As filed with the Securities and Exchange Commission on February 29, 2016

# 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, 2015**

**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**
**73 Front Street**
**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:

**162,163,205 Limited Partnership Units as of December 31, 2015**

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

**Large accelerated filer** ☒ **Accelerated filer** ☐ **Non-accelerated filer** ☐

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 otherwise specified, information provided in this annual report on Form 20-F is as of December 31, 2015.

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 its subsidiary entities and the operating entities (as defined below). All dollar amounts contained in this annual report on Form 20-F are expressed in U.S. dollars 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, and unless the context suggests otherwise, references to:

- an "affiliate" of any person are to any other person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such person;
- "Asciano Acquisition" means the proposed transaction whereby our partnership and its institutional partners may acquire shares in, or individual assets from, Asciano Limited ("Asciano");
- "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 set out in Item 4.B "Business Overview";
- our "communications infrastructure operations" are to our interest in French communication tower infrastructure operations, as described in Item 4.B "Business Overview—Current Operations—Communications Infrastructure Operations—Overview";
- our "energy operations" are to our interest in North American gas transmission operations in the U.S., European energy distribution operations in the Channel Islands and Isle of Man, North American natural gas storage operations in the U.S. and Canada, North American district energy operations in the U.S. and Canada and Australian energy distribution operations, as described in Item 4.B "Business Overview—Current Operations—Energy Operations—Overview";
- "Gammon Acquisition" means the transaction pursuant to which our partnership and its institutional partners have entered into agreements to acquire a portfolio of six toll roads located in India from Gammon Infrastructure Project Limited ("Gammon"), which is expected to complete during the first quarter of 2016, subject to satisfaction of customary closing conditions.
- 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., which is a special limited partner of the Holding LP;
- "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;
- "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 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—Units";
- "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;
- “spin-off” are to the issuance of the special dividend by Brookfield Asset Management to its shareholders of 23,344,508 of our units on January 31, 2008;
- our “transport operations” are to our interests in Australian rail operations, port operations in the U.S., the UK, and in Europe, toll road operations in Chile, Brazil and, subject to completion of the Gammon Acquisition, India, and Brazilian rail operations, as described in Item 4.B “Business Overview—Our Operations—Transport—Overview”;
- 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” and “Series 4 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 and cumulative class A preferred limited partnership units, series 4, in our partnership, respectively;
- our “utilities operations” refer to our interests in Australian regulated terminal operation, South American electricity transmission operation in Chile and distribution operation in Colombia, North American electricity transmission operations in Canada, Australian energy distribution operation, and European energy distribution operation in the UK, as described in Item 4.B “Business Overview—Current Operations—Utilities—Overview”; and
- “Voting Agreements” are to the voting arrangements described in Item 7.B “Related Party Transactions—Voting Agreements”.

## 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 objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates and anticipated events or trends. In some cases, you can identify forward-looking statements by terms such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “should,” “objective,” “will” and “would” or the negative of those terms or other comparable terminology.

Although we believe that our anticipated future results, performance or achievements expressed or implied by the 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 the forward-looking statements and information.

The following factors could cause our actual results to differ materially from our forward looking statements and information:

- 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 or preferred units, or the perception of such sales or issuances, could depress the trading price of our units or preferred units;
- acquisitions may subject us to additional risks and the expected benefits of our acquisitions may not materialize;
- foreign currency risk and risk management activities;
- our partnership may become regulated as an investment company under the *U.S. Investment Company Act of 1940* ("Investment Company Act"), as amended;
- 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;
- general economic conditions and risks relating to the economy;
- commodity risks;
- availability and cost of credit;
- government policy and legislation changes;
- exposure to uninsurable losses and force majeure events;
- infrastructure operations may require substantial capital expenditures;
- labour disruptions and economically unfavourable 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 regulation upon many of our operating entities;
- 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 and create 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;
- 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 favourable 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;
- 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.

In light of these risks, uncertainties and assumptions, the events described by our forward-looking statements and information might not occur. 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 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

*FFO*

To measure performance, among other measures, we focus on net income as well as funds from operations ("FFO").

We define FFO as net income excluding the impact of depreciation and amortization, deferred income taxes, breakage and transaction costs, non-cash valuation gains or losses and other items. 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. See Item 5 "Management's Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of Non-IFRS Financial Measures" for more information on this measure, including a reconciliation to the most directly comparable IFRS measure.

*AFFO*

In addition, we use adjusted funds from operations ("AFFO") as a measure of long-term sustainable cash flow.

We define AFFO as FFO less 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. See Item 5 "Management's Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of Non-IFRS Financial Measures" for more information on this measure, including a reconciliation to the most directly comparable IFRS measure.

*Adjusted EBITDA*

In addition to FFO and AFFO, we focus on "adjusted EBITDA", which we define as FFO excluding the impact of interest expense, cash taxes and other cash income or expenses. Like FFO, 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. See Item 5 "Management's Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of Non-IFRS Financial Measures" for more information on this measure, including a reconciliation to the most directly comparable IFRS measure.

## 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:

| MILLIONS | For the Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| **Statements of Operating Results—Key Metrics** | **2015** | 2014 | 2013 | 2012 | 2011 |
| Revenue | **$1,855** | $1,924 | $1,826 | $1,524 | $1,115 |
| Direct operating costs | **(798)** | (846) | (823) | (766) | (561) |
| General and administrative expenses | **(134)** | (115) | (110) | (95) | (61) |
| Depreciation and amortization expense | **(375)** | (380) | (329) | (230) | (126) |
| Interest expense | **(367)** | (362) | (362) | (322) | (253) |
| Share of earnings (losses) from investments in associates and joint ventures | **69** | 50 | (217) | 1 | 76 |
| Mark-to-market on hedging items | **83** | 38 | 19 | (49) | (35) |
| Gain on sale of associates | **—** | — | 53 | — | — |
| Other income (expenses) | **54** | (1) | (35) | 8 | 10 |
| Income before income tax | **387** | 308 | 22 | 71 | 165 |
| Current income tax expense | **(22)** | (30) | (3) | (12) | (2) |
| Deferred income tax recovery (expense) | **26** | (49) | 1 | 42 | (12) |
| Net income from continuing operations | **391** | 229 | 20 | 101 | 151 |
| Income from discontinued operations, net of income tax[(1)] | **—** | — | 45 | 190 | 289 |
| Net income | **391** | 229 | 65 | 291 | 440 |
| Net income (loss) attributable to partnership[(2)] | **298** | 184 | (58) | 106 | 187 |
| Net income (loss) per limited partnership unit | **1.04** | 0.67 | (0.43) | 0.47 | 1.13 |
| Funds from operations (FFO)[(3)] | **808** | 724 | 682 | 462 | 392 |
| Per unit FFO[(4)] | **3.59** | 3.45 | 3.30 | 2.41 | 2.41 |
| Per unit distributions | **2.12** | 1.92 | 1.72 | 1.50 | 1.32 |

*(1) The timber segment was reported as part of continuing operations until the second quarter of 2013 and has since been classified as discontinued operations for the comparative periods. Our Canadian and U.S. freehold timberlands were disposed of in the second and third quarter of 2013, respectively.*

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

*(3) FFO is defined as net income excluding the impact of depreciation and amortization, deferred income taxes, breakage and transaction costs, non-cash valuation gains or losses and other items. FFO is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by IFRS. Please see Item 5 "Management's Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of Non-IFRS Financial Measures" for a discussion of FFO and its limitations as a measure of our operating performance.*

*(4) During 2015, on average there were 224.9 million units outstanding (2014: 210.1 million, 2013: 206.7 million, 2012: 191.5 million, 2011: 162.5 million).*

| MILLIONS | As of December 31, | | | | |
|---|---|---|---|---|---|
| Statements of Financial Position Key Metrics | **2015** | 2014 | 2013 | 2012 | 2011 |
| Cash and cash equivalents | **$ 199** | $ 189 | $ 538 | $ 263 | $ 153 |
| Total assets | **17,735** | 16,495 | 15,682 | 19,718 | 13,269 |
| Corporate borrowings | **1,380** | 588 | 377 | 946 | — |
| Non-recourse borrowings | **5,852** | 6,221 | 5,790 | 6,993 | 4,885 |
| Partnership capital—attributable to limited partners | **3,838** | 3,533 | 3,751 | 3,632 | 3,049 |
| Non-controlling interest—Redeemable Partnership Units held by Brookfield | **1,518** | 1,321 | 1,408 | 1,365 | 1,133 |
| Non-controlling interest—in operating subsidiaries | **1,608** | 1,444 | 1,419 | 2,784 | 1,683 |
| Partnership capital—attributable to general partner | **23** | 24 | 27 | 27 | 24 |
| Partnership capital—attributable to preferred unitholders | **189** | — | — | — | — |

The following table reconciles FFO, a non-IFRS financial metric, to the most directly comparable IFRS measure, which is net income (loss) attributable to partnership[(2)]:

| | For the Year Ended December 31 | | | | |
|---|---|---|---|---|---|
| MILLIONS, EXCEPT PER UNIT AMOUNTS[(1)] | **2015** | 2014 | 2013 | 2012 | 2011 |
| Net income (loss) attributable to partnership[(2)] | **$298** | $184 | $ (58) | $106 | $187 |
| Add back or deduct the following: | | | | | |
| Depreciation and amortization | **506** | 481 | 400 | 300 | 203 |
| Impairment charge | **—** | — | 275 | 16 | — |
| Deferred income taxes | **(53)** | (2) | 65 | (37) | 73 |
| Gain on sale of associate | **—** | — | (53) | — | — |
| Mark-to-market on hedging items | **(63)** | (39) | (7) | 50 | 26 |
| Valuation losses (gains) and other | **120** | 100 | 60 | 27 | (97) |
| FFO | **$808** | $724 | $682 | $462 | $392 |

(1) *Please see Item 5 "Management's Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of Non-IFRS Financial Measures" for a detailed reconciliation of Brookfield Infrastructure's proportionate results to our partnership's consolidated statements of operating results.*

(2) *Net income (loss) attributable to partnership includes net income (loss) attributable to non-controlling interest—Redeemable Partnership Units held by Brookfield, general partner and limited partners.*

## 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 Us and Our Partnership

***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 February 2011, February 2012, February 2013, February 2014, February 2015 and February 2016, respectively. 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 or preferred units in the public markets, 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 a substantial number of our units, preferred units or other equity related securities of our partnership in the public markets, or the perception that such sales or issuances could occur, could depress the market price of our units or preferred units and impair our ability to raise capital through the sale of additional units or preferred units. We cannot predict the effect that future sales or issuances of our units, preferred units or other equity-related securities would have on the market price of our units or preferred units.

***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 labour, 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 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.

***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 less publicly available information in Canada about our partnership than would be available 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 less publicly available information about our partnership than is regularly published by or about other public limited partnerships in the U.S. 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.

***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 is 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 business of approximately 29.3% 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 Operations and the Infrastructure Industry

***All of our operating entities are subject to general economic conditions and risks relating to the economy.***

Many industries, including the industries in which we operate, are impacted by 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 UK regulated distribution business earns connection revenues that would be negatively impacted by an economic recession and a reduction of housing starts in the UK; 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.

***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 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.

***General economic and business conditions that impact the debt or equity markets could impact Brookfield Infrastructure's 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. Brookfield Infrastructure has 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 Brookfield Infrastructure's financial condition. Movements in interest rates could also affect the discount rates used to value Brookfield Infrastructure's assets, which in turn could cause their valuations calculated under IFRS to be reduced resulting in a material reduction in Brookfield Infrastructure's 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 Brookfield Infrastructure is unable to generate enough cash to finance necessary capital expenditures through operating cash flow, then Brookfield Infrastructure 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 the leverage and debt payment obligations of Brookfield Infrastructure, and may negatively impact its 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; currency fluctuations; exchange controls and restrictions; inflation; 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.

***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 labour 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 electricity transmission operations and 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 labour disruptions and economically unfavourable 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 labour 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, labour 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 labour 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 cashflow expectations of our North American gas transmission operations.

***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 UK 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), its 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 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.

***We operate in a highly competitive market for acquisition opportunities and we may be unable to identify and complete acquisitions as planned.***

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. Further, our acquisitions are subject to a number of closing conditions, including, as applicable, securityholder approval, regulatory approval (including competition authorities) and other third party consents and approvals that are beyond our control and may not be satisfied. 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 the completion of acquisitions. If all or some of our acquisitions are unable to be completed on the terms agreed, we may need to modify or delay certain acquisitions or terminate these acquisitions altogether, the market value of our units may significantly decline and we may not be able to achieve the expected benefits of the acquisitions. 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.

***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 Brookfield Infrastructure's 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 labour, 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, labour 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 phase 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.

Finally, 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.

***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 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.

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. Accordingly, decisions relating to the underlying operations, including decisions relating to the management and operation 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.***

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. 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.

Furthermore, our communications 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 South American electricity transmission operations in 2014. As this accounts for a majority of its cash flow, our South American electricity transmission operations 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 iron ore. 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.***

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. Refinancing risk includes, 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 will be financed out of cash generated from our operations, borrowings and possible future sales of equity. 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 renewable energy and 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 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, 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. Our partnership and the Holding LP 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.

***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 or financial sponsors and to form partnerships 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 acquisitions that are suitable for us are responsible for the 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 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 operating company or managing the underlying assets 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 will limit our ability to participate in these more passive investments and may limit our ability to have more than 50% of our assets concentrated in a single jurisdiction; and

- in addition to structural limitations, the question of whether a particular acquisition is suitable is highly subjective and is dependent on a number of factors including our liquidity position at the time, the risk profile of the opportunity, its fit with the balance of our then current operations and other factors. If Brookfield determines that an opportunity is not suitable for us, it may still pursue such opportunity on its own behalf, or on behalf of a Brookfield sponsored partnership or consortium.

In making these determinations, Brookfield may be influenced by factors that result in a misalignment or conflict of interest. See Item 7.B "Related Party Transactions—Conflicts of Interest and Fiduciary Duties."

***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 without the consent of our unitholders or preferred unitholders. Furthermore, at any time, the shareholder of our General Partner may sell or transfer all or part of its shares in our General Partner without the approval of our unitholders or preferred unitholders. 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 may increase its ownership of our partnership and the Holding LP relative to other unitholders.***

Brookfield holds approximately 29.5% of the issued and outstanding interests in the Holding LP through a 0.5% special limited partnership interest and a 29% redeemable limited partnership interest. The redeemable limited partnership interests held by Brookfield are redeemable for cash or exchangeable for our units in accordance with the Redemption-Exchange Mechanism, which could result in Brookfield eventually owning approximately 29.3% of our issued and outstanding units (including other 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". Brookfield currently owns approximately 0.1% of our issued and outstanding units.

Our Infrastructure Special LP may also reinvest incentive distributions in exchange for units of the Holding LP. See Item 7.B "Related Party Transactions—Incentive Distributions." In addition, 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, with the result that Brookfield will receive additional units of the Holding LP. Additional units of the Holding LP acquired, directly or indirectly, by Brookfield 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". Brookfield may also purchase additional units of our partnership in the market. Any of these events may result in Brookfield increasing its ownership of our partnership and the Holding LP above 50%.

***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.

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 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. 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 therefore take into account the interests of third parties, including Brookfield, when resolving conflicts of interest. 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. They also allow 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 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 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 limited partnership units of the Holding LP 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 favourable 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 favourable 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 business of approximately 29.3% 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 favourable 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 favourable 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.

***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: 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; 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; 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 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.

### 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 favourable 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 favourable 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 favourable 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 are 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 executive officers and the experts 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 and the experts 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, 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 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 received or paid 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 U.S. Internal Revenue Service ("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, respectively, 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. 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" for U.S. federal income tax purposes.***

U.S. Holders may face adverse U.S. tax consequences arising from the ownership of a direct or indirect interest in a "passive foreign investment company" ("PFIC"). In general, gains realized by U.S. Holders from the sale of stock of a PFIC is subject to tax at ordinary income rates, and an interest charge generally applies. Alternatively, U.S. Holders making certain elections with respect to their direct or indirect interest in a PFIC may be required to recognize taxable income prior to the receipt of cash relating to such income. See Item 10.E "Taxation—Certain Material U.S. Federal Income Tax Considerations—Consequences to U.S. Holders—Passive Foreign Investment Companies". 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, 2016. However, our General Partner believes that some of our operating entities may have been PFICs in prior taxable years. Furthermore, there can be no assurance that a future entity in which our partnership acquires an interest will not be classified as a PFIC with respect to a U.S. Holder, because PFIC status is a factual determination that depends on the assets and income of a given entity and must be made on an annual basis. Each U.S. Holder should consult its own tax adviser regarding the implication of the PFIC rules for an investment in our units.

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

If a sale of our units by a unitholder is taxable in the United States, the unitholder will recognize gain or loss for U.S. federal income tax purposes equal to the difference between the amount realized and the unitholder's adjusted tax basis in such units. Prior distributions to a unitholder in excess of the total net taxable income allocated to such unitholder will have decreased such unitholder's tax basis in our units. Therefore, such excess distributions will increase a unitholder'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 unitholder.

***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 "Certain Material U.S. Federal Income Tax Considerations—Administrative Matters—Information Returns and Audit Procedures".

***The sale or exchange of 50% or more of our units will result in the constructive termination of our partnership for U.S. federal income tax purposes.***

Our partnership will be considered to have been terminated for U.S. federal income tax purposes if there is a sale or exchange of 50% or more of our units within a 12-month period. A constructive termination of our partnership would, among other things; result in the closing of its taxable year for U.S. federal income tax purposes for all of our unitholders and could result in the possible acceleration of income to certain of our unitholders and certain other consequences that could adversely affect the value of our units. However, our General Partner does not expect a constructive termination, should it occur, to have a material impact on the computation of the future taxable income generated by our partnership for U.S. federal income tax purposes. See Item 10.E "Taxation—Certain Material U.S. Federal Income Tax Considerations—Administrative Matters—Constructive Termination".

***If the IRS makes an audit adjustment to our income tax returns for taxable years beginning after December 31, 2017, 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.***

Under the *Bipartisan Budget Act of 2015*, 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, and the manner in which the election is made and implemented has yet to be determined. 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. Moreover, the calculation of such tax liability might not take into account a unitholder's tax status, such as the status of a current or former unitholder as tax-exempt. The foregoing considerations also apply with respect to our partnership's interest in the Holding LP. These rules do not apply to our partnership or the Holding LP for taxable years beginning on or before December 31, 2017.

***Under the Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act of 2010 ("FATCA"), 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". The 30% withholding tax may also apply to certain payments made on or after January 1, 2019 that are attributable to U.S.-source income or that constitute gross proceeds from the disposition of property that could produce U.S.-source dividends or interest. 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.

***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 earn 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.***

Certain 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 ("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 ("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 investments 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 ("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 a 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 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 property" (as defined in the Tax Act), (iii) "timber resource property" (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. Units of our partnership 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. 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 the 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 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* ("Treaty"), in certain circumstances a Canadian-resident payer is required 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.

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. Unitholders should consult their own tax advisors concerning all aspects of Canadian federal withholding taxes.

***Our units 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 Toronto Stock Exchange ("TSX") and the NYSE), 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, registered disability savings plan, and 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 a TFSA or an RRSP or RRIF.

Notwithstanding the foregoing, a holder of a TFSA or an annuitant under an RRSP or RRIF, as the case may be, will be subject to a penalty tax if our units held in a TFSA, RRSP or RRIF are a "prohibited investment" for the TFSA, RRSP or RRIF, as the case may be. Generally, our units will not be a "prohibited investment" if the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, 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) in our partnership. Unitholders who intend to hold our units in a TFSA, RRSP or RRIF 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 annual report on 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" ("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". 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 an "excluded subsidiary 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”. 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 communications infrastructure businesses in North and South America, Europe and Asia Pacific. Brookfield Infrastructure has appointed Brookfield as its 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 Brookfield Infrastructure.

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 with institutional investors in Brookfield-sponsored partnerships that target acquisitions that suit our profile. We focus on partnerships 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 flow of our operations plus growth through investments in upgrades and expansions of our asset base, as well as acquisitions. If we are successful in growing our FFO per unit, we expect to be able to increase distributions to unitholders. Additionally, an increase in our FFO per unit should result in capital appreciation. We also measure the growth of FFO per unit, which we believe is a proxy for our ability to increase distributions. See Item 5 "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more detail.

Our objective is to pay a distribution to unitholders that is sustainable on a long-term basis while retaining within our operations sufficient liquidity to fund recurring growth capital expenditures, debt repayments and general corporate requirements. We currently believe that a payout of 60% to 70% of our FFO is appropriate.

In light of the current prospects for our business, the board of directors of our General Partner recently approved a 7.5% increase in our annual distribution to $2.28 per unit, or 57 cents per unit quarterly. Distributions have grown at a compound annual growth rate of 12% since inception of the partnership in 2008. We target a 5% to 9% annual distribution growth in light of the per unit FFO 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 Us and Our Partnership—"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 | Notes | | Event |
|---|---|---|---|
| May 2007 | 1 | *Corporate:* | Established Brookfield Infrastructure Partners L.P. |
| | | *Utilities:* | Contributed interests in utilities investments into Brookfield Infrastructure, including:<br>– South American electricity transmission operations<br>– North American electricity transmission operations<br>– Brazilian transmission investments ("TBE") |
| | | *Timber:* | Contributed interests in timberlands into Brookfield Infrastructure |
| January 2008 | 2 | *Corporate:* | Began trading as public entity on NYSE (under the symbol "BIP") |
| November 2008 | 3 | *Timber:* | Invested $103 million in U.S. timber operation following the acquisition of a tree farm in Washington State |
| January 2009 | 4 | *Utilities:* | Brookfield and partner Isolux Corsan Concesiones, SA (Isolux) were awarded right to build $500 million of transmission lines in Texas |
| June 2009 | 5 | *Utilities:* | Completed the sale of our interest in TBE for after-tax proceeds of $275 million |
| September 2009 | 6 | *Corporate:* | Units commenced trading on TSX (under the symbol "BIP.UN") |

| Date | Notes | | Event |
|---|---|---|---|
| November 2009 | 7 | *Corporate:* | Invested $941 million to acquire a 40% interest in Prime and direct interests in two assets from Prime |
| | | *Utilities:* | Acquired interests in the following:<br>– Australian regulated terminal operations<br>– Asia Pacific regulated distribution operations<br>– UK regulated distribution operations |
| | | *Transport:* | Acquired interests in the following:<br>– Australian rail operations<br>– UK port operations<br>– European port operations |
| | | *Energy:* | Acquired interests in the following:<br>– North American gas transmission operations<br>– European energy distribution operations<br>– Australian energy distribution operations |
| November 2009 | 8 | *Corporate:* | Raised approximately $940 million of net proceeds through issuance of equity. Proceeds were used to fund the Prime investments |
| September 2010 | 9 | *Corporate:* | Closure of $2.7 billion Brookfield sponsored infrastructure fund in which Brookfield Infrastructure participated |
| December 2010 | 10 | *Corporate:* | Completed merger with Prime |
| | | *Utilities:* | Increased interests in the following:<br>– Australian regulated terminal operations<br>– Asia Pacific regulated distribution operations<br>– UK regulated distribution operations |
| | | *Transport:* | Increased interests in the following:<br>– Australian rail operations<br>– European port operations |
| | | *Energy:* | Increased interests in the following:<br>– North American gas transmission operations<br>– European energy distribution operations<br>– Australian energy distribution operations |
| October 2011 | 11 | *Corporate:* | Raised approximately $660 million of net proceeds through issuance of equity. Proceeds were used primarily to fund Australian rail expansion and pending Chilean toll road acquisition |
| December 2011 | 12 | *Transport:* | Invested $160 million to acquire Chilean toll road assets |
| January 2012 | 13 | *Utilities:* | Invested $55 million in a Colombian regulated distribution business |
| April 2012 | 14 | *Energy:* | Invested $16 million in a natural gas storage facility in Alberta |
| August 2012 | 15 | *Corporate:* | Raised approximately $500 million of net proceeds through issuance of equity. Proceeds were used to partially fund several strategic initiatives |
| October 2012 | 16 | *Utilities:* | Acquired Brookfield's interest in our Chilean transmission system for approximately $235 million |
| October 2012 | 17 | *Transport:* | Closed acquisition of additional interest in Chilean toll road for $170 million increasing ownership to 51% |
| October 2012 | 18 | *Corporate:* | Completed C$400 million corporate bond issuance |
| October 2012 | 19 | *Energy:* | Invested approximately $75 million in a district energy system in Toronto |

| Date | Notes | | Event |
|---|---|---|---|
| November 2012 | 20 | *Utilities:* | Completed merger and recapitalization of a UK regulated distribution utility investing approximately $525 million and closed sale of 20% interest in combined UK regulated distribution business for proceeds of approximately $235 million |
| December 2012 | 21 | *Transport:* | Completed $310 million investment in Brazilian toll road platform |
| December 2012 | 22 | *Corporate:* | Closed upsizing of credit facilities to $855 million |
| December 2012 | 23 | *Timber:* | Completed sale of 12.5% interest in Canadian Timber operations for approximately $85 million |
| May 2013 | 24 | *Corporate:* | Raised approximately $330 million of net proceeds through issuance of equity. Proceeds were used for repayment of amounts outstanding under revolving credit facilities, investment opportunities, working capital and other general corporate purposes |
| June 2013 | 25 | *Timber:* | Completed sale of Canadian timberlands for net proceeds of approximately $170 million |
| July 2013 | 26 | *Timber:* | Completed the sale of U.S. timberland operations for approximately $790 million, including $320 million of proportionate debt |
| August 2013 | 27 | *Corporate:* | Closed upsizing of credit facilities to $1.4 billion |
| September 2013 | 28 | *Transport:* | Invested a further approximate $490 million in Brazilian toll road platform |
| October 2013 | 29 | *Corporate:* | Closure of $7 billion Brookfield sponsored infrastructure fund in which Brookfield Infrastructure made a commitment |
| November 2013 | 30 | *Utilities:* | Sold Asia Pacific regulated distribution business for approximately $415 million |
| December 2013 | 31 | *Energy:* | Invested approximately $40 million in a district energy business serving Houston and New Orleans |
| March 2014 | 32 | *Transport* | Invested approximately $125 million in West Coast North American container terminals |
| March 2014 | 33 | *Corporate:* | Effected certain amendments to the limited partnership agreement of the Holding LP to simplify its governance structure |
| August 2014 | 34 | *Energy:* | Invested approximately $50 million aggregate in three district energy businesses serving Chicago, Las Vegas and Seattle |
| August 2014 | 35 | *Transport* | Invested approximately $370 million in a rail and port logistics business in Brazil |
| August 2014 | 36 | *Corporate:* | Extended $1.4 billion credit facilities to June 2019 |
| December 2014 | 37 | *Energy:* | Invested approximately $40 million in a Texas gas storage business |
| December 2014 | 38 | *Energy:* | Invested approximately $40 million in a West Coast North American gas storage business |
| March 2015 | 39 | *Corporate:* | Completed C$450 million corporate bond issuance. 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 | 40 | *Corporate:* | Effected certain amendments to the provisions of the limited partnership agreements of our partnership and the Holding LP to provide for issuance of preferred limited partnership units of our partnership and the Holding LP, respectively |

| Date | Notes | | Event |
|---|---|---|---|
| March 2015 | 41 | *Corporate:* | Raised approximately C$125 million of gross proceeds through issuance of Series 1 Preferred Units. 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 | 42 | *Communications Infrastructure:* | Invested approximately $415 million in a European telecommunications operation |
| April 2015 | 43 | *Corporate:* | Raised approximately $926 million of net proceeds through issuance of equity. Proceeds were used for repayment of amounts outstanding under revolving credit facilities, investment opportunities, working capital and other general corporate purposes |
| June 2015 | 44 | *Corporate:* | Extended $1.4 billion credit facilities to June 2020 |
| June 2015 | 45 | *Energy:* | Signed agreements to invest approximately $70 million in a North American gas storage business |
| August 2015 | 46 | *Transport:* | Signed agreements in connection with a proposed acquisition of all shares in Asciano, a rail and port logistics company in Australia, by Brookfield Infrastructure and its institutional partners |
| August 2015 | 47 | *Utilities:* | Sold interest in New England electricity transmission business for gross proceeds of approximately $65 million and net proceeds of approximately $28 million |
| August 2015 | 48 | *Transport:* | Signed agreements to invest $120 million to acquire toll road assets in India, subject to customary closing conditions |
| October 2015 | 49 | *Corporate:* | Completed C$500 million corporate bond issuance. Proceeds were used for investment opportunities, working capital and other general corporate purposes |
| November 2015 | 50 | *Transport:* | Invested approximately $900 million in an on-market acquisition of shares in Asciano |
| November 2015 | 51 | *Transport:* | Amended agreement with Asciano to contemplate a takeover bid for all the ordinary shares in Asciano not already owned by Brookfield Infrastructure |
| December 2015 | 52 | *Corporate:* | Effected certain amendments to the provisions of the limited partnership agreements of our partnership and the Holding LP to provide for issuance of an additional series of preferred limited partnership units of our partnership and the Holding LP |
| December 2015 | 53 | *Corporate:* | Raised approximately C$125 million of gross proceeds through issuance of Series 3 Preferred Units. Proceeds were used for investment opportunities, working capital and other general corporate purposes |
| December 2015 | 54 | *Energy:* | Closed the acquisition of additional interest in a North American gas transmission company for $106 million, increasing ownership to 50% |
| December 2015 | 55 | *Corporate:* | Closed upsizing of credit facilities to $1.875 billion |
| January 2016 | 56 | *Utilities:* | Signed agreements to sell interest in Ontario electricity transmission business for gross proceeds of approximately C$370 million, resulting in net proceeds of C$220 million |
| February 2016 | 57 | *Corporate:* | Entered into $500 million credit facility with Brookfield |
| February 2016 | 58 | *Transport:* | The Brookfield Infrastructure consortium's takeover bid for Asciano lapsed |

**Details of History and Development of our Business (Notes)**

(1) 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 South American electricity transmission operations, 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.

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 South American electricity transmission operations; (iv) 7%-18% interests in TBE; and (v) a 30% interest in our U.S. freehold timberlands.

Our Chilean electricity transmission system 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 system increased to approximately 18% from approximately 11% at the time of the spin-off.

(2) On January 31, 2008, our partnership was spun off from Brookfield and its units began trading on the NYSE under the symbol “BIP”.

(3) 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.

(4) 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 (see Note 9 below). 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.

(5) 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.

(6) On September 10, 2009, our partnership’s units commenced trading on the TSX under the symbol “BIP.UN”.

(7) 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 UK port operation, which is one of the largest in the UK. 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, UK 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.

(8) 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.

(9) 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 UK 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.

(10) 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.

(11) On October 26, 2011, Brookfield Infrastructure issued approximately 19.4 million units at $24.75 per unit under its shelf registrations in the U.S. and Canada. Brookfield acquired approximately 8.3 million Redeemable Partnership Units at the offering price net of commissions to maintain its interest on a fully exchanged basis. Net proceeds from this equity offering totalled approximately $657 million. The proceeds were used to fund an equity investment in our Australian rail, 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.

(12) 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 kilometre 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 seeds our toll road platform with high quality assets in a high growth country with a favourable concession regime.

(13) On January 27, 2012, we purchased an ownership interest in a Colombian electricity distribution utility. This utility serves a predominantly residential load in Boyacá, a region of 1.3 million inhabitants located 150 kilometres north of Bogotá with emerging cement, steel and coal industries.

(14) On April 27, 2012, we purchased an ownership interest in a natural gas storage facility in northeastern Alberta.

(15) 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 U.S. and Canada. Brookfield acquired approximately 4.4 million Redeemable Partnership Units at the offering price net of commissions to maintain its interest on a fully exchanged basis. Net proceeds from this equity offering totalled $497 million. The net proceeds were used by Brookfield Infrastructure to partially fund several strategic initiatives further described below.

(16) 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%.

(17) 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%.

(18) 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.

(19) 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. This business generates very stable cash flow with 93% of its revenue under long-term contracts with high quality counterparties. There are growth opportunities in this business in light of the large pipeline of prospective new customers that can be connected to the deep lake cooling system.

(20) On November 13, 2012, we completed the merger of our existing UK regulated distribution business with a UK regulated distribution business that we acquired in the third quarter. 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.

(21) 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 kilometre 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, as detailed below.

(22) 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.

(23) 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.

(24) 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 U.S. and Canada. Brookfield acquired approximately 2.6 million Redeemable Partnership Units at the offering price net of commissions in order to maintain its interest on a fully-exchanged basis. Net proceeds from this equity offering totalled 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.

(25) On June 7, 2013, Brookfield Infrastructure completed the sale of its remaining 25% interest in its Canadian timberlands for proceeds of approximately $170 million.

(26) 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.

(27) 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.

(28) On September 6, 2013, Brookfield Infrastructure invested a further approximate $490 million in its Brazilian toll road platform, increasing its ownership to approximately 31%.

(29) 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.

(30) 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.

(31) 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.

(32) 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.

(33) 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.

(34) 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.

(35) 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.

(36) 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.

(37) 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.

(38) 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.

(39) 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.

(40) 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 preferred units, authorize and create the cumulative class A preferred units ("Holding LP Class A Preferred Units"), cumulative class A preferred units, Series 1 ("Holding LP Series 1 Preferred Units") and cumulative class A preferred units, Series 2 ("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.

(41) 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. 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 and Holding LP 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%. 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 totalled approximately $95 million.

(42) 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.

(43) 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 U.S. and Canada. Brookfield acquired approximately 8.1 million Redeemable Partnership Units at the offering price net of commissions on a fully-exchanged basis. Net proceeds from this equity offering totalled 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.

(44) 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 its corporate credit facilities. These corporate credit facilities continue to be available to provide short-term liquidity for investments and acquisitions as well as general corporate purposes.

(45) In June 2015, Brookfield Infrastructure, along with institutional partners, signed definitive agreements to acquire all of the outstanding common units of Niska Gas Storage Partners LLC (“Niska”). The total equity investment for all parties will be $175 million of which Brookfield Infrastructure will invest approximately $70 million for an effective 40% ownership stake. Brookfield Infrastructure are currently progressing the required regulatory approvals and other customary closing conditions and if approved it is expected that the transaction will close in the first half of 2016. Niska is North America’s largest independent natural gas storage operator with approximately 250 billion cubic feet of natural gas storage.

(46) On August 17, 2015, Brookfield Infrastructure entered into a binding agreement to acquire, along with institutional partners (the “Brookfield Consortium”), the entire issued capital of Asciano, a rail and port logistics company in Australia with an enterprise value of approximately A$12 billion by way of scheme or arrangement.

(47) 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.

(48) On August 27, 2015, Brookfield Infrastructure signed agreements to invest approximately $120 million, alongside institutional investors, to acquire six toll roads in India, which includes 242 kilometres of existing motorway operations and a further 103 kilometres of roads under expansion and development. Completion of this transaction is expected in the first quarter of 2016, subject to obtaining all required consents and regulatory approvals.

(49) 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.

(50) On November 5, 2015, an Australian subsidiary of our partnership (the "Acquirer") acquired 188 million shares in Asciano 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 was approximately $1.2 billion, with Brookfield Infrastructure's share of that investment being approximately $900 million.

(51) On November 9, 2015, Brookfield Infrastructure announced that it had entered into an amended agreement pursuant to which the Acquirer would make a takeover bid for all the ordinary shares in Asciano not already owned by the Acquirer.

(52) On December 8, 2015, our Limited Partnership Agreement was amended to authorize and create the Series 3 Preferred Units and Series 4 Preferred Units and to make certain consequential changes resulting from such authorization and creation. On December 8, 2015, the limited partnership agreement of the Holding LP was also amended to authorize and create the cumulative class A preferred units, Series 3 ("Holding LP Series 3 Preferred Units") and cumulative class A preferred units, Series 4 ("Holding LP Series 4 Preferred Units") with terms substantially mirroring the Class A Preferred Units, Series 3 Preferred Units and Series 4 Preferred Units, respectively.

(53) 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. 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%. Proceeds were used for investment opportunities, working capital and other general corporate purposes. Net proceeds from this offering totalled approximately $90 million.

(54) On December 10, 2015, Kinder Morgan, Inc and Brookfield Infrastructure jointly acquired, from Myria Holdings, Inc., the 53 percent 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%.

(55) 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.

(56) 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.

(57) In February 2015, Brookfield Infrastructure entered into a $500 million credit facility with Brookfield, with a term of twelve months. The purpose of this credit facility is to provide Brookfield Infrastructure with additional liquidity for general corporate purposes and capital expenditures, if required.

(58) On February 18, 2016 the takeover bid for Asciano made by the Brookfield Consortium lapsed, following the withdrawal of its recommendation by the board of directors of Asciano. This change of recommendation triggered an A$88 million payment to the Brookfield Consortium. Subsequently, Brookfield Infrastructure commenced preliminary discussions with Qube Holdings Limited and its consortium partners about a potential new proposal to acquire Asciano.

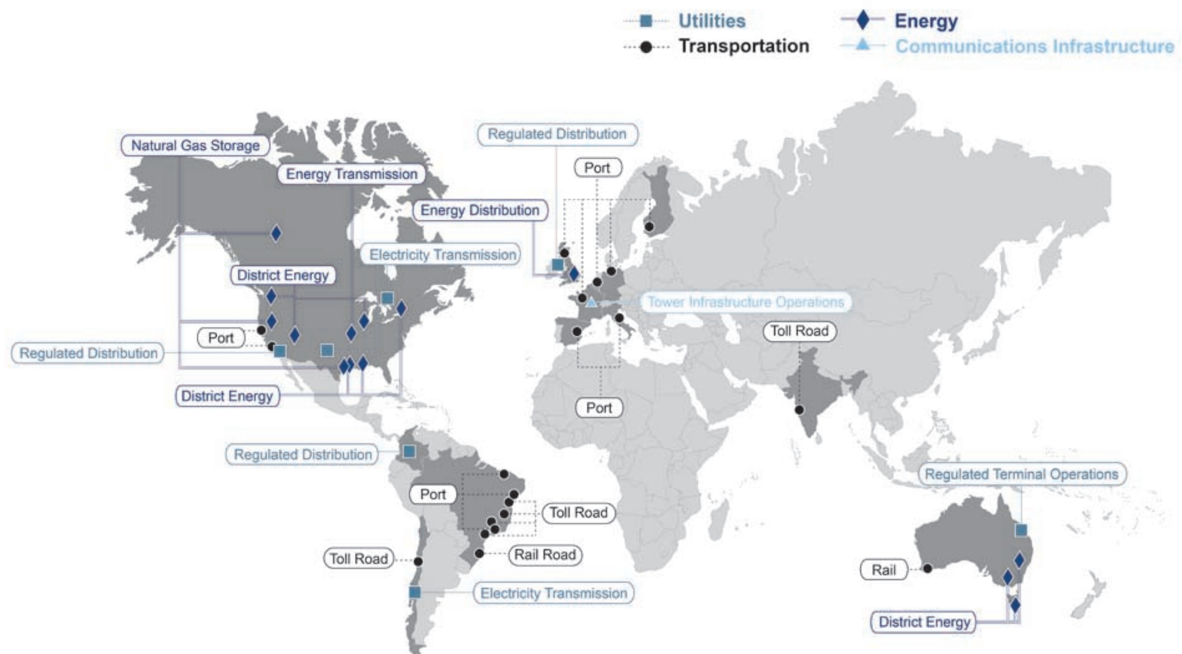
## 4.B BUSINESS OVERVIEW

### Our Operations

Brookfield Infrastructure owns a portfolio of infrastructure assets that are diversified by sector and by geography. We have a stable cash flow profile with approximately 90% of our adjusted EBITDA supported by regulated or contractual 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:

| Operating Segment | Asset Platform | Primary Location |
| --- | --- | --- |
| **Utilities**<br>*Regulated or contractual businesses that earn a return on their rate base* | • Regulated Terminal<br>• Electricity Transmission<br><br>• Regulated Distribution | • Asia Pacific<br>• North America & South America<br>• South America & Europe |
| **Transport**<br>*Systems that provide transportation for freight, bulk commodities and passengers* | • Rail<br><br>• Toll Roads<br><br>• Ports | • South America & Asia Pacific<br>• South America & Asia Pacific<br>• North America & Europe |
| **Energy**<br>*Systems that provide transmission, distribution and storage services* | • Transmission, Distribution & Storage<br>• District Energy | • North America & Europe<br><br>• North America & Asia Pacific |
| **Communications Infrastructure**<br>*Provides essential services and critical infrastructure to the media and telecom sectors* | • Tower Infrastructure operations | • Europe |



## Utilities

***Overview***

Our utilities segment is comprised of regulated businesses, which earn a return on a regulated or notionally stipulated asset base, which we refer to as rate base. Our rate base increases in accordance 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 or contracts for prescribed periods of time. Thereafter, it may be subject to customary reviews based upon established criteria. Due to the regulatory diversity we have within our utilities segment, we mitigate exposure to any single regulatory regime. In addition, due to the regulatory frameworks and economies of scale of our utilities businesses, we often have significant competitive advantages in competing for projects to expand our rate base. Accordingly, we expect this segment to produce stable revenue and margins that should increase with investment of additional capital and inflation. Nearly all of our utility segment's adjusted EBITDA is supported by regulated or contractual revenues.

