) Acquisition of DCI Data Centers

On January 4, 2019, Brookfield Infrastructure, alongside institutional partners (the “DCI consortium”), acquired an effective 29% interest in DCI Data Centers (“DCI”), for total consideration of \$78 million (DCI consortium total of \$272 million). The acquisition was funded through equity of \$48 million (DCI consortium total of \$166 million) and the remainder with asset level debt raised on closing.

On closing, Brookfield Infrastructure entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to direct the relevant activities of the entity, thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure will consolidate the entity effective January 4, 2019. At the date of the acquisition, Brookfield Infrastructure recognized \$276 million of total assets, primarily related to property, plant and equipment and goodwill, and \$4 million of total liabilities. Non-controlling interest, reflecting the fair value of the portion of the business not acquired by Brookfield Infrastructure, of \$194 million was also recognized.

Due to the recent closing of the acquisition, the initial purchase price accounting for the business combination is not available as at the date of issuance of these consolidated financial statements. As a result, the partnership has not provided amounts recognized as at the acquisition date for certain classes of assets acquired and liabilities assumed and has not disclosed the pro-forma revenue and net income attributable to the partnership as if the acquisition had been effective January 1, 2018.

**(b) Partial disposition of our interest in the Chilean toll road business**

On February 7, 2019, Brookfield Infrastructure sold a 17% interest in its Chilean toll road business for total consideration of approximately \$195 million. A gain is anticipated to be recognized directly in equity and Brookfield Infrastructure will retain control over the business subsequent to the sale.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

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