Our objectives for our utilities segment are to invest capital in the expansion of our rate base and 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, as well as our AFFO.

Our utilities segment is comprised of the following:

*Regulated Terminal*

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

*Electricity Transmission*

- Approximately 11,100 kilometres of transmission lines in North and South America

*Regulated Distribution*

- Approximately 2.6 million electricity and natural gas connections

***Regulated Terminal Operations***

Our regulated terminal operation is comprised of a port facility that exports metallurgical and thermal coal mined in the central Bowen Basin region of Queensland, Australia, which is 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 20% of global seaborne metallurgical coal exports and 6% of total global seaborne coal exports.

Our 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, the regulatory regime re-socializes this capacity amongst the other users at the end of each regulatory period, thereby providing protection for the full recovery of capital investments.

*Strategic Position*

The Bowen Basin is a high quality, low cost, prolific series of 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 2019. Existing customers hold evergreen options to extend their capacity by a further five years and based on their past actions are expected to renew.

*Regulatory Environment*

Our Australian terminal operation is regulated by the Queensland Competition Authority ("QCA"). The current regulatory period was set for five and a half years ending June 30, 2016, thereafter the subsequent regulatory period will be set for the next five years ending June 30, 2021. The QCA utilizes a return on regulated asset base methodology to calculate our revenue requirement. Our coal terminal's rate base increases with inflation and capital expenditures and decreases by depreciation. Our current weighted average cost of capital allowed by the QCA is approximately 9.9%. In the next regulatory period subsequent to June 30, 2016, Brookfield Infrastructure anticipates the weighted average cost of capital allowed by the QCA to decrease primarily due to a reduction in the risk free interest rate included in its determination.

*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 expand our operations to facilitate future expansions by mining companies in the Bowen Basin. Our coal terminal has committed to feasibility studies aimed at identifying further incremental expansion opportunities within the existing port precinct and surrounding area.

***Electricity Transmission Operations***

Our electricity transmission operations are comprised of approximately 11,100 kilometres of transmission lines in North and South America. Our North American electricity transmission operations consists of approximately 560 kilometres of 44 kilovolt ("kV") to 230 kV transmission lines in Ontario and approximately 600 kilometres of 345 kV transmission lines in Texas. Our South American electricity transmission system is comprised of approximately 9,900 kilometres including approximately 80% of Chile's high voltage transmission grid. During January 2016, we signed agreements to sell our Ontario electricity transmission operation which we expect to close by the end of 2016.

*Strategic Position*

Our electricity transmission operations occupy key positions in the markets in which we operate. In North America, our operations include an important component of Ontario's transmission system that connects generators in Northern Ontario to electricity demand in Southern Ontario. In Texas, our transmission lines facilitate the delivery of wind power to population centers as part of the state's competitive renewable energy zone program. In South America, our operations constitute the backbone of the high-voltage transmission system in Chile. Our Chilean operations extend from the city of Arica in the north of Chile to the island of Chiloé in the south, serving 98% of the population of the country.

All of our electricity transmission operations benefit from stable long-term cash flows. Our Ontario and Texas operations have a broad customer base with revenues assessed and collected on a province and state-wide basis, respectively, mitigating our volume and credit risk. Approximately 51% of our South American electricity transmission operations' revenues are derived from a number of long-term transmission contracts, primarily serving hydro-electric power generators. These contracts have a pricing framework that is similar to the applicable regulatory framework (as discussed below), and following their expiration, a majority of this contracted revenue will convert to the regulatory framework.

*Regulatory Environment*

All of our electricity transmission operations are located in regions with stable regulatory environments. In Chile, regulated revenues are determined every four years based on a 10% annuity real rate of return on replacement cost of the existing transmission system plus annual payments that provide for recovery of operational, maintenance and administrative costs. Since the 10% return is prescribed by law, it is not subject to review in the regulatory process. Between rate reviews, both revenue components are adjusted by a multi-component inflation factor. This effectively results in a 10% pre-tax, real return on our regulated asset base. Since the Chilean regulatory and contractual frameworks are based on replacement cost, we are not required to invest capital in our regulated asset base at a level equal to depreciation to prevent a decline in revenue. Furthermore, our South American electricity transmission system has no material volume risk.

Our Texas transmission business operates under a historical cost of services regulatory regime overseen by the Public Utility Commission of Texas. Based on a September 2015 rate case, 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 and revenues are calculated in a manner similar to our Ontario transmission system. Our operating revenues do not fluctuate with usage of our system but do fluctuate 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.

In Ontario, revenues from our operations are 100% regulated under a historical cost of service regime and are subject to periodic review by the Ontario Energy Board. Based on a recent rate review, our Ontario transmission operations are allowed to earn a 9.2% 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 based on provincial electric loads, which are measured by the Independent Electricity System Operator, a not-for-profit corporate entity that is responsible for the day-to-day operation of Ontario's electrical system.

*Growth Opportunities*

We believe that attractive growth opportunities exist for our electricity transmission operations, including the following:

Chile has electricity generation that is many kilometres from population centers. Upgrades and expansions of the electricity transmission system will be required to connect new electricity generation to load centers to satisfy increased electricity demand resulting from economic growth. As of December 31, 2015, the approved capital expenditure backlog of our South American transmission system was approximately $442 million and is comprised of projects that have been awarded to us for which expenditures have not yet been made.

Our Texas transmission project was completed in January 2014 and we believe that there are further opportunities to grow our rate base. 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 favourably positioned to take advantage of these opportunities due to our geographical location in west Texas as well as our incumbent status.

Over the past decade, Ontario has issued several regulations and directives aimed at replacing coal-fired generation with renewable energy sources including the Ontario Bill 150. The majority of the new generation that will be developed is in remote locations far from the existing transmission grid. Expansions of the electricity transmission system will be required to connect this generation to the existing grid.

***Regulated Distribution Operations***

Our regulated distribution operations have approximately 2.6 million electricity and natural gas connections in the UK and Colombia. In the UK, our regulated distribution operation is the largest independent "last mile" natural gas and electricity connections provider, comprised of approximately 2.2 million connections, principally natural gas and electricity. In South America, our electricity distribution franchise area is in the Boyacá province of Colombia, a region that is approximately 150 kilometres north of the capital, Bogotá.

*Strategic Position*

Similar to our electricity transmission systems, our regulated distribution operations are critical to the markets in which they are located. In the UK, our regulated distribution system is currently a market leader in terms of new gas and electricity connection sales and total installed connections among independent utilities. Our South American regulated distribution operations provide reliable power to approximately 440,000 customers.

Our regulated distribution operations generate stable cash flow in the geographies in which we operate. Our UK operation has a diverse customer base throughout England, Scotland and Wales, which underpins its cash flow. Our UK customers consist primarily of large energy retailers who serve residential and business users. Our South American regulated 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.

*Regulatory Environment*

Our UK regulated distribution operations compete with other connection providers in the UK to secure contracts to construct, own and operate connections for six product lines which include: natural gas, electricity, water, fibre, district heating and smart meters. Once connections are established, we charge retailers rates that are established 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 UK 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.

Our South American distribution business earns an annuity return on the replacement cost of its systems plus a charge to cover operating expenses. Our rates are determined every five years. Our current regulated return is in excess of 13%. Between rate reviews, revenues are adjusted by an inflation factor. The majority of our South American regulated distribution business' revenues do not fluctuate with volumes.

*Growth Opportunities*

We believe that our regulated distribution operations will be able to grow organically in each of the regions in which we operate. Opportunities for growth in the UK are driven by new gas and electricity connections, as well as through leveraging and cross-selling certain bundled service offerings and by introducing new product lines such as "fibre to home" to existing customers. Prospects for growth are further aided by the continual opening up of the electricity market to independent connections providers, the continuing recovery in the housing market and by participating in the UK smart meter roll out program. In early 2016, we adopted approximately 200,000 smart meters from a UK energy retailer, with a contract to adopt up to a further 500,000 meters by June 2017. In South America, our regulated distribution operations have a grandfathered operating license which allows us to expand vertically into the generation, transmission, and retail sectors. The business is located in a region which is home to emerging industrial 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. We believe we are well positioned to take advantage of future growth opportunities.

**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. 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 80% of our transport segment's adjusted EBITDA is supported by contractual 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*

- Approximately 10,000 kilometres of track and rail operations in Australia and Brazil

*Toll Roads*

- Approximately 3,500 kilometres of motorways in Brazil, Chile and, subject to the completion of the Gammon Acquisition, India

*Ports*

- 33 terminals in North America, the UK and Europe

***Rail***

Our Australian rail network is comprised of a below rail access provider, with over 5,100 kilometres of track and related infrastructure in the southwest region of Western Australia under a long-term lease with the State Government. There are approximately 34 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 rail operators or underlying customers. 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 rail operators' customers.

Our Brazilian rail operations are part of an integrated system with transshipment terminals, rail, port terminal operations, and almost 18,000 locomotives and wagons. They provide below and above rail services for approximately 4,800 kilometres of track, with concessions expiring in 2026 and 2038. Our Brazil rail operates under concession contracts that establish productivity standards, volume goals and price caps. Additional revenue is earned by offering complimentary 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 five State Government-owned ports for minerals and grain, as well as interstate intermodal terminals. The majority of our customers are leading commodity customers with the top 10 customers contributing approximately 90% of track access revenue, through long dated 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 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, in an arrangement 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 cargos with no regulatory limitations.

*Growth Opportunities*

Our Australian rail operation is a critical component of the logistics chain in its region, in many cases, it is the only mode of transportation for freight that is economically viable. As a result, our rail operation is well positioned to benefit from the development of new agriculture or mining projects, which would require access to the rail network to transport to port for export markets.

Our Brazilian rail business expects to invest approximately R$5 billion to upgrade and expand its operations over the next few years, allowing it to capture volume growth by attracting cargo volumes that currently are transported by trucks, a higher cost alternative in Brazil. This business is focused on improving network integrations in the system by capturing the growing demand for integrated transportation services in Brazil. This includes a R$2.2 billion port terminal expansion project located at Latin America's largest port. The project will add 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 to be transported as a result of the added capacity at our terminals and improving our strategic position as an integrated logistics provider. Other projects include the completion of four inland terminals and the purchase of locomotives and wagons.

***Toll Roads***

Our toll road operations are comprised of urban and interurban toll roads in Chile, Brazil and, subject to completion of the Gammon Acquisition, India. Our Chilean operations include 33 kilometres of free flowing roads that form a key part of the ring road network of Santiago, Chile. Our Brazilian operations comprise approximately 3,250 kilometres 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 operations in India will include 242 kilometres of existing roads and a further 103 kilometres of new motorways under expansion and development. These concessions began operations between 1998 and 2008 and operate under long-term concessions with staggered maturities, with an average remaining term of 15 years.

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

*Strategic Position*

Our Chilean toll road constitutes 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 Port of Valparaiso 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. Subject to completion of the Gammon Acquisition, our toll road portfolio in India will span the country and include some of India's most important national highways. Further, our investment in our toll road portfolio in India is expected to expand our toll road platform to a new market that has significant growth prospects.

Our toll roads are critical infrastructure for the economies of Chile, Brazil and India, with few viable alternative routes available. The ability to build new competing routes is 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, 80 concession agreements have been awarded, representing a total investment of approximately $20 billion within the country. Specifically, the ministerial regime for urban toll roads allows operators to raise tariffs annually at a level equal to inflation + 3.5% with additional increases in the form of congestion premiums, which can be up to three times the base tariff during congested periods.

Our Brazilian assets are governed by Agência Reguladora de Serviços Públicos Delegados de Transporte do Estado de São Paulo (“ARTESP”) and ANTT, the Sao 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 15 years. As of 2015, there were 53 motorway concessions in Brazil totaling over 19,000 kilometres. 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.

Following completion of the Gammon Acquisition, our assets and contractual obligations in India will be governed by the National Highways Authority of India (“NHAI”), which has been operational for 20 years and has responsibility to develop, maintain and manage the National Highways vested or entrusted to it by the Central Government of India. Revenues derived from the assets will include both toll road tariffs and annuity concession payments. The toll road tariffs are linked to inflation which is expected to benefit from India’s growing economy. The annuity concession payments have the added benefit of stable and predictable cash flows with a government related entity.

*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 India are seeking to increase their respective paved road network by expanding existing roads and developing new roads. 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 UK, North America and Europe. Our UK 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 UK. Our UK 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 UK 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 2,000 acres that is strategically located in close proximity to our port, which generates income from long-term property leases that account for approximately 10% of revenue.

Our North American port operation is comprised of gateway container terminals in the ports of Los Angeles and Oakland, which operate under long-term terminal leases with the Los Angeles and Oakland port authorities. These terminals handled almost 1.1 million Twenty-Foot Equivalent Units (“TEUs”) in 2015. In North America, our revenue is generated from port handling services for container volumes. Approximately 30% of our volumes are underpinned by a 10-year 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 that handle heavy dry bulk, specialty dry bulk, liquid bulk, general cargo and containers. Our European port operations handle approximately 46 mtpa of cargo. At our European operations, we benefit from diversified operations with over 50 different types of products handled at 22 port terminals located throughout seven European countries.

*Strategic Position*

Our port operations are strategically located. In the UK, 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 North American port operations are located in the ports of Los Angeles and Oakland, the first and fifth largest container port markets 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 port terminals across continental Europe and consist of 500 hectares of long-term port concessions and over 30 kilometres of quay length. 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 UK 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 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 30 years.

*Regulatory Environment*

Our UK 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 consultancy with users of the river and indexed to inflation. Our North American and European port operations conduct business in an unregulated environment.

*Growth Opportunities*

Our UK port's flexible, multi-purpose capacity positions it to benefit from numerous growth initiatives, including the expansion of our container handling facilities, in addition to improvements in our rail capacity, which have driven new customer contracts for container cargo and positions Teesport to be the main entry point for container cargo destined for the Northern England market.

Our North American port operations are undergoing a significant modernization project in Los Angeles that is expected to approximately double capacity and increase efficiency. Once complete, this project will make 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.

In 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.

## Energy

***Overview***

Our energy segment is comprised of systems that provide transportation, storage and distribution services. 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 AFFO.

Our energy segment is comprised of the following:

*Transmission, Distribution and Storage Operations*

- Approximately 15,000 kilometres of natural gas transmission pipelines
- Over 40,000 natural gas distribution customers in the UK
- 600 billion cubic feet ("bcf") of natural gas storage in the U.S. and Canada, including 230 bcf of capacity owned and operated by Niska Gas Storage, the acquisition of which was signed in June 2015 and is subject to regulatory approval

*District Energy Operations*

- Delivers heating and cooling to customers from centralized systems including heating plants capable of delivering 2,870,000 pounds per hour of steam heating capacity, centralized gas distribution and cogeneration for heating, cooling and energy, 255,000 tons of contracted cooling capacity, as well as 1,800 customer connections for distributed water and sewage services

***Transmission, Distribution and Storage Operations***

Our transmission, distribution and storage operations include approximately 15,000 kilometres of natural gas transmission and pipeline systems in the U.S., an unregulated natural gas and liquid propane gas ("LPG") distribution operation in the UK, and significant natural gas storage capacity in the U.S. and Canada.

Our natural gas transmission pipelines comprise one of the largest systems in the U.S., extending from the Gulf Coast, Texas and Oklahoma to Chicago. Our energy distribution system in the UK is the only provider of natural gas and LPG distribution services on the islands on which it operates. The majority of revenues from these businesses are generated under contracts and are well positioned to benefit from forecasted increases in demand for clean energy.

*Strategic Position*

Our North American natural gas transmission system is the largest provider of natural gas transmission and storage services to the Chicago and Northern Indiana market and has significant interconnectivity with local distribution companies, 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 services. On December 10, 2015, we acquired an additional 23.5% interest in our North American natural gas transmission system bringing our interest to 50%.

In the UK, our energy distribution business is the sole provider of gas distribution and retail services on the Channel Islands and the Isle of Man, servicing over 40,000 customers. The natural gas and LPG distribution customer base on the Channel Islands and Isle of Man is comprised of a number of residential and commercial end users. Our main competition comes from alternate energy sources, such as electricity.

We own interests in three natural gas storage facilities across North America, located in northern Alberta, northern California and south Texas. Upon regulatory approval and closing of our announced acquisition of Niska Gas Storage we will add facilities in northern Oklahoma, southern Alberta and northern California. These facilities contract with customers to provide natural gas storage services for which customers pay a storage fee. Our Canadian and Californian natural gas storage facilities represent approximately 31% and 26% of the total storage capacity in the province of Alberta and state of California respectively, while our south Texas gas storage facility has a high deliverability capacity and interconnects across 10 interstate and intrastate pipelines.

*Regulatory Environment*

Our transmission and storage operations are subject to varied regulation that differs across our regions of operation. Our U.S. operations are regulated by FERC under the *Natural Gas Act of 1938* ("Gas Act"). 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 UK energy distribution operations are quasi-regulated, and are ultimately subject to government oversight.

Our Canadian natural gas storage facilities are regulated by the Alberta Energy and Resources Conservation Board, which provides operational and environmental oversight. Our Californian natural gas storage facilities are also subject to California Public Utilities Commission oversight. 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 incremental growth opportunities that will expand our service offerings through capital projects supported by long-term contracts. The incremental projects will be constructed through late 2016 and into 2019 and are expected to start contributing incremental adjusted EBITDA in late 2016. The incremental projects include an expansion of capacity in the Chicago market, expansion to provide additional receipt points to the Gulf Coast market and a new pipeline supporting the export market to Mexico. In addition to the projects under contract, and their future add-on growth opportunities, this business is well positioned to take advantage of changing market dynamics in the North American natural gas market.

Within our existing storage businesses we have identified opportunities to expand our facilities' capacity by adding incremental storage capacity through low cost capital projects. Additionally, ownership of natural gas storage facilities is highly fragmented and we expect to continue to transact opportunistically in the marketplace. We believe that with the recent drop in commodity prices and a prolonged period of low natural gas storage spreads that there is an opportunity to act as an industry consolidator at attractive valuations.

***District Energy***

Our North American district energy operations are located in seven cities and consist of heating plants capable of delivering 2,870,000 pounds per hour of steam heating capacity, produced from six gas-fired steam plants and 255,000 tons of contracted cooling capacity, sourced from deep lake water systems and a variety of other conventional chilling technologies. These operations provide steam heating in key markets such as downtown Toronto, Ontario, in the medical district of New Orleans, Louisiana and in the central business district of Seattle, Washington. District cooling services are provided through an innovative deep lake cooling system in Toronto and from mechanical chilling operations in key markets such as Chicago, Illinois, Houston, Texas, and New Orleans.

Our Australian district energy operations provide heating, cooling and energy solutions and distributed natural gas, water and sewage services, in the states of Tasmania, New South Wales and Victoria. The natural gas network includes over 800 kilometres of pipeline, bringing 100 million cubic meters of natural gas to homes and businesses each year, with availability to provide this service to approximately 59,500 commercial and residential customers.

*Strategic Position*

Our district energy business in North America provides essential heating and cooling services to commercial customers, governments, hospitals and major sporting arenas in Toronto, Houston, New Orleans, Chicago and Seattle. Our Australian district energy business is comprised of an established natural gas distribution and retail business, supplying approximately 15,400 residential, commercial and industrial customers currently connected to our network in Tasmania and New South Wales. We are also operating and developing projects to supply natural gas and/or thermal energy, as well as distributed water and sewage services, to residential and commercial customers. In most cases our district energy businesses offer the only feasible source of energy to customers who are connected to our network. In addition, we are able to realize synergies across this platform through the sharing of best practices for customer contracting and due diligence, financing synergies through raising funds at the platform level, as well as sharing back office functions in our North American and Australian businesses.

*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 unrestricted access to its network of underground pipes in downtown Toronto. Our district energy business in Australia is currently not subject to any economic regulation. In Houston, Chicago, New Orleans and Seattle, our operations are enabled by franchise agreements with the respective municipalities.

*Growth Opportunities*

We have significant organic growth opportunities in our various district energy businesses, primarily through system expansions. Our Toronto deep lake water cooling system provides chilled water by pumping cold water from the depths of Lake Ontario. As a result of significant historical investment, this system has low variable costs. The system currently has significant excess capacity during non-peak periods of demand, upon which we will seek to capitalize by connecting incremental interruptible load to the system at limited capital cost. During 2015, we commissioned a significant capital project to increase our steam generating capacity in New Orleans to meet the needs of our customers, a number of whom are expanding the size and scope of their facilities. The district energy industry in North America is highly fragmented, providing significant opportunities to grow our business through acquisitions.

During 2015, our Australian district energy business commenced building a distributed energy network to certain regional towns under the State of Victoria's Energy for the Regions program. The project involves centralized natural gas networks which will roll out over the next three years with availability to provide service to approximately 12,500 homes and businesses. 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 distributed water and sewage 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.

**Communications Infrastructure**

***Overview***

Our communications infrastructure segment provides essential services and critical infrastructure to the media broadcasting and telecom sectors. These services and access to infrastructure are contracted on a long-term basis with tariff escalation mechanisms. Our telecommunications customers pay upfront and recurring fees to lease space on our towers to host their equipment. Our broadcasting customers pay us fees for transmitting television and radio content to end users.

The key objective for this segment is to capture benefit from increased demand for densification from mobile network operators and to acquire towers and other infrastructure that are non-core to such operators. Our performance will be measured by growth in our adjusted EBITDA.

The segment is comprised of approximately 7,000 multi-purpose towers and active rooftop sites and 5,000 km of fibre backbone located in France.

These operations generate stable, inflation-linked cash flows underpinned by long-term contracts (typically 10 years in telecommunications and five years in broadcasting) with large, prominent customers in France.

*Strategic Position*

Our business is the leading independent communications infrastructure operator in France. Its sites cover the entire French territory, with some in the very best locations, which 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 is capable of covering the French population with approximately 97% coverage in one of Europe's largest television markets. In radio we are the reference provider for services in France with approximately 60% share of FM analog radio frequencies.

*Regulatory Environment*

In the television business, a small proportion of the sites (currently approximately 80) 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 is in practice very complex, (ii) 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 on the back of three main trends: technological evolution driving further site growth, network densification and further site rollout associated with minimum coverage requirements. We believe that the size and scope of our tower platform will position us to take advantage of these favourable trends through construction and acquisition of additional assets.

**Acquisition Strategy**

Over the past few years, we have established operating segments with scale in many aspects of the utility, transport, energy and communications infrastructure industries. As we look to grow our business, 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 operating platforms 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. As we grow our asset base, we will primarily target acquisitions in the following infrastructure sectors:

- Utilities: electricity transmission, regulated electricity, gas and water distribution and regulated or contracted terminal operations;
- Transport: railroads, ports, toll roads and airports;
- Energy: oil and gas pipelines and gathering and storage systems and district energy systems; and
- Communications infrastructure: telecommunications towers.

An integral part of our acquisition strategy is to participate with institutional investors in Brookfield sponsored consortiums for single asset acquisitions and as a partner in or alongside Brookfield sponsored partnerships 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.

**About Brookfield**

Brookfield is a global asset management company focused on property, renewable energy, infrastructure and private equity assets with over $225 billion of assets under management, 30,000 operating employees and over 700 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.

Brookfield has an approximate 29.5% interest in Brookfield Infrastructure. Our partnership and the other Service Recipients have each appointed Brookfield as their Service Provider to provide certain management, administrative and advisory services, for a fee, under the Master Services Agreement.

**Employees**

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."

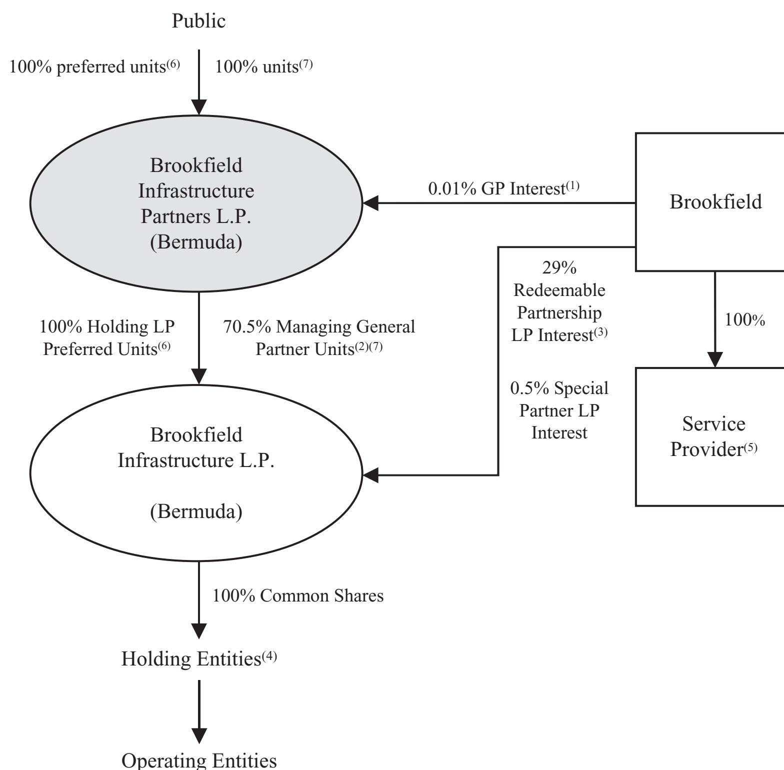
**Intellectual Property**

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, an Ontario corporation.*

*(2) On March 28, 2014, our partnership and the Holding LP underwent a restructuring, which redesignated our partnership's interest in the Holding LP as managing general partner units ("Managing General Partner Units") and re-designated Brookfield's 0.5% interest in the Holding LP as special limited partner units ("Special Limited Partner Units"). Brookfield's Special Limited Partner Units are held through the Infrastructure Special LP, a Bermuda limited partnership, the sole general partner of which is the Infrastructure General Partner, a Bermuda company that is wholly owned by Brookfield Asset Management.*

*(3) 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 29.3% of our partnership's issued and outstanding units on a fully exchanged basis (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."*

*(4) 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".*

*(5) The Service Provider provides services to Brookfield Infrastructure pursuant to the Master Services Agreement.*

*(6) 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 Holdings LP Series 3 Preferred Units.*

*(7) As of December 31, 2015, our partnership had outstanding 162,163,205 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. 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.

**The Service Provider and Brookfield**

The Service Recipients have engaged the Service Provider, an affiliate of Brookfield, to provide them with management and administration services pursuant to the Master Services Agreement.

**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 Us and Our Partnership," 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 the special limited partnership interest of the Holding LP See Item 7.B "Related Party Transactions—Incentive Distributions."

**Significant Subsidiaries**

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

| Defined Name | Name of entity | Jurisdiction of Organization | Ownership Interest 2015 % | Voting Interest 2015 % |
|---|---|---|---|---|
| Holding LP | Brookfield Infrastructure L.P. | Bermuda | **70**[1] | **100** |
| Australian rail operation | Brookfield Rail Holdings No. 1 Pty Ltd | Australia | **100**[2] | **100** |
| Regulated terminal operations | DBCT Management Pty Ltd | Australia | **71**[2] | **100** |
| UK regulated distribution operations | Brookfield Utilities UK Holdings Limited | United Kingdom | **80**[2] | **80** |
| South American transmission operation | ETC Holdings Limited | Chile | **28**[2] | **28** |
| North American natural gas transmission operation | Natural Gas Pipeline Company of America LLC | United States | **50**[2] | **50** |

(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. Our partnership does 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," and Item 5 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

**ITEM 4A. UNRESOLVED STAFF COMMENTS**

Not applicable.

## ITEM 5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### 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 flow from our operations plus growth through investments in upgrades and expansions of our asset base, as well as acquisitions. If we are successful in growing our funds from operations ("FFO") per unit, we will be able to increase distributions to unitholders. Furthermore, the increase in our FFO per unit should result in capital appreciation (see "Reconciliation of Non-IFRS Financial Measures" on page 106 for more detail). We also measure the growth of FFO per unit, which we believe is a proxy for our ability to increase distributions to unitholders. In addition, we have performance measures that track the key value drivers for each of our operating segments. See "Segmented Disclosures" on page 85 for more detail.

### Distribution Policy

Our objective is to pay a distribution per unit that is sustainable on a long-term basis while retaining sufficient liquidity within our operations to fund recurring growth capital expenditures, debt repayments and general corporate requirements. We currently believe that a payout of 60% to 70% of our FFO is appropriate over the long-term.

In light of the current strong prospects for our business, the Board of Directors of our General Partner approved a 7.5% increase in our quarterly distribution to 57 cents per unit, which will start with the distribution paid in March 2016. 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 26.5 cents per unit to 57 cents per unit, a compound annual growth rate of 12%. We target 5% to 9% annual distribution growth in light of the per unit FFO growth we foresee in our operations.

### Basis of Presentation

Our consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("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.

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 (losses) from investments in associates attributable to each of the above noted items, and (2) exclude the share of earnings (losses) of consolidated investments not held by Brookfield Infrastructure apportioned to each of the above noted items. However, net income for each segment is consistent with results presented in accordance with IFRS. See "Reconciliation of Operating Segments" on page 107 for a reconciliation of segment results to our partnership's statement of operating results in accordance with IFRS.

Our presentation currency and functional currency is the U.S. dollar, and has been throughout each of the last eight years. There were no changes in accounting policies that have had a material impact on the comparability of the results between financial years since the adoption of IFRS.

## REVIEW OF CONSOLIDATED FINANCIAL RESULTS

In this section we review our consolidated performance and financial position as of December 31, 2015 and 2014 and for the 12-month periods ended December 31, 2015, 2014 and 2013. Further details on the key drivers of our operations and financial position are contained within the review of operating segments.

The following table summarizes the financial results of Brookfield Infrastructure for the 12-month periods ended December 31, 2015, 2014 and 2013.

| US$ MILLIONS, EXCEPT PER UNIT INFORMATION | Year ended December 31 | | |
|---|---|---|---|
| **Summary Statements of Operating Results** | **2015** | 2014 | 2013 |
| Revenues | **$1,855** | $1,924 | $1,826 |
| Direct operating costs | **(798)** | (846) | (823) |
| General and administrative expenses | **(134)** | (115) | (110) |
| Depreciation and amortization expense | **(375)** | (380) | (329) |
| Interest expense | **(367)** | (362) | (362) |
| Share of earnings (loss) from investments in associates and joint ventures | **69** | 50 | (217) |
| Mark-to-market on hedging items | **83** | 38 | 19 |
| Other income (expense) | **54** | (1) | (35) |
| Net income | **391** | 229 | 65 |
| Net income from continuing operations | **391** | 229 | 20 |
| Net income from discontinued operations | **—** | — | 45 |
| Net income (loss) attributable to the partnership[1] | **298** | 184 | (58) |
| Net income (loss) per limited partnership unit | **$ 1.04** | $ 0.67 | $(0.43) |

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

*2015 vs. 2014*

Revenues for the fiscal year ended December 31, 2015 were $1,855 million, which decreased by $69 million, or 4%, compared to the fiscal year ended December 31, 2014. Revenue from acquisitions completed over the past 12 months within our U.S. district energy and gas storage businesses contributed $79 million, while organic growth initiatives within our Canadian and Australian district energy businesses contributed incremental revenue of $18 million. Our utilities segment contributed additional revenue of $42 million as results benefitted from inflation indexation and various growth initiatives primarily at our UK regulated distribution operation. Our transport operations contributed an additional $36 million of revenue, primarily due to higher rates at our Australian rail operation, inflationary tariff increases at our South American toll roads and higher volumes at our UK port operations. These increases were more than offset by the impact of foreign exchange, as the U.S. dollar strengthened relative to most currencies in which we operate, which reduced our revenue in U.S. dollar terms by $244 million.

Direct operating expenses for the fiscal year ended December 31, 2015 were $798 million, which decreased by $48 million, or 6%, compared to the fiscal year ended December 31, 2014. This was driven by $52 million of operating expenses representing the full year impact of district energy and gas storage businesses acquired in the second half of 2014, an additional $28 million of costs resulting from the expansion of our systems through organic growth initiatives and higher volumes at our transport operations. These increases were more than offset by the impact of foreign exchange, which reduced our expenses in U.S. dollar terms by $128 million.

General and administrative expenses for the fiscal year ended December 31, 2015 were $134 million, which increased by $19 million, or 17%, compared to the fiscal year ended December 31, 2014. These expenses are primarily comprised of the base management fee that is paid to Brookfield, which is equal to 1.25% of the partnership's market value plus recourse debt, net of cash. This figure also includes certain public company expenditures relating to the on-going operations of the partnership. The base management fee increased as compared to the same period in 2014 as a result of an increase in market capitalization and recourse debt throughout 2015.

Depreciation and amortization expense for the fiscal year ended December 31, 2015 was $375 million, which decreased by $5 million, or 1%, compared to the fiscal year ended December 31, 2014. Depreciation and amortization expense increased by $26 million due to the impact of acquisitions of district energy and gas storage businesses completed in 2014, and $19 million attributable to higher asset values resulting from our annual revaluation process and capital expenditures over the past year. These increases were offset by the impact of foreign exchange, which reduced our expenses in U.S. dollar terms by $50 million.

Interest expense for the fiscal year ended December 31, 2015 was $367 million, which increased by $5 million, or 1%, compared to the fiscal year ended December 31, 2014. Interest expense increased by $12 million as a result of the aforementioned acquisitions, in addition to higher non-recourse borrowings primarily associated with organic growth initiatives, which contributed incremental interest expense of $22 million. We also incurred additional interest expense of $18 million associated with our two corporate medium term note issuances completed in March and October of 2015. These increases were partially offset by the impact of foreign exchange, which decreased our interest expense in U.S. dollar terms by $47 million during the period.

Earnings from investments in associates for the fiscal year ended December 31, 2015 were $69 million, which increased by $19 million, or 38%, compared to the fiscal year ended December 31, 2014. The increase is due to the $28 million contribution from the acquisition of our European telecommunications infrastructure operation, completed in March of 2015, and the full-year contribution from our Brazilian rail operations that was acquired in August of 2014. Our results also benefitted from numerous organic growth initiatives across the business that contributed an additional $11 million, resulting from increased volumes across a number of our businesses. These items were offset by the impact of foreign exchange.

Mark-to-market gains on hedging items for the fiscal year ended December 31, 2015 were $83 million compared to $38 million for the fiscal year ended December 31, 2014. Both the current and comparative period consist primarily of revaluation gains relating to foreign exchange hedging activities at the corporate level. The gains recognized in the current and comparative period are the result of lower hedged rates on various currency contracts we had in place relative to the spot rates at period end.

***2014 vs. 2013***

Revenues for the fiscal year ended December 31, 2014 were $1,924 million, which increased by $98 million, or 5%, compared to the year ended December 31, 2013. Of this increase $47 million relates to acquisitions made in our U.S. district energy business during 2014. Our utilities segment contributed incremental revenues of $58 million, as we benefitted from inflationary increases in our rate base and investments in organic growth initiatives. Our business also recorded higher revenues in its transport operations as a result of increased volumes at our Chilean toll road, UK port operation and Australian rail operation, contributing a further $47 million. These increases were partially offset by depreciation of the currencies in which we operate relative to the U.S. dollar, which reduced revenues in U.S. dollar terms by $54 million.

Direct operating expenses for the fiscal year ended December 31, 2014 were $846 million, which increased by $23 million, or 3%, compared to the fiscal year ended December 31, 2013. The increase is primarily attributable to the aforementioned U.S. district energy acquisitions completed during 2014, which contributed $31 million of incremental operating expenses. Further incremental costs of $32 million were incurred as a result of capital expansion programs at our UK regulated distribution operation and Australian rail operation as well as higher volumes in our UK port operation. These increases were offset by the impact of foreign exchange, which reduced our expenses in U.S. dollar terms by $40 million.

General and administrative expenses for the fiscal year ended December 31, 2014 were $115 million, which increased by $5 million, or 5%, compared to the fiscal year ended December 31, 2013. The $5 million increase in general and administrative expenses from 2013 to 2014 is due to the increase in market capitalization attributable to the higher trading price of our partnership units.

Depreciation and amortization expense for the fiscal year ended December 31, 2014 was $380 million, which increased by $51 million, or 13%, compared to the fiscal year ended December 31, 2013. This increase is due primarily to the impact of acquisitions completed during the year and higher asset values resulting from our annual revaluation process.

Interest expense for the fiscal year ended December 31, 2014 was $362 million, which was equal to the fiscal year ended December 31, 2013. This increase in interest expense was driven by an expansion of our U.S. district energy business acquisition during the year as well as higher borrowings at our UK regulated distribution business associated with various growth initiatives, which contributed incremental interest expense of $7 million. These increases were offset by the impact of foreign exchange, which reduced expenses in U.S. dollar terms by $7 million.

Earnings from investments in associates for the fiscal year ended December 31, 2014 were $50 million compared to losses of $217 million for the fiscal year ended December 31, 2013. The increase is primarily attributable to the $275 million impairment charge recorded at our North American natural gas transmission operation in 2013.

Mark-to-market gains on hedging items for the fiscal year ended December 31, 2014 were $38 million compared to $19 million for the fiscal year ended December 31, 2013. Both the current and comparative period consist primarily of revaluation gains relating to foreign exchange hedging activities at the corporate level. The gains recognized in the current and comparative period are the result of lower hedged rates on various currency contracts we had in place relative to the spot rates at period end.

The following table summarizes the statement of financial position of Brookfield Infrastructure for the fiscal years ended December 31, 2015 and December 31, 2014.

| **US$ MILLIONS** | **As of** | |
|---|---|---|
| **Summary Statements of Financial Position Key Metrics** | **December 31, 2015** | December 31, 2014 |
| Cash and cash equivalents | **$ 199** | $ 189 |
| Other current assets | **1,354** | 1,371 |
| Total assets | **17,735** | 16,495 |
| Current liabilities | **908** | 780 |
| Corporate borrowings | **1,380** | 588 |
| Non-recourse borrowings | **5,852** | 6,221 |
| Other long-term liabilities | **2,419** | 2,584 |
| Limited Partners' capital | **3,838** | 3,533 |
| General Partner capital | **23** | 24 |
| Non-controlling interest—Redeemable Partnership Units held by Brookfield | **1,518** | 1,321 |
| Non-controlling interest—in operating subsidiaries | **1,608** | 1,444 |
| Preferred Unitholders | **189** | — |

Total assets were $17,735 million at December 31, 2015, compared to $16,495 million at December 31, 2014, an increase of $1,240 million. This increase is primarily due to $2,447 million in assets accumulated through the investment in a toehold interest in Asciano, the acquisition of our European telecommunications infrastructure operations, and the follow-on investments in our Chilean toll road and North American natural gas transmission operation. Total assets also increased by $872 million as the result of revaluation gains recorded, primarily at our UK regulated distribution operation, South American transmission operation and European and North American port operations. These positive impacts were partially offset by the impact of foreign exchange, which reduced our asset base in U.S. dollar terms by $1,824 million, and from the sale of our New England electricity transmission operation in the third quarter of 2015.

Corporate borrowings were $1,380 million at December 31, 2015, compared to $588 million at December 31, 2014, an increase of $792 million. This increase was due to incremental draws of $161 million on our corporate credit facility and $732 million resulting from the medium term note issuances completed in 2015. The increase was partially offset by the impact of foreign exchange, which reduced our corporate debt balance by $101 million.

Non-recourse borrowings were $5,852 million at December 31, 2015, compared to $6,221 million at December 31, 2014, a decrease of $369 million. This decrease is primarily due to the strength of the U.S. dollar relative to all currencies in which we have issued debt. Our debt balances were also reduced by $231 million as a result of our Ontario electricity transmission and European energy distribution operations that were classified as held for sale at December 31, 2015. These decreases were partially offset by additional debt at our UK regulated distribution operation of $155 million, as well as an increase of $76 million from the follow-on investment at our Chilean toll road.

Partnership capital was $5,379 million at December 31, 2015, compared to $4,878 million at December 31, 2014, an increase of $501 million. This increase was mainly driven by $950 million of partnership units issued in April 2015, net of $24 million of associated fees, net income attributable to the partnership of $298 million, net revaluation gains of $527 million resulting from our annual revaluation of property, plant and equipment and $25 million primarily due to mark-to-market hedging gains at the corporate level recorded in other comprehensive income. This increase was partially offset by $662 million of foreign currency translation losses, $546 million of distributions paid to our unitholders and $67 million of unit repurchases throughout 2015.

In March and December 2015 Brookfield Infrastructure issued $189 million of preferred units, which are presented as a separate class of equity under partnership capital.

## SEGMENTED DISCLOSURES

In this section, we review the results of our principal operating segments: utilities, transport, energy and communications infrastructure. 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 "Discussion of Segment Reconciling Items" on page 110 for a reconciliation of segment results to our partnership's statement of operating results in accordance with IFRS.

### Utilities Operations

*Results of Operations*

The following table presents the roll-forward of our rate base and selected key metrics:

| (US$ MILLIONS) | Year ended December 31 | |
|---|---|---|
| | **2015** | 2014 |
| Rate base, start of period | **$4,118** | $4,242 |
| Impact of disposals | **(38)** | — |
| Capital expenditures commissioned | **234** | 189 |
| Inflation and other indexation | **97** | 110 |
| Regulatory depreciation | **(53)** | (72) |
| Foreign exchange | **(340)** | (351) |
| Rate base, end of period | **$4,018** | $4,118 |

| (US$ MILLIONS) | Year ended December 31 2015 | 2014 | 2013 |
|---|---|---|---|
| Funds from operations (FFO) | **$ 387** | $ 367 | $ 377 |
| Maintenance capital | **(13)** | (14) | (27) |
| Adjusted funds from operations (AFFO) | **$ 374** | $ 353 | $ 350 |
| Return on rate base[1],[2] | **11%** | 11% | 11% |

1. *Return on rate base is adjusted EBITDA divided by time weighted average rate base.*
2. *Return on rate base excludes impact of connections revenues at our UK regulated distribution operation.*

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

| (US$ MILLIONS) | Year ended December 31 2015 | 2014 | 2013 |
|---|---|---|---|
| Revenue | **$ 698** | $ 736 | $ 831 |
| Costs attributable to revenues | **(174)** | (217) | (284) |
| Adjusted EBITDA | **524** | 519 | 547 |
| Interest expense | **(142)** | (158) | (175) |
| Other income | **5** | 6 | 5 |
| Funds from operations (FFO) | **387** | 367 | 377 |
| Depreciation and amortization | **(153)** | (155) | (147) |
| Deferred taxes and other items | **(24)** | (58) | 6 |
| Net income | **$ 210** | $ 154 | $ 236 |

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

| (US$ MILLIONS) | Adjusted EBITDA 2015 | 2014 | 2013 | FFO 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| Regulated Distribution | **$ 228** | $ 200 | $ 236 | **$ 183** | $ 158 | $ 178 |
| Regulated Terminal | **156** | 172 | 174 | **92** | 93 | 91 |
| Electricity Transmission | **140** | 147 | 137 | **112** | 116 | 108 |
| Total | **$ 524** | $ 519 | $ 547 | **$ 387** | $ 367 | $ 377 |

***2015 vs. 2014***

For the year ended December 31, 2015 our regulated distribution operations generated adjusted EBITDA of $228 million and FFO of $183 million compared to $200 million and $158 million, respectively, in 2014. Results increased year-over-year primarily due to record connections activity at our UK regulated distribution business, additions to our rate base and inflation indexation.

For the year ended December 31, 2015 our regulated terminal reported adjusted EBITDA of $156 million and FFO of $92 million compared to $172 million and $93 million, respectively, in 2014. Adjusted EBITDA and FFO decreased from prior year as the benefits of inflation indexation and additions to rate base were offset by the impact of foreign exchange as our hedged rate declined compared to prior year. This was partially offset at the FFO level by the favourable impact of foreign exchange on our Australian dollar denominated interest expense.

For the year ended December 31, 2015 our electricity transmission operations generated adjusted EBITDA of $140 million and FFO of $112 million compared to $147 million and $116 million, respectively, in 2014. Adjusted EBITDA and FFO decreased slightly as inflation indexation and additions to rate base were offset by the impact of foreign exchange and the sale of our New England electricity transmission business in August of 2015.

Depreciation and amortization decreased to $153 million for the year ended December 31, 2015, compared to $155 million for the same period in 2014. The decrease of $2 million from 2014 is primarily due to the impact of foreign exchange, mostly offset by higher depreciation expense from additions to our regulated asset base and higher asset values as a result of our annual revaluation process.

Deferred taxes and other items for the year ended December 31, 2015 was a loss of $24 million compared to a loss of $58 million for the same period in 2014. The variance is associated with a deferred tax recovery due to a favourable change in UK tax law offset by lower mark-to-market gains on hedging items at our UK regulated distribution business.

***2014 vs. 2013***

For the year ended December 31, 2014 our regulated distribution operations generated adjusted EBITDA of $200 million and FFO of $158 million compared to $236 million and $178 million, respectively, in 2013. Results decreased year-on-year primarily due to the sale of our Asia Pacific regulated distribution operation in the fourth quarter of 2013. Excluding the impact of the sale, results for the business were ahead of 2013 by $39 million due primarily to stronger performance at our UK regulated distribution business that benefitted from a higher rate base, inflation indexation and higher connections activity.

For the year ended December 31, 2014 our regulated terminal reported adjusted EBITDA of $172 million and FFO of $93 million compared to $174 million and $91 million, respectively, in 2013. Adjusted EBITDA decreased relative to the comparative period as inflation indexation and the benefit of additions to rate base were more than offset by the impact of foreign exchange. FFO increased compared to the prior period due to lower borrowing costs, where we benefitted from financings completed during 2014 and favourable foreign exchange impact on our interest expense.

For the year ended December 31, 2014 our electricity transmission operation generated adjusted EBITDA of $147 million and FFO of $116 million compared to $137 million and $108 million, respectively, in 2013. Adjusted EBITDA and FFO increased versus 2013 due to inflation indexation, commissioning of projects into rate base and lower operating costs, partially offset by the impact of foreign exchange.

Depreciation and amortization increased to $155 million for the year ended December 31, 2014, up from $147 million for the same period in 2013. The increase of $8 million from 2013 is primarily due to higher depreciation expense from additions to our regulated asset base from growth capital expenditures and the aforementioned acquisitions, partially offset by the impact of the aforementioned disposition of our Asia Pacific regulated distribution operation in the fourth quarter of 2013. Deferred taxes and other items for the year ended December 31, 2014 were a loss of $58 million compared to a gain of $6 million in 2013. The negative variance versus the prior period is associated with lower mark-to-market gains on hedging items at our UK regulated distribution business.

**Transport Operations**

*Results of Operations*

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

| (US$ MILLIONS) | Year ended December 31 | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| Growth capital expenditures | **$ 297** | $ 332 | $ 212 |
| Adjusted EBITDA margin[1] | **49%** | 48% | 47% |
| Funds from operations (FFO) | **398** | 392 | 326 |
| Maintenance capital | **(72)** | (80) | (63) |
| Adjusted funds from operations (AFFO) | **$ 326** | $ 312 | $ 263 |

*(1) Adjusted EBITDA margin is adjusted EBITDA divided by revenues.*

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

| (US$ MILLIONS) | Year ended December 31 | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| Revenues | **$1,143** | $1,238 | $1,054 |
| Cost attributed to revenues | **(588)** | (639) | (557) |
| Adjusted EBITDA | **555** | 599 | 497 |
| Interest expense | **(142)** | (173) | (153) |
| Other expenses | **(15)** | (34) | (18) |
| Funds from operations (FFO) | **398** | 392 | 326 |
| Depreciation and amortization | **(217)** | (250) | (183) |
| Deferred taxes and other items | **(46)** | (39) | (78) |
| Net income | **$ 135** | $ 103 | $ 65 |

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

| (US$ MILLIONS) | Adjusted EBITDA | | | FFO | | |
|---|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | **2015** | 2014 | 2013 |
| Rail | **$ 292** | $ 270 | $ 250 | **$ 231** | $ 201 | $ 187 |
| Toll Roads | **180** | 248 | 173 | **111** | 140 | 97 |
| Ports | **83** | 81 | 74 | **56** | 51 | 42 |
| Total | **$ 555** | $ 599 | $ 497 | **$ 398** | $ 392 | $ 326 |

***2015 vs. 2014***

For the year ended December 31, 2015, our rail business generated adjusted EBITDA of $292 million and FFO of $231 million compared to $270 million and $201 million, respectively, in 2014. Adjusted EBITDA and FFO increased versus prior year as a result of improved agricultural volumes and a full year contribution from our South American rail operation acquired in the third quarter of 2014, as well as increased volumes and inflationary rate increases at our Australian operation. These increases were partially offset by the impact of foreign exchange.

For the year ended December 31, 2015, our toll roads contributed adjusted EBITDA of $180 million and FFO of $111 million compared to $248 million and $140 million, respectively, in 2014. Adjusted EBITDA and FFO decreased versus prior year as the benefit of regulatory tariff increases and stronger light vehicle volumes were more than offset by the impact of foreign exchange. In local currency, toll road adjusted EBITDA was 5% higher than prior year.

For the year ended December 31, 2015, our port operations reported adjusted EBITDA of $83 million and FFO of $56 million compared to $81 million and $51 million, respectively, in 2014. Adjusted EBITDA and FFO have increased versus the prior year as benefits from the delivery of the first phase of the automation project at our North American container terminal and increased container volumes at our UK port operation were partially offset by the impact of foreign exchange.

Non-cash expenses are primarily comprised of depreciation and amortization, inflation indexation on our Chilean peso denominated debt, deferred taxes and other items. Depreciation and amortization decreased to $217 million for the year ended December 31, 2015, down from $250 million in 2014. The $33 million decrease versus 2014 is due to foreign exchange, which more than offset incremental depreciation from our South American rail acquisition in the third quarter of 2014. Deferred taxes and other expenses for the year ended December 31, 2015 were $46 million compared to $39 million for the same period in 2014. The $7 million increase versus the prior year was due to the acquisition of our South American rail business in August 2014 and higher inflation indexation on our Chilean peso denominated debt.

***2014 vs. 2013***

For the year ended December 31, 2014, our rail business generated adjusted EBITDA of $270 million and FFO of $201 million compared to $250 million and $187 million, respectively, in 2013. Results increased primarily as a result of the partial contribution from our Brazilian rail acquisition completed in the third quarter of 2014. On a same store basis, FFO increased as a result of higher volumes associated with a bumper grain harvest and the completion of the expansion program resulted in volumes ramping up substantially and reached full take-or-pay levels in March 2013.

For the year ended December 31, 2014, our toll roads contributed adjusted EBITDA of $248 million and FFO of $140 million compared to $173 million and $97 million, respectively, in 2013. Results increased compared to the prior year primarily due to the increase in ownership of our Brazilian toll roads completed in September 2013. On a same store basis, toll revenues increased 8% from 2013 to 2014, driven by tariff increases and higher volumes.

For the year ended December 31, 2014, our port operations reported adjusted EBITDA of $81 million and FFO of $51 million compared to $74 million and $42 million, respectively, in 2013. Adjusted EBITDA and FFO increased compared to the prior period primarily due to increased volumes at our UK port, as economic conditions in the region continued to improve, and the contribution from our North American container port acquisition in 2014.

Non-cash expenses are primarily comprised of depreciation and amortization, inflation indexation on our Chilean peso denominated debt, deferred taxes and other items. Depreciation and amortization increased to $250 million for the year ended December 31, 2014, up from $183 million in 2013. The $67 million increase compared to 2013 is primarily driven by a full year contribution from the additional investment in our Brazilian toll road operation made in the third quarter of 2013 and contribution from the close of our South American rail acquisition in the third quarter of 2014. Deferred taxes and other expenses for the year ended December 31, 2014 were $39 million compared to $78 million for the same period in 2013. The $39 million reduction is primarily the result of breakage fees associated with the refinancing of our Australian rail operation and European port operations.

**Energy Operations**

*Results of Operations*

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

| (US$ MILLIONS) | Year ended December 31 | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| Growth capital expenditures | **$ 27** | $ 37 | $ 15 |
| Adjusted EBITDA margin[1] | **48%** | 45% | 42% |
| Funds from operations (FFO) | **90** | 68 | 70 |
| Maintenance capital | **(45)** | (37) | (39) |
| Adjusted funds from operations (AFFO) | **$ 45** | $ 31 | $ 31 |

*(1) Adjusted EBITDA margin is adjusted EBITDA divided by revenues.*

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

| (US$ MILLIONS) | Year ended December 31 | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| Revenues | **$ 349** | $ 311 | $ 323 |
| Cost attributed to revenues | **(183)** | (172) | (186) |
| Adjusted EBITDA | **166** | 139 | 137 |
| Interest expense | **(79)** | (71) | (69) |
| Other income | **3** | — | 2 |
| Funds from operations (FFO) | **90** | 68 | 70 |
| Depreciation and amortization | **(90)** | (76) | (70) |
| Deferred taxes and other items | **—** | 12 | (254) |
| Net income (loss) | **$ —** | $ 4 | $ (254) |

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

| (US$ MILLIONS) | Adjusted EBITDA | | | FFO | | |
|---|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | **2015** | 2014 | 2013 |
| Transmission, Distribution & Storage | **$ 118** | $ 111 | $ 117 | **$ 49** | $ 45 | $ 54 |
| District Energy | **48** | 28 | 20 | **41** | 23 | 16 |
| Total | **$ 166** | $ 139 | $ 137 | **$ 90** | $ 68 | $ 70 |

***2015 vs. 2014***

For the year ended December 31, 2015, our energy transmission, distribution and storage operations generated adjusted EBITDA of $118 million and FFO of $49 million compared to $111 million and $45 million, respectively, in 2014. Adjusted EBITDA and FFO increased from 2014 to 2015 as the segment benefitted from higher transportation volumes at our North American natural gas transmission operation.

For the year ended December 31, 2015, our district energy business contributed adjusted EBITDA of $48 million and FFO of $41 million compared to $28 million and $23 million, respectively, in 2014. Adjusted EBITDA and FFO increased compared to the year ended December 31, 2014 as a result of contributions from new district energy systems that were acquired in the third quarter of 2014, the completion of organic growth projects, such as the Louisiana State University medical center project, new customer connections and renewal of existing customers at favourable rates.

Non-cash expenses are primarily comprised of depreciation, amortization, impairment charges, deferred taxes and other items. Depreciation and amortization increased to $90 million for the year ended December 31, 2015, up from $76 million for the same period in 2014, respectively. The increase is primarily due to additional depreciation as a result of our annual revaluation process and acquisitions in our district energy business, partially offset by the impact of foreign exchange. Deferred taxes and other expenses for the year ended December 31, 2015 was $nil compared to $12 million of income for the same period in 2014. The decrease of $12 million compared to the prior year is due to the benefit from a reduction in our gas storage obligation recognized in 2014 with the acquisition of our U.S. gas storage business.

***2014 vs. 2013***

For the year ended December 31, 2014, our transmission, distribution and storage operations reported adjusted EBITDA of $111 million and FFO of $45 million compared to $117 million and $54 million, respectively, in 2013. Adjusted EBITDA and FFO decreased compared to the years ended December 31, 2013 due to weak market fundamentals that impacted transportation revenues at our North American natural gas transmission operation.

For the year ended December 31, 2014, our district energy business contributed adjusted EBITDA of $28 million and FFO of $23 million compared to $20 million and $16 million, respectively, in 2013. Results increased as a result of contributions from new district energy systems that came on-line in the fourth quarter of 2013 and the third quarter of 2014 as well as increased contributions from our Australian distribution operation that benefitted from higher in-place connections. Prior period balances have been reclassified to include our Australian district energy business which was formerly presented as part of our energy distribution segment.

Non-cash expenses are primarily comprised of depreciation, amortization, impairment charges, deferred taxes and other items. Depreciation and amortization increased to $76 million for the year ended December 31, 2014, up from $70 million in 2013. The increase is primarily due to additional depreciation as a result of acquisitions in our district energy business. Deferred taxes and other expenses for the year ended December 31, 2014 was $12 million of income compared to a $254 million loss in 2013. The increase of $266 million versus the comparative period is due primarily to a $275 million impairment charge taken on our North American natural gas transmission operation in 2013.

**Communications Infrastructure Operations**

*Results of Operations*

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

| (US$ MILLIONS) | Year ended December 31 | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| Growth capital expenditures | **$ 15** | $ — | $ — |
| Adjusted EBITDA margin[1] | **54%** | — | — |
| Funds from operations (FFO) | **60** | — | — |
| Maintenance capital | **(6)** | — | — |
| Adjusted funds from operations (AFFO) | **$ 54** | $ — | $ — |

*(1) Adjusted EBITDA margin is adjusted EBITDA divided by revenues.*

The following table presents our communications infrastructure platform's proportionate share of financial results:

| (US$ MILLIONS) | Year ended December 31 | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| Revenues | **$ 123** | $ — | $ — |
| Cost attributed to revenues | **(57)** | — | — |
| Adjusted EBITDA | **66** | — | — |
| Interest expense | **(6)** | — | — |
| Funds from operations (FFO) | **60** | — | — |
| Depreciation and amortization | **(46)** | — | — |
| Deferred taxes and other items | **1** | — | — |
| Net income | **$ 15** | $ — | $ — |

For the year ended December 31, 2015, our communications infrastructure segment generated adjusted EBITDA and FFO of $66 million and $60 million, respectively, versus $nil and $nil, respectively, in the prior year, as this business was acquired on March 31, 2015. Non-cash expenses are primarily comprised of depreciation, amortization, deferred taxes and other items.

**Corporate and other**

The following table presents the components of Corporate and Other, on a proportionate basis for the twelve months ended:

| (US$ MILLIONS) | Year ended December 31 | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| Timber adjusted EBITDA | **$ —** | $ — | $ 39 |
| General and administrative costs | **(8)** | (8) | (8) |
| Base management fee | **(126)** | (107) | (102) |
| Adjusted EBITDA | **(134)** | (115) | (71) |
| Other income | **34** | 26 | 6 |
| Financing costs | | | |
| Timber | **—** | — | (13) |
| Corporate | **(27)** | (14) | (13) |
| Funds from operations (FFO) | **(127)** | (103) | (91) |
| Deferred taxes and other items | **65** | 26 | (14) |
| Net loss | **$ (62)** | $ (77) | $ (105) |

***2015 vs. 2014***

General and administrative costs for the year ended December 31, 2015 were consistent with the comparative periods. We anticipate that our general and administrative costs, excluding the base management fee, will be in the range of $8 million to $10 million per year. The base management fee increased by $19 million versus the same period in 2014 as a result of an increase in the partnership's market value plus recourse net debt due primarily to capital raised throughout 2015.

Financing costs include interest expense and standby fees on our committed credit facility and corporate medium term notes, less interest earned on cash balances. Corporate financing costs for the year ended December 31, 2015 increased versus 2014 due to higher draws on our credit facility used to bridge finance new investments during 2015 and interest on corporate medium term notes issued in March and October 2015.

Other income includes interest and distribution income as well as realized gains earned on corporate financial assets. The increase during the year ended December 31, 2015 versus the comparative period is primarily due to incremental interest income generated on corporate financial assets acquired over the past 12 months.

Deferred taxes and other expenses for the year ended December 31, 2015 were $65 million of income compared to $26 million of income in 2014. The $39 million variance is due to incremental mark-to-market gains related to our foreign currency hedging program in 2015.

***2014 vs. 2013***

In 2013, we completed the sale of our timberland operations for proceeds of $640 million, and as a result eliminated reporting on the timber segment and included results from this business in our Corporate and other segment. The timber business generated FFO for the year ended December 31, 2013 of $25 million.

General and administrative costs for the year ended December 31, 2015 were consistent with the comparative periods. We anticipate that our general and administrative costs, excluding the base management fee, will be in the range of $8 million to $10 million per year. The $5 million increase in base management fee from 2013 to 2014 was caused by the increase in market capitalization attributable to the higher trading price of our partnership units.

Other income includes interest and distribution income as well as realized gains earned on corporate financial assets. The increase during the year ended December 31, 2014 versus the comparative period is primarily due to incremental interest income generated on corporate financial assets acquired in 2014.

Deferred taxes and other expenses for the year ended December 31, 2014 were $26 million of income compared to an expense of $14 million in 2013. The $40 million variance is due to the benefit of mark-to-market gains related to our foreign currency hedging program in 2014, while 2013 contained mark-to-market losses.

## SELECTED STATEMENT OF OPERATING RESULTS AND FINANCIAL POSITION INFORMATION

To measure performance, we focus on FFO and AFFO, among other measures. We also focus on adjusted EBITDA and net income, taking into account items that we consider unusual or otherwise not reflective of the ongoing profitability of our operations. We define FFO as net income excluding the impact of depreciation and amortization, deferred income taxes, breakage and transaction costs, non-cash valuation gains or losses and other items. We define AFFO as FFO less maintenance capex, as detailed in the Reconciliation of Non-IFRS Financial Measures section of this MD&A. FFO is a measure of operating performance, and AFFO is a measure of the sustainable cash flow of our business. Since they are not calculated in accordance with, and do not have any standardized meanings prescribed by, IFRS, FFO and AFFO are unlikely to be comparable to similar measures presented by other issuers and FFO and AFFO have limitations as analytical tools. See the Reconciliation of Non-IFRS Financial Measures section for a more fulsome discussion, including a reconciliation to the most directly comparable IFRS measures.

| **(US$ MILLIONS, EXCEPT PER UNIT INFORMATION)** | **Year ended December 31** | | |
|---|---|---|---|
| **Key Metrics** | **2015** | 2014 | 2013 |
| Funds from operations (FFO) | **$ 808** | $ 724 | $ 682 |
| Per unit FFO[1] | **3.59** | 3.45 | 3.30 |
| Distributions per unit | **2.12** | 1.92 | 1.72 |
| Payout ratio[2] | **68%** | 62% | 57% |
| Growth of per unit FFO[1] | **4%** | 5% | 37% |
| Adjusted funds from operations (AFFO)[3] | **672** | 593 | 553 |
| AFFO Yield | **13%** | 13% | 13% |

*(1) Average units outstanding during the year of 224.9 million (2014: 210.1 million, 2013: 206.7 million).*

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

*(3) AFFO is defined as FFO less maintenance capital expenditures.*

For the year ended December 31, 2015 we posted strong results with FFO totaling $808 million ($3.59 per unit) compared to FFO of $724 million ($3.45 per unit) in 2014 and FFO of $682 million ($3.30 per unit) in 2013. Results increased by 4% and 9% on a per unit basis compared to 2014 and 2013, respectively, as organic growth across most of our businesses and incremental earnings on capital that we deployed over the past two years more than offset the impact of weakening foreign currencies against the U.S. dollar. Our payout ratio is 68%, 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:

| (US$ MILLIONS) | Year ended December 31 | | |
|---|---|---|---|
| **Statement of Operating Results** | **2015** | 2014 | 2013 |
| Net income (loss) by segment | | | |
| Utilities | **$ 210** | $ 154 | $ 236 |
| Transport | **135** | 103 | 65 |
| Energy | **—** | 4 | (254) |
| Communications Infrastructure | **15** | — | — |
| Corporate and other | **(62)** | (77) | (105) |
| Net income (loss) | **$ 298** | $ 184 | $ (58) |
| Adjusted EBITDA by segment | | | |
| Utilities | **$ 524** | $ 519 | $ 547 |
| Transport | **555** | 599 | 497 |
| Energy | **166** | 139 | 137 |
| Communications Infrastructure | **66** | — | — |
| Corporate and other | **(134)** | (115) | (71) |
| Adjusted EBITDA | **$1,177** | $1,142 | $1,110 |
| FFO by segment | | | |
| Utilities | **$ 387** | $ 367 | $ 377 |
| Transport | **398** | 392 | 326 |
| Energy | **90** | 68 | 70 |
| Communications Infrastructure | **60** | — | — |
| Corporate and other | **(127)** | (103) | (91) |
| FFO | **$ 808** | $ 724 | $ 682 |

| (US$ MILLIONS) Statement of Financial Position | As of December 31, 2015 | December 31, 2014 |
|---|---|---|
| Total assets by segment | | |
| Utilities | **$ 4,723** | $ 4,805 |
| Transport | **5,338** | 4,970 |
| Energy | **2,744** | 1,816 |
| Communications Infrastructure | **824** | — |
| Corporate and other | **(196)** | (56) |
| Total assets | **$ 13,433** | $ 11,535 |
| Net debt by segment | | |
| Utilities | **$ 2,721** | $ 2,843 |
| Transport | **2,118** | 2,513 |
| Energy | **1,735** | 1,030 |
| Communications Infrastructure | **386** | — |
| Corporate and other | **1,094** | 271 |
| Net debt | **$ 8,054** | $ 6,657 |
| Partnership capital by segment | | |
| Utilities | **$ 2,002** | $ 1,962 |
| Transport | **3,220** | 2,457 |
| Energy | **1,009** | 786 |
| Communications Infrastructure | **438** | — |
| Corporate and other | **(1,290)** | (327) |
| Partnership capital | **$ 5,379** | $ 4,878 |

**CAPITAL RESOURCES AND LIQUIDITY**

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 a relatively high distribution of our FFO to unitholders. Our principal sources of liquidity are cash flows from our operations, undrawn credit facilities and access to public and private capital markets. We also structure the ownership of our assets to enhance our ability to monetize them to provide additional liquidity, if necessary. Certain subsidiaries may be subject to limitations on their ability to declare and pay dividends. Any limitations existing at December 31, 2015 and 2014 were insignificant and would not adversely impact our ability to meet cash obligations.

Our group-wide liquidity at December 31, 2015 was $2,400 million and was comprised of the following:

| (US$ MILLIONS) | As of December 31, 2015 | As of December 31, 2014 |
|---|---|---|
| Corporate cash and cash equivalents | **$ 286** | $ 317 |
| Committed corporate credit facility | **1,875** | 1,400 |
| Draws on corporate credit facility | **(407)** | (246) |
| Commitments under corporate credit facility | **(83)** | (110) |
| Proportionate cash retained in businesses | **257** | 380 |
| Proportionate availability under subsidiary credit facilities | **472** | 384 |
| Group-wide liquidity | **$ 2,400** | $ 2,125 |

At December 31, 2015, we believe that the sources of group-wide liquidity are sufficient for Brookfield Infrastructure's present requirements. We finished the year with group-wide liquidity of approximately $2,400 million, up from $2,125 million at December 31, 2014 primarily as a result of capital raised during the year being offset by funds deployed for acquisitions and growth capital expenditures. Brookfield Infrastructure increased its corporate revolving credit facility by $475 million to $1.875 billion and subsequent to year end, entered into a $500 million credit facility with Brookfield increasing total liquidity to $2.9 billion.

At the corporate level, we ended the year with $1,671 million of liquidity, an increase of $310 million 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. At the operating company level, we endeavor to maintain prudent levels of debt. We also strive to ladder our principal repayments over a number of years. On a proportionate basis as of December 31, 2015, scheduled principal repayments over the next five years are as follows:

| (US$ MILLIONS) | Average Term (years) | 2016 | 2017 | 2018 | 2019 | 2020 | Beyond | Total |
|---|---|---|---|---|---|---|---|---|
| Recourse borrowings | | | | | | | | |
| Corporate borrowings | 4 | $ — | $ 287 | $ 90 | $ — | $ 678 | $ 325 | **$1,380** |
| Total recourse borrowings | 4 | — | 287 | 90 | — | 678 | 325 | **1,380** |
| Non-recourse borrowings[1][2] | | | | | | | | |
| Utilities | 9 | 254 | 5 | 5 | 60 | 207 | 2,227 | **2,758** |
| Transport | 8 | 193 | 174 | 258 | 94 | 154 | 1,402 | **2,275** |
| Energy | 6 | 34 | 944 | 2 | 277 | 98 | 406 | **1,761** |
| Communications Infrastructure | 5 | — | 63 | — | 160 | 63 | 137 | **423** |
| Total non-recourse borrowings[1][2] | 8 | 481 | 1,186 | 265 | 591 | 522 | 4,172 | **7,217** |
| Total borrowings[3] | 8 | $481 | $1,473 | $355 | $591 | $1,200 | $4,497 | **$8,597** |
| Cash retained in businesses | | | | | | | | |
| Utilities | | | | | | | | **$ 37** |
| Transport | | | | | | | | **157** |
| Energy | | | | | | | | **26** |
| Communications Infrastructure | | | | | | | | **37** |
| Corporate and other | | | | | | | | **286** |
| Total cash retained | | | | | | | | **$ 543** |
| Net debt | | | | | | | | |
| Utilities | | | | | | | | **$2,721** |
| Transport | | | | | | | | **2,118** |
| Energy | | | | | | | | **1,735** |
| Communications Infrastructure | | | | | | | | **386** |
| Corporate | | | | | | | | **1,094** |
| Total net debt | | **6%** | **17%** | **4%** | **7%** | **14%** | **52%** | **$8,054** |

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

(2) *Non-recourse project debt from our social infrastructure operations has been excluded from the above tables as this is long-term debt which is fully amortized during the term of our concession contracts.*

(3) *As of December 31, 2015, approximately 25% 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 reducing floating rate debt maturities to approximately 17% of our total borrowings.*

The average cash interest rates for our utilities, transport, energy, communications infrastructure and corporate segments were 5.3%, 6.6%, 6.9%, 2.1% and 3.2%, respectively (December 31, 2014: 5.5%, 6.4%, 6.9%, N/A and 3.4% respectively).

Our debt has an average term of eight years. On a proportionate basis, our net debt-to-capitalization ratio as of December 31, 2015 was 60%. Proportionate debt can be reconciled to consolidated debt as follows:

| (US$ MILLIONS) | As of December 31 2015 | 2014 |
|---|---|---|
| Consolidated debt | **$ 7,232** | $ 6,809 |
| Add: proportionate share of debt of investments in associates: | | |
| Utilities | **643** | 684 |
| Transport | **764** | 1,140 |
| Energy | **1,462** | — |
| Communications Infrastructure | **423** | — |
| Add: proportionate share of debt directly associated with assets held for sale | **206** | 809 |
| Less: borrowings attributable to non-controlling interest | **(1,662)** | (1,834) |
| Premium on debt and cross currency swaps | **(471)** | (254) |
| Proportionate debt | **$ 8,597** | $ 7,354 |

**CONTRACTUAL OBLIGATIONS**

The table below outlines Brookfield Infrastructure's contractual obligations as at December 31, 2015:

| (US$ MILLIONS) | Payments due by period Total | Less than 1 year | 1-2 years | 2-5 years | 5+ years |
|---|---|---|---|---|---|
| Accounts payable and other liabilities | **$ 497** | **$ 345** | **$ 30** | **$ 11** | **$ 111** |
| Interest-bearing liabilities[1] | **9,725** | **563** | **761** | **2,769** | **5,632** |
| Finance lease liabilities | **3** | **1** | **2** | **—** | **—** |
| Other long-term liabilities | **163** | **66** | **53** | **222** | **(178)** |
| | **$10,388** | **$ 975** | **$846** | **$3,002** | **$5,565** |

*(1) Comprised of non-recourse borrowings and corporate borrowings and includes interest payments of $257 million, $275 million, $764 million and $1,147 million for the periods as follows: less than 1 year, 1-2 years, 2-5 years and 5 years and thereafter, respectively. Interest payments are calculated based on interest rates in effect as at the balance sheet date.*

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, plus recourse debt of our partnership net of cash. This fee is estimated to be approximately $130 million per year based on our market capitalization and unit price as at December 31, 2015.

An integral part of the partnership's strategy is to participate with institutional investors in Brookfield-sponsored private infrastructure funds that target acquisitions that suit Brookfield Infrastructure's profile. In the normal course of business, the partnership has made commitments to Brookfield-sponsored private infrastructure funds to participate in these target acquisitions in the future, if and when identified.

## 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, 2015:

| | Net Investment Hedges | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (US$ MILLIONS) | USD | AUD | GBP | BRL | CLP | CAD | EUR | COP |
| Equity Investment—US$ | $ (26) | $ 2,238 | $ 1,260 | $885 | $127 | $ 220 | $ 618 | $57 |
| FX contracts—US$ | 3,583 | (1,999) | (1,031) | — | — | (111) | (442) | — |
| Net unhedged—US$ | $3,557 | $ 239 | $ 229 | $885 | $127 | $ 109 | $ 176 | $57 |

At December 31, 2015, 66% of our net equity investment was denominated in U.S. dollars after the impact of hedges. For the 12 months ended December 31, 2015, we recorded gains in other comprehensive income of $89 million related to these contracts (2014: $141 million).

## OTHER MARKET RISKS

### Inflation Risk

Certain of our subsidiaries and associates are subject to inflation risk. Most significantly, our South American electricity transmission operations and a portion of our toll road operations in Chile are subject to inflation risk as these debt portfolios are denominated in Unidad de Fomento (“UF”) 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 endeavour 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 favour 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 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

Our financing plan is to fund our recurring growth capital expenditures with cash flow generated by our operations, as well as debt financing that is sized to maintain our credit profile. To fund large scale development projects and acquisitions, we will evaluate a variety of capital sources including proceeds from selling non-core assets, equity and debt financing. We will seek to raise additional equity if we believe that we can earn returns on these investments in excess of the cost of the incremental equity.

The following table highlights the sources and uses of cash for the year:

| (US$ MILLIONS) | Year ended December 31 | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| Funds from operations (FFO) | **$ 808** | $ 724 | $ 682 |
| Less maintenance capital | **(136)** | (131) | (129) |
| Funds available for distribution (AFFO) | **672** | 593 | 553 |
| Distributions paid | **(546)** | (448) | (388) |
| Funds available for reinvestment | **126** | 145 | 165 |
| Growth capital expenditures | **(597)** | (611) | (504) |
| Asset level debt funding of growth capital expenditures | **364** | 339 | 288 |
| New investments, net of disposals | **(1,669)** | (310) | 528 |
| Asset level (repayments) financings | **(243)** | 77 | 419 |
| Draws (repayments) on corporate credit facility | **161** | 246 | (546) |
| Corporate debt issuance, net | **738** | — | — |
| Partnership unit issuances, net of repurchases | **889** | — | 335 |
| Proceeds from preferred unit issuances | **189** | — | — |
| Changes in working capital and other | **(112)** | (42) | (42) |
| Change in proportionate cash retained in business | **(154)** | (156) | 643 |
| Opening, proportionate cash retained in business | **697** | 853 | 210 |
| Closing, proportionate cash retained in business | **$ 543** | $ 697 | $ 853 |

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

| (US$ MILLIONS) | Year ended December 31 | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| Growth capital expenditures by segment | | | |
| Utilities | **$ 258** | $ 242 | $ 277 |
| Transport | **297** | 332 | 212 |
| Energy | **27** | 37 | 15 |
| Communications Infrastructure | **15** | — | — |
| | **$ 597** | $ 611 | $ 504 |

| (US$ MILLIONS) | Annual Estimated Maintenance Capex | | Year ended December 31 | | |
|---|---|---|---|---|---|
| | **Low** | **High** | **2015** | 2014 | 2013 |
| Maintenance capital expenditures by segment | | | | | |
| Utilities | **$ 10** | **$ 15** | **$ 13** | $ 14 | $ 27 |
| Transport | **90** | **100** | **72** | 80 | 63 |
| Energy[1] | **60** | **70** | **45** | 37 | 39 |
| Communications Infrastructure | **5** | **10** | **6** | — | — |
| | **$ 165** | **$ 195** | **$ 136** | $ 131 | $ 129 |

*(1) Estimated maintenance capital expenditure includes the impact of the step up of our ownership in our North American natural gas transmission operation in the fourth quarter of 2015.*

For the year ended December 31, 2015, our maintenance capital expenditures were lower than our average annual range required to maintain our infrastructure assets. Maintenance capital expenditures were $13 million for the current period for our Utilities segment, which is within the average annual range of $10 million to $15 million. Maintenance capital expenditures were $72 million for the current period for our Transport segment, which is lower than the average annual range of $90 million to $100 million. The lower than average expenditures are primarily attributable to the weakening of the Brazilian real against the U.S. dollar which has reduced the maintenance expenditures in U.S. dollar terms compared to prior years. Maintenance capital expenditures were $45 million for the current period for our energy segment, which is lower than the average annual sustainable level of $60 million to $70 million. The lower than average expenditures are primarily attributable to timing of the acquisition of an additional 24% interest in our North American natural gas transmission operation thereby increasing our estimated sustaining capex range for future periods. Maintenance capital expenditures were $6 million for the current period for our Communications Infrastructure segment, which is on the lower end of the average annual range of $5 million to $10 million as we had acquired the business on March 31, 2015 and accordingly only recognized 9 months of maintenance capital expenditures.

**PARTNERSHIP CAPITAL**

As of December 31, 2015, our partnership owned Managing General Partnership Units that represented approximately 70.5% of the Holding LP's total outstanding units and Brookfield owned Redeemable Partnership Units that represented approximately 29% of the Holding LP's total outstanding 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 unit so presented to the Holding LP in exchange for one of the partnership's units (subject to certain customary adjustments). Both the units issued by Brookfield Infrastructure 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 Brookfield Infrastructure. The 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, 2015, Brookfield's aggregate limited partnership interest in our partnership would be approximately 29.3%, if Brookfield fully exercised its redemption right and our partnership fully exercised its right of first refusal.

As of December 31, 2015 Brookfield also owned Special Limited Partner Units that represented approximately 0.5% of the Holding LP's total outstanding units. Brookfield is entitled to incentive distribution rights which are based on the amount by which quarterly distributions on our units exceed specified target levels. To the extent distributions on our units exceed $0.305 per quarter, the incentive distribution rights are entitled to 15% of incremental distributions above this threshold. To the extent that distributions on our units exceed $0.33 per quarter, the incentive distribution rights are entitled to 25% of incremental distributions above this threshold. During the year ended December 31, 2015, the partnership paid incentive distributions of $64 million (2014: $44 million, 2013: $31 million).

The total number of partnership units in the Holding LP outstanding was comprised of the following:

| | **As of** | |
|---|---|---|
| | **December 31, 2015** | December 31, 2014 |
| Redeemable Partnership Units | **66,841,266** | 58,739,416 |
| Special Limited Partner Units | **1,066,928** | 1,066,928 |
| Managing General Partner Units | **162,163,205** | 150,318,306 |
| Total | **230,071,399** | 210,124,650 |

The total number of preferred partnership units in the Holding LP outstanding was comprised of the following:

| | **As of** | |
|---|---|---|
| | **December 31, 2015** | December 31, 2014 |
| Holding LP Series 1 Preferred Units | **5,000,000** | — |
| Holding LP Series 3 Preferred Units | **5,000,000** | — |
| Total | **10,000,000** | — |

During 2015 and 2014, our outstanding issued Redeemable Partnership Units changed as follows:

| MILLIONS, EXCEPT UNIT INFORMATION | 2015 | | 2014 | |
|---|---|---|---|---|
| | **Book Value** | **Units** | Book Value | Units |
| Outstanding at beginning of year | **$ 1,178** | **58,739,416** | $ 1,178 | 58,739,416 |
| Units issued | **350** | **8,101,850** | — | — |
| Outstanding at end of year | **$ 1,528** | **66,841,266** | $ 1,178 | 58,739,416 |

During 2014 and 2013, our outstanding issued Special Limited Partner Units changed as follows:

| MILLIONS, EXCEPT UNIT INFORMATION | 2015 | | 2014 | |
|---|---|---|---|---|
| | **Book Value** | **Units** | Book Value | Units |
| Outstanding at beginning of year | **$ 19** | **1,066,928** | $ 19 | 1,066,928 |
| Outstanding at end of year | **$ 19** | **1,066,928** | $ 19 | 1,066,928 |

During 2015 and 2014, our outstanding issued Managing General Partner Units changed as follows:

| MILLIONS, EXCEPT UNIT INFORMATION | 2015 | | 2014 | |
|---|---|---|---|---|
| | **Book Value** | **Units** | Book Value | Units |
| Outstanding at beginning of year | **$ 3,201** | **150,318,306** | $ 3,199 | 150,252,174 |
| Units issued | **582** | **13,512,416** | 2 | 66,132 |
| Units purchased and cancelled | **(67)** | **(1,667,517)** | — | — |
| Outstanding at end of year | **$ 3,716** | **162,163,205** | $ 3,201 | 150,318,306 |

During 2015 and 2014, our outstanding issued Preferred Units changed as follows:

| MILLIONS, EXCEPT UNIT INFORMATION | 2015 | | 2014 | |
|---|---|---|---|---|
| | **Book Value** | **Units** | Book Value | Units |
| Outstanding at beginning of year | **$ —** | **—** | $ — | — |
| Units issued | **189** | **10,000,000** | — | — |
| Outstanding at end of year | **$ 189** | **10,000,000** | $ — | — |

In March 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. The limited partnership agreement of the Holding LP was also amended to permit the authorization and issuance of Holding LP preferred units, authorize and create the Holding LP Class A Preferred Units, Holding LP Series 1 Preferred Units and Holding LP Series 2 Preferred Units with terms substantially mirroring Class A Preferred Units, Series 1 Preferred Units and Series 2 Preferred Units, respectively. 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 and acquired 5 million Holding LP Series 1 Preferred Units at the offering price.

In April 2015, Brookfield Infrastructure issued approximately 13.4 million limited partnership units at $45 per unit under shelf registrations in the U.S. and Canada. In total, $600 million of gross proceeds were raised through the issuance and $24 million in equity issuance costs were incurred. Concurrently, Brookfield Infrastructure issued approximately 8.1 million Redeemable Partnership Units to Brookfield for proceeds of $350 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 decrease from 72% to 71% in the partnership's ownership interest in the Holding LP without resulting in a loss of control.

In August 2015, we announced that the TSX accepted a notice filed by our partnership of its intention to commence a normal course issuer bid to allow us to repurchase up to 500,000 Series 1 Preferred Units. Repurchases were authorized to commence on August 7, 2015 and ending on August 6, 2016 or earlier if repurchases were completed prior to such date. During the year ended December 31, 2015, Brookfield Infrastructure repurchased and cancelled nil million Series 1 Preferred Units and incurred no commission costs. See Item 16E. "Purchases of Equity Securities by the Issuer and Affiliated Purchaser" for more information.

In October 2015, we announced that the TSX accepted a notice filed by our partnership of its intention to renew its normal course issuer bid to allow us to repurchase up to 8,108,091 limited partnership units. Repurchases were authorized to commence on October 6, 2015 and ending on October 5, 2016 or earlier if repurchases were completed prior to such date. During the third quarter 2015, Brookfield Infrastructure repurchased and cancelled approximately 2 million limited partnership units for $67 million and incurred less than $1 million in commission costs. As Brookfield's Redeemable Partnership Units were not repurchased concurrently, this resulted in a decrease of 71% to 70% in the partnership's ownership interest in the Holding LP without resulting in a loss of control. See Item 16E. "Purchases of Equity Securities by the Issuer and Affiliated Purchaser" for more information.

In December 2015, our Limited Partnership Agreement was amended to authorize and create two additional series of Class A Preferred Units, being the Series 3 Preferred Units and Series 4 Preferred Units and to make certain consequential changes resulting from such authorization and creation. Further, in December 2015, the limited partnership agreement of the Holding LP was amended to authorize and create the Holding LP Series 3 Preferred Units and Holding LP Series 4 Preferred Units with terms substantially mirroring the Series 3 Preferred Units and Series 4 Preferred Units, respectively. 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.

The 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 177,416 units (2014: 66,132 units).

**RELATED PARTY TRANSACTIONS**

We have entered into a number of related party transactions with Brookfield. See Item 7.B—"Related Party Transactions."

**OFF-BALANCE SHEET ARRANGEMENTS**

Brookfield Infrastructure has no off-balance sheet arrangements.

Brookfield Infrastructure, on behalf of our subsidiaries, provides 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, 2015, letters of credit issued by subsidiaries of Brookfield Infrastructure amounted to $83 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.

**RECONCILIATION OF NON-IFRS FINANCIAL MEASURES**

To measure performance, amongst other measures, we focus on FFO. We define FFO as net income excluding the impact of depreciation and amortization, deferred income taxes, breakage and transaction costs, non-cash valuation gains or losses and other items. FFO is a measure of operating performance that is not calculated in accordance with, and does not have any standardized meaning prescribed by, IFRS. FFO is therefore unlikely to be comparable to similar measures presented by other issuers.

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 breakage and transaction costs or non-cash valuation gains, losses and impairment charges.

Because of these limitations, FFO should not be considered as the sole measure of our performance and should not be considered in isolation from, or as a substitute for, analysis of our results as reported under IFRS. However, 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.

When viewed with our IFRS results, we believe that FFO 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 typically increase 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 these are non-cash in nature and indicate a point in time approximation of value on long-term items. We also add back breakage and transaction costs as they are capital in nature.

In addition, we focus on adjusted funds from operations or AFFO, which is defined as FFO less maintenance capital expenditures. Management uses AFFO as a measure of long-term sustainable cash flow.

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

| | Year ended December 31 | | |
|---|---|---|---|
| **(US$ MILLIONS)** | **2015** | 2014 | 2013 |
| Net income (loss) attributable to partnership[1] | **$ 298** | $ 184 | $ (58) |
| Add back or deduct the following: | | | |
| Depreciation and amortization | **506** | 481 | 400 |
| Impairment charge | **—** | — | 275 |
| Deferred income taxes | **(53)** | (2) | 65 |
| Gain on sale of associate | **—** | — | (53) |
| Mark-to-market on hedging items | **(63)** | (39) | (7) |
| Valuation losses and other | **120** | 100 | 60 |
| FFO | **808** | 724 | 682 |
| Maintenance capital | **(136)** | (131) | (129) |
| AFFO | **$ 672** | $ 593 | $ 553 |

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

The difference between net income and FFO is primarily attributable to depreciation and amortization expenses of $506 million and valuations losses and other of $120 million mostly associated with foreign exchange losses on translation of U.S. denominated debt at our South American transmission operation and valuation losses and other items at our Brazilian toll road and rail businesses.

We also use adjusted EBITDA as a measure of performance. We define adjusted EBITDA as FFO excluding the impact of interest expense, cash taxes and other income (expense).

*Reconciliation of Operating Segments*

Adjusted EBITDA, FFO and AFFO are presented based on Brookfield Infrastructure's proportionate share of results in operations accounted for using consolidation and the equity method whereby our partnership either controls or exercises significant influence over the investment respectively, 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 depreciation and amortization, deferred income taxes, breakage and transaction costs, non-cash valuation gains and losses and other items are reconciling items that will differ from results presented in accordance with IFRS as these reconciling items (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 proportionate share of earnings (loss) of consolidated investments not held by Brookfield Infrastructure 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 Brookfield Infrastructure's ownership in operations accounted for using the consolidation and equity method whereby our partnership either controls or exercises significant influence over the investment, respectively. These tables reconcile 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. See "Discussion of Segment Reconciling Items" on page 110 for a reconciliation of segment results to our partnership's statement of operating results in accordance with IFRS.

| FOR THE YEAR ENDED DECEMBER 31, 2015 US$ MILLIONS | Total attributable to Brookfield Infrastructure | | | | | | Contribution from investments in associates | Attributable to non-controlling interest | As per IFRS financials on F-6 |
|---|---|---|---|---|---|---|---|---|---|
| | **Utilities** | **Transport** | **Energy** | **Comm. Infrastructure** | **Other** | **Total** | | | |
| Revenues | **$ 698** | **$ 1,143** | **$ 349** | **123** | **$ —** | **$ 2,313** | **$(1,044)** | **$ 586** | **$ 1,855** |
| Costs attributed to revenues | **(174)** | **(588)** | **(183)** | **(57)** | **—** | **(1,002)** | **546** | **(342)** | **(798)** |
| General and administrative costs | **—** | **—** | **—** | **—** | **(134)** | **(134)** | **—** | **—** | **(134)** |
| Adjusted EBITDA | **524** | **555** | **166** | **66** | **(134)** | **1,177** | **(498)** | **244** | **—** |
| Other income (expense) | **5** | **(15)** | **3** | **—** | **34** | **27** | **13** | **(4)** | **36** |
| Interest expense | **(142)** | **(142)** | **(79)** | **(6)** | **(27)** | **(396)** | **144** | **(115)** | **(367)** |
| FFO | **387** | **398** | **90** | **60** | **(127)** | **808** | **(341)** | **125** | **—** |
| Depreciation and amortization | **(153)** | **(217)** | **(90)** | **(46)** | **—** | **(506)** | **246** | **(115)** | **(375)** |
| Deferred income taxes | **(8)** | **21** | **14** | **14** | **12** | **53** | **(41)** | **14** | **26** |
| Mark-to-market on hedging items | **(1)** | **(3)** | **(3)** | **—** | **70** | **63** | **(12)** | **32** | **83** |
| Valuation (losses) gains and other | **(15)** | **(64)** | **(11)** | **(13)** | **(17)** | **(120)** | **79** | **34** | **(7)** |
| Share of earnings from associates | **—** | **—** | **—** | **—** | **—** | **—** | **69** | **—** | **69** |
| Net income attributable to non-controlling interest | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **(90)** | **(90)** |
| Net income (loss) attributable to partnership[(1)] | **$ 210** | **$ 135** | **$ —** | **$ 15** | **$ (62)** | **$ 298** | **$ —** | **$ —** | **$ 298** |

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

| FOR THE YEAR ENDED DECEMBER 31, 2014 US$ MILLIONS | Total attributable to Brookfield Infrastructure | | | | | Contribution from investments in associates | Attributable to non-controlling interest | As per IFRS financials on F-6 |
|---|---|---|---|---|---|---|---|---|
| | **Utilities** | **Transport** | **Energy** | **Other** | **Total** | | | |
| Revenues | $ 736 | $ 1,238 | $ 311 | $ — | $ 2,285 | $ (958) | $ 597 | $ 1,924 |
| Costs attributed to revenues | (217) | (639) | (172) | — | (1,028) | 486 | (304) | (846) |
| General and administrative costs | — | — | — | (115) | (115) | — | — | (115) |
| Adjusted EBITDA | 519 | 599 | 139 | (115) | 1,142 | (472) | 293 | — |
| Other income (expense) | 6 | (34) | — | 26 | (2) | 23 | (10) | 11 |
| Interest expense | (158) | (173) | (71) | (14) | (416) | 160 | (106) | (362) |
| FFO | 367 | 392 | 68 | (103) | 724 | (289) | 177 | — |
| Depreciation and amortization | (155) | (250) | (76) | — | (481) | 212 | (111) | (380) |
| Deferred income taxes | (27) | 8 | 5 | 16 | 2 | (37) | (14) | (49) |
| Mark-to-market on hedging items | 7 | 4 | (4) | 32 | 39 | (3) | 2 | 38 |
| Valuation (losses) gains and other | (38) | (51) | 11 | (22) | (100) | 67 | (9) | (42) |
| Share of earnings from associates | — | — | — | — | — | 50 | — | 58 |
| Income from discontinued operations, net of income tax | — | — | — | — | — | — | — | (8) |
| Net income attributable to non-controlling interest | — | — | — | — | — | — | (45) | (45) |
| Net income (loss) attributable to partnership[(1)] | $ 154 | $ 103 | $ 4 | $ (77) | $ 184 | $ — | $ — | $ 184 |

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

| FOR THE YEAR ENDED DECEMBER 31, 2013 US$ MILLIONS | Total attributable to Brookfield Infrastructure | | | | | Contribution from investments in associates | Attributable to non-controlling interest | Discontinued Operations | As per IFRS financials on F-6 |
|---|---|---|---|---|---|---|---|---|---|
| | Utilities | Transport | Energy | Other | Total | | | | |
| Revenues | $ 831 | $ 1,054 | $ 323 | $ 83 | $ 2,291 | $ (933) | $ 551 | $ (83) | $ 1,826 |
| Costs attributed to revenues | (284) | (557) | (186) | (44) | (1,071) | 391 | (287) | 44 | (823) |
| General and administrative costs | — | — | — | (110) | (110) | — | — | — | (110) |
| Adjusted EBITDA | 547 | 497 | 137 | (71) | 1,110 | (442) | 264 | (39) | — |
| Other income (expense) | 5 | (18) | 2 | 6 | (5) | 17 | (13) | 18 | 17 |
| Interest expense | (175) | (153) | (69) | (26) | (423) | 156 | (108) | 13 | (362) |
| FFO | 377 | 326 | 70 | (91) | 682 | (269) | 143 | (8) | — |
| Depreciation and amortization | (147) | (183) | (70) | — | (400) | 163 | (92) | — | (329) |
| Impairment charge | — | — | (275) | — | (275) | 275 | — | — | — |
| Deferred taxes | (8) | 7 | 19 | (83) | (65) | (11) | 22 | 55 | 1 |
| Gain on sale of associates | 35 | — | — | 18 | 53 | — | — | — | 53 |
| Mark-to-market on hedging items | 7 | (9) | 3 | 6 | 7 | 3 | 9 | — | 19 |
| Valuation (losses) gains and other | (28) | (76) | (1) | 45 | (60) | 56 | (2) | (49) | (55) |
| Share of earnings from associates | — | — | — | — | — | (217) | — | — | 56 |
| Income from discontinued operations, net of income tax | — | — | — | — | — | — | — | 45 | (228) |
| Net income attributable to non-controlling interest | — | — | — | — | — | — | (80) | (43) | (123) |
| Net income (loss) attributable to partnership[(1)] | $ 236 | $ 65 | $ (254) | $ (105) | $ (58) | $ — | $ — | $ — | $ (58) |

*(1) Net income (loss) attributable to partnership includes net income attributable to non-controlling interests—Redeemable Partnership Units held by Brookfield, 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 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. These tables reconcile 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 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, 2015 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-4[(1)] |
|---|---|---|---|---|---|---|---|---|---|---|
| | Utilities | Transport | Energy | Comm. Infrastructure | Corporate & Other | Brookfield Infrastructure | | | | |
| **Total assets** | **$ 4,723** | **$ 5,338** | **$ 2,744** | **$ 824** | **$ (196)** | **$13,433** | **$(3,795)** | **$ 4,298** | **$ 3,799** | **$17,735** |

| AS AT DECEMBER 31, 2014 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-4[(1)] |
|---|---|---|---|---|---|---|---|---|---|
| | Utilities | Transport | Energy | Corporate & Other | Brookfield Infrastructure | | | | |
| Total assets | $ 4,805 | $ 4,970 | $ 1,816 | $ (56) | $11,535 | $(1,944) | $ 4,284 | $ 2,620 | $16,495 |

*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, 2015 US$ MILLIONS** | **Utilities** | **Transport** | **Energy** | **Comm. Infrastructure** | **Corporate & Other** | **Total** |
|---|---|---|---|---|---|---|
| Adjustments to items comprising adjusted EBITDA[1] | | | | | | |
| Contributions from investment in associates | **$ (115)** | **$ (224)** | **$ (93)** | **$ (66)** | **$ —** | **$ (498)** |
| Attribution to non-controlling interest | **162** | **63** | **51** | **—** | **(32)** | **244** |
| Adjusted EBITDA | **47** | **(161)** | **(42)** | **(66)** | **(32)** | **(254)** |
| Adjustments to items comprising FFO[2] | | | | | | |
| Contributions from investment in associates | **25** | **62** | **63** | **7** | **—** | **157** |
| Attribution to non-controlling interest | **(56)** | **(32)** | **(22)** | **—** | **(9)** | **(119)** |
| FFO | **16** | **(131)** | **(1)** | **(59)** | **(41)** | **(216)** |
| Adjustments to items comprising net income attributable to partnership[3] | | | | | | |
| Contributions from investment in associates | **90** | **162** | **30** | **59** | **—** | **341** |
| Attribution to non-controlling interest | **(106)** | **(31)** | **(29)** | **—** | **41** | **(125)** |
| Net income attributable to partnership | **$ —** | **$ —** | **$ —** | **$ —** | **$ —** | **$ —** |

| **FOR THE YEAR ENDED DECEMBER 31, 2014 US$ MILLIONS** | **Utilities** | **Transport** | **Energy** | **Corporate & Other** | **Total** |
|---|---|---|---|---|---|
| Adjustments to items comprising adjusted EBITDA[1] | | | | | |
| Contributions from investment in associates | $ (116) | $ (268) | $ (88) | $ — | $ (472) |
| Attribution to non-controlling interest | 198 | 62 | 33 | — | 293 |
| Adjusted EBITDA | 82 | (206) | (55) | — | (179) |
| Adjustments to items comprising FFO[2] | | | | | |
| Contributions from investment in associates | 23 | 106 | 58 | (4) | 183 |
| Attribution to non-controlling interest | (66) | (32) | (16) | (2) | (116) |
| FFO | 39 | (132) | (13) | (6) | (112) |
| Adjustments to items comprising net income attributable to partnership[3] | | | | | |
| Contributions from investment in associates | 93 | 162 | 30 | 4 | 289 |
| Attribution to non-controlling interest | (132) | (30) | (17) | 2 | (177) |
| Net income attributable to partnership | $ — | $ — | $ — | $ — | $ — |

| FOR THE YEAR ENDED DECEMBER 31, 2013 US$ MILLIONS | Utilities | Transport | Energy | Corporate & Other | Total |
|---|---|---|---|---|---|
| Adjustments to items comprising adjusted EBITDA[1] | | | | | |
| Contributions from investment in associates | $ (176) | $ (170) | $ (96) | $ — | $ (442) |
| Attribution to non-controlling interest | 172 | 59 | 33 | — | 264 |
| Discontinued operations | — | — | — | (39) | (39) |
| Adjusted EBITDA | (4) | (111) | (63) | (39) | (217) |
| Adjustments to items comprising FFO[2] | | | | | |
| Contributions from investment in associates | 40 | 74 | 59 | — | 173 |
| Attribution to non-controlling interest | (86) | (25) | (10) | — | (121) |
| Discontinued operations | — | — | — | 31 | 31 |
| FFO | (50) | (62) | (14) | (8) | (134) |
| Adjustments to items comprising net income attributable to partnership[3] | | | | | |
| Contributions from investment in associates | 136 | 97 | 36 | — | 269 |
| Attribution to non-controlling interest | (86) | (35) | (22) | — | (143) |
| Discontinued operations | — | — | — | 8 | 8 |
| 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.*

***2015 vs. 2014***

Contributions from investments in associates increased compared to 2014 as additions to rate base and inflation indexation at our South American transmission operation along with contributions from the acquisition of our Brazilian rail operation midway through the third quarter of 2014 and European telecommunications business in March 2015 were partially offset by the impact of foreign exchange associated with the depreciation of the Brazilian reais and Chilean peso.

Attribution to non-controlling interest decreased compared to 2014 as contributions from acquisitions completed over the past 12 months in our district energy and gas storage businesses were more than offset by the impact of foreign exchange and the sale of our New England electricity transmission system.

***2014 vs. 2013***

Contributions from investments in associates increased compared to 2013 due to the additional investment in our Brazilian toll roads in September 2013, the acquisition of our Brazilian rail business completed in the third quarter of 2014 and investments in our rate base and inflation indexation at our electricity transmission operations. These contributions were slightly offset by the sale of our Asia Pacific regulated distribution operation and lower transportation volumes at our North American gas transmission business.

Attribution to non-controlling interest increased over the prior year primarily due to improved performance at our UK regulated distribution business that benefited from a higher rate base and inflation indexation. In addition to contributions from U.S. district energy acquisitions completed in the latter half of 2014 and the fourth quarter of 2013.

For the year ended December 31, 2013 income from discontinued operations includes the results of our Canadian and U.S. freehold timberland operations which were sold in the second and third quarter of 2013, respectively.

**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.

*Financial instruments*

Critical judgments associated with the partnership's financial instruments pertain to the assessment of the effectiveness of hedging relationships. Brookfield Infrastructure performs hedge effectiveness testing on an ongoing basis with a forward-looking evaluation of whether or not the changes in the fair value or cash flows of the hedging item are expected to be highly effective in offsetting the changes in the fair value or cash flows of the hedged item over the term of the relationship, conversely the partnership performs a retrospective hedge effectiveness test evaluating whether the changes in fair value or cash flows from the hedging item has been highly effective in offsetting changes in the fair value or cash flows of the hedged item since the date of designation. 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 the company's counterparties relative to the company; estimated future cash flows; and discount rates.

*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 12. The fair value of 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, 2015 and 2014. 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 and intangibles with indefinite lives*

The 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.

Other estimates utilized in the preparation of the 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.

### Future Changes in Accounting Policies

*Standards issued, but not yet adopted*

***IAS 16 Property, Plant, and Equipment—("IAS 16") and IAS 38 Intangible Assets—("IAS 38")***

IAS 16, *Property, Plant, and Equipment* ("IAS 16") and IAS 38, *Intangible Assets* ("IAS 38") were both amended by the IASB as a result of clarifying the appropriate amortization method for intangible assets of service concession arrangements under IFRIC 12, *Service Concession Arrangements* ("SCAs"). The IASB determined that the issue does not only relate to SCAs but all tangible and intangible assets that have finite useful lives. Amendments to IAS 16 prohibit entities from using a revenue based depreciation method for items of property, plant, and equipment. Similarly, the amendment to IAS 38 introduces a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset, with only limited circumstances where the presumption can be rebutted. Guidance is also introduced to explain that expected future reductions in selling prices could be indicative of a reduction of the future economic benefits embodied in an asset. The amendments apply prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. Brookfield Infrastructure is currently evaluating the impact of the amendments to IAS 16 and IAS 38 on its consolidated financial statements.

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

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. The Standard 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. IFRS 15 must be applied for periods beginning on or after January 1, 2018 with early application permitted. Brookfield Infrastructure is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

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

In July 2014, the IASB issued the final publication of the IFRS 9 standard, superseding the current IAS 39, *Financial Instruments: Recognition and Measurement* standard. This standard 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. This new standard also includes a new general hedge accounting standard which will align 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 will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018, with early adoption permitted. Brookfield Infrastructure is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

***IFRS 16 Leases—("IFRS 16")***

The IASB has published a new standard, IFRS 16. The new standard brings most leases on-balance sheet for lessees under a single model, 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, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. Brookfield Infrastructure is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

## 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 no executive officers. 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:

| Name and Municipality of Residence[1] | Age | Position | Principal Occupation |
|---|---|---|---|
| Derek Pannell[2]<br>Saint John, Canada | 69 | Chair | Director |
| Jeffrey Blidner<br>Toronto, Canada | 67 | Director | Senior Managing Partner of Brookfield Asset Management |
| John Fees<br>Lynchburg, Virginia | 58 | Director | Executive Chairman of BWXT |
| David Hamill[2,3]<br>Ipswich, Qld, Australia | 58 | Director | Director |
| Arthur Jacobson, Jr.[2]<br>Malibu, California | 53 | Director | Director |
| Don Mackenzie<br>Pembroke, Bermuda | 55 | Director | Chairman and Owner of New Venture Holdings |
| Rafael Miranda Robredo[2]<br>Madrid, Spain | 66 | Director | Director |
| Anne Schaumburg[3]<br>Short Hills, New Jersey | 66 | Director | Director |
| Danesh Varma[3]<br>Kingston-Upon-Thames, England | 66 | Director | Chief Financial Officer, Anglesey Mining PLC, a mining company |

*(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 an audit committee financial expert.*

Set forth below is biographical information for our General Partner's current directors.

**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 on the board of Agrium Inc. 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 Senior Managing Partner of Brookfield Asset Management and is responsible for strategic planning and transaction execution. Jeffrey is also a director of a number of Brookfield companies in Europe and Canada, including Brookfield Asset Management Inc., Brookfield Property Partners L.P., Brookfield Renewable Energy Partners L.P. and Rouse Properties Inc. 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.

**John Fees.** John joined as a director of our General Partner on April 22, 2013. He is the Executive Chairman of BWXT, having assumed this role after completing the spin-off of The Babcock & Wilcox Company to its shareholders, and renaming the remaining company BWXT. John is a 36 year industry veteran, 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

**David Hamill.** David has served as a director of our General Partner since December 31, 2010. He is a professional director and brings significant management and strategic expertise to Brookfield Infrastructure. He was Treasurer of the State of Queensland in Australia from 1998 to 2001, Minister for Education from 1995 to 1996, and Minister for Transport and Minister Assisting the Premier on Economic and Trade Development from 1989 to 1995. David retired from the Queensland Parliament in February 2001. David holds a Bachelor of Arts (Honours) from the University of Queensland, a Master of Arts from Oxford University and a Doctorate of Philosophy from University of Queensland and is a fellow of the Chartered Institute of Transport and the Australian Institute of Company Directors.

**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.

**Don Mackenzie.** Don joined as a director of our General Partner on April 22, 2013. He is the Chairman and Owner of New Venture Holdings, a well-established privately owned holding company with operating company and real estate investments in Bermuda and Canada. In addition to this, Don is the Chairman of Management Solutions Ltd, Trunomi Inc., Pembroke Marketing Ltd, Suite Solutions Ltd and Island Self Storage Ltd and a director of Cuckoo Foods. Prior to moving to Bermuda in 1990, Don worked in the software and sales sector. He acquired his first business in 1995, and New Venture Holdings was formed in 2000 to consolidate a number of operating investments under a holding company umbrella. Don has a Bachelor of Commerce from Queens University and an MBA from Schulich School of Business of York University.

**Rafael Miranda Robredo.** Rafael joined as a director of our General Partner on April 22, 2013. He is the Chairman of Acerinox S.A., Hispania Activos lnmobiliarios S.A., Honorary Chairman of Eurelectric (the European Electricity Association), Chairman of APD (Business Organization for Top Management Education), Chairman of the Social Council of Burgos University, from July 2009 until April 2015 Chairman of the Endesa Foundation and, until April 2013, a board member of Enersis, the company which manages all of Endesa's investments in Latin America. He joined Endesa, Spain's largest electric company in 1987 as managing director, and served as the company's CEO from 1997 to 2009, leading the business through a period of government deregulation of the electricity sector. Rafael has a Bachelor of Industrial Engineering from Comillas University, and a Master's degree in Management Science from the Industrial Organization E.O.I.

**Anne Schaumburg.** Anne has served as a director of our 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 with the Global Energy Group of Credit Suisse First Boston, where she last served as Managing Director. From 1979 to 1984, she was with the Utilities Group at Dean Witter Financial Services Group, where she last served as Managing Director. From 1971 to 1978, Anne was at First Boston Corporation in the Public Utilities Group. 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, Minco plc., and Conquest Resources Limited. He joined Minco plc and 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, CEO 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.

Director of our General Partner, Mr. Danesh Varma, has acted as a director of various corporations in several jurisdictions around the world. He was a director and officer of American Resource Corporation Limited when it became subject to a cease trade order by the Ontario Securities Commission in June 2004 for failure to file its audited annual financial statements for the year ended December 31, 2003 and the first quarter interim unaudited financial statements for the period ended March 31, 2004. The cease trade order was lifted in June 2008.

**Our Management**

Our General Partner does not have any employees. Instead, members of Brookfield's senior management and other individuals from Brookfield'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 30,000 operating employees and over 700 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:

| Name | Age | Years of Experience in relevant industry or role | Years at Brookfield | Current Position with the Service Provider |
|---|---|---|---|---|
| Jeffrey Blidner | 67 | 39 | 14 | Chair |
| Sam Pollock | 49 | 26 | 21 | Chief Executive Officer |
| Bahir Manios | 37 | 14 | 11 | Chief Financial Officer |

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 communications infrastructure operations. Set forth below is biographical information for Messrs. Pollock and Manios, however, for biographical information regarding Mr. Blidner see Item 6.A "Directors and Senior Management—Board of Directors of our General Partner":

**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 Chief Financial Officer of the Service Provider. In his capacity as Chief Financial Officer of the Service Provider, Bahir is responsible for the Infrastructure Group's financial reporting, risk management, investor relations, taxation, corporate finance and overall funding activities of the organization. Bahir began his career at one of the big four accounting firms where he worked in the assurance and business advisory practice, and joined Brookfield in 2004. A graduate of the school of business and economics at Wilfrid Laurier University, Bahir is a member of the Chartered Professional Accountants of Canada.

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 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 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, 2015, 2014 and 2013, respectively.

| | Year ended December 31 | | |
|---|---|---|---|
| **MILLIONS** | **2015** | 2014 | 2013 |
| Base management fee | **$ 126** | $ 107 | $ 102 |

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, 2015, 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, 2015 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, 2015 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 2015 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.

### 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 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 August 8, 2011, or if they are appointed to the board after this date, within five years of their date of appointment.

## 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 By-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 By-laws of the General Partner. The following is a summary of certain provisions of those By-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 nine 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 By-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 By-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 shareholders 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 the transactions 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 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".

**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.

**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 http://www.brookfieldinfrastructure.com/content/about_us/governance-2615.html and is available upon written request from our Corporate Secretary, at 73 Front Street, Hamilton HM 12, Bermuda.

### 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 http://www.brookfieldinfrastructure.com/content/about_us/governance-2615.html 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 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 By-laws*

Bermuda law permits the By-laws of an exempted company, 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 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 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 By-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 By-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 By-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 obtained 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.

## 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, 2015.

| Name and Address | Units Outstanding | |
|---|---|---|
| | Units Owned[1] | Percentage[2] |
| Brookfield Asset Management Inc. | 67.0 million[3] | 29.3%[3] |
| Partners Limited | 69.3 million[4] | 30.2%[4] |
| ClearBridge Investments, LLC | 8.5 million[5] | 5.22%[5] |

(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) *Except as set forth in footnotes (3) and (4) below, the percentages shown are based on 162,163,205 units outstanding as of December 31, 2015.*

(3) *Brookfield Asset Management may be deemed to be the beneficial owner of 67,007,696 of our units that it holds through wholly-owned subsidiaries, constituting approximately 29.3% of the issued and outstanding units, assuming that all of the Redeemable Partnership Units are exchanged for our units pursuant to the Redemption-Exchange Mechanism described in Item 10.B "Memorandum and Articles of Association—Description of the Holding LP's Limited Partnership Agreement—Redemption-Exchange Mechanism." This amount includes 166,430 of our units beneficially held by Brookfield Asset Management.*

(4) *Partners Limited owns all of Brookfield Asset Management's Class B Limited Voting Shares and approximately 50% of Partners Value Investments Inc.'s (formerly Partners Value Fund Inc.) common shares. Partners Limited may be deemed to be the beneficial owner of 69,251,746 of our units, constituting approximately 30.2% of the issued and outstanding units, assuming that all of the Redeemable Partnership Units are exchanged for our units pursuant to the Redemption-Exchange Mechanism described in Item 10.B "Memorandum and Articles of Association—Description of the Holding LP's Limited Partnership Agreement—Redemption-Exchange Mechanism." This amount includes 2,218,649 of our units beneficially held by Partners Value Investments Inc. and 166,430 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 Inc.) to vote or direct the vote of the units beneficially owned by it or to dispose of such units other than 25,401 of our units with respect to which it has sole voting and investment power.*

(5) *Based on a Schedule 13G filed by ClearBridge Investments, LLC with the SEC showing that it held 8,457,840 units on December 31, 2015.*

Our major unitholders have the same voting rights as all other holders of our units.

As of December 31, 2015, 130,618 of our outstanding units were held by 935 holders of record in the United States, not including The Depository Trust Company ("DTC"). As of December 31, 2015, DTC was the holder of record of 72,096,290 units.

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 6.C "Board Practices," Item 6.A "Directors and Senior Management" and Item 7.B "Related Party Transactions."

## 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 6.C "Board Practices," Item 6.A "Directors and Senior Management" and Item 7.A "Major Shareholders."

*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, that 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 favour 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 the following entities:

- Brookfield Ports (UK) Limited, which controls our UK port operation;

- Brookfield Global Funds GP Limited, which controls our Australian regulated terminal operation;
- Empresa de Energia de Boyacá SA and BCIF Holdings Colombia I S.A.S., which together control our Colombian distribution business;
- 1870448 Ontario Inc., which controls our Canadian gas storage operation;
- Brookfield Americas Infrastructure Holdings I Limited, which controls our Chilean toll roads;
- District Energy Holdings LP and BIF II MM Seattle (Delaware), LLC, which together control our U.S. district energy operations;
- BIF II CalGas (Delaware) LLC, which controls our North American west coast gas storage operation;
- BIF II GP Bermuda Limited, which has undertaken an investment in certain debt securities;
- Enwave Energy Corporation, which owns and operates our Canadian district energy operation; and
- BIF III Water Carry (Delaware) LLC, which controls our North American water operation.

Pursuant to the Voting Agreements, Brookfield has agreed that any voting rights with respect to the above noted entities will be voted in favour 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 involving the above noted entities 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 Limited Partner Units. The incentive distributions are to be calculated in increments based on the amount by which quarterly distributions on the limited partnership units of the Holding LP 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 Limited Partner Distributions*

Pursuant to the limited partnership agreement of the Holding LP, Infrastructure Special LP is also entitled to receive a special limited 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 limited partnership interest in the Holding LP which is equal to approximately 0.5% 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 By-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 and ownership structure and strategy involve 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 particular, conflicts of interest could arise, among other reasons, because:

- in originating and recommending acquisition opportunities, Brookfield has significant discretion to determine the suitability of opportunities for us and to allocate such opportunities to us or to itself or third parties;
- because of the scale of typical infrastructure acquisitions and because our strategy includes completing acquisitions through consortium or partnership arrangements with pension funds and other financial sponsors, we will likely make co-investments with Brookfield and Brookfield sponsored funds or Brookfield sponsored or co-sponsored consortiums and partnerships, which typically will require that Brookfield owe fiduciary duties to the other partners or consortium members that it does not owe to us;
- there may be circumstances where Brookfield will determine that an acquisition opportunity is not suitable for us because of limits arising due to regulatory or tax considerations or limits on our financial capacity or because of the immaturity of the target assets or the fit with our acquisition strategy and Brookfield is entitled to pursue the acquisition on its own behalf rather than offering us the opportunity to make the acquisition and, as a result, Brookfield may initially or ultimately make the acquisition;
- where Brookfield has made an acquisition, it may transfer it to us at a later date after the assets have been developed or we have obtained sufficient financing;
- our relationship with Brookfield involves a number of arrangements pursuant to which Brookfield provides various services and access to financing arrangements and acquisition opportunities, and circumstances may arise in which these arrangements will need to be amended or new arrangements will need to be entered into;
- our arrangements with Brookfield were negotiated in the context of the spin-off, which may have resulted in those arrangements containing terms that are less favourable than those which otherwise might have been obtained from unrelated parties;
- under the Holding LP's limited partnership agreement and the agreements governing the operating entities, 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 they otherwise would in the absence of such arrangements;
- Brookfield is permitted to pursue other business activities 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;
- Brookfield does not owe our partnership or our unitholders and preferred unitholders any fiduciary duties, which may limit our recourse against it; and
- the liability of Brookfield is limited under our arrangements with them, and we have agreed to indemnify Brookfield 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.

With respect to transactions in which there is greater potential for a conflict of interest to arise, our General Partner may be required to seek the prior approval of a majority of the independent directors pursuant to conflict of interest guidelines that have been approved by a majority of the independent directors. These transactions include (i) the dissolution of our partnership; (ii) any material amendment to the Master Services Agreement, the Relationship Agreement, our Limited Partnership Agreement or the Holding LP's limited partnership agreement; (iii) 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; (iv) acquisitions by us from, and dispositions by us to, Brookfield; (v) any other transaction involving Brookfield; and (vi) termination of, or any determinations regarding indemnification under, the Master Services Agreement. Pursuant to our conflicts protocol, independent directors may grant prior approvals for any of these 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. 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 29.3% indirect interest in our partnership held by Brookfield.

We maintain a conflicts protocol to assist in the resolution of these potential or actual conflicts which states that conflicts be resolved based on the principles of transparency, independent validation and approvals. The policy recognizes the benefit to us of our relationship with Brookfield and our intent to pursue a strategy that seeks to maximize the benefits from this relationship. The policy also recognizes that the principal areas of potential application of the policy on an ongoing basis will be in connection with our acquisitions and our participation in Brookfield led consortia and partnership arrangements, together with any management or service arrangements entered into in connection therewith or the ongoing operations of the underlying operating entities.

In general, the policy provides that acquisitions that are carried out jointly by us and Brookfield, or in the context of a Brookfield led or co-led consortium or partnership 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. The policy further provides that if the acquisition involves the purchase by us of an asset from Brookfield, or the participation in a transaction involving the purchase by us and Brookfield of different assets, that a fairness opinion or, in some circumstances, a valuation or appraisal by a qualified expert be obtained. These requirements provided for in the conflicts protocol are in addition to any disclosure, approval and 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 therefore take into account the interests of third parties, including Brookfield, when resolving conflicts of interest. 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.

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.

In addition, the 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, impose fiduciary duties on directors of a corporation. In general, under applicable Bermudian legislation, 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 unitholders and preferred unitholders, these duties have been modified pursuant to our Limited Partnership Agreement as a matter of contract law. We have been advised by 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.

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. They also allow 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 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."

*Other Related Party Transactions*

During February, 2016, we entered into a $500 million credit facility with Brookfield to supplement our liquidity. Under the facility, we do not pay a commitment fee on any undrawn balance.

An integral part of the 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, the 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

Please see Item 18 below for additional information required to be disclosed under this Item.

### 8.B SIGNIFICANT CHANGES

Please see Item 3 "Key Information," Item 4 "Information on the Company," Item 5 "Management's Discussion and Analysis of Financial Condition and Results of Operation" for additional information.

## ITEM 9. THE OFFER AND LISTING

### 9.A PRICING HISTORY

The following table sets forth the annual high and low prices for our units on the NYSE for the past five years:

| | High | Low |
|---|---|---|
| Year ended December 31, 2011 | $27.86 | $21.08 |
| Year ended December 31, 2012 | $36.70 | $27.98 |
| Year ended December 31, 2013 | $41.27 | $34.19 |
| Year ended December 31, 2014 | $42.99 | $35.72 |
| Year ended December 31, 2015 | $46.54 | $36.75 |

The following table sets forth the quarterly high and low prices for our units on the NYSE for the two most recent full financial years:

| | High | Low |
|---|---|---|
| January 1, 2014 to March 31, 2014 | $39.45 | $35.72 |
| April 1, 2014 to June 30, 2014 | $41.95 | $38.28 |
| July 1, 2014 to September 30, 2014 | $42.65 | $38.00 |
| October 1, 2014 to December 31, 2014 | $42.99 | $37.10 |
| January 1, 2015 to March 31, 2015 | $46.41 | $41.90 |
| April 1, 2015 to June 30, 2015 | $46.54 | $42.73 |
| July 1, 2015 to September 30, 2015 | $44.87 | $36.75 |
| October 1, 2015 to December 31, 2015 | $42.42 | $37.02 |

The following table sets forth the monthly high and low prices for our units on the NYSE for the most recent six months:

| | High | Low |
|---|---|---|
| September 1, 2015 to September 30, 2015 | $38.54 | $36.75 |
| October 1, 2015 to October 31, 2015 | $42.12 | $37.18 |
| November 1, 2015 to November 30, 2015 | $42.42 | $40.68 |
| December 1, 2015 to December 31, 2015 | $41.44 | $37.02 |
| January 1, 2016 to January 31, 2016 | $37.23 | $32.08 |
| February 1, 2016 to February 26, 2016 | $37.23 | $33.91 |

The following table sets forth the annual high and low prices for our units on the TSX for the past five years, in Canadian dollars:

| | High | Low |
|---|---|---|
| January 1, 2011 to December 31, 2011 | $28.35 | $19.68 |
| January 1, 2012 to December 31, 2012 | $36.27 | $28.13 |
| January 1, 2013 to December 31, 2013 | $43.08 | $35.33 |
| January 1, 2014 to December 31, 2014 | $48.91 | $39.50 |
| January 1, 2014 to December 31, 2015 | $58.10 | $49.17 |

The following table sets forth the quarterly high and low prices for our units on the TSX for the two most recent full financial years, in Canadian dollars:

| | High | Low |
|---|---|---|
| January 1, 2014 to March 31, 2014 | $43.78 | $39.50 |
| April 1, 2014 to June 30, 2014 | $48.57 | $41.78 |
| July 1, 2014 to September 30, 2014 | $46.76 | $42.57 |
| October 1, 2014 to December 31, 2014 | $48.91 | $41.50 |
| January 1, 2015 to March 31, 2015 | $57.97 | $49.33 |
| April 1, 2015 to June 30, 2015 | $58.10 | $52.89 |
| July 1, 2015 to September 30, 2015 | $57.50 | $49.17 |
| October 1, 2015 to December 31, 2015 | $56.46 | $49.32 |

The following table sets forth the monthly high and low prices for our units on the TSX for the most recent six months, in Canadian dollars:

| | High | Low |
|---|---|---|
| September 1, 2015 to September 30, 2015 | $51.34 | $49.17 |
| October 1, 2015 to October 31, 2015 | $55.24 | $49.32 |
| November 1, 2015 to November 30, 2015 | $56.46 | $54.23 |
| December 1, 2015 to December 31, 2015 | $55.42 | $50.85 |
| January 1, 2016 to January 31, 2016 | $51.86 | $46.22 |
| February 1, 2016 to February 26, 2016 | $50.40 | $47.30 |

Our units do not have a par value.

### 9.B PLAN OF DISTRIBUTION

Not applicable.

### 9.C MARKET

Our units are listed on the NYSE under the symbol "BIP" and on the TSX under the symbol "BIP.UN".

### 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 Securities and Exchange Commission at www.sec.gov and our Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") profile at 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 6.C "Board Practices," 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.

*Holders of Units or 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.

*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. 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%. 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 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 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.

*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 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 passed by an affirmative vote of at least 66⅔% 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 given (i) 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 66⅔% 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 disfavour 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 the 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 New York, New York, 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 Securities and Exchange Commission at www.sec.gov and on our SEDAR profile at 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."

*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*

In connection with the spin-off, the Holding LP issued two classes of units. The first class of units, referred to as the Class A limited partnership units, was issued to Brookfield and subsequently transferred to our partnership. The second class of units, referred to as the Redeemable Partnership Units, were issued to wholly-owned subsidiaries of Brookfield Asset Management. Redeemable Partnership Units are limited partnership units and are described further below under the headings "—Distributions", "—No Management or Control" and "—Redemption-Exchange Mechanism".

On March 12, 2015, the Holding LP's limited partnership agreement was amended to permit the authorization and issuance of Holding LP preferred units, authorize and create the Holding LP Class A Preferred Units, Holding LP Series 1 Preferred Units and Holding LP Series 2 Preferred Units. On the same date, our partnership issued five million Series 1 Preferred Units and acquired 5 million Holding LP Series 1 Preferred Units.

On December 8, 2015, the Holding LP's limited partnership agreement was amended to authorize and create the Holding LP Series 3 Preferred Units and Holding LP Series 4 Preferred Units. On the same date, our partnership issued five million Series 3 Preferred Units and acquired five million Holding LP Series 3 Preferred Units.

As of the date of this annual report on Form 20-F, the Holding LP has four classes of units: Special Limited 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 29.3% if it exercised its redemption right in full and our partnership exercised its right of first refusal on the Holding LP's units redeemed (including the approximately 166,430 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, referred to as 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 $0.305, 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 Limited 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 $0.33, 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 Limited Partner Units.

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.

| | | Quarterly | | Annually | |
|---|---|---|---|---|---|
| **Incentive Distribution Calculation** | **Units (m)** | **Per Unit ($)** | **Total ($m)** | **Per Unit ($)** | **Total ($m)** |
| Illustrative distribution | | $0.570 | | $2.280 | |
| First distribution threshold | | $0.305 | | $1.220 | |
| Total units of Holding LP | 230 | | | | |
| **Total first distribution** | | | $ 70 | | $280 |
| Distribution in excess of first distribution threshold | | $0.025 | | $0.100 | |
| Total units of Holding LP | 230 | | | | |
| Second distribution to partners | | | $ 6 | | $ 24 |
| 15% incentive distribution to the holder of Special Limited Partner Units | | | 1 | | 4 |
| **Total second distribution** | | | $ 7 | | $ 28 |
| Distribution in excess of second distribution threshold | | $0.240 | | $0.960 | |
| Total units Holding LP | 230 | | | | |
| Third distribution to partners | | | $ 55 | | $220 |
| 25% incentive distribution to the holder of Special Limited Partner Units | | | 18 | | 72 |
| **Total third distribution** | | | $ 73 | | $292 |
| **Total distributions to partners (including incentive distributions)** | | | $150 | | $600 |
| **Total incentive distributions to the holder of Special Limited Partner Units** | | | $ 19 | | $ 76 |

The table below sets forth the incentive distributions for the years ended December 31, 2015, 2014 and 2013 paid to Infrastructure Special LP.

| | Year ended December 31 | | |
|---|---|---|---|
| **MILLIONS** | **2015** | 2014 | 2013 |
| Incentive Distributions | **$ 64** | $ 44 | $ 31 |

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 Limited 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 Limited 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 the 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 Limited 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 Limited 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, 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.

Limited partners 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 of the Holding LP may be called by its 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 limited partners 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, the partnership interests outstanding do not include partnership interests owned by its 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 that do not require limited partner approval discussed below, 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 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 passed by an affirmative vote of at least 66⅔% 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 given (i) 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 66⅔% 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 its managing general partner or any of its affiliates without the consent of the managing 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 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 to reflect:

- a change in the name of the partnership, the location of the partnership's registered office or the 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 the 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 the 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 if those amendments, in the discretion of the managing general partner:

- do not adversely affect the Holding LP'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 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 the managing general partner withdraws from the partnership (unless Brookfield becomes the managing general partner of the Holding LP as described below under "—Withdrawal of the Managing General Partner"); (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 (and provided that a notice of dissolution with respect to the Holding LP has not been filed with the Bermuda Monetary Authority), 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.

Upon the withdrawal of our partnership, the holders of a majority of the voting power of Special Limited Partner Units 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 the 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 either Special Limited Partner Units or Redeemable Partnership 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 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 the 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 disfavour 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 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 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, 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 under Item 12 "Description of Securities Other than Equity Securities";
7. First Supplemental 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, described under Item 12 "Description of Securities Other than Equity Securities";
8. Guarantee dated October 10, 2012 by Brookfield Infrastructure Partners L.P., Brookfield Infrastructure L.P., BIP Bermuda Holdings I Limited, Brookfield Infrastructure Holdings (Canada) Inc. and Brookfield Infrastructure Corporation in favour of Computershare Trust Company of Canada, described under Item 12 "Description of Securities Other than Equity Securities";
9. Guarantee dated November 27, 2013 by Brookfield Infrastructure US Holdings I Corporation in favour of Computershare Trust Company of Canada, described under Item 12 "Description of Securities Other than Equity Securities";
10. 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 under Item 12 "Description of Securities Other than Equity Securities";
11. 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 favour of Computershare Trust Company of Canada, described under Item 12 "Description of Securities Other than Equity Securities".

12. 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 under Item 12 "Description of Securities Other than Equity Securities";
13. 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 favour of Computershare Trust Company of Canada, described under Item 12 "Description of Securities Other than Equity Securities";
14. Fourth 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 under Item 12 "Description of Securities Other than Equity Securities"; and
15. 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 favour of Computershare Trust Company of Canada, described under Item 12 "Description of Securities Other than Equity Securities".

### 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 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.

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 composition of our assets, 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, 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 favourable than the allocations set forth in such agreements.

***Basis.*** You will have an initial tax basis in your units equal to the sum of (i) the amount of cash paid for our units (or, if you received your units pursuant to the spin-off, the amount of dividend income you recognized pursuant to the spin-off) 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. You should consult your own tax adviser as to the effects of the at-risk rules.

***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.*** Your share of our partnership's interest expense 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". 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.

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.

***Deductibility of Partnership Investment Expenditures by Individual Partners and by Trusts and Estates.*** Subject to certain exceptions, all miscellaneous itemized deductions of an individual taxpayer, and certain of such deductions of an estate or trust, are deductible only to the extent that such deductions exceed 2% of the taxpayer's adjusted gross income. In addition, the otherwise allowable itemized deductions of individuals whose gross income exceeds an applicable threshold amount are subject to reduction by an amount equal to the lesser of (i) 3% of the excess of the individual's adjusted gross income over the threshold amount and (ii) 80% of the amount of the individual's itemized deductions. The operating expenses of our partnership, including our partnership's allocable share of the base management fee or any other management fees, may be treated as miscellaneous itemized deductions subject to the foregoing rule. Accordingly, if you are a non-corporate U.S. Holder, you should consult your own tax adviser regarding the application of these limitations.

***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 "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. See "—Passive Foreign Investment Companies" 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.

***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 favourably 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.

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. However, none of the current Holding Entities or operating entities are expected to be publicly traded, although our partnership may in the future acquire interests in PFICs which are publicly traded foreign companies. Thus the mark-to-market election is not expected to be available to any U.S. Holder in respect of its indirect ownership interest in any of the current Holding Entities or operating entities.

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, 2016. 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. 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 limited 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.

***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, 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 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. 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 investors 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. Finally, if our partnership were treated as engaged in a U.S. trade or business, a portion of any gain realized by a Non-U.S. Holder upon the sale or exchange of its units could be treated as income effectively connected with a U.S. trade or business and therefore subject to U.S. federal income tax at the regular graduated rates.

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 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. Under the Bipartisan Budget Act of 2015, 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, and the manner in which the election is made and implemented has yet to be determined. 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. Moreover, the calculation of such tax liability might not take into account a unitholder's tax status, such as the status of a current or former unitholder as tax-exempt. The foregoing considerations also apply with respect to our partnership's interest in the Holding LP. These rules do not apply to our partnership or the Holding LP for taxable years beginning on or before December 31, 2017.

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 Bipartisan Budget Act of 2015.

The application of the Bipartisan Budget Act of 2015 to our partnership and our unitholders is uncertain and remains subject to Treasury Regulations and IRS guidance yet to be issued. You should consult your own tax adviser regarding the implications of the Bipartisan Budget Act of 2015 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 in excess of $2 million (or, in the case of certain foreign currency transactions, losses in excess of $50,000). 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.

### *Constructive Termination*

Our partnership will be considered to have been terminated for U.S. federal income tax purposes if there is a sale or exchange of 50% or more of our units within a 12-month period. A constructive termination of our partnership would result in the close of its taxable year for all unitholders. If a unitholder reports on a taxable year other than a fiscal year ending on our partnership's year-end, and the unitholder is otherwise subject to U.S. federal income tax, the closing of our partnership's taxable year may result in more than 12 months of our partnership's taxable income or loss being includable in such unitholder's taxable income for the year of the termination. We would be required to make new tax elections after a termination, including a new Section 754 Election. A constructive termination could also result in penalties and other adverse tax consequences if we were unable to determine that the termination had occurred. Moreover, a constructive termination might either accelerate the application of, or subject our partnership to, any tax legislation enacted before the termination.

***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. Beginning January 1, 2019, withholdable payments also include gross proceeds from the sale or disposition of property that can produce U.S.-source interest or dividends. 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, U.S. individuals 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. These information reporting requirements also apply to U.S. corporations, partnerships and trusts formed or availed of for purposes of holding, directly or indirectly, specified foreign financial assets. 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 favourably 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 $100 per failure, up to a maximum of $1,500,000 per calendar year, 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 (including changes that recharacterize certain allocations as potentially non-deductible fees), 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 an accurate 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 the purposes of the Tax Act and at all relevant times, holds our units as capital property, deals at arm's length and is not affiliated with our partnership, the Holding LP, our General Partner and their respective affiliates ("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 the 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; or (vi) to whom any affiliate of our partnership is a "foreign affiliate" (as defined in the Tax Act). 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 ("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 the 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.

**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 rate of exchange quoted by the Bank of Canada at noon on the date such amounts arose, or such other rate of exchange as is acceptable to the CRA.

***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 or is 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 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 of our partnership will be allocated to each Canadian Holder in an amount calculated by multiplying such income 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 who are partners 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 to their respective percentage interests.

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 limited 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 such Canadian Holder's 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 provisions 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. 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 ("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 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, in certain circumstances a Canadian-resident payer is required 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.

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 investments 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 of the Holding LP or any 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 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 of 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 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, whether on a redemption, purchase for cancellation or otherwise, 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.

***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.

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 TSX and the NYSE, our units will be "qualified investments" under the Tax Act for a trust governed by an RRSP, deferred profit sharing plan, RRIF, registered education savings plan, registered disability savings plan, and TFSA. However, there can 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" by a TFSA or an RRSP or RRIF.

Notwithstanding the foregoing, a holder of a TFSA or an annuitant under an RRSP or RRIF, as the case may be, will be subject to a penalty tax if our units held in a TFSA, RRSP or RRIF are a "prohibited investment" for the TFSA, RRSP or RRIF, as the case may be. Generally, our units will not be a "prohibited investment" if the holder of the TFSA or the annuitant under the RRSP or RRIF, 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. Unitholders who intend to hold our units in a TFSA, RRSP or RRIF 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 ("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 during 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 a particular time, 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 property", (iii) "timber resource property", 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 Holder and does not expect our partnership or the Holding LP to dispose of "taxable Canadian property". However, no assurance can be given in these regards. 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 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 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 would apply its administrative practice in this context. Under the Treaty, in certain circumstances a Canadian-resident payer is required 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.

**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 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.

Australian Holders should not be subject to income tax on an accruals basis under the Controlled Foreign Company ("CFC") or proposed Foreign Accumulation Fund ("FAF") 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. a 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 CFC 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 CFC 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.

*Proposed Foreign Accumulation Fund rules*

Broadly, the proposed FAF rules, if enacted, should apply to an Australian resident who has an interest in a FAF, providing a tax deferral benefit for the income year. A FAF is a foreign resident that is not a CFC, whose investment returns are subject to a low level of risk and which does not distribute substantially all of the profits and gains of the fund.

The level of risk of return of an investment held by an entity will be low if the return is 'sufficiently certain'. A return is sufficiently certain, where at the time the investment is made it is reasonably expected that the foreign entity will receive returns from the investments it makes and at least some of the return is fixed or determinable with reasonable accuracy.

Returns on an investment in our partnership will not be fixed or accurately determinable as the distributions are at the discretion of our General Partner. Our General Partner is not required to make distributions and provides no assurance that distributions will be made as intended. The distributions paid by our partnership will be dependent on the performance of its investments. Accordingly, the proposed FAF rules should not apply to the income accruing to Australian Holders in our partnership.

*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). This may be a different amount than the A$ cash an Australian Holder ultimately receives.

Accordingly, there may 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, 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 33⅓%.

**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**

Any statement in this annual report on Form 20-F about any of our contracts or other documents is not necessarily complete. If the contract or document is filed as an exhibit to the annual report on Form 20-F the contract or document is deemed to modify the description contained in this annual report on Form 20-F. You must review the exhibits themselves for a complete description of the contract or document.

Brookfield Asset Management and our partnership are both subject to the information filing requirements of the Exchange Act, and accordingly 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. Our and Brookfield Asset Management's SEC filings are available at the SEC's website at www.sec.gov. You may also read and copy any document we or Brookfield Asset Management files with the SEC at the public reference facilities maintained by the SEC at SEC Headquarters, Public Reference Section, 100 F Street, N.E., Washington D.C. 20549. You may obtain information on the operation of the SEC's public reference facilities by calling the SEC at 1-800-SEC-0330.

In addition, Brookfield Asset Management and our partnership are required to file documents required by Canadian securities laws electronically with Canadian securities regulatory authorities and these filings are available on our or Brookfield Asset Management's SEDAR profile at 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 "Management's Discussion and Analysis of Financial Condition and Results of Operation—Other Market Risks" and Item 5 "Management's Discussion and Analysis of Financial Condition and Results of Operation—Foreign Currency Hedging Strategy."

## ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

An indenture dated as of October 10, 2012 between our partnership's wholly-owned subsidiaries Brookfield Infrastructure Finance ULC, Brookfield Infrastructure Finance LLC, Brookfield Infrastructure Finance Limited and Brookfield Infrastructure Finance Pty Ltd (collectively, the "Fincos") and Computershare Trust Company of Canada ("Trustee"), as supplemented and amended from time to time ("Indenture") provides for one or more series of unsecured debentures or notes of the Fincos ("Finco Bonds"). On October 10, 2012, the Fincos issued C$400,000,000 aggregate principal amount of 3.5% Medium Term Notes, Series 1, due October 10, 2017 under the Indenture. On March 11, 2015, the Fincos issued C$450,000,000 aggregate principal amount of 3.5% Medium Term Notes, Series 2, due March 11, 2022 under the Indenture. On October 30, 2015, the Fincos issued C$500,000,000 aggregate principal amount of medium term notes, including C$375,000,000 principal amount of 3.5% Medium Term Notes, Series 3, due October 30, 2020 and C$125,000,000 principal amount of 3.0% Medium Term Notes, Series 4, due October 30, 2018. The Finco Bonds are fully and unconditionally guaranteed as to payment of principal, premium (if any) and interest by our partnership and certain of its subsidiaries.

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

### ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

### ITEM 15. CONTROLS AND PROCEDURES

**Disclosure Controls and Procedures**

As of December 31, 2015, 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, 2015, 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 Securities and Exchange Commission'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, 2015, 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 the Framework in Internal Control—Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2015. Excluded from our evaluation were controls over financial reporting at Tunel San Cristobal, for which control was acquired on July 8, 2015. The financial statements of this entity constitute less than 1% of the total assets, net assets, revenue and of net income of the consolidated financial statements of our partnership as of and for the year ending December 31, 2015.

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, 2015 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, 2015, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERTS

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 U.S. Securities and Exchange Commission 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 was updated in 2015 and we have posted a copy of the current Code on our website at http://www.brookfieldinfrastructure.com/content/about_us/governance-2615.html.

## 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:

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | **2015** | | 2014 | |
| **FEES** | **USD ('000)** | **%** | USD ('000) | % |
| Audit fees[1] | **$3,956** | **74%** | $4,842 | 94% |
| Audit-related fees[2] | **1,386** | **26%** | 306 | 6% |
| All other fees[3] | **27** | **—** | — | — |
| Total | **$5,369** | **100%** | $5,148 | 100% |

(1) *Audit fees relate to annual fees for our partnership and the Holding LP.*

(2) *Audit-related fees relate primarily to services pertaining to the filing of our Canadian short form base shelf prospectus and other securities-related matters.*

(3) *All other fees relates to certain permissable operational consulting services performed for a subsidiary of the 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.

On October 2, 2015, our partnership announced that the TSX accepted a notice filed by our partnership of its intention to renew its normal course issuer bid to repurchase units. Unitholders may obtain a copy of the notice, free of charge, by contacting our partnership. Our partnership believes that at times our units may trade in a price range that does not fully reflect their value. As a result, from time to time, acquiring our 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 8,108,091 of our units, representing approximately 5% of our issued and outstanding units. Under the normal course issuer bid, our partnership may purchase up to 27,896 units on the TSX during any trading day. The price to be paid for our units under the normal course issuer bid will be the market price at the time of purchase. The actual number of 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 of units were authorized to commence on October 6, 2015 and will terminate on October 5, 2016 or earlier should our partnership complete its repurchases prior to such date. Repurchases shall occur subject to prevailing market conditions and will be funded from available cash. Repurchases will also be subject to compliance with applicable United States federal securities laws, including Rule 10b-18 under the Exchange Act, as well as applicable Canadian securities laws. All of our units acquired by our partnership under the normal course issuer bid will be cancelled.

On August 5, 2015, our partnership announced that the TSX accepted a notice filed by our partnership of its intention to commence a normal course issuer bid to repurchase Series 1 Preferred Units. Holders of Series 1 Preferred Units may obtain a copy of the notice, free of charge, by contacting our partnership. Our partnership believes that at times our Series 1 Preferred Units may trade in a price range that does not fully reflect their value. As a result, from time to time, acquiring our Series 1 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 500,000 of our Series 1 Preferred Units, representing approximately 10% of the public float of the Series 1 Preferred Units. Under the normal course issuer bid, our partnership may purchase up to 3,188 Series 1 Preferred Units on the TSX during any trading day. The price to be paid for our Series 1 Preferred Units under the normal course issuer bid will be the market price at the time of purchase. The actual number of Series 1 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 Series 1 Preferred Units were authorized to commence on August 7, 2015 and will terminate on August 6, 2016 or earlier should our partnership complete its repurchases prior to such date. Repurchases shall occur subject to prevailing market conditions and will be funded from available cash. Repurchases will also be subject to compliance with applicable Canadian securities laws. All of our Series 1 Preferred Units acquired by our partnership under the normal course issuer bid will be cancelled.

In the year ended December 31, 2015, 1,667,517 of our units were repurchased and cancelled under the unit normal course issuer bid or the unit normal course issuer bid that was in effect prior to October 1, 2015.

### 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

Pursuant to Section 1503(a) of the *Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010*, issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities under the regulation of the Federal Mine Safety and Health Administration ("MSHA") under the *Federal Mine Safety and Health Act of 1977*, as amended ("Mine Act"). During the fiscal year ended December 31, 2015, our partnership did not have any mines in the United States subject to regulation by MSHA under the Mine Act.

## PART III

### ITEM 17. FINANCIAL STATEMENTS

Not applicable.

### ITEM 18. FINANCIAL STATEMENTS

See the list of financial statements 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 29, 2016—incorporated by reference to Exhibit 1.2 to our partnership's Annual Report on Form 20-F filed February 29, 2016.* |
| 4.1 | Amended and Restated Limited Partnership Agreement of Brookfield Infrastructure L.P., dated February 29, 2016—incorporated by reference to Exhibit 4.1 to our partnership's Annual Report on Form 20-F filed February 29, 2016.* |
| 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 | 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. |
| 4.7 | First Supplemental 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—incorporated by reference to Exhibit 4.7 to our partnership's Annual Report on Form 20-F filed March 18, 2015. |
| 4.8. | Guarantee dated October 10, 2012 by Brookfield Infrastructure Partners L.P., Brookfield Infrastructure L.P., BIP Bermuda Holdings I Limited, Brookfield Infrastructure Holdings (Canada) Inc. and Brookfield Infrastructure Corporation in favour of Computershare Trust Company of Canada—incorporated by reference to Exhibit 4.8 to our partnership's Annual Report on Form 20-F filed March 18, 2015. |
| 4.9 | Guarantee dated November 27, 2013 by Brookfield Infrastructure US Holdings I Corporation in favour of Computershare Trust Company of Canada—incorporated by reference to Exhibit 4.9 to our partnership's Annual Report on Form 20-F filed March 18, 2015. |

| Number | Description |
|---|---|
| 4.10 | 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. |
| 4.11 | 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 favour 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. |
| 4.12 | 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. |
| 4.13 | 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 favour of Computershare Trust Company of Canada—incorporated by reference to Exhibit 99.2 to our partnership's Form 6-K filed October 30, 2015. |
| 4.14 | Fourth 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 99.3 to our partnership's Form 6-K filed October 30, 2015. |
| 4.15 | 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 favour of Computershare Trust Company of Canada—incorporated by reference to Exhibit 99.4 to our partnership's Form 6-K filed October 30, 2015. |
| 8.1 | Significant Subsidiaries (as defined in §210.1-02 (w) of Regulation S-X) of Brookfield Infrastructure Partners L.P. (Incorporated by reference to Item 4, "Information on the Company"). |
| 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.* |

* *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 29, 2016

BROOKFIELD INFRASTRUCTURE PARTNERS L.P. by its general partner, Brookfield Infrastructure Partners Limited

By: /s/ DON MACKENZIE

Name: Don Mackenzie
Title: *Director*

## BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## INDEX TO FINANCIAL STATEMENTS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|---|---|
| Audited Financial Statements of Brookfield Infrastructure Partners L.P. as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013 | F-2 |

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Partners of Brookfield Infrastructure Partners L.P.

We have audited the accompanying consolidated statements of financial position of Brookfield Infrastructure Partners L.P. and subsidiaries (the "Partnership") as of December 31, 2015 and 2014, and the consolidated statements of operating results, comprehensive income, partnership capital, and cash flows for each of the years in the three-year period ended December 31, 2015. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and Canadian generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2015, 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), the Partnership's internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 29, 2016 expressed an unqualified opinion on the Partnership's internal control over financial reporting.

/s/ Deloitte LLP

Chartered Professional Accounts
Licensed Public Accountants

Toronto, Canada
February 29, 2016

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Partners of Brookfield Infrastructure Partners L.P.

We have audited the internal control over financial reporting of Brookfield Infrastructure Partners L.P. and subsidiaries (the "Partnership") as of December 31, 2015, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Annual Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting of Tunel San Cristobal, for which control was acquired on July 8, 2015, and whose financial statements constitute less than 1% of the total assets, net assets, revenue and net income of the consolidated financial statement amounts, respectively, as of and for the year ended December 31, 2015. Accordingly, our audit did not include the internal control over financial reporting at Tunel San Cristobal. 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with standards of the Public Company Accounting Oversight Board (United States) and Canadian generally accepted auditing standards, the consolidated financial statements as of and for the year ended December 31, 2015 of the Partnership and our report dated February 29, 2016 expressed an unqualified opinion on those financial statements.

/s/ Deloitte LLP

Toronto, Canada<br>February 29, 2016

Chartered Professional Accounts<br>Licensed Public Accountants

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

| US$ MILLIONS | Notes | As of December 31, 2015 | As of December 31, 2014 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 7 | **$ 199** | $ 189 |
| Financial assets | 8 | **439** | 484 |
| Accounts receivable and other | 9 | **322** | 299 |
| Inventory | 10 | **13** | 21 |
| Assets classified as held for sale | 5, 11 | **580** | 567 |
| Current assets | | **1,553** | 1,560 |
| Property, plant and equipment | 12 | **7,632** | 8,084 |
| Intangible assets | 13 | **3,296** | 3,575 |
| Investments in associates and joint ventures | 11 | **2,973** | 2,412 |
| Investment properties | 15 | **153** | 162 |
| Goodwill | 14 | **79** | 84 |
| Financial assets | 8 | **1,913** | 430 |
| Other assets | 9 | **64** | 89 |
| Deferred income tax asset | 25 | **72** | 99 |
| Total assets | | **$17,735** | $16,495 |
| **Liabilities and Partnership Capital** | | | |
| **Liabilities** | | | |
| Accounts payable and other | 16 | **474** | 532 |
| Non-recourse borrowings | 18 | **302** | 41 |
| Financial liabilities | 17 | **159** | 49 |
| Liabilities directly associated with assets classified as held for sale | 5 | **275** | 199 |
| Current liabilities | | **1,210** | 821 |
| Corporate borrowings | 18, 19 | **1,380** | 588 |
| Non-recourse borrowings | 18 | **5,550** | 6,180 |
| Financial liabilities | 17 | **423** | 554 |
| Other liabilities | 16 | **601** | 569 |
| Deferred income tax liability | 25 | **1,375** | 1,441 |
| Preferred shares | 20 | **20** | 20 |
| Total liabilities | | **10,559** | 10,173 |
| **Partnership capital** | | | |
| Limited partners | | **3,838** | 3,533 |
| General partner | | **23** | 24 |
| Non-controlling interest attributable to: | | | |
| Redeemable Partnership Units held by Brookfield | | **1,518** | 1,321 |
| Interest of others in operating subsidiaries | | **1,608** | 1,444 |
| Preferred unitholders | | **189** | — |
| Total partnership capital | | **7,176** | 6,322 |
| Total liabilities and partnership capital | | **$17,735** | $16,495 |

The accompanying notes are an integral part of the financial statements.

## BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
## CONSOLIDATED STATEMENTS OF OPERATING RESULTS

| US$ MILLIONS (except per unit information) | Notes | **For the year ended December 31,** **2015** | 2014 | 2013 |
|---|---|---|---|---|
| Revenues | 21 | **$1,855** | $1,924 | $1,826 |
| Direct operating costs | | **(798)** | (846) | (823) |
| General and administrative expenses | | **(134)** | (115) | (110) |
| Depreciation and amortization expense | 12, 13 | **(375)** | (380) | (329) |
| | | **548** | 583 | 564 |
| Interest expense | 22 | **(367)** | (362) | (362) |
| Share of earnings (losses) from investments in associates and joint ventures | 11 | **69** | 50 | (217) |
| Mark-to-market on hedging items | 6 | **83** | 38 | 19 |
| Gain on sale of associates and joint ventures | 11 | **—** | — | 53 |
| Other income (expenses) | | **54** | (1) | (35) |
| Income before income tax | | **387** | 308 | 22 |
| Income tax (expense) recovery | | | | |
| Current | 25 | **(22)** | (30) | (3) |
| Deferred | 25 | **26** | (49) | 1 |
| Net income from continuing operations | | **391** | 229 | 20 |
| Income from discontinued operations, net of income tax | 11 | **—** | — | 45 |
| Net income | | **$ 391** | $ 229 | $ 65 |
| **Attributable to:** | | | | |
| Limited partners | | **$ 166** | $ 101 | $ (63) |
| General partner | | **66** | 44 | 31 |
| Non-controlling interest attributable to: | | | | |
| Redeemable Partnership Units held by Brookfield | | **66** | 39 | (26) |
| Interest of others in operating subsidiaries | 24 | **90** | 45 | 123 |
| Preferred unitholders | 26 | **3** | — | — |
| Basic and diluted earnings (loss) per unit attributable to: | | | | |
| Limited partners | 26 | **$ 1.04** | $ 0.67 | $ (0.43) |

The accompanying notes are an integral part of the financial statements.

## BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| US$ MILLIONS | Notes | For the year ended December 31, 2015 | 2014 | 2013 |
|---|---|---|---|---|
| Net income | | **$ 391** | $ 229 | $ 65 |
| Other comprehensive (loss) income: | | | | |
| **Items that will not be reclassified subsequently to profit or loss:** | | | | |
| Revaluation of property, plant and equipment | 12 | **646** | 547 | 658 |
| Unrealized actuarial gains (losses) | | **26** | (45) | (5) |
| Taxes on the above items | 25 | **(131)** | (135) | (185) |
| Equity accounted investments | 11 | **173** | 115 | 137 |
| | | **714** | 482 | 605 |
| **Items that may be reclassified subsequently to profit or loss:** | | | | |
| Foreign currency translation | | **(928)** | (655) | (423) |
| Cash flow hedge | 6 | **(41)** | (41) | (13) |
| Net investment hedge | 6 | **89** | 141 | (12) |
| Available-for-sale securities | 6 | **(33)** | 9 | 14 |
| Taxes on the above items | 25 | **(10)** | (5) | 7 |
| Equity accounted investments | 11 | **7** | 8 | 23 |
| | | **(916)** | (543) | (404) |
| Total other comprehensive (loss) income | | **(202)** | (61) | 201 |
| Comprehensive income | | **$ 189** | $ 168 | $ 266 |
| **Attributable to:** | | | | |
| Limited partners | 27 | **$ 80** | $ 68 | $ 53 |
| General partner | 27 | **65** | 43 | 32 |
| Non-controlling interest attributable to: | | | | |
| Redeemable Partnership Units held by Brookfield | 27 | **34** | 27 | 20 |
| Interest of others in operating subsidiaries | | **7** | 30 | 161 |
| Preferred unitholders | 27 | **3** | — | — |

The accompanying notes are an integral part of the financial statements.

# 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 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Limited partners' capital | (Deficit) Retained earnings | Ownership Changes | Accumulated other comprehensive income[1] | Limited partners' | General partner capital | Retained earnings | Accumulated other comprehensive income[1] | General partner | Redeemable units held by Brookfield | (Deficit) Retained earnings | Ownership Changes | Accumulated other comprehensive income[1] | 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, 2015** | $3,201 | $(400) | $ 77 | $655 | **$3,533** | $19 | $ — | $ 5 | **$ 24** | $1,178 | $(170) | $ 30 | $283 | **$1,321** | **$1,444** | **$ —** | **$6,322** |
| **Net income** | — | 166 | — | — | **166** | — | 66 | — | **66** | — | 66 | — | — | **66** | **90** | **3** | **391** |
| **Other comprehensive loss** | — | — | — | (86) | **(86)** | — | — | (1) | **(1)** | — | — | — | (32) | **(32)** | **(83)** | **—** | **(202)** |
| **Comprehensive income (loss)** | — | 166 | — | (86) | **80** | — | 66 | (1) | **65** | — | 66 | — | (32) | **34** | **7** | **3** | **189** |
| **Unit issuance** | 582 | — | — | — | **582** | — | — | — | **—** | 350 | — | — | — | **350** | **—** | **—** | **932** |
| **Unit repurchases (note 26)** | (67) | — | — | — | **(67)** | — | — | — | **—** | — | — | — | — | **—** | **—** | **—** | **(67)** |
| **Partnership distributions (note 28)** | — | (339) | — | — | **(339)** | — | (66) | — | **(66)** | — | (138) | — | — | **(138)** | **—** | **(3)** | **(546)** |
| **Acquisition of interests (note 4)** | — | — | — | — | **—** | — | — | — | **—** | — | — | — | — | **—** | **347** | **—** | **347** |
| **Subsidiary distributions to non-controlling interest** | — | — | — | — | **—** | — | — | — | **—** | — | — | — | — | **—** | **(91)** | **—** | **(91)** |
| **Disposition of interests (note 5)** | — | 8 | — | (8) | **—** | — | — | — | **—** | — | 3 | — | (3) | **—** | **(99)** | **—** | **(99)** |
| **Preferred unit issuance (note 26)** | — | — | — | — | **—** | — | — | — | **—** | — | — | — | — | **—** | **—** | **189** | **189** |
| **Other items (note 26)** | — | 6 | 49 | (6) | **49** | — | — | — | **—** | — | (6) | (49) | 6 | **(49)** | | **—** | **—** |
| **Balance as at December 31, 2015** | $3,716 | $(559) | $126 | $555 | **$3,838** | $19 | $ — | $ 4 | **$ 23** | $1,528 | $(245) | $(19) | $254 | **$1,518** | **$1,608** | **$189** | **$7,176** |

| 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[1] | Limited partners' | General partner capital | Retained earnings | Accumulated other comprehensive income[1] | General partner | Redeemable units held by Brookfield | (Deficit) Retained earnings | Ownership Changes | Accumulated other comprehensive income[1] | Non-Controlling Interest—Redeemable Partnership Units held by Brookfield | Non-controlling interest—in operating subsidiaries | Total partners' capital |
| Balance as at January 1, 2014 | $3,199 | $(213) | $77 | $688 | **$3,751** | $19 | $ 2 | $ 6 | **$ 27** | $1,178 | $ (95) | $30 | $295 | **$1,408** | **$1,419** | **$6,605** |
| Net income | — | 101 | — | — | **101** | — | 44 | — | **44** | — | 39 | — | — | **39** | **45** | **229** |
| Other comprehensive loss | — | — | — | (33) | **(33)** | — | — | (1) | **(1)** | — | — | — | (12) | **(12)** | **(15)** | **(61)** |
| Comprehensive income (loss) | — | 101 | — | (33) | **68** | — | 44 | (1) | **43** | — | 39 | — | (12) | **27** | **30** | **168** |
| Unit issuance | 2 | — | — | — | **2** | — | — | — | **—** | — | — | — | — | **—** | **—** | **2** |
| Partnership distributions | — | (288) | — | — | **(288)** | — | (46) | — | **(46)** | — | (114) | — | — | **(114)** | **—** | **(448)** |
| Acquisition of interests | — | — | — | — | **—** | — | — | — | **—** | — | — | — | — | **—** | **362** | **362** |
| Subsidiary distributions to non-controlling interest | — | — | — | — | **—** | — | — | — | **—** | — | — | — | — | **—** | **(367)** | **(367)** |
| Balance as at December 31, 2014 | $3,201 | $(400) | $77 | $655 | **$3,533** | $19 | $ — | $ 5 | **$ 24** | $1,178 | $(170) | $30 | $283 | **$1,321** | **$1,444** | **$6,322** |

| US$ MILLIONS | Limited Partners' | | | | | General Partner | | | | Non-Controlling Interest—Redeemable Partnership Units held by Brookfield | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Limited partners' capital | Retained earnings (deficit) | Ownership Changes | Accumulated other comprehensive income[1] | Limited partners' | General partner capital | Retained earnings | Accumulated other comprehensive income[1] | General partner | Redeemable units held by Brookfield | Retained earnings (deficit) | Ownership Changes | Accumulated other comprehensive income[1] | Non-Controlling Interest—Redeemable Partnership Units held by Brookfield | Non-controlling interest—in operating subsidiaries | Total partners' capital |
| Balance as at January 1, 2013 | $2,955 | $ 48 | $— | $629 | **$3,632** | $19 | $ 3 | $5 | **$ 27** | $1,084 | $ 9 | $— | $272 | **$1,365** | **$ 2,784** | **$ 7,808** |
| Net (loss) income | — | (63) | — | — | **(63)** | — | 31 | — | **31** | — | (26) | — | — | **(26)** | **123** | **65** |
| Other comprehensive income | — | — | — | 116 | **116** | — | — | 1 | **1** | — | — | — | 46 | **46** | **38** | **201** |
| Comprehensive (loss) income | — | (63) | — | 116 | **53** | — | 31 | 1 | **32** | — | (26) | — | 46 | **20** | **161** | **266** |
| Unit issuance | 244 | — | — | — | **244** | — | — | — | **—** | 94 | — | — | — | **94** | **—** | **338** |
| Partnership distributions | — | (255) | — | — | **(255)** | — | (32) | — | **(32)** | — | (101) | — | — | **(101)** | **—** | **(388)** |
| Acquisition of interests | — | — | — | — | **—** | — | — | — | **—** | — | — | — | — | **—** | **64** | **64** |
| Dispositions of interests (note 5) | — | — | — | — | **—** | — | — | — | **—** | — | — | — | — | **—** | **(1,437)** | **(1,437)** |
| Subsidiary distributions to non-controlling interest | — | — | — | — | **—** | — | — | — | **—** | — | — | — | — | **—** | **(156)** | **(156)** |
| Changes in ownership (note 4) | — | — | 77 | — | **77** | — | — | — | **—** | — | — | 30 | — | **30** | **3** | **110** |
| Other items | — | 57 | — | (57) | **—** | — | — | — | **—** | — | 23 | — | (23) | **—** | **—** | **—** |
| Balance as at December 31, 2013 | $3,199 | $(213) | $77 | $688 | **$3,751** | $19 | $ 2 | $6 | **$ 27** | $1,178 | $ (95) | $30 | $295 | **$1,408** | **$ 1,419** | **$ 6,605** |

*(1) Refer to note 27 for an analysis of accumulated other comprehensive income (loss) by item.*

*The accompanying notes are an integral part of the financial statements.*

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| US$ MILLIONS | Notes | For the year ended December 31, 2015 | 2014 | 2013 |
|---|---|---|---|---|
| **Operating Activities** | | | | |
| Net income | | **$ 391** | $ 229 | $ 65 |
| Adjusted for the following items: | | | | |
| Earnings from investments in associates and joint ventures, net of distributions received | 11 | **18** | (12) | 307 |
| Fair value adjustments | | **—** | — | 10 |
| Depreciation and amortization expense | 12, 13 | **375** | 380 | 329 |
| Mark-to-market on hedging items | 6 | **(83)** | (38) | (19) |
| Gain on sale of associates and joint ventures | 11 | **—** | — | (53) |
| Provisions and other items | | **39** | 29 | 62 |
| Deferred income tax (recovery) expense | 25 | **(26)** | 49 | 12 |
| Changes in non-cash working capital, net | 36 | **(82)** | 54 | (19) |
| Cash from operating activities | | **632** | 691 | 694 |
| **Investing Activities** | | | | |
| Acquisition of subsidiaries, net of cash acquired | 4 | **(54)** | (89) | (56) |
| Disposal of subsidiaries, net of cash disposed | 5 | **28** | — | 622 |
| Additions of investments in associates and joint ventures | 11 | **(681)** | (477) | (518) |
| Disposal of investments in associates and joint ventures | 11 | **—** | 30 | 457 |
| Purchase of long lived assets | 12, 13 | **(520)** | (454) | (425) |
| Disposal of long lived assets | 12, 13 | **10** | 15 | 5 |
| Purchase of financial assets | | **(1,724)** | (177) | (331) |
| Sale of financial assets | | **376** | 57 | 110 |
| Net settlement of foreign exchange hedging items | | **219** | 22 | (26) |
| Cash used by investing activities | | **(2,346)** | (1,073) | (162) |
| **Financing Activities** | | | | |
| Distributions to general partner | 28 | **(66)** | (46) | (32) |
| Distributions to other unitholders | 28 | **(480)** | (402) | (356) |
| Subsidiary distributions to non-controlling interest | | **(91)** | (314) | (156) |
| Capital provided by non-controlling interest | | **302** | — | — |
| Proceeds from corporate borrowings | | **738** | — | — |
| Proceeds from corporate credit facility | | **823** | 675 | 445 |
| Repayment of corporate credit facility | | **(662)** | (429) | (991) |
| Proceeds from subsidiary borrowings | | **348** | 1,796 | 2,648 |
| Repayment of subsidiary borrowings | | **(295)** | (1,240) | (2,128) |
| Proceeds from other financing activities | | **131** | — | — |
| Repayment of other financing activities | | **(38)** | — | — |
| Preferred units issued | 26 | **189** | — | — |
| Partnership units issued, net of issuance costs | 26 | **932** | 2 | 338 |
| Partnership units repurchased | 26 | **(67)** | — | — |
| Cash from (used by) financing activities | | **1,764** | 42 | (232) |
| **Cash and cash equivalents** | | | | |
| Change during the year | | **50** | (340) | $ 300 |
| Impact of foreign exchange on cash | | **(32)** | (9) | (25) |
| Cash reclassified as held for sale | 5 | **(8)** | — | — |
| Balance, beginning of year | | **189** | 538 | 263 |
| Balance, end of year | | **$ 199** | $ 189 | $ 538 |

The accompanying notes are an integral part of the financial statements.

## NOTE 1. ORGANIZATION AND DESCRIPTION OF THE BUSINESS

Brookfield Infrastructure Partners L.P. (the "partnership") owns and operates utility, transport, energy and communications infrastructure businesses in North and South America, Europe and the Asia Pacific region. The 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. The partnership is a subsidiary of Brookfield Asset Management Inc. ("Brookfield"). The 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 and Series 3 are listed on the Toronto Stock Exchange under the symbols "BIP-A" and "BIP-B", respectively. The 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 2 Preferred Units", "Series 3 Preferred Units" and "Series 4 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 and cumulative Class A preferred limited partnership units, Series 4, in our partnership, respectively.

## NOTE 2. SUBSIDIARIES

The following provides information about the partnership's wholly-owned subsidiaries as of December 31, 2015 and 2014:

| Defined Name | Name of entity | Country of incorporation | Ownership interest (%) 2015 | 2014 |
|---|---|---|---|---|
| *Utilities* | | | | |
| Ontario electricity transmission operation | Great Lakes Power L.P. | Canada | **100** | 100 |
| *Transport* | | | | |
| Australian rail operation | Brookfield Rail Holdings No. 1 Pty Ltd | Australia | **100** | 100 |
| *Energy* | | | | |
| Australian energy distribution operation | Tasmania Gas Networks | Australia | **100** | 100 |
| European energy distribution operation | International Energy Group | UK | **100** | 100 |

The following table presents details of non-wholly owned subsidiaries of the partnership:

| Defined Name | Name of entity | Country of incorporation | Ownership Interest (%) | | Voting interest (%) | |
|---|---|---|---|---|---|---|
| | | | 2015 | 2014 | 2015 | 2014 |
| *Utilities* | | | | | | |
| UK regulated distribution operation | Brookfield Utilities UK Holdings Limited | UK | **80** | 80 | **80** | 80 |
| Australian regulated terminal operation | DBCT Management Pty Ltd[3] | Australia | **71** | 71 | **100** | 100 |
| Colombian regulated distribution operation | Empresa de Energia de Boyaca S.A.[3] | Colombia | **17** | 17 | **100** | 100 |
| *Transport* | | | | | | |
| UK port operation | Brookfield Port Acquisitions (UK) Limited[3] | UK | **59** | 59 | **100** | 100 |
| Chilean toll roads | Sociedad Concesionaria Vespucio Norte Express S.A.[3] | Chile | **51** | 51 | **89** | 89 |
| *Energy* | | | | | | |
| North American gas storage operation | Warwick Gas Storage L.P.[3] | Canada | **17** | 17 | **70** | 70 |
| Canadian district energy operation | Enwave Energy Corporation[3] | Canada | **25** | 25 | **100** | 100 |
| U.S. district energy operation | Enwave USA[1],[3] | U.S. | **40** | 40 | **100** | 100 |
| North American west coast gas storage operation | Lodi Gas Storage[2],[3] | U.S. | **40** | 40 | **100** | 100 |
| *Corporate & Other* | | | | | | |
| Holding LP | Brookfield Infrastructure L.P.[4] | Bermuda | **70** | 72 | **100** | 100 |

*(1) In August 2014, Brookfield Infrastructure acquired a 40% interest in Macquarie District Energy Holdings LLC, part of the U.S. district energy operation, for consideration of $38 million through a Brookfield sponsored infrastructure fund. Also, in December 2014, Brookfield Infrastructure acquired a 40% interest in Seattle Steam Inc., part of the U.S. district energy operation, for consideration of $9 million through a Brookfield sponsored infrastructure fund.*

*(2) In December 2014, Brookfield Infrastructure acquired a 40% interest in Lodi Gas Storage through a Brookfield sponsored infrastructure fund for $42 million.*

*(3) For the above noted subsidiaries, the partnership has entered into voting arrangements to provide the partnership with the ability to direct the relevant activities of the investee. The partnership controls these investees given that the 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. The partnership exercises judgment to determine the level of variability that will achieve control over an investee, particularly in circumstances where the partnership's voting interest differs from its ownership interest in an investee. The following were considered to determine whether the 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.*

*(4) In April 2015, Brookfield Infrastructure issued 13.4 million units at $45 per unit under shelf registrations in the U.S. and Canada. In total, $600 million of gross proceeds were raised through the issuance and $24 million in equity issuance costs were incurred. Concurrently, Brookfield Infrastructure issued 8.1 million Redeemable Partnership Units to Brookfield for proceeds of $350 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 decrease from 72% to 71% in the partnership's ownership interest in the Holding LP without resulting in a loss of control. During the year ended December 31, 2015 Brookfield Infrastructure repurchased and cancelled 1.6 million units. As Brookfield's Redeemable Partnership Units were not repurchased concurrently, this resulted in a further decline of 71% to 70% in the partnership's ownership interest in the Holding LP without resulting in a loss of control.*

## 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 29, 2016.

### (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 (r).

*(i) Subsidiaries*

These consolidated financial statements include the accounts of the partnership and subsidiaries over which the partnership has control. Subsidiaries are consolidated from the date of acquisition, being the date on which the partnership obtains control, and continue to be consolidated until the date when control is lost. The 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, the 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.

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 the partnership's units. This right is subject to the partnership's right of first refusal which entitled it, at its sole discretion, to elect to acquire any Redeemable Partnership Unit so presented to Holding LP in exchange for one of the 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 the partnership has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control. The 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, the 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 the 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 the partnership's interest in an investee is adjusted for the 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 equity. 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.

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.

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 income 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 amortization recognized in accordance with IAS 18, *Revenue* ("IAS 18").

### (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 uncollectability.

### (g) Property, Plant and Equipment

Brookfield Infrastructure uses the revaluation method of accounting for all classes of property, plant and equipment. Certain assets which are under development for future use as property, plant and equipment are also accounted for using the revaluation method. 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.

Depreciation of an asset commences when it is available for use. Property, plant and equipment are depreciated on a straight line basis over the estimated useful lives of each component of the assets as follows:

| | |
|---|---|
| Buildings | Up to 50 years |
| Transmission stations, towers and related fixtures | Up to 40 years |
| Leasehold improvements | Up to 49 years |
| Plant and equipment | Up to 39 years |
| Network systems | Up to 40 years |
| Track premium | 40 years |
| District energy systems | 50 years |
| Gas storage assets | 20 years |

Depreciation on property, plant and equipment is calculated on a straight-line basis so as to write-off 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 capitalisation 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 the partnership with due consideration given to observable market inputs, where available.

**(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 their 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 and customer order backlogs.

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 and Chilean toll roads and were 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 88 years remaining. The intangible assets at the Chilean 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 18 years remaining.

The conservancy right was acquired as part of the acquisition of the UK port operation and was recorded at its fair value. As a right in perpetuity issued by the Statutory Harbour Authority in the UK, the conservancy right is classified as having an indefinite life and is subject to an annual impairment assessment.

The customer order backlog was acquired as part of the acquisition of the UK regulated distribution operation and was 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 UK regulated distribution operation. The customer order backlog is amortized over its estimated useful life of 50 years.

Intangible assets acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization of the Australian regulated terminal operation concession arrangement and UK regulated distribution customer order backlog intangible assets are recognized on a straight-line basis over the intangible assets' estimated useful lives. Amortization of the Chilean toll road reflects the pattern of consumption of the intangible asset over the estimated useful life of the concession arrangement. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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.

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

Revenue is recognized to the extent that it is probable that the economic benefits will flow to Brookfield Infrastructure and the revenue and costs incurred or to be incurred can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of estimated customer returns, trade allowances, rebates and other similar allowances.

When the partnership receives a transfer of cash or property, plant and equipment from a customer, it assesses whether the constructed or acquired item of property, plant and equipment meets the definition of an asset in accordance with IFRIC 18, *Transfer of Assets from Customers* ("IFRIC 18"). If the definition of an asset is met, the partnership recognizes the item of property, plant and equipment at its cost and recognizes revenue or deferred revenue, as applicable, for the same amount based on the appropriate revenue recognition policy.

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.

***Utilities***

Revenue from utilities infrastructure is derived from the distribution and transmission of energy as well as from Brookfield Infrastructure's Australian regulated terminal operation. Distribution and transmission revenue is recognized when services are rendered based upon usage or volume during that period. Terminal infrastructure charges are charged at set rates per tonne of coal based on each customer's annual contracted tonnage and is then recognized on a pro-rata basis each month. Brookfield Infrastructure's Australian regulated terminal operation also recognizes handling charges based on tonnes of coal shipped through the terminal. Brookfield Infrastructure's regulated distribution operation receives customer contributions which are recorded in deferred revenue and released on a stage of completion basis in accordance with IFRIC 18.

***Transport***

Revenue from transport infrastructure consists primarily of freight, toll road operations and transportation services revenue. Revenue is recognized when services are provided and rendered based primarily on usage or volume throughput during the period.

*Energy*

Revenue from energy infrastructure consists primarily of energy distribution and storage as well as district energy services. Revenue is recognized when services are provided and rendered based primarily on usage or volume throughput during the period.

*Communications Infrastructure*

Revenue from communications infrastructure is derived from contracts with media broadcasting and telecom customers to access infrastructure. Customers pay upfront and recurring fees to lease space on towers to host their equipment. Recurring rental revenue is recognized on a straight line basis based on lease agreements. Upfront payments which are separable from the recurring revenue under IFRIC 18 are recognized on a stage of completion basis on the construction asset they relate to.

**(m) Financial Instruments and Hedge Accounting**

The following summarizes Brookfield Infrastructure's classification and measurement of financial assets and liabilities:

| | Classification | Measurement |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | Loans and receivables | Amortized cost |
| Accounts receivable and other | Loans and receivables | Amortized cost |
| Restricted cash and deposits | Loans and receivables | Amortized cost |
| Marketable securities | Available-for-sale | Fair value |
| Financial assets | | |
| Derivative assets | FVTPL[1] | Fair value |
| Other financial assets | Loans and receivables/ Available-for-sale | Amortized cost/ Fair value |
| **Financial liabilities** | | |
| Corporate borrowings | Other liabilities | Amortized cost |
| Non-recourse borrowings | Other liabilities | Amortized cost[2] |
| Accounts payable and other | Other liabilities | Amortized cost |
| Preferred shares[3] | Other liabilities | Amortized cost |
| Financial liabilities | FVTPL[1] | Fair value |

(1) *Fair value through profit or loss ("FVTPL"), except for derivatives in a hedging relationship.*

(2) *Except for derivatives embedded in the related financial instruments that are classified as FVTPL and measured at fair value.*

(3) *$20 million of preferred shares issued to wholly-owned subsidiaries of Brookfield.*

The partnership maintains a portfolio of marketable securities comprised of liquid equity and debt securities. The marketable securities are classified as available-for-sale and are subsequently measured at fair value at each reporting date with the change in fair value recorded in other comprehensive income. When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

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 there is assurance that it will continue to be highly effective as a hedge based on an expectation of offsetting cash flows or fair value. 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.

*(i) Items Classified as Hedges*

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. The periodic exchanges of payments on interest rate contracts designated as hedges of future interest payments are amortized into profit or loss over the term of the corresponding interest payments.

*(ii) Items Not Classified as Hedges*

Derivative financial instruments that are not designated as hedges are carried at estimated fair value, and gains and losses arising from changes in fair value are recognized in net income in the period the changes occur. Realized and unrealized gains on other derivatives not designated as hedges are recorded in other expenses.

Other financial assets are classified as loans and receivables or available-for-sale securities based on their nature and use within the partnership's business and are recorded initially at fair value. Other financial assets classified as available-for-sale are subsequently measured at fair value at each reporting date with the change in fair value recorded in other comprehensive income. Other financial assets classified as loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment. Assets classified as loans and receivables are impaired when there exists objective evidence that the financial asset is impaired.

**(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.

*(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.

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.

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.

*(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) Classification of assets and liabilities as held for sale*

Brookfield Infrastructure's accounting policy relating to assets held for sale is described in note 3(o) of Brookfield Infrastructure's consolidated financial statements. In applying this policy, judgment is applied in determining whether certain assets should be reclassified to assets held for sale on the Consolidated Statements of Financial Position. Judgment is also applied in determining whether the results of operations associated with the assets should be recorded in discontinued operations on the Consolidated Statements of Operating Results. Brookfield Infrastructure will reclassify the results of operations associated with certain assets classified as held for sale to discontinued operations where the assets represent a component of the partnership that represents a separate major line of business or geographical area of operations and is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

*(iii) Financial instruments*

Brookfield Infrastructure's accounting policies relating to derivative financial instruments are described in note 3(m). 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 the partnership and counterparty; estimated future cash flows; and discount rates.

*(iv) 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 12.

*(v) Valuation of investment property*

Fair values are primarily determined by valuation of the lease term and freehold reversion. An income capitalisation 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 the partnership with due consideration given to observable market inputs, where applicable.

In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of Brookfield Infrastructure.

*(vi) 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 4 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.

*(vii) Impairment of goodwill and intangibles with indefinite lives*

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 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 and useful lives.

Other estimates utilized in the preparation of the 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 the partnership's financial statements include the determination of functional currency, determination of operating segments, recoverability of deferred income tax assets and assessment of tax uncertainties, and determination of control.

**(r) Future Changes in Accounting Policies**

*Standards issued, but not yet adopted*

***IAS 16 Property, Plant, and Equipment—("IAS 16") and IAS 38 Intangible Assets—("IAS 38")***

IAS 16, Property, Plant, and Equipment ("IAS 16") and IAS 38, Intangible Assets ("IAS 38") were both amended by the IASB as a result of clarifying the appropriate amortization method for intangible assets of service concession arrangements under IFRIC 12, Service Concession Arrangements ("SCAs").

The IASB determined that the issue does not only relate to SCAs but all tangible and intangible assets that have finite useful lives. Amendments to IAS 16 prohibit entities from using a revenue based depreciation method for items of property, plant, and equipment. Similarly, the amendment to IAS 38 introduces a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset, with only limited circumstances where the presumption can be rebutted. Guidance is also introduced to explain that expected future reductions in selling prices could be indicative of a reduction of the future economic benefits embodied in an asset. The amendments apply prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. Brookfield Infrastructure is currently evaluating the impact of the amendments to IAS 16 and IAS 38 on its consolidated financial statements.

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

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. The Standard 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. IFRS 15 must be applied for periods beginning on or after January 1, 2018 with early application permitted. Brookfield Infrastructure is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

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

In July 2014, the IASB issued the final publication of the IFRS 9 standard, superseding the current IAS 39, *Financial Instruments: Recognition and Measurement* standard. This standard 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. This new standard also includes a new general hedge accounting standard which will align 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 will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018, with early adoption permitted. Brookfield Infrastructure is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

***IFRS 16 Leases—("IFRS 16")***

The International Accounting Standards Board has published a new standard, IFRS 16. The new standard brings most leases on-balance sheet for lessees under a single model, 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, with earlier adoption permitted if IFRS 15 has also been applied. Brookfield Infrastructure is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

## NOTE 4. ACQUISITION OF BUSINESSES

### a) Acquisition of Macquarie District Energy

On August 21, 2014, Brookfield Infrastructure expanded its U.S. district energy platform to the mid-west U.S. as it acquired a 40% interest in Macquarie District Energy, for consideration of $38 million through a Brookfield sponsored infrastructure fund. Brookfield Infrastructure has entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to elect the majority of the Board of Directors of the entity, thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity effective August 21, 2014. Acquisition costs of less than $1 million were expensed at the acquisition date and recorded as other expenses on the Consolidated Statement of Operating Results in the third quarter of 2014.

The following summarizes the consideration transferred and the assets acquired and liabilities assumed at the acquisition date:

*Consideration transferred*

| US$ MILLIONS | |
|---|---|
| Cash | $38 |
| **Total consideration** | **$38** |

*Fair value of assets and liabilities acquired as at August 21, 2014*

| US$ MILLIONS | |
|---|---|
| Accounts receivable and other | $ 28 |
| Property, plant and equipment | 347 |
| Goodwill | 40 |
| Accounts payable and other | (10) |
| Non-recourse borrowings | (175) |
| Deferred income tax liability | (132) |
| Net assets acquired before non-controlling interest | 98 |
| Non-controlling interest(1) | (60) |
| Net assets acquired | $ 38 |

*(1) Non-controlling interest represents the interest not acquired by Brookfield Infrastructure and was measured at fair value at the acquisition date.*

Upon acquisition of Macquarie District Energy by Brookfield Infrastructure, a deferred tax liability of $132 million was recorded. The deferred income tax liability arose because tax bases of the net assets to Brookfield Infrastructure were significantly lower than their fair values. The inclusion of this liability in the net book value of the acquired business gave rise to goodwill of $40 million, which is viewed to be 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 expected to be deductible for income tax purposes.

### b) Acquisition of Seattle Steam

On November 21, 2014, Brookfield Infrastructure expanded its U.S. district energy platform to the pacific U.S. as it acquired a 40% interest in Seattle Steam, for consideration of $9 million through a Brookfield sponsored infrastructure fund. Brookfield Infrastructure has entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to elect the majority of the Board of Directors of the entity thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity effective November 21, 2014. Acquisition costs of less than $1 million were expensed at the acquisition date and recorded as other expenses on the Consolidated Statement of Operating Results in the fourth quarter of 2014.

The following summarizes the consideration transferred and the assets acquired and liabilities assumed at the acquisition date:

*Consideration transferred*

| US$ MILLIONS | |
|---|---|
| Cash | $9 |
| **Total consideration** | **$9** |

*Fair value of assets and liabilities acquired as at November 21, 2014*

| US$ MILLIONS | |
|---|---|
| Accounts receivable and other | $ 17 |
| Property, plant and equipment | 45 |
| Non-recourse borrowings | (37) |
| Net assets acquired before non-controlling interest | 25 |
| Non-controlling interest[1] | (16) |
| Net assets acquired | $ 9 |

*(1) Non-controlling interest represents the interest not acquired by Brookfield Infrastructure and was measured at fair value at the acquisition date.*

No goodwill arose on acquisition as the consideration transferred by Brookfield Infrastructure equaled its share of the fair value of the net assets of Seattle Steam.

### c) Acquisition of Lodi Gas Storage

On December 31, 2014, Brookfield Infrastructure expanded its North American gas storage operation to the U.S. West Coast as it acquired a 40% interest in Lodi Gas Storage, for consideration of $42 million, through a Brookfield sponsored infrastructure fund. Brookfield Infrastructure has entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to elect the majority of the Board of Directors of the entity, thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity, effective December 31, 2014. Acquisition costs of less than $1 million were expensed at the acquisition date and recorded as other expenses on the Consolidated Statement of Operating Results in the fourth quarter of 2014.

The following summarizes the consideration transferred and the assets acquired and liabilities assumed at the acquisition date:

*Consideration transferred*

| US$ MILLIONS | |
|---|---|
| Cash | $42 |
| **Total consideration** | **$42** |

*Fair value of assets and liabilities acquired as at December 31, 2014*

| US$ MILLIONS | |
|---|---|
| Accounts receivable and other | $ 4 |
| Property, plant and equipment | 100 |
| Net assets acquired before non-controlling interest | 104 |
| Non-controlling interest(1) | (62) |
| Net assets acquired | $ 42 |

(1) *Non-controlling interest represents the interest not acquired by Brookfield Infrastructure and was measured at fair value at the acquisition date.*

No goodwill arose on acquisition as the consideration transferred by Brookfield Infrastructure equaled its share of the fair value of the net assets of Lodi Gas Storage.

**d) Acquisition of Chilean Toll Roads**

On July 8, 2015, Brookfield Infrastructure acquired an additional 26% interest in Tunel San Cristobal ("TSC"), a Chilean toll road, through a Brookfield sponsored partnership, for $14 million, bringing Brookfield Infrastructure's total ownership interest to 51%. Concurrent with the acquisition of the additional interest, Brookfield Infrastructure entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to elect the majority of the Board of Directors of the entity, thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidates the entity. At the date of the acquisition, Brookfield Infrastructure recognized $156 million of total assets, of which of $137 million related to intangible assets, and $100 million of total liabilities. Acquisition costs of $1 million were expensed at the acquisition date and recorded as Other expenses on the Consolidated Statements of Operating Results. A gain of $14 million resulting from the re-measurement of the partnership's pre-existing 25% interest to fair value was included in Other income on the Consolidated Statement of Operating Results on the date of acquisition. Total non-controlling interest of $28 million was recorded on the acquisition date, representing the interest not acquired by Brookfield Infrastructure and was measured at fair value on this date.

## NOTE 5. ASSETS CLASSIFIED AS HELD FOR SALE

**a) Ontario electricity transmission operation**

In the fourth quarter of 2015, Brookfield Infrastructure initiated a plan to dispose its Ontario electricity transmission operation. As of December 31, 2015, Management was actively seeking a buyer and expected to complete the sale during the year ending December 31, 2016. The Ontario electricity transmission operation was reported as a wholly owned subsidiary on the Consolidated Statement of Financial Position until the fourth quarter of 2015 and was reclassified as held for sale as of December 31, 2015.

Subsequent to December 31, 2015 Brookfield Infrastructure executed a definitive agreement to sell its 100% interest in its Ontario electricity transmission operation to a third party. The business will be sold for proceeds of approximately $265 million. Completion of the transaction is expected to occur in the second half of 2016, subject to customary closing conditions.

**b) European energy distribution operation**

In the fourth quarter of 2015, Brookfield Infrastructure initiated a plan to dispose its European energy distribution operation. Management is actively seeking a buyer and expects to complete the sale during the year ending December 31, 2016. The European energy distribution operation was reported as a wholly owned subsidiary on the Consolidated Statement of Financial Position until the fourth quarter of 2015 and was reclassified as held for sale as of December 31, 2015.

The following table presents the assets and liabilities that are classified as held for sale as of December 31, 2015 and 2014:

| US$ MILLIONS | Dec. 31, 2015 | Dec. 31, 2014[1],[2] |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | **$ 8** | $ 1 |
| Accounts receivable and other | **39** | 4 |
| Property, plant and equipment | **531** | 218 |
| Intangible assets | **2** | 33 |
| Investments in associates and joint ventures | **—** | 311 |
| Assets classified as held for sale | **$580** | $567 |
| **Liabilities** | | |
| Accounts payable and other | **$ 24** | $ 3 |
| Non-recourse borrowings | **203** | 145 |
| Financial liabilities | **20** | 4 |
| Other liabilities | **5** | 4 |
| Deferred income tax liability | **23** | 43 |
| Liabilities directly associated with assets classified as held for sale | **$275** | $199 |

*(1) As of December 31, 2014 the New England electricity transmission operation was classified as held for sale and in the third quarter of 2015, Brookfield Infrastructure sold its 23% interest in its New England electricity transmission operation to a third party for proceeds of $281 million, resulting in a gain on disposition of $63 million, recognized in the Consolidated Statement of Operating Results within Other income (expense).*

*(2) As of December 31, 2014 the North American natural gas transmission business, which had been reported as an asset held for sale with a carrying value of $311 million, has been reclassified to an investment in associates and joint ventures on the Consolidated Statement of Financial Position in the fourth quarter of 2015. Refer to Note 11 Investments in Associates and Joint Ventures for further details.*

## NOTE 6. 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 available-for-sale securities are recognized in other comprehensive income.

**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, 2015:

| US$ MILLIONS | FVTPL | Available for sale securities | Loans and Receivables/ Other Liabilities | |
|---|---|---|---|---|
| **Financial Instrument Classification** | **(Fair Value)** | **(Fair Value through OCI)** | **(Amortized Cost)** | **Total** |
| **MEASUREMENT BASIS** | | | | |
| **Financial assets** | | | | |
| Cash and cash equivalents | $ — | $ — | $ 199 | $ 199 |
| Accounts receivable and other | — | — | 322 | 322 |
| Financial assets (current and non-current)[1] | 741 | — | 330 | 1,071 |
| Marketable securities | — | 1,281 | — | 1,281 |
| Total | $741 | $1,281 | $ 851 | $2,873 |
| **Financial liabilities** | | | | |
| Corporate borrowings | $ — | $ — | $1,380 | $1,380 |
| Non-recourse borrowings (current and non-current) | — | — | 5,852 | 5,852 |
| Accounts payable and other | — | — | 474 | 474 |
| Preferred shares[2] | — | — | 20 | 20 |
| Financial liabilities (current and non-current)[1] | 582 | — | — | 582 |
| Total | $582 | $ — | $7,726 | $8,308 |

(1) *Derivative instruments which are elected for hedge accounting totaling $601 million are included in Financial assets and $230 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 allocation of financial instruments and their associated financial instrument classifications as at December 31, 2014:

| US$ MILLIONS | FVTPL | Available for sale securities | Loans and Receivables/ Other Liabilities | |
|---|---|---|---|---|
| **Financial Instrument Classification** | (Fair Value) | (Fair Value through OCI) | (Amortized Cost) | Total |
| **MEASUREMENT BASIS** | | | | |
| **Financial assets** | | | | |
| Cash and cash equivalents | $ — | $ — | $ 189 | $ 189 |
| Accounts receivable and other | — | — | 299 | 299 |
| Financial assets (current and non-current)[1] | 607 | — | 2 | 609 |
| Marketable securities | — | 305 | — | 305 |
| Total | $607 | $305 | $ 490 | $1,402 |
| **Financial liabilities** | | | | |
| Corporate borrowings | $ — | $ — | $ 588 | $ 588 |
| Non-recourse borrowings (current and non-current) | — | — | 6,221 | 6,221 |
| Accounts payable and other | — | — | 532 | 532 |
| Preferred shares[2] | — | — | 20 | 20 |
| Financial liabilities (current and non-current)[1] | 528 | — | 75 | 603 |
| Total | $528 | $ — | $7,436 | $7,964 |

(1) *Derivative instruments which are elected for hedge accounting totaling $560 million are included in Financial assets and $164 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, 2015 and December 31, 2014:

| US$ MILLIONS | **Dec. 31, 2015** | | Dec. 31, 2014 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| **Financial assets** | | | | |
| Cash and cash equivalents | **$ 199** | **$ 199** | $ 189 | $ 189 |
| Accounts receivable and other | **322** | **322** | 299 | 299 |
| Financial assets (current and non-current) | **1,071** | **1,071** | 609 | 609 |
| Marketable securities | **1,281** | **1,281** | 305 | 305 |
| Total | **$2,873** | **$2,873** | $1,402 | $1,402 |

| US$ MILLIONS | Dec. 31, 2015 | | Dec. 31, 2014 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| **Financial liabilities** | | | | |
| Corporate borrowings[1] | **$1,380** | **$1,386** | $ 588 | $ 600 |
| Non-recourse borrowings[2] | **5,852** | **6,093** | 6,221 | 6,544 |
| Accounts payable and other (current and non-current) | **474** | **474** | 532 | 532 |
| Preferred shares[3] | **20** | **20** | 20 | 20 |
| Financial liabilities (current and non-current) | **582** | **582** | 603 | 603 |
| | **$8,308** | **$8,555** | $7,964 | $8,299 |

(1) *Corporate borrowings is 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 UK port operation and Chilean toll road 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 highly effective 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 derivative is not highly effective as a hedge, 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 probably forecast 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, 2015, pre-tax net unrealized losses of $41 million (2014: losses of $41 million, 2013: losses of $13 million) were recorded in other comprehensive income for the effective portion of the cash flow hedges. As at December 31, 2015, there was a net derivative asset balance of $376 million relating to derivative contracts designated as cash flow hedges (2014: $269 million liability).

**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, 2015, unrealized net losses of $131 million (2014: gains of $118 million, 2013: gains of $14 million) were recorded in other comprehensive income for the effective portion of hedges of net investments in foreign operations. Further, Brookfield Infrastructure recognized a $220 million gain (2014: gain of $23 million, 2013: loss of $26 million) in other comprehensive income relating to the net settlement of foreign exchange contracts in the period. As at December 31, 2015, there was a net unrealized derivative liability balance of $5 million relating to derivative contracts designated as net investment hedges (2014: net unrealized derivative asset balance of $127 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.

The fair value of the 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, 2015 | Dec. 31, 2014 |
|---|---|---|---|
| **Marketable securities** | Level 1[1] | **$1,281** | $ 305 |
| **Foreign currency forward contracts** | Level 2[2] | | |
| Financial asset | | **$ 111** | $ 188 |
| Financial liability | | **48** | 6 |
| **Interest rate swaps & other** | Level 2[2] | | |
| Financial asset | | **$ 630** | $ 419 |
| Financial liability | | **534** | 510 |
| **Other contracts** | | | |
| Financial liability | Level 3[3] | **—** | $ 12 |

*(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 freight volumes and the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. See note 11 for additional information pertaining to the North American container terminal.*

Assets and liabilities measured at fair value on a recurring basis include $2,022 million (2014: $912 million) of financial assets and $582 million (2014: $528 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.

| | Dec. 31, 2015 | | | Dec. 31, 2014 | | |
|---|---|---|---|---|---|---|
| US$ MILLIONS | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | | | |
| Marketable securities | **$1,281** | **$ —** | **$ —** | $305 | $ — | $ — |
| Financial assets (current and non-current) | **—** | **741** | **—** | — | 607 | — |
| **Financial liabilities** | | | | | | |
| Financial liabilities (current and non-current) | **$ —** | **$582** | **$ —** | $ — | $516 | $ 12 |

## NOTE 7. CASH AND CASH EQUIVALENTS

| US$ MILLIONS | 2015 | 2014 |
|---|---|---|
| Cash | **$110** | $122 |
| Cash equivalents[1] | **89** | 67 |
| **Total cash and cash equivalents** | **$199** | $189 |

(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*

## NOTE 8. FINANCIAL ASSETS

| US$ MILLIONS | 2015 | 2014 |
|---|---|---|
| **Current:** | | |
| Foreign currency forward contracts | **$ 82** | $173 |
| Marketable securities | **350** | 305 |
| Other | **7** | 6 |
| **Total current** | **$ 439** | $484 |
| **Non-current:** | | |
| Cross currency interest rate swaps | **$ 568** | $398 |
| Marketable securities | **931** | — |
| Loans and receivables | **330** | 2 |
| Foreign currency forward contracts | **29** | 15 |
| Other | **55** | 15 |
| **Total non-current** | **$1,913** | $430 |

## NOTE 9. ACCOUNTS RECEIVABLE AND OTHER

| US$ MILLIONS | 2015 | 2014 |
|---|---|---|
| **Current:** | | |
| Accounts receivable | **$300** | $268 |
| Prepayments & other assets | **22** | 31 |
| **Total current** | **$322** | $299 |
| **Non-current:** | | |
| Other assets | **$ 64** | $ 89 |
| **Total non-current** | **$ 64** | $ 89 |

## NOTE 10. INVENTORY

| US$ MILLIONS | 2015 | 2014 |
|---|---|---|
| **Current:** | | |
| Raw materials and consumables | **$ 13** | $ 21 |
| Carrying amount of inventories | **$ 13** | $ 21 |

The amount of inventory written down in 2015 is $nil (2014: $nil, 2013: $nil).

## NOTE 11. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

The following table presents the ownership interest and carrying values of Brookfield Infrastructure's investments in associates and joint ventures:

| | Ownership Interest | | Voting Interest | | Carrying Value | |
|---|---|---|---|---|---|---|
| US$ MILLIONS | Dec. 31, 2015 | Dec. 31, 2014 | Dec. 31, 2015 | Dec. 31, 2014 | Dec. 31, 2015 | Dec. 31, 2014 |
| Brazilian toll road | **31%** | 31% | **31%** | 31% | **$ 759** | $ 985 |
| South American transmission operation | **28%** | 28% | **28%** | 28% | **651** | 724 |
| North American natural gas transmission operation[1],[2] | **50%** | 27% | **50%** | 27% | **425** | 311 |
| Brazilian rail business[3] | **11%** | 11% | **11%** | 11% | **261** | 320 |
| European telecommunications infrastructure operations[4] | **21%** | — | **21%** | — | **437** | — |
| Other[5],[6],[7],[8] | **11%-50%** | 11%-40% | **11%-50%** | 11%-40% | **440** | 72 |
| Total | | | | | **$2,973** | $2,412 |

The following table represents the change in the balance of investments in associates and joint ventures:

| US$ MILLIONS | 2015 | 2014 |
|---|---|---|
| Balance at beginning of year | **$2,412** | $2,039 |
| Share of earnings for the year[2] | **69** | 50 |
| Foreign currency translation and other | **(593)** | (307) |
| Share of other reserves for the year—OCI | **180** | 123 |
| Distributions | **(87)** | (38) |
| Acquisitions, net of disposals[1],[3],[4],[6],[7],[8],[9] | **681** | 856 |
| Reclassification to asset held for sale[2] | **311** | (311) |
| Balance at end of year | **$2,973** | $2,412 |

(1) *During the fourth quarter of 2015, Brookfield Infrastructure reached agreements with its partners to increase its interest in its North American natural gas transmission operation from 26.5% to 50.0% for a cash payment of $106 million and amendments to the governance terms of this arrangement.*

(2) *Due to the increase in ownership mentioned above, the partnership discontinued its plan to dispose of its interest in its North American natural gas transmission business. The North American natural gas transmission business, which had been reported as an asset held for sale with a carrying value of $311 million since the fourth quarter of 2014, has been reclassified out of assets held for sale in the fourth quarter of 2015 and is now accounted for as a joint venture. See further detail on page F-41. For the year ended December 31, 2014 and 2013 the North American natural gas transmission operation recorded a loss of $8 million and $273 million, respectively. These amounts were previously presented in loss from discontinued operations, net of income tax and were reclassified to share of earnings (losses) from investments in associates and joint ventures in the comparative periods.*

(3) *On August 19, 2014, Brookfield Infrastructure, through a Brookfield sponsored fund, acquired an 11% interest in a Brazilian rail business for $367 million. Brookfield Infrastructure has significant influence through its representation on the board of directors of the business. Accordingly, Brookfield Infrastructure equity accounts for the entity.*

(4) *On March 31, 2015, Brookfield Infrastructure, through a Brookfield sponsored fund, acquired a 21% interest in a European telecommunications infrastructure operations for $415 million. Brookfield Infrastructure has significant influence through its position in the business. Accordingly, Brookfield Infrastructure equity accounts for the entity.*

(5) *Other includes the partnership's European port operation, Texas electricity transmission project, North American west coast container terminal and U.S. gas storage operation.*

(6) *On March 26, 2014, Brookfield Infrastructure, through an arrangement formed between Brookfield and Mitsui O.S.K. Lines Ltd., acquired a 20% interest in a North American west coast container terminal operation. Brookfield Infrastructure has significant influence through its position in the arrangement. Accordingly, Brookfield Infrastructure equity accounts for the entity. The purchase price is payable in a series of three equal payments, one on the date of acquisition as well as one and two years subsequent to this date and consequently an amount payable of $76 million is recorded as a financial liability within the consolidated financial statements of financial position.*

(7) *An acquisition earn out may be payable, as a part of our North American west coast container terminal operation acquisition, to the extent that certain earnings based performance metrics are met, the potential earn out is based on certain 2015 and 2016 EBITDA targets whereby a further $11 million financial liability was recorded on the acquisition date. Subsequent to the acquisition date the earn out has been measured at fair value with resulting changes in fair value recorded on the Consolidated Statement of Operating Results in Other income. Based on an expected value methodology of performance targets the partnership estimates that the earn out will have $nil value as at December 31, 2015 and accordingly the partnership recorded an $11 million fair value change in Other income on the Consolidated Statement of Operating Results for the year ended December 31, 2015.*

(8) *On December 3, 2014, Brookfield Infrastructure, through a Brookfield sponsored fund, acquired a 20% interest in a U.S. gas storage operation. The purchase price is payable in a series of payments, one on the date of acquisition for $27 million as well as payments over the next five years resulting in an amount payable of $12 million recorded as a financial liability within the consolidated financial statements of financial position. Brookfield Infrastructure has significant influence through Brookfield's governance rights in relation to the business. Accordingly, Brookfield Infrastructure equity accounts for the entity.*

(9) *On November 23, 2015, Brookfield Infrastructure entered into a 50% joint venture with CYMI S.A. ("CYMI"), a Brazilian construction company and subsidiary of Grupo ACS, to construct approximately 1,600km of transmission lines and four substations in north-eastern Brazil. Brookfield Infrastructure has significant influence through Brookfield Infrastructure's governance rights in relation to the joint venture. Accordingly, Brookfield Infrastructure equity accounts for the joint venture.*

The following tables presents the gross assets and liabilities of Brookfield Infrastructure's investments in associates and joint ventures:

| | **As at December 31, 2015** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Total** | | | | | | | **Attributable to** | |
| **US$ MILLIONS** | **Current Assets** | **Non-Current Assets** | **Total Assets** | **Current Liabilities** | **Non-Current Liabilities** | **Total Liabilities** | **Total Net Assets** | **Other Ownership Interests** | **Partnership's Share** |
| Brazilian toll road | **$ 230** | **$ 3,745** | **$ 3,975** | **$ 656** | **$ 1,636** | **$ 2,292** | **$ 1,683** | **$ 924** | **$ 759** |
| South American transmission operation | **148** | **5,150** | **5,298** | **333** | **2,814** | **3,147** | **2,151** | **1,500** | **651** |
| North American natural gas transmission operation | **136** | **5,565** | **5,701** | **226** | **4,623** | **4,849** | **852** | **427** | **425** |
| Brazilian rail business | **512** | **3,386** | **3,898** | **164** | **1,324** | **1,488** | **2,410** | **2,149** | **261** |
| European telecommunications infrastructure operation | **416** | **4,790** | **5,206** | **370** | **2,421** | **2,791** | **2,415** | **1,978** | **437** |
| Other | **284** | **3,586** | **3,870** | **212** | **1,738** | **1,950** | **1,920** | **1,480** | **440** |
| Total | **$1,726** | **$26,222** | **$27,948** | **$1,961** | **$14,556** | **$16,517** | **$11,431** | **$8,458** | **$2,973** |

| | As at December 31, 2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total | | | | | | | Attributable to | |
| US$ MILLIONS | Current Assets | Non-Current Assets | Total Assets | Current Liabilities | Non-Current Liabilities | Total Liabilities | Total Net Assets | Other Ownership Interests | Partnership's Share |
| Brazilian toll road | $ 683 | $ 5,867 | $ 6,550 | $ 666 | $1,495 | $2,161 | $ 4,389 | $3,404 | $ 985 |
| South American transmission operation | 244 | 5,513 | 5,757 | 155 | 3,361 | 3,516 | 2,241 | 1,517 | 724 |
| Brazilian rail business | 787 | 3,337 | 4,124 | 240 | 883 | 1,123 | 3,001 | 2,681 | 320 |
| European telecommunications infrastructure operation | — | — | — | — | — | — | — | — | — |
| Other | 330 | 3,374 | 3,704 | 230 | 1,730 | 1,960 | 1,744 | 1,361 | 383 |
| Total | $2,044 | $18,091 | $20,135 | $1,291 | $7,469 | $8,760 | $11,375 | $8,963 | $2,412 |

The following tables present the gross amounts of revenue, net income, other comprehensive income and distributions from Brookfield Infrastructure's investments in associates and joint ventures for the years ended December 31, 2015, 2014, and 2013:

| | Year ended December 31, 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | | | | Attributable to Other Ownership Interests | | Attributable to Partnership | |
| **US$ MILLIONS** | **Revenue** | **Net Income** | **OCI** | **Total** | **Comprehensive Income** | **Distributions** | **Comprehensive Income** | **Distributions** |
| Brazilian toll road | **$ 758** | **$ (12)** | **$(1,118)** | **$(1,130)** | **$(778)** | **$ 7** | **$(352)** | **$ 3** |
| South American transmission operation | **432** | **75** | **(145)** | **(70)** | **(51)** | **139** | **(19)** | **54** |
| North American natural gas transmission operation | **522** | **(29)** | **—** | **(29)** | **(19)** | **1** | **(10)** | **—** |
| Brazilian rail business | **1,074** | **136** | **(668)** | **(532)** | **(474)** | **6** | **(58)** | **1** |
| European telecommunications infrastructure operation | **579** | **62** | **72** | **134** | **104** | **30** | **30** | **8** |
| Other | **947** | **94** | **212** | **306** | **241** | **72** | **65** | **21** |
| Total | **$4,312** | **$326** | **$(1,647)** | **$(1,321)** | **$(977)** | **$255** | **$(344)** | **$87** |

| | Year ended December 31, 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | | | | Attributable to Other Ownership Interests | | Attributable to Partnership | |
| US$ MILLIONS | Revenue | Net Income | OCI | Total | Comprehensive Income | Distributions | Comprehensive Income | Distributions |
| Brazilian toll road | $1,056 | $ 88 | $(431) | $(343) | $(236) | $ — | $(107) | $— |
| South American transmission operation | 434 | 65 | 30 | 95 | 60 | 70 | 35 | 28 |
| Asia Pacific energy distribution | 459 | 58 | (480) | (422) | (376) | — | (46) | — |
| Other | 929 | 26 | 72 | 98 | 106 | 65 | (8) | 10 |
| Total | $2,878 | $ 237 | $(809) | $(572) | $(446) | $135 | $(126) | $38 |

| | Year ended December 31, 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | | | | Attributable to Other Ownership Interests | | Attributable to Partnership | |
| US$ MILLIONS | Revenue | Net Income | OCI | Total | Comprehensive Income | Distributions | Comprehensive Income | Distributions |
| Brazilian toll road | $1,125 | $ (15) | $(193) | $(208) | $(192) | $ — | $ (16) | $— |
| South American transmission operation | 446 | 113 | 264 | 377 | 202 | 175 | 175 | 68 |
| Asia Pacific energy distribution | 308 | 206 | (45) | 161 | 73 | 26 | 88 | 19 |
| Other | 1,459 | (1,032) | 204 | (828) | (524) | 6 | (304) | 3 |
| Total | $3,338 | $ (728) | $ 230 | $(498) | $(441) | $207 | $ (57) | $90 |

As at December 31, 2015 and 2014, none of the associates or joint ventures have quoted prices in an active market.

***Increase in ownership of North American natural gas transmission operation***

During the fourth quarter of 2015, Brookfield Infrastructure discontinued its plan to dispose of its interest in its North American natural gas transmission business. The North American natural gas transmission business, which had been reported as an asset held for sale with a carrying value of $311 million since the fourth quarter of 2014, has been reclassified out of assets held for sale in the fourth quarter of 2015.

In the fourth quarter of 2015, Brookfield Infrastructure reached agreements with its partners to increase its interest in this operation from 26.5% to 50.0% for a cash payment of $106 million and amendments to the governance terms of this arrangement. This transaction resulted in discontinuation of the partnership's plans to sell the asset and it consequently is no longer being classified as held for sale. As a consequence of this transaction, Brookfield Infrastructure attained joint control through a joint venture by virtue of its position in the entity and accordingly continues to equity account for the arrangement. Subsequent to the close of this transaction in December 2015, Brookfield Infrastructure injected a further $18 million into the North American natural gas transmission operation for working capital purposes. This amount was added to the cost of the investment in accordance with the requirements of equity accounting.

On the date that the North American natural gas transmission operation ceased being classified as held for sale, it was measured at the lower of its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held for sale and its recoverable amount. The adjustment to the carrying amount of the North American natural gas transmission operation resulted in a $10 million loss that has been recognized in the Share of earnings from investments in associates and joint ventures line item on the Consolidated Statement of Operating Results for the year ended December 31, 2015.

As the North American natural gas transmission operation ceased to be classified as held for sale, the results of the operation previously presented in discontinued operations since the fourth quarter of 2014 have been reclassified and included in income from continuing operations in the Share of earnings from investments in associates and joint ventures line item on the Consolidated Statement of Operating Results for all periods presented.

The following table reflects the change in the investment in associate balance related to our North American natural gas transmission business for the year ended December 31, 2015:

| US$ MILLIONS | |
|---|---|
| Balance at beginning of year | **$ —** |
| Reclassification from asset held for sale | **311** |
| Additions | **124** |
| Share of losses for the year: | **(10)** |
| Balance at end of year | **$425** |

In conjunction with the aforementioned transaction, Brookfield Infrastructure assessed the recoverable amount of its investment in the North American natural gas transmission operation. The fair value of the investment was compared to its carrying value, including both the component previously classified as held for sale as well as the consideration paid for the additional interest in the operation. It was determined that the recoverable amount of the investment as at December 31, 2015 exceeded the carrying amount of the investment in accordance with the application of equity accounting.

Brookfield Infrastructure measured the fair value of the North American natural gas transmission operation using the discounted cash flow valuation technique. Below is a summary of the significant valuation assumptions utilized in measuring the fair value of the property, plant and equipment of the North American natural gas transmission operation for the years ended December 31, 2015 and 2014 (level 3 within the fair value hierarchy) and in turn the fair value of Brookfield Infrastructure's 50% stake in the operations' net assets. The values assigned to the key assumptions were based on historical data from both observable and internally derived sources that maximize the use of observable inputs where available.

| **Dec. 31, 2015** | | | | Dec. 31, 2014 | | | |
|---|---|---|---|---|---|---|---|
| **Valuation Technique** | **Discount Rate** | **Terminal Value Multiple** | **Terminal Valuation Date** | Valuation Technique | Discount Rate | Terminal Value Multiple | Terminal Valuation Date |
| Discounted cash flow | 10% | 10.6x | 10 yrs | Discounted cash flow | 10% | 10.6x | 10 yrs |

The discount rate represents the current market assessment of the risks specific to the North American natural gas transmission assets, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated into the cash flow estimates. The discount rate calculation is based on the specific circumstances of the underlying assets and is derived using an equity approach. The equity discount rate takes into account an optimized capital structure that a market participant would assume based on comparable entities operating in a comparable industry. Asset and industry-specific risk is incorporated into the valuation by applying individual beta factors. The beta factors are evaluated based on publicly available market data.

Terminal value multiples were derived using publicly available data for comparable companies that a market participant would use in forming a view on fair value. The terminal value as estimated represents the present value of operations at the end of the 10 year forecast period based on an assumed continuous hold from the perspective of a market participant. The current basis spread environment is a primary driver of market sensitive revenue for the North American natural gas transmission operation, meaning unsold capacity or contracts that are up for renewal within any given year, and therefore is a key assumption in the determination of fair value.

Basis spreads are a primary indicator in predicting the negotiated rates at which the contracts will renew. Throughout 2015 basis spreads remained compressed and as a result, market sensitive negotiated rates were adjusted downwards at year end to reflect the current environment. The assumed rates are consistent with the assumption that a market participant would make.

## NOTE 12. PROPERTY, PLANT AND EQUIPMENT

| US$ MILLIONS | Utility Assets | Transport Assets | Energy Assets | Total Assets |
|---|---|---|---|---|
| **Gross Carrying Amount:** | | | | |
| **Balance at January 1, 2014** | $3,646 | $2,985 | $1,233 | $7,864 |
| Additions, net of disposals | 214 | 128 | 61 | 403 |
| Acquisitions (dispositions) through business combinations | — | — | 522 | 522 |
| Fair value adjustment | 321 | — | 43 | 364 |
| Reclassified as held for sale assets | (233) | — | — | (233) |
| Net foreign currency exchange differences | (311) | (295) | (74) | (680) |
| **Balance at December 31, 2014** | $3,637 | $2,818 | $1,785 | $8,240 |
| Additions, net of disposals | 257 | 125 | 80 | 462 |
| Acquisitions (dispositions) through business combinations | 74 | 12 | 17 | 103 |
| Fair value adjustment | 329 | 48 | 153 | 530 |
| Non-cash disposals | — | — | (35) | (35) |
| Reclassified as held for sale assets (note 5) | (290) | — | (277) | (567) |
| Net foreign currency exchange differences | (405) | (316) | (143) | (864) |
| **Balance at December 31, 2015** | $3,602 | $2,687 | $1,580 | $7,869 |
| **Accumulated depreciation:** | | | | |
| **Balance at January 1, 2014** | $ (24) | $ (44) | $ (33) | $ (101) |
| Depreciation expense | (130) | (129) | (58) | (317) |
| Fair value adjustment | 128 | 8 | 47 | 183 |
| Reclassified as held for sale assets | 15 | — | — | 15 |
| Net foreign currency exchange differences | 11 | 49 | 4 | 64 |
| **Balance at December 31, 2014** | $ — | $ (116) | $ (40) | $ (156) |
| Depreciation expense | (127) | (112) | (86) | (325) |
| Fair value adjustment | 63 | 14 | 39 | 116 |
| Reclassified as held for sale assets | 20 | — | 16 | 36 |
| Net foreign currency exchange differences | 41 | 36 | 15 | 92 |
| **Balance at December 31, 2015** | $ (3) | $ (178) | $ (56) | $ (237) |
| **Net book value:** | | | | |
| **December 31, 2015** | $3,599 | $2,509 | $1,524 | $7,632 |
| December 31, 2014 | $3,637 | $2,702 | $1,745 | $8,084 |

The fair value of 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, 2015 and 2014. 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. The partnership has classified all assets below under level 3 of the fair value hierarchy:

| | **Dec. 31, 2015** | | | | Dec. 31, 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| **Segment** | **Valuation Technique** | **Discount Rate** | **Terminal Value Multiple** | **Investment Horizon** | Valuation Technique | Discount Rate | Terminal Value Multiple | Investment Horizon |
| Utilities | Discounted cash flow model | 8% to 12% | 8x to 17x | 10 to 20 yrs | Discounted cash flow model | 8% to 12% | 8x to 16x | 10 to 20 yrs |
| Transport | Discounted cash flow model | 11% to 15% | 10x to 14x | 10 to 20 yrs | Discounted cash flow model | 11% to 15% | 10x to 12x | 10 to 20 yrs |
| Energy | Discounted cash flow model | 10% to 15% | 7x to 12x | 10 yrs | Discounted cash flow model | 10% to 13% | 8x to 12x | 10 yrs |

An increase in the discount rate would lead to a decrease in the fair value of property, plant and equipment. Additionally, an increase in the discount rate could result in a decrease to the terminal value multiple which would further decrease the value of property, plant and equipment. Conversely, an increase to the terminal value multiple would increase the fair value of property, plant and equipment.

At December 31, 2015, Brookfield Infrastructure carried out an assessment of the fair value of its Utility property, plant and equipment, resulting in a gain from revaluation of $392 million (2014: $449 million) which was recognized in revaluation surplus in the Consolidated Statements of Comprehensive Income. The carrying amount of Utility property, plant and equipment that would have been recognized had the assets been carried under the cost model is $2,276 million (2014: $2,706 million).

At December 31, 2015, Brookfield Infrastructure carried out an assessment of the fair value of its Transport property, plant and equipment. A gain from revaluation of $62 million (2014: $8 million) was recognized in revaluation surplus in the Consolidated Statements of Comprehensive Income. The carrying amount of Transport assets that would have been recognized had the assets been carried under the cost model is $1,577 million (2014: $1,832 million).

At December 31, 2015, Brookfield Infrastructure carried out an assessment of the fair value of its Energy property, plant and equipment. A gain from revaluation of $192 million (2014: $90 million) was recognized in revaluation surplus in the Consolidated Statements of Comprehensive Income. The carrying amount of Energy assets that would have been recognized had the assets been carried under the cost model is $1,160 million (2014: $1,538 million).

The fair value of the partnership's property, plant and equipment are determined by management of the partnership using estimated inputs and observable market data when available.

## NOTE 13. INTANGIBLE ASSETS

| US$ MILLIONS | 2015 | 2014 |
|---|---|---|
| Cost | **$3,485** | $3,729 |
| Accumulated amortization | **(189)** | (154) |
| Net intangible assets | **$3,296** | $3,575 |

Intangible assets are allocated to the following cash generating units:

| US$ MILLIONS | Dec. 31, 2015 | Dec. 31, 2014 |
|---|---|---|
| Australian regulated terminal | **$1,840** | $2,048 |
| Chilean toll roads | **1,041** | 1,093 |
| UK port operation | **316** | 334 |
| Other | **99** | 100 |
| Total | **$3,296** | $3,575 |

The intangible assets at Brookfield Infrastructure's Australian regulated terminal operation and Chilean toll roads relate to service concession arrangements.

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 an additional 49 years.

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.

The intangible asset at Brookfield Infrastructure's UK port operation relates to a conservancy right. As a right in perpetuity issued by the Statutory Harbour Authority in the UK, 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, 2015, of Brookfield Infrastructure's indefinite lived intangibles is $316 million (2014: $334 million). The following table presents the change in the cost balance of intangible assets:

| US$ MILLIONS | 2015 | 2014 |
|---|---|---|
| Cost at beginning of the year | **$3,729** | $4,117 |
| Additions | **48** | 36 |
| Acquisitions through business combinations | **137** | — |
| Reclassified as held for sale | **(2)** | (42) |
| Foreign currency translation | **(427)** | (382) |
| Cost at end of year | **$3,485** | $3,729 |

The following table presents the accumulated amortization for Brookfield Infrastructure's intangible assets:

| US$ MILLIONS | 2015 | 2014 |
|---|---|---|
| Accumulated amortization at beginning of year | **$(154)** | $(111) |
| Amortization | **(50)** | (63) |
| Reclassified as held for sale | **—** | 10 |
| Foreign currency translation | **15** | 10 |
| Accumulated amortization at end of year | **$(189)** | $(154) |

## NOTE 14. GOODWILL

| US$ MILLIONS | Dec. 31, 2015 | Dec. 31, 2014 |
|---|---|---|
| Cost | **$84** | $48 |
| Acquisitions through business combinations[1] | **—** | 40 |
| Foreign currency translation | **(5)** | (4) |
| Total | **$79** | $84 |

*(1) See note 4 for additional information.*

## NOTE 15. INVESTMENT PROPERTIES

| US$ MILLIONS | UK port operation |
|---|---|
| **Gross carrying amount:** | |
| **Balance at January 1, 2014** | $164 |
| Additions | 3 |
| Fair value adjustments | 4 |
| Foreign exchange differences | (9) |
| **Balance at December 31, 2014** | **$162** |
| Foreign exchange differences | **(9)** |
| **Balance at December 31, 2015** | **$153** |

For the year ended December 31, 2015, no fair value adjustments were recognized for the UK port operation (2014: $4 million gain).

Investment properties are measured at fair value on a recurring basis and the effective date of revaluation is December 31, 2015 and 2014. The fair value of the partnership's investment properties are determined by management of the 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. The partnership has classified all assets below under level 3 of the fair value hierarchy:

| Segment | Valuation technique | Significant unobservable inputs | Range of inputs |
|---|---|---|---|
| *Transport* | Direct Income Capitalization | Capitalization Rate | 7% to 15% |

An increase in the capitalization rate would lead to a decrease in the fair value of property, plant and equipment, with the opposite impact for a decrease in the capitalization rate.

## NOTE 16. ACCOUNTS PAYABLE AND OTHER

| US$ MILLIONS | Note | 2015 | 2014 |
|---|---|---|---|
| **Current:** | | | |
| Accounts payable[1] | | **$196** | $264 |
| Accrued & other liabilities | | **149** | 149 |
| Deferred revenue | (i) | **114** | 102 |
| Provisions | | **15** | 17 |
| **Total current** | | **$474** | $532 |
| **Non-current:** | | | |
| Deferred revenue | (i) | **$300** | $340 |
| Long-term payables | | **133** | — |
| Pension liability[2] | | **57** | 99 |
| Provisions | | **16** | 15 |
| Other liabilities | | **95** | 115 |
| **Total non-current** | | **$601** | $569 |

(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.

### (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 UK regulated distribution operation. The deferred revenue is recorded on receipt of cash payments and recognized as revenue over the life of the contracted track access or connections arrangement.

## NOTE 17. FINANCIAL LIABILITIES

| US$ MILLIONS | 2015 | 2014 |
|---|---|---|
| **Current:** | | |
| Foreign currency forward contracts | **$ 43** | $ 6 |
| Other financial liabilities | **116** | 43 |
| **Total current financial liabilities** | **$159** | $ 49 |
| **Non-current:** | | |
| Interest rate swaps | **$172** | $143 |
| Inflation swaps | **225** | 294 |
| Other financial liabilities | **26** | 117 |
| **Total non-current financial liabilities** | **$423** | $554 |

## NOTE 18. BORROWINGS

### (a) Corporate Borrowings

Brookfield Infrastructure has a $1.875 billion senior unsecured revolving credit facility used for general working capital including acquisitions. The $1.875 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, 2020. All obligations of Brookfield Infrastructure under the facility are guaranteed by the partnership. Loans under this facility accrue interest at a floating rate based on LIBOR plus 1.20%. Brookfield Infrastructure is required to pay an unused commitment fee under the facility of 18 basis points per annum. As at December 31, 2015, draws on the credit facility were $407 million (2014: $246 million) and $83 million of letters of credit issued (2014: $110 million).

### (b) Non-Recourse Borrowings

The current and non-current balances of non-recourse borrowings are as follows:

| US$ MILLIONS | Dec. 31, 2015 | Dec. 31, 2014 |
|---|---|---|
| Current | **$ 302** | $ 41 |
| Non-current | **5,550** | 6,180 |
| Total | **$5,852** | $6,221 |

Principal repayments on non-recourse borrowings due over the next five years and thereafter are as follows:

| US$ MILLIONS | Utilities | Transport | Energy | Total |
|---|---|---|---|---|
| 2016 | **$ 255** | **$ 33** | **$ 14** | **$ 302** |
| 2017 | **—** | **128** | **74** | **202** |
| 2018 | **78** | **55** | **3** | **136** |
| 2019 | **300** | **62** | **3** | **365** |
| 2020 | **1,059** | **775** | **3** | **1,837** |
| Thereafter | **1,310** | **1,294** | **454** | **3,058** |
| Total Principal repayments | **3,002** | **2,347** | **551** | **5,900** |
| Deferred financing costs | **(47)** | **6** | **(7)** | **(48)** |
| **Total—Dec. 31, 2015** | **$2,955** | **$2,353** | **$544** | **$5,852** |
| Total—Dec. 31, 2014 | $3,065 | $2,495 | $661 | $6,221 |

The weighted average interest rate of non-recourse borrowings are as follows:

| US$ MILLIONS | Utilities | Transport | Energy | Corporate & Other | Total |
|---|---|---|---|---|---|
| **Dec. 31, 2015** | **5%** | **6%** | **5%** | **3%** | **5%** |
| Dec. 31, 2014 | 6% | 5% | 4% | 3% | 5% |

Principal repayments on non-recourse borrowings in their local currency are as follows:

| US$ MILLIONS, except as noted | Dec. 31, 2015 | Local Currency | | Dec. 31, 2014 | Local Currency | |
|---|---|---|---|---|---|---|
| Australian dollars | **$2,823** | **AUD** | **3,874** | $2,859 | AUD | 3,499 |
| British pounds | **1,544** | **GBP** | **1,047** | 1,540 | GBP | 988 |
| U.S. dollars | **292** | **USD** | **292** | 285 | USD | 285 |
| Chilean Unidad de Fomento[1] | **846** | **UF** | **23** | 884 | UF | 22 |
| Canadian dollars | **221** | **CAD** | **306** | 395 | CAD | 459 |
| Colombian Peso | **126** | **COP** | **400,155** | 168 | COP | 400,155 |
| Brazilian reais | **—** | **BRL** | **—** | 90 | BRL | 239 |

(1) *Chilean Unidad de Fomento is an inflation adjusted unit of account indexed to the Chilean Peso.*

Subsequent to year end, Brookfield Infrastructure entered into a $500 million credit facility with Brookfield to be used for general corporate purposes and capital expenditures, if required. The facility is available on a revolving basis for the full term of the facility. All amounts outstanding under this facility will be repayable on February 11, 2017. All obligations of Brookfield Infrastructure under the facility are guaranteed by the partnership. Loans under this facility accrue interest at a floating rate based on LIBOR plus 2.00%.

## NOTE 19. SUBSIDIARY PUBLIC ISSUERS

Wholly-owned subsidiaries of the partnership, Brookfield Infrastructure Finance ULC, Brookfield Infrastructure Finance LLC, Brookfield Infrastructure Finance Pty Ltd and Brookfield Infrastructure Finance Limited (collectively, the "Debt Issuers") and Brookfield Infrastructure Preferred Equity Inc. (collectively with the Debt Issuers, the "Issuers"), have filed a base shelf prospectus qualifying the distribution of debt securities and Class A preference shares in Canada. The Issuers may offer and sell these instruments in one or more issuances in the aggregate, of up to C$2 billion (or the equivalent in other currencies).

On October 30, 2015, the Debt Issuers issued C$500 million of medium-term notes in the Canadian bond market in two tranches: C$125 million of three year notes maturing October 30, 2018 with a coupon of 3.0%; and C$375 million of five year notes maturing October 30, 2020 with a coupon of 3.5%. The three-year and five-year bonds were swapped into U.S. dollars on a matched maturity basis at an all-in rate of 3.8%.

On March 11, 2015, the Debt Issuers issued C$450 million of medium-term notes maturing March 11, 2022 in the Canadian bond market with a coupon of 3.5%, which was swapped into U.S. dollars on a matched maturity basis at an all-in rate of 3.9%.

On October 10, 2012, the Debt issuers issued C$400 million of medium-term notes maturing October 10, 2017 in the Canadian bond market with a coupon of 3.5%, which was swapped into U.S. dollars on a matched maturity basis at an all-in rate of 2.7%.

These notes are unconditionally guaranteed by the partnership and its subsidiaries the Holding LP, Brookfield Infrastructure Holdings (Canada) Inc., Brookfield Infrastructure US Holdings I Corporation and BIP Bermuda Holdings I Limited and, in the case of the notes issued in October 2012, Brookfield Infrastructure LLC.

The following tables set forth consolidated summary financial information for the partnership and the Issuers:

| For the year ended December 31, 2015 (US$ MILLIONS) | The partnership[2] | The Issuers | Subsidiaries of the partnership other than the Issuers[3] | Consolidating adjustments[4] | The partnership consolidated |
|---|---|---|---|---|---|
| Revenues | **$ —** | **$ —** | **$ —** | **$1,855** | **$ 1,855** |
| Net income (loss) attributable to partnership[1] | **166** | **—** | **298** | **(166)** | **298** |
| **For the year ended December 31, 2014** | | | | | |
| Revenues | $ — | $ — | $ — | $1,924 | $ 1,924 |
| Net income (loss) attributable to partnership[1] | 101 | — | 184 | (101) | 184 |
| **For the year ended December 31, 2013** | | | | | |
| Revenues | $ — | $ — | $ — | $1,826 | $ 1,826 |
| Profit (loss) from continuing operations attributable to partnership[1] | (64) | — | (60) | 64 | (60) |
| Net income (loss) attributable to partnership[1] | (63) | — | (58) | 63 | (58) |
| **As at December 31, 2015** | | | | | |
| Current assets | **$ —** | **$ 3** | **$ —** | **$1,550** | **$ 1,553** |
| Non-current assets | **3,979** | **293** | **6,052** | **5,858** | **16,182** |
| Current liabilities | **—** | **5** | **—** | **1,205** | **1,210** |
| Non-current liabilities | **—** | **979** | **—** | **8,370** | **9,349** |
| Non-controlling interests—Redeemable Partnership Units held by Brookfield | **—** | **—** | **—** | **1,518** | **1,518** |
| Non-controlling interests—in operating subsidiaries | **—** | **—** | **—** | **1,608** | **1,608** |
| Preferred unitholders | **—** | **—** | **—** | **189** | **189** |
| **As at December 31, 2014** | | | | | |
| Current assets | $ — | $ 3 | $ — | $1,557 | $ 1,560 |
| Non-current assets | 3,493 | 351 | 4,658 | 6,433 | 14,935 |
| Current liabilities | — | 5 | — | 816 | 821 |
| Non-current liabilities | — | 350 | — | 9,002 | 9,352 |
| Non-controlling interests—Redeemable Partnership Units held by Brookfield | — | — | — | 1,321 | 1,321 |
| Non-controlling interests—in operating subsidiaries | — | — | — | 1,444 | 1,444 |

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

*(2) Includes investments in all subsidiaries of the 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, BIP Bermuda Holdings I Limited and Brookfield Infrastructure LLC under the equity method except for Brookfield Infrastructure US Holdings I Corporation's investment in Brookfield Infrastructure LLC, which is presented on a combined basis as Brookfield Infrastructure LLC is a guarantor of the medium term notes issued in October 2012. As at and for the year ended December 31, 2015, the presentation of Brookfield Infrastructure US Holdings I Corporation's investment in Brookfield Infrastructure LLC on a combined basis was equivalent to its presentation under the equity method.*

*(4) Includes elimination of intercompany transactions and balances necessary to present the partnership on a consolidated basis.*

## NOTE 20. PREFERRED SHARES

As at December 31, 2015, 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 (2014: $5 million, $5 million and $10 million, respectively). Each preferred share is non-voting preferred 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, 2015, there are no dividends in arrears.

## NOTE 21. REVENUES

Brookfield Infrastructure's revenue arises from the rendering of services by the following operating segments:

| US$ MILLIONS | **2015** | 2014 | 2013 |
|---|---|---|---|
| **Utilities** | | | |
| Regulated Terminal Operation | **$ 330** | $ 384 | $ 454 |
| Electricity Transmission | **43** | 62 | 62 |
| Regulated Distribution | **491** | 505 | 402 |
| **Transport** | | | |
| Rail | **316** | 370 | 371 |
| Ports | **220** | 226 | 205 |
| Toll Roads | **113** | 105 | 108 |
| **Energy** | | | |
| Transmission, Distribution & Storage | **105** | 100 | 110 |
| District Energy | **237** | 172 | 114 |
| | **$1,855** | $1,924 | $1,826 |

## NOTE 22. INTEREST EXPENSE

| US$ MILLIONS | **2015** | 2014 | 2013 |
|---|---|---|---|
| Interest on corporate facility | **$ 5** | $ 3 | $ 2 |
| Interest on corporate debt | **22** | 11 | 11 |
| Interest on non-recourse borrowings | **334** | 343 | 344 |
| Other financing fees | **6** | 5 | 5 |
| | **$367** | $362 | $362 |

## NOTE 23. PAYROLL EXPENSE

The partnership has no key employees or directors; therefore Brookfield Infrastructure does not remunerate key management personnel, details of the management fees paid during the year are disclosed in Note 32. 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.

Throughout the year, the General Partner in its capacity as the partnership's general partner, incurs director fees, a portion of which are charged to the partnership in accordance with the limited partnership agreement. Less than $1 million in director fees were incurred during the year ended December 31, 2015 (2014: less than $1 million, 2013: less than $1 million).

For the year ended December 31, 2015, payroll expense, including benefits at Brookfield Infrastructure's subsidiaries was $212 million (2014: $203 million; 2013: $208 million).

## NOTE 24. NON-WHOLLY OWNED SUBSIDIARIES

The following tables present summarized accounts for non-wholly owned subsidiaries on the Consolidated Statement of Financial Position:

| | As of December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| **US$ MILLIONS** | **Current Assets** | **Non-Current Assets** | **Current Liabilities** | **Non-Current Liabilities** | **Non-Controlling Interest in Operating Subsidiaries** | **Partnership Capital[(1)]** |
| *Utilities* | | | | | | |
| UK regulated distribution operation | $ 96 | $ 3,075 | $ 218 | $1,871 | $ 210 | $ 872 |
| Australian regulated terminal operation | 37 | 2,192 | 261 | 1,635 | 90 | 243 |
| Colombian regulated distribution operation | 46 | 629 | 20 | 341 | 256 | 58 |
| *Transport* | | | | | | |
| UK port operation | 68 | 852 | 57 | 441 | 175 | 247 |
| Chilean toll roads | 126 | 1,052 | 30 | 901 | 120 | 127 |
| Brazilian toll road | 6 | 299 | — | — | 144 | 161 |
| *Energy* | | | | | | |
| North American gas storage operation | 1 | 114 | 1 | 42 | 60 | 12 |
| North American west coast gas storage operation | 10 | 102 | 7 | 6 | 60 | 39 |
| Canadian district energy operation | 16 | 522 | 11 | 275 | 188 | 64 |
| U.S. district energy operation | 27 | 636 | 22 | 533 | 57 | 51 |
| *Corporate & Other* | | | | | | |
| Holding LP | 470 | 1,522 | 425 | 1,470 | 248 | (151) |
| Total | $903 | $10,995 | $1,052 | $7,515 | $1,608 | $1,723 |

*(1) Attributable to non-controlling interest—Redeemable Partnership Units held by Brookfield, general partner and limited partners.*

| | As of December 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| US$ MILLIONS | Current Assets | Non-Current Assets | Current Liabilities | Non-Current Liabilities | Non-Controlling Interest in Operating Subsidiaries | Partnership Capital[1] |
| *Utilities* | | | | | | |
| UK regulated distribution operation | $ 61 | $2,914 | $200 | $1,873 | $ 177 | $ 725 |
| Australian regulated terminal operation | 64 | 2,336 | 23 | 2,004 | 106 | 267 |
| New England electricity transmission operation (note 5) | 256 | — | 199 | — | 43 | 14 |
| Colombian regulated distribution operation | 55 | 724 | 16 | 414 | 286 | 63 |
| *Transport* | | | | | | |
| UK port operation | 54 | 792 | 62 | 462 | 132 | 190 |
| Chilean toll roads | 107 | 1,107 | 38 | 947 | 111 | 118 |
| Brazilian toll road | 9 | 266 | 3 | 88 | 184 | — |
| *Energy* | | | | | | |
| North American gas storage operation | 1 | 120 | 3 | 52 | 55 | 11 |
| North American west coast gas storage operation | 9 | 129 | 9 | 26 | 63 | 40 |
| Canadian district energy operation | 43 | 555 | 16 | 314 | 200 | 68 |
| U.S. district energy operation | 23 | 647 | 17 | 535 | 70 | 48 |
| *Corporate & Other* | | | | | | |
| Holding LP | 483 | 132 | 247 | 381 | 17 | (30) |
| Total | $1,165 | $9,722 | $833 | $7,096 | $1,444 | $1,514 |

*(1) Attributable to non-controlling interest—Redeemable Partnership Units held by Brookfield, general partner and limited partners.*

The following tables present summarized accounts for non-wholly owned subsidiaries on the Consolidated Statement of Operating Results:

| | Year ended December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | | Attributable to non-controlling interest | | | Attributable to unitholders | |
| US$ MILLIONS | Revenue | Net Income (loss) | Other Comprehensive Income (loss) | Distributions | Net Income (loss) | Other Comprehensive Income (loss) |
| *Utilities* | | | | | | |
| UK regulated distribution operation | $ 339 | $21 | $ 25 | $14 | $122 | $101 |
| Australian regulated terminal operation | 330 | 15 | (4) | 28 | 68 | (9) |
| Colombian regulated distribution operation | 152 | 13 | (26) | 17 | 16 | (9) |
| *Transport* | | | | | | |
| UK port operation | 220 | 7 | 13 | — | 22 | 18 |
| Chilean toll roads | 113 | (7) | (20) | — | (15) | (21) |
| *Energy* | | | | | | |
| North American gas storage operation | 7 | (1) | 5 | — | (1) | 1 |
| North American west coast gas storage operation | 13 | (7) | — | — | (11) | — |
| Canadian district energy operation | 80 | — | 6 | 21 | — | 2 |
| U.S. district energy operation | 114 | (6) | 8 | 11 | (3) | 5 |
| *Corporate & Other* | | | | | | |
| Holding LP | 21 | 55 | (90) | — | 5 | (32) |
| Total | $1,389 | $90 | $(83) | $91 | $203 | $ 56 |

| | Year ended December 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | | Attributable to non-controlling interest | | | Attributable to unitholders | |
| US$ MILLIONS | Revenue | Net Income | Other Comprehensive Income (loss) | Distributions | Net Income (loss) | Other Comprehensive Income (loss) |
| *Utilities* | | | | | | |
| UK regulated distribution operation | $ 310 | $ 15 | $ 29 | $ 36 | $ 74 | $114 |
| Australian regulated terminal operation | 385 | 23 | 3 | 31 | 80 | 6 |
| New England electricity transmission operation | 25 | (1) | 15 | 3 | (1) | 4 |
| Colombian regulated distribution operation | 194 | 36 | 17 | 68 | 44 | 3 |
| *Transport* | | | | | | |
| UK port operation | 226 | 8 | (21) | 2 | 20 | (32) |
| Chilean toll roads | 105 | (17) | (39) | 128 | (35) | (41) |
| *Energy* | | | | | | |
| North American gas storage operation | 7 | (9) | 5 | 4 | (11) | 1 |
| North American west coast gas storage operation | — | — | — | — | — | — |
| Canadian district energy operation | 82 | — | 10 | 27 | (1) | 3 |
| U.S. district energy operation | 48 | (9) | 9 | 68 | (11) | 6 |
| *Corporate & Other* | | | | | | |
| Holding LP | 8 | (1) | (43) | — | (58) | 22 |
| Total | $1,390 | $ 45 | $(15) | $367 | $101 | $ 86 |

| | Year ended December 31, 2013 | | | | | |
|---|---|---|---|---|---|---|
| | | Attributable to non-controlling interest | | | Attributable to unitholders | |
| US$ MILLIONS | Revenue | Net Income (loss) | Other Comprehensive Income (loss) | Distributions | Net Income (loss) | Other Comprehensive Income (loss) |
| *Utilities* | | | | | | |
| UK regulated distribution operation | $ 266 | $ 21 | $ 43 | $ 11 | $ 61 | $128 |
| Australian regulated terminal operation | 402 | 20 | (26) | 29 | 50 | (64) |
| New England electricity transmission operation | 23 | 3 | 10 | 3 | 1 | 4 |
| Colombian regulated distribution operation | 189 | 3 | 16 | 50 | 1 | 3 |
| *Transport* | | | | | | |
| UK port operation | 205 | 12 | 14 | 3 | 17 | 20 |
| Chilean toll roads | 108 | 5 | (30) | — | 6 | (30) |
| *Energy* | | | | | | |
| North American gas storage operation | 16 | 13 | (3) | 15 | 3 | (1) |
| Canadian district energy operation | 76 | 3 | 7 | 10 | — | (2) |
| U.S. district energy operation | 2 | — | (1) | — | — | — |
| *Timber* | | | | | | |
| U.S. freehold timberlands | 278 | 40 | 10 | 29 | 51 | 4 |
| Canadian freehold timberlands | 27 | 3 | (2) | 6 | 5 | (3) |
| *Corporate & Other* | | | | | | |
| Holding LP | — | — | — | — | (139) | (38) |
| Total | $1,592 | $123 | $ 38 | $156 | $ 56 | $ 21 |

The following tables present summarized accounts for non-wholly owned subsidiaries on the Consolidated Statement of Cash Flows:

| | **Cash Flow Activities** | | | | | |
|---|---|---|---|---|---|---|
| | **Year ended December 31, 2015** | | | Year ended December 31, 2014 | | |
| **US$ MILLIONS** | **Operating** | **Investing** | **Financing** | Operating | Investing | Financing |
| *Utilities* | | | | | | |
| UK regulated distribution operation | **$164** | **$ (242)** | **$ 92** | $ 194 | $(202) | $ (7) |
| Australian regulated terminal operation | **103** | **(37)** | **(67)** | 114 | (27) | (99) |
| New England electricity transmission operation | **2** | **—** | **(2)** | 10 | — | (10) |
| Colombian regulated distribution operation | **16** | **(6)** | **(7)** | 39 | (1) | (75) |
| *Transport* | | | | | | |
| UK port operation | **19** | **(66)** | **61** | 50 | (47) | (12) |
| Chilean toll roads | **70** | **—** | **(38)** | 63 | (8) | (16) |
| *Energy* | | | | | | |
| North American gas storage operation | **(1)** | **—** | **—** | (1) | 1 | (1) |
| North American west coast gas storage operation | **(2)** | **(1)** | **1** | 6 | — | — |
| Canadian district energy operation | **22** | **(16)** | **(23)** | 32 | (23) | (40) |
| U.S. district energy operation | **21** | **(13)** | **(7)** | 47 | (30) | (16) |
| *Corporate & Other* | | | | | | |
| Holding LP | **92** | **(650)** | **554** | (137) | (569) | 458 |
| Total | **$506** | **$(1,031)** | **$564** | $ 417 | $(906) | $182 |

| | Cash Flow Activities | | |
|---|---|---|---|
| | Year ended December 31, 2013 | | |
| **US$ MILLIONS** | Operating | Investing | Financing |
| *Utilities* | | | |
| UK regulated distribution operation | $159 | $(155) | $ (8) |
| Australian regulated terminal operation | 110 | (36) | (103) |
| New England electricity transmission operation | 8 | — | (8) |
| Colombian regulated distribution operation | 33 | (10) | (18) |
| *Transport* | | | |
| UK port operation | 30 | (15) | (17) |
| Chilean toll roads | 29 | 5 | (26) |
| *Energy* | | | |
| North American gas storage operation | 6 | 18 | (19) |
| North American west coast gas storage operation | — | — | — |
| Canadian district energy operation | 31 | (25) | 70 |
| U.S. district energy operation | 3 | — | — |
| *Timber* | | | |
| U.S. freehold timberlands | 41 | (25) | (41) |
| Canadian freehold timberlands | 17 | (15) | (8) |
| *Corporate & Other* | | | |
| Holding LP | (1) | 242 | 28 |
| Total | $466 | $ (16) | $(150) |

## NOTE 25. INCOME TAXES

The partnership is a flow through entity for tax purposes and as such is not subject to Bermudian taxation. However, income taxes are recognized for the amount of taxes payable by the partnership's corporate subsidiaries and for the impact of deferred income tax assets and liabilities related to such subsidiaries.

### (a) Deferred Income Tax Balances

The sources of deferred income tax balances are as follows:

| US$ MILLIONS | As of December 31 2015 | 2014 |
|---|---|---|
| **Deferred income tax assets** | | |
| Tax losses carried forward | **$ 239** | $ 232 |
| Financial instruments and other | **126** | 200 |
| | **$ 365** | $ 432 |
| **Deferred income tax liabilities** | | |
| Property, plant and equipment and investment properties | **$(1,145)** | $(1,200) |
| Intangible assets | **(523)** | (574) |
| | **$(1,668)** | $(1,774) |
| **Net deferred income tax liabilities** | **$(1,303)** | $(1,342) |
| Reflected in the statement of financial position as follows: | | |
| Deferred income tax assets | **$ 72** | $ 99 |
| Deferred income tax liabilities | **(1,375)** | (1,441) |
| **Net deferred income tax liabilities** | **$(1,303)** | $(1,342) |

The sources of deferred income tax balances and movements are as follows:

| **US$ MILLIONS** | **Jan. 1, 2015** | **Recognized in** Net Income | **Recognized in** Other Comprehensive Income | **Recognized in** Other[1] | **Acquisitions/ Dispositions** | **Dec. 31, 2015** |
|---|---|---|---|---|---|---|
| Deferred income tax assets related to non-capital losses and capital losses | **$ 232** | **$22** | **$ —** | **$ (29)** | **$14** | **$ 239** |
| Deferred income tax liabilities related to differences in tax and book basis, net | **(1,574)** | **4** | **(141)** | **172** | **(3)** | **(1,542)** |
| Net deferred income tax liabilities | **$(1,342)** | **$26** | **$(141)** | **$143** | **$11** | **$(1,303)** |

| US$ MILLIONS | Jan. 1, 2014 | Recognized in Net Income | Recognized in Other Comprehensive Income | Recognized in Other[1] | Acquisitions/ Dispositions | Dec. 31, 2014 |
|---|---|---|---|---|---|---|
| Deferred income tax assets related to non-capital losses and capital losses | $ 213 | $ 50 | $ — | $ (22) | $ (9) | $ 232 |
| Deferred income tax liabilities related to differences in tax and book basis, net | (1,384) | (99) | (140) | 133 | (84) | (1,574) |
| Net deferred income tax liabilities | $(1,171) | $(49) | $(140) | $111 | $(93) | $(1,342) |

*(1) Other items relates to foreign exchange as deferred income taxes are calculated based on the functional currency of each operating entity.*

In 2015, net deferred taxes of $19 million with respect to the European energy distribution operation, a business that is classified as held for sale in the financial statements has been included in the $14 million net deferred income tax liability under acquisitions / dispositions in the source of deferred income tax balances and movements noted above.

In 2014, net deferred taxes of $43 million with respect to the New England electricity transmission operations, a business that is classified as held for sale in the financial statements has been included in the $93 million net deferred income tax liability under acquisitions / dispositions in the source of deferred income tax balances and movements noted above.

The amount of non-capital and capital losses and deductible temporary differences for which no deferred income tax assets have been recognized is approximately $615 million (2014: $683 million). Of the $615 million (2014: $683 million) deductible temporary differences not recognized, $371 million (2014: $416 million) relates to capital losses which carry forward indefinitely and have no expiry dates. The remaining $244 million (2014: $267 million) relates to non-capital losses, of which $nil (2014: $59 million) expire between 2024 to 2030 and $244 million (2014: $208 million) that carry forward indefinitely and have no expiry dates.

### (b) Income Tax Recognized in Profit or Loss

The major components of income tax expense include the following:

| US$ MILLIONS | For the year ended December 31, | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| **Tax (benefit) expense comprises:** | | | |
| Current income tax expense | **$ 22** | $ 30 | $ 3 |
| Deferred income tax (benefit) expense | | | |
| Origination and reversal of temporary differences | **4** | 17 | 49 |
| Changes in tax rates or the imposition of new taxes | **(28)** | 22 | (39) |
| Previously unrecognized deferred taxes | **(2)** | 10 | (11) |
| **Total income tax (benefit) expense** | **$ (4)** | $ 79 | $ 2 |
| **Net income before income tax expense reconciles income to tax expense (recovery) as follows:** | | | |
| Net income before income tax | **$388** | $316 | $295 |
| Income tax expense calculated at the domestic rates applicable to profits in the country concerned | **74** | 78 | 85 |
| Change in substantively enacted tax rates | **(28)** | 23 | (39) |
| Earnings from investments in associates and joint ventures | **(16)** | (11) | (36) |
| Non-taxable portion of loss | **2** | (1) | — |
| Income not assessable | **(25)** | (5) | (5) |
| International operations subject to different tax rates | **(8)** | (8) | (8) |
| Permanent differences and other | **(3)** | 3 | 5 |
| Income tax (benefit) expense recognized in profit or loss | **$ (4)** | $ 79 | $ 2 |

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 $2,140 million (2014: $1,908 million) of temporary differences associated with investments in subsidiaries, associates and joint ventures for which no deferred income taxes have been provided.

### (c) Income Tax Recognized Directly in Other Comprehensive Income

| US$ MILLIONS | **2015** | 2014 | 2013 |
|---|---|---|---|
| **Deferred income tax arising on income and expenses recognized in other comprehensive income:** | | | |
| Revaluation of property, plant and equipment | **$(130)** | $(143) | $(185) |
| Cash flow hedges | **(15)** | — | 7 |
| Other | **4** | 3 | — |
| **Total income tax expense recognized directly in other comprehensive income** | **$(141)** | $(140) | $(178) |

## NOTE 26. PARTNERSHIP CAPITAL

As at December 31, 2015, 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 Brookfield Infrastructure. The Holding LP's capital structure is composed of four classes of partnership units: special limited partner units, preferred limited partnership units, managing general partner units and Redeemable Partnership Units held by Brookfield.

In its capacity as the holder of the special limited partner units of the Holding LP, the special limited partner is entitled to incentive distribution rights which are based on the amount by which quarterly distributions on partnership units exceed specified target levels. To the extent distributions on partnership units exceed $0.305 per quarter, the incentive distribution rights are entitled to 15% of incremental distributions above this threshold. To the extent that distributions on partnership units exceed $0.33 per unit, the incentive distribution rights are entitled to 25% of incremental distributions above this threshold. During the year, the partnership paid incentive distributions of $64 million (2014: $44 million, 2013: $31 million).

The Holding LP has issued 66.8 million Redeemable Partnership Units to Brookfield, which may, at the request of the holder, require the Holding LP to redeem the Redeemable Partnership Units at the market price of the partnership. This right is subject to the 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 the partnership's units subject to certain customary adjustments. Both the units issued by the 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 partnership. The partnership reflects the Redeemable Partnership Units issued to Brookfield by the Holding LP as non-controlling interest—Redeemable Partnership Units held by Brookfield.

### (a) Special and Limited Partnership Capital

| | Special Limited Partner Units | | | Limited partnership units | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| UNITS MILLIONS | **2015** | 2014 | 2013 | **2015** | 2014 | 2013 | **2015** | 2014 | 2013 |
| **Authorized to issue** | | | | | | | | | |
| On issue at January 1 | **1.1** | 1.1 | 1.1 | **150.3** | 150.2 | 143.6 | **151.4** | 151.3 | 144.7 |
| Issued for cash | **—** | — | — | **11.8** | 0.1 | 6.6 | **11.8** | 0.1 | 6.6 |
| On issue at December 31 | **1.1** | 1.1 | 1.1 | **162.1** | 150.3 | 150.2 | **163.2** | 151.4 | 151.3 |

| | General partner | | | Limited partners' | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| US$ MILLIONS | **2015** | 2014 | 2013 | **2015** | 2014 | 2013 | **2015** | 2014 | 2013 |
| **Opening balance** | **$19** | $19 | $19 | **$3,201** | $3,199 | $2,955 | **$3,220** | $3,218 | $2,974 |
| Share issuance | **—** | — | — | **582** | 2 | 244 | **582** | 2 | 244 |
| Purchased and cancelled | **—** | — | — | **(67)** | — | — | **(67)** | — | — |
| **Ending balance** | **$19** | $19 | $19 | **$3,716** | $3,201 | $3,199 | **$3,735** | $3,220 | $3,218 |

In April 2015, Brookfield Infrastructure issued 13.4 million units at $45 per unit under shelf registrations in the U.S. and Canada. In total, $600 million of gross proceeds were raised through the issuance and $24 million in equity issuance costs were incurred. Concurrently, Brookfield Infrastructure issued 8.1 million Redeemable Partnership Units to Brookfield for proceeds of $350 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 decrease from 72% to 71% in the 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 $39 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.

During the year ended December 31, 2015, Brookfield Infrastructure repurchased and cancelled 1.6 million units for $67 million and incurred less than $1 million in commission costs. As Brookfield's Redeemable Partnership Units were not repurchased concurrently, this resulted in a decrease of 71% to 70% in the 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 carrying value of the Redeemable Partnership Units resulted in a gain of $10 million that was recognized directly in equity.

In May 2013, Brookfield Infrastructure issued 6.6 million limited partnership units at $37.75 under our shelf registrations in the U.S. and Canada. In total, $247 million of gross proceeds were raised through the issuance and $10 million in equity issuance costs were incurred.

In June 2010, we implemented a distribution reinvestment plan (the "Plan") that allows eligible holders of the 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 New York Stock Exchange for the five trading days immediately preceding the relevant distribution date. During the year, our partnership issued less than 1 million units for proceeds of $6 million (2014: less than 1 million units for proceeds of $2 million, 2013: less than 1 million units for proceeds of $7 million) under the Plan.

The weighted average number of special limited partner units outstanding for the year ended December 31, 2015 was 1.1 million (2014: 1.1 million; 2013: 1.1 million). The weighted average number of units outstanding for the year ended December 31, 2015 was 159.3 million (2014: 150.3 million; 2013: 147.8 million).

**(b) Non-controlling interest—Redeemable Partnership Units held by Brookfield**

| | Non-controlling interest—Redeemable Partnership Units held by Brookfield | | |
|---|---|---|---|
| UNITS MILLIONS | **2015** | 2014 | 2013 |
| **Authorized to issue** | | | |
| On issue at January 1 | **58.7** | 58.7 | 56.1 |
| Issued for cash | **8.1** | — | 2.6 |
| On issue at December 31 | **66.8** | 58.7 | 58.7 |

| | Non-controlling interest—Redeemable Partnership Units held by Brookfield | | |
|---|---|---|---|
| US$ MILLIONS | **2015** | 2014 | 2013 |
| **Opening balance** | **$1,178** | $1,178 | $1,084 |
| Share issuance | **350** | — | 94 |
| **Ending balance** | **$1,528** | $1,178 | $1,178 |

In April 2015, Brookfield Infrastructure issued 8.1 million Redeemable Partnership Units to Brookfield for proceeds of $350 million.

In May 2013, Brookfield Infrastructure issued 2.6 million Redeemable Partnership Units to Brookfield for proceeds of $94 million.

The weighted average number of Redeemable Partnership Units outstanding for the year ended December 31, 2015 was 64.6 million (2014: 58.7 million; 2013: 57.8 million).

**c) Preferred Unitholders' Capital**

| UNTIS MILLIONS | Preferred Units | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| **Authorized to issue** | | | |
| On issue at January 1 | — | — | — |
| Issued for cash | **10.0** | — | — |
| On issue at December 31 | **10.0** | — | — |

| US$ MILLIONS | Preferred Units | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| **Opening balance** | **$ —** | $ — | $ — |
| Share issuance | **189** | — | — |
| **Ending balance** | **$189** | $ — | $ — |

On March 12, 2015, our partnership amended its limited partnership agreement 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 preferred units, authorize and create the cumulative class A preferred units ("Holding LP Class A Preferred Units"), cumulative class A preferred units, Series 1 ("Holding LP Series 1 Preferred Units") and cumulative class A preferred units, Series 2 ("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. On March 12, 2015, our partnership issued five million Series 1 Preferred Units at an offering price of C$25.00 per unit under its shelf registration in Canada. Our Partnership acquired five 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. 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%. The Series 1 Preferred Units are redeemable at the partnership's option 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 5 years thereafter. Holders of Series 2 Preferred Units and Holding LP 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%.

On December 8, 2015 our partnership amended its limited partnership agreement to authorize and create two additional series of Class A Preferred Units, being the Series 3 Preferred Units and the Series 4 Preferred Units, and to make certain consequential changes resulting from such authorization and creation. On December 8, 2015, the limited partnership agreement of the Holding LP was also amended to authorize and create cumulative class A preferred units, Series 3 (the "Holding LP Series 3 Preferred Units") and the cumulative class A preferred units, Series 4 (the "Holding LP Series 4 Preferred Units") with terms substantially mirroring the Series 3 Preferred Units and Series 4 Preferred Units, respectively. On December 8, 2015, our partnership issued five million Series 3 Preferred Units at an offering price of C$25.00 per unit under its shelf registration in Canada. Our Partnership acquired five 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. 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%. The Series 3 Preferred Units are redeemable on December 31, 2020 and on December 31 every five years thereafter for C$25.00 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 5 years thereafter. Holders of Series 4 Preferred Units and Holding LP 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%.

On August 5, 2015 the Toronto Stock Exchange ("TSX") accepted a notice filed by Brookfield Infrastructure to commence a normal course issuer bid for its Series 1 Preferred Units. Under the normal course issuer bid, Brookfield Infrastructure is authorized to repurchase up to 0.5 million Series 1 Preferred Units, representing 10% of the total public float of Series 1 Preferred Units. Repurchases were authorized to commence on August 7, 2015 and will terminate on August 6, 2016, or earlier should Brookfield Infrastructure complete its repurchases prior to such date. All purchases will be made through the facilities of the TSX and all Series 1 Preferred Units acquired under the normal course issuer bid will be cancelled.

## 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 | Available for sale | Unrealized Actuarial Losses | Equity accounted investments | Accumulated Other Comprehensive Income |
|---|---|---|---|---|---|---|---|---|
| Balance at December 31, 2013 | $ 652 | $ (94) | $(65) | $ (63) | 10 | $ (6) | $254 | $688 |
| Other comprehensive income (loss) | 160 | (334) | 101 | (33) | 4 | (19) | 88 | (33) |
| **Balance at December 31, 2014** | **$ 812** | **$(428)** | **$ 36** | **$ (96)** | **$ 14** | **$(25)** | **$342** | **$655** |
| **Other comprehensive income (loss)** | **250** | **(472)** | **64** | **(45)** | **(23)** | **13** | **127** | **(86)** |
| **Other items (note 26)** | **(20)** | **11** | **(1)** | **1** | **—** | **(1)** | **(4)** | **(14)** |
| **Balance at December 31, 2015** | **$1,042** | **$(889)** | **$ 99** | **$(140)** | **$ (9)** | **$(13)** | **$465** | **$555** |

### (b) Attributable to General Partner

| US$ MILLIONS | Revaluation Surplus | Foreign Currency Translation | Net Investment Hedges | Cash Flow Hedges | Available for sale | Unrealized Actuarial Losses | Equity accounted investments | Accumulated Other Comprehensive Income |
|---|---|---|---|---|---|---|---|---|
| Balance at December 31, 2013 | $5 | $— | $ — | $(1) | $ — | $ — | $ 2 | $ 6 |
| Other comprehensive income (loss) | 1 | (2) | 1 | — | — | — | (1) | (1) |
| **Balance at December 31, 2014** | **$6** | **$(2)** | **$ 1** | **$(1)** | **$ —** | **$ —** | **$ 1** | **$ 5** |
| **Other comprehensive income (loss)** | **1** | **(3)** | **—** | **—** | **—** | **—** | **1** | **(1)** |
| **Balance at December 31, 2015** | **$7** | **$(5)** | **$ 1** | **$(1)** | **$ —** | **$ —** | **$ 2** | **$ 4** |

**(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 | Available for sale | Unrealized Actuarial Losses | Equity accounted investments | Accumulated Other Comprehensive Income |
|---|---|---|---|---|---|---|---|---|
| Balance at December 31, 2013 | $272 | $ (30) | $(27) | $(28) | $ 4 | $(2) | $106 | $295 |
| Other comprehensive income (loss) | 63 | (130) | 39 | (13) | 2 | (6) | 33 | (12) |
| **Balance at December 31, 2014** | **$335** | **$(160)** | **$ 12** | **$(41)** | **$ 6** | **$(8)** | **$139** | **$283** |
| **Other comprehensive income (loss)** | **103** | **(187)** | **25** | **(19)** | **(10)** | **5** | **51** | **(32)** |
| **Other items (note 26)** | **9** | **(11)** | **1** | **(1)** | **—** | **1** | **4** | **3** |
| **Balance at December 31, 2015** | **$447** | **$(358)** | **$ 38** | **$(61)** | **$ (4)** | **$(2)** | **$194** | **$254** |

## NOTE 28. DISTRIBUTIONS

For the year ended December 31, 2015, distributions to partnership unitholders were $479 million or $2.12 per unit (2014: $404 million or $1.92 per unit, 2013: $357 million or $1.72 per unit). Additionally, incentive distributions were made to the general partner of $64 million (2014: $44 million, 2013: $31 million).

On February 2, 2016 the Board of Directors has declared a quarterly distribution in the amount of $0.57 per unit, payable on March 31, 2016 to unitholders of record as of the close of business on February 29, 2016.

For the year ended December 31, 2015, the partnership declared distributions C$4.5 million or C$0.45 per preferred unit.

## NOTE 29. CONTINGENT ASSETS & LIABILITIES

Brookfield Infrastructure, including its associates, had bank and customs guarantees and letters of credit outstanding to third parties totaling $126 million (2014: $137 million). These guarantees are generally supported by cash on deposit with banks.

The 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, the partnership will enter into contractual obligations which include commitments relating primarily to contracted project costs for various growth initiatives and network upgrades at our Australian rail operation and committed expenditures associated with gas and electricity sales contracts at our UK regulated distribution operation. As at December 31, 2015, the partnership had $524 million (2014: $387 million) of such commitments outstanding.

In addition, pursuant to the Master Service Agreement, on a quarterly basis, Brookfield Infrastructure pays a base management fee to wholly owned subsidiaries of Brookfield (the "Service Provider") equal to 0.3125% per quarter (1.25% annually) of the market value of the partnership. This fee is recorded on the Consolidated Statements of Operating Results in general and administrative expenses.

## NOTE 31. RETIREMENT BENEFIT PLANS

Brookfield Infrastructure offers pension plans to 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 2015 was less than $1 million (2014: less than $1 million, 2013: less than $1 million). The discount rate used was 6.1% (2014: 3.5%, 2013: 4.8%) with a rate of compensation of 3.3% (2014: 3.1%, 2013: 3.3%).

| US$ MILLIONS | 2015 | 2014 |
|---|---|---|
| Plan assets | **$ 222** | $ 288 |
| Less accrued benefit obligation | **(279)** | (387) |
| **Accrued benefit liability** | **$ (57)** | $ (99) |

## 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 the 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 the partnership's general partner, incurs director fees, a portion of which are charged at cost to the partnership in accordance with the limited partnership agreement. Less than $1 million in director fees were incurred during the year ended December 31, 2015 (2014: less than $1 million).

### b) Transactions with other related parties

Since inception, Brookfield Infrastructure had a management agreement with its external service providers, 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 the partnership. The Base Management Fee was $126 million for the year ended December 31, 2015 (2014: $107 million, 2013: $102 million).

For purposes of calculating the Base Management Fee, the market value of the partnership is equal to the aggregate value of all the outstanding units of the partnership (assuming full conversion of Brookfield's Redeemable Partnership Units in the Holdings LP into units of the 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.

During the year ended December 31, 2015, $8 million was reimbursed at cost to the Service Provider (2014: $8 million, 2013: $8 million). These amounts represent third party costs that were paid for by Brookfield on behalf of Brookfield Infrastructure relating to general and administrative expenses, and acquisition related expenses of Brookfield Infrastructure. These expenses were charged to Brookfield Infrastructure at cost.

Brookfield Infrastructure has placed funds on deposit with Brookfield. At December 31, 2015, Brookfield Infrastructure's deposit balance with Brookfield was less than $1 million (December 31, 2014: less than $1 million) and earned interest of $1 million year ended December 31, 2015 (2014: less than $1 million, 2013: less than $1 million).

Brookfield Infrastructure's North American district energy operation provides heating and cooling services and leases office space on market terms with subsidiaries of Brookfield Office Properties Inc. The North American district energy operation also utilizes consulting and engineering services provided by a wholly-owned subsidiary of Brookfield on market terms. For the year ended December 31, 2015, revenues of $1 million were generated (2014: less than $1 million, 2013: less than $1 million) and expenses of less than $1 million were incurred (2014: less than $1 million, 2013: 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 the partnership and certain subsidiaries. During the year ended December 31, 2015, Brookfield Infrastructure paid less than $1 million for these services (2014: less than $1 million, 2013: less than $1 million).

## 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.

The aggregate notional amount of Brookfield Infrastructure's derivative positions at December 31, 2015 and 2014 were as follows:

| US$ MILLIONS | Note | 2015 | 2014 |
|---|---|---|---|
| Foreign exchange contracts | (a) | **$3,898** | $2,689 |
| Interest rates swaps and other | (b) | **4,727** | 4,755 |
| | | **$8,625** | $7,444 |

The following table presents the change in fair values of Brookfield Infrastructure's derivative positions during the years ended December 31, 2015 and 2014:

| US$ MILLIONS | Unrealized Gains on Derivative Financial Assets | Unrealized Gains/(Losses) on Derivative Financial Liabilities | Net Change During 2015 | Net Change During 2014 |
|---|---|---|---|---|
| Foreign exchange derivatives | **$ 94** | **$ (44)** | **$ 50** | $179 |
| Interest rate derivative | **$357** | **$(133)** | **$ 224** | 120 |
| | **$451** | **$(177)** | **$ 274** | $299 |

**(a) Foreign Exchange**

Brookfield Infrastructure held the following foreign exchange contracts with notional amounts at December 31, 2015 and 2014.

| | Notional Amount (U.S. Dollars) | | Average Exchange Rate | |
|---|---|---|---|---|
| US$ MILLIONS | **2015** | 2014 | **2015** | 2014 |
| Foreign exchange contracts | | | | |
| Australian dollars | **$1,853** | $1,422 | **0.73** | 0.88 |
| British pounds | **995** | 984 | **1.51** | 1.62 |
| European Union euros | **252** | 131 | **1.15** | 1.28 |
| Canadian dollars | **26** | 152 | **0.83** | 0.89 |
| Brazilian reai | **58** | — | **4.31** | — |
| Foreign exchange call options | | | | |
| Australian dollars | **714** | — | **0.81** | — |
| | **$3,898** | $2,689 | | |

**(b) Interest Rates**

At December 31, 2015, Brookfield Infrastructure held interest rate swap contracts having an aggregate notional amount of $4,357 million (2014: $4,364 million, 2013: $5,087 million). Brookfield Infrastructure has inflation linked swaps with an aggregate notional amount of $370 million (2014: $391 million, 2013: $416 million).

**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, 2015 and the comparative notional amounts at December 31, 2014, for both derivatives that are classified as fair value through profit or loss and derivatives that qualify for hedge accounting:

| | 2015 | | | | 2014 |
|---|---|---|---|---|---|
| US$ MILLIONS | < 1 year | 1 to 5 years | > 5 years | Total Notional Amount | Total Notional Amount |
| **Fair value through profit or loss** | | | | | |
| Foreign exchange derivatives | **$1,647** | **$ 632** | **$ —** | **$2,279** | $ 640 |
| Interest rate derivatives | | | | | |
| Interest rate swaps and other | **408** | **—** | **55** | **463** | 690 |
| Inflation linked swap | **—** | **—** | **370** | **370** | 391 |
| | **$2,055** | **$ 632** | **$ 425** | **$3,112** | $1,721 |
| **Elected for hedge accounting** | | | | | |
| Foreign exchange derivatives | **$1,228** | **$ 391** | **$ —** | **$1,619** | $2,049 |
| Interest rate derivatives | | | | | |
| Interest rate swaps | **1,057** | **1,002** | **1,835** | **3,894** | 3,674 |
| | **$2,285** | **$1,393** | **$1,835** | **$5,513** | $5,723 |

The following table classifies derivatives elected for hedge accounting during the years ended December 31, 2015 and 2014 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:

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| AS AT AND FOR THE YEARS ENDED (MILLIONS) | Notional | Effective Portion | Ineffective Portion | Notional | Effective Portion | Ineffective Portion |
| Cash flow hedges | **$3,894** | **$ 189** | **(3)** | $3,674 | $ (41) | $ — |
| Net investment hedges | **1,619** | **(5)** | **—** | 2,049 | 141 | — |
| | **$5,513** | **$ 184** | **(3)** | $5,723 | $100 | $ — |

The 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 the 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.

## NOTE 34. FINANCIAL RISK MANAGEMENT

Brookfield Infrastructure recognizes that risk management is an integral part of good management practice.

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) Capital 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 2014.

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.

| US$ MILLIONS | **2015** | 2014 |
|---|---|---|
| Subsidiary and corporate borrowings | **$ 7,232** | $ 6,809 |
| Preferred shares | **20** | 20 |
| Cash and cash equivalents[1] | **(1,480)** | (494) |
| Net Debt | **5,772** | 6,335 |
| Total partnership capital | **7,176** | 6,322 |
| Total capital and net debt | **$12,948** | $12,657 |
| Net debt to capitalization ratio | **45%** | 50% |

*(1) 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. 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'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. The 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 borrowings (note 18), 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, 2015 and 2014, there were no breaches of any loan covenants within Brookfield Infrastructure.

**(b) Liquidity Risk Management**

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 a relatively high distribution of its Funds from operations ("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 estimated corporate liquidity as at December 31 was as follows:

| US$ MILLIONS[1] | **2015** | 2014 |
|---|---|---|
| Corporate cash and financial assets | **$ 286** | $ 317 |
| Availability under committed credit facility | **1,875** | 1,400 |
| Draws on credit facility | **(407)** | (246) |
| Commitments under credit facility | **(83)** | (110) |
| Estimated corporate liquidity | **$1,671** | $1,361 |

(1) *Corporate level only.*

Brookfield Infrastructure's $1.875 billion committed revolving credit facility is available for investments and acquisitions, as well as general corporate purposes. Commitments under the facility will be available on a revolving basis until June 30, 2020. 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, 2015, there was $407 million drawn on this facility (2014: $246 million, 2013: $nil) and $83 million was committed to letters of credit (2014: $110 million, 2013: $99 million).

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, 2015<br>US$ MILLIONS | Less than 1 year | 1-2 years | 2-5 years | 5+ years | Total contractual cash flows |
|---|---|---|---|---|---|
| **Non-derivative financial liabilities:** | | | | | |
| Accounts payable and other liabilities | **$345** | **$ 30** | **$ 11** | **$ 111** | **$ 497** |
| Interest-bearing liabilities[(1)] | **563** | **761** | **2,769** | **5,632** | **9,725** |
| Finance lease liabilities | **1** | **2** | **—** | **—** | **3** |
| Other financial liabilities | **1** | **1** | **4** | **1** | **7** |
| **Derivative liabilities:** | | | | | |
| Net settled interest rate swaps | **50** | **40** | **143** | **(356)** | **(123)** |
| Net settled foreign currency exchange forward contracts | **—** | **—** | **—** | **—** | **—** |
| Net settled inflation swaps | **11** | **11** | **76** | **156** | **254** |
| Other derivative liabilities | **4** | **—** | **—** | **21** | **25** |

(1) *Comprised of non-recourse borrowings and corporate borrowings and includes interest payments of $257 million, $275 million, $764 million and $1,147 million for the periods as follows: less than 1 year, 1-2 years, 2-5 years and 5 years and thereafter, respectively. Interest payments are calculated based on interest rates in effect as at the statement of financial position date.*

| December 31, 2014<br>US$ MILLIONS | Less than 1 year | 1-2 years | 2-5 years | 5+ years | Total contractual cash flows |
|---|---|---|---|---|---|
| **Non-derivative financial liabilities:** | | | | | |
| Accounts payable and other liabilities | $413 | $ 85 | $ 8 | $ 121 | $ 627 |
| Interest-bearing liabilities[(2)] | 347 | 637 | 1,840 | 6,843 | 9,667 |
| Finance lease liabilities | 3 | 1 | 2 | 1 | 7 |
| Other financial liabilities | — | — | 16 | 43 | 59 |
| **Derivative liabilities:** | | | | | |
| Net settled interest rate swaps | 48 | 34 | 112 | (209) | (15) |
| Net settled foreign currency exchange forward contracts | 2 | 2 | 4 | 3 | 11 |
| Net settled inflation swaps | 48 | 12 | 92 | 190 | 342 |
| Other derivative liabilities | 8 | 8 | 6 | 50 | 72 |

(2) *Comprised of non-recourse borrowings and corporate borrowings and includes interest payments of $306 million, $298 million, $818 million and $1,354 million for the periods as follows: less than 1 year, 1-2 years, 2-5 years and 5 years and thereafter, respectively. Interest payments are calculated based on interest rates in effect as at the balance sheet date.*

**(c) 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, senior management of Brookfield Infrastructure's external service provider perform the monitoring, review and approval role and report to the Board on a regular basis.

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. The partnership is exposed to equity price risks arising from marketable securities. As at December 31, 2015 the balance of the portfolio was $1,200 million (2014 $305 million), a 10% change in the value of the portfolio would impact our equity by $120 million and result in an impact on the Consolidated Statement of Comprehensive income of $120 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 derivate 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:

| US$ MILLIONS | **2015** 10 bp decrease | **2015** 10 bp increase | 2014 10 bp decrease | 2014 10 bp increase | 2013 10 bp decrease | 2013 10 bp increase |
|---|---|---|---|---|---|---|
| Net income (loss) | **$ 2** | **$(2)** | $ 3 | $(3) | $ 2 | $(2) |
| Other comprehensive (loss) income | **(2)** | **2** | (5) | 5 | (4) | 4 |

***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, 2015, 2014 and 2013:

| **2015 US$ MILLIONS** | **USD** | **AUD** | **GBP** | **BRL** | **CLP** | **CAD** | **EUR** | **COP** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | | |
| Current assets | **$ 234** | **$ 380** | **$ 470** | **$ 6** | **$ 126** | **$291** | **$ —** | **$ 46** | **$ 1,553** |
| Non-current assets | **2,485** | **5,816** | **3,927** | **1,020** | **1,052** | **636** | **618** | **629** | **16,182** |
| | **$2,719** | **$6,196** | **$4,397** | **$1,026** | **$1,178** | **$927** | **$618** | **$675** | **$17,735** |
| **Liabilities:** | | | | | | | | | |
| Current liabilities | **$ 502** | **$ 103** | **$ 434** | **$ —** | **$ 30** | **$122** | **$ —** | **$ 20** | **$ 1,210** |
| Non-current liabilities | **1,714** | **3,745** | **2,312** | **—** | **902** | **334** | **—** | **342** | **9,349** |
| | **2,216** | **3,848** | **2,746** | **—** | **932** | **456** | **—** | **362** | **10,559** |
| Non-controlling interest—in operating subsidiaries | **188** | **269** | **385** | **141** | **121** | **248** | **—** | **256** | **1,608** |
| Non-controlling interest—Redeemable Partnership Units held by Brookfield | **36** | **587** | **357** | **249** | **35** | **63** | **175** | **16** | **1,518** |
| Net investment | **$ 279** | **$1,492** | **$ 909** | **$ 636** | **$ 90** | **$160** | **$443** | **$ 41** | **$ 4,050** |

| 2014<br>US$ MILLIONS | USD | AUD | GBP | BRL | CLP | CAD | EUR | COP | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | | |
| Current assets | $1,080 | $ 116 | $ 141 | $ 10 | $ 107 | $ 51 | $ — | $ 55 | $ 1,560 |
| Non-current assets | 1,676 | 5,147 | 3,911 | 1,305 | 1,107 | 900 | 165 | 724 | 14,935 |
| | $2,756 | $5,263 | $4,052 | $1,315 | $1,214 | $951 | $165 | $779 | $16,495 |
| **Liabilities:** | | | | | | | | | |
| Current liabilities | $ 349 | $ 106 | $ 287 | $ — | $ 36 | $ 27 | $ — | $ 16 | $ 821 |
| Non-current liabilities | 1,002 | 3,909 | 2,470 | 90 | 949 | 518 | — | 414 | 9,352 |
| | 1,351 | 4,015 | 2,757 | 90 | 985 | 545 | — | 430 | 10,173 |
| Non-controlling interest—in operating subsidiaries | 188 | 112 | 310 | 184 | 111 | 254 | — | 285 | 1,444 |
| Non-controlling interest—Redeemable Partnership Units held by Brookfield | 330 | 307 | 267 | 282 | 32 | 41 | 45 | 17 | 1,321 |
| Net investment | $ 887 | $ 829 | $ 718 | $ 759 | $ 86 | $111 | $120 | $ 47 | $ 3,557 |

| 2013<br>US$ MILLIONS | USD | AUD | GBP | BRL | CLP | CAD | EUR | COP | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | | |
| Current assets | $ 661 | $ 114 | $ 148 | $ — | $ 117 | $ 103 | $ — | $125 | $ 1,268 |
| Non-current assets | 1,367 | 5,375 | 3,769 | 773 | 1,283 | 935 | 169 | 743 | 14,414 |
| | $2,028 | $5,489 | $3,917 | $773 | $1,400 | $1,038 | $169 | $868 | $15,682 |
| **Liabilities:** | | | | | | | | | |
| Current liabilities | $ 163 | $ 81 | $ 234 | $ — | $ 60 | $ 30 | $ — | $ 30 | $ 598 |
| Non-current liabilities | 622 | 3,715 | 2,382 | — | 733 | 552 | — | 475 | 8,479 |
| | 785 | 3,796 | 2,616 | — | 793 | 582 | — | 505 | 9,077 |
| Non-controlling interest—in operating subsidiaries | 112 | 118 | 317 | — | 292 | 281 | — | 299 | 1,419 |
| Non-controlling interest—Redeemable Partnership Units held by Brookfield | 307 | 428 | 267 | 210 | 85 | 48 | 46 | 17 | 1,408 |
| Net investment | $ 824 | $1,147 | $ 717 | $563 | $ 230 | $ 127 | $123 | $ 47 | $ 3,778 |

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:

- 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; and

- 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.

| | Impact on Net Income | | | | | |
|---|---|---|---|---|---|---|
| | **2015** | | 2014 | | 2013 | |
| **US$ MILLIONS** | **− 10%** | **+10%** | − 10% | +10% | − 10% | +10% |
| USD/NZD | **$ —** | **$ —** | $ — | $ — | $ (5) | $ 5 |
| USD/AUD | **8** | **(8)** | 9 | (9) | 15 | (15) |
| USD/EUR | **5** | **(5)** | 2 | (2) | 1 | (1) |
| USD/GBP | **5** | **(5)** | 13 | (13) | (3) | 3 |
| USD/BRL | **—** | **—** | — | — | 1 | (1) |
| USD/CLP | **1** | **(1)** | 4 | (4) | (1) | 1 |
| USD/CDN | **1** | **(1)** | 3 | (3) | (1) | 1 |

| | Impact on Partnership Capital | | | | | |
|---|---|---|---|---|---|---|
| | **2015** | | 2014 | | 2013 | |
| **US$ MILLIONS** | **− 10%** | **+10%** | − 10% | +10% | − 10% | +10% |
| USD/NZD | **$—** | **$ —** | $ — | $ — | $— | $ — |
| USD/AUD | **24** | **(24)** | 11 | (11) | 71 | (71) |
| USD/EUR | **18** | **(18)** | 3 | (3) | 2 | (2) |
| USD/GBP | **23** | **(23)** | — | — | — | — |
| USD/CLP | **13** | **(13)** | 12 | (12) | 31 | (31) |
| USD/COP | **6** | **(6)** | 6 | (6) | 6 | (6) |
| USD/BRL | **89** | **(89)** | 104 | (104) | 77 | (77) |
| USD/CDN | **11** | **(11)** | — | — | — | — |

**(d) Credit Risk Management**

Credit risk is the risk of loss due to the failure of a borrower or counterparty to fulfill its contractual obligations.

From a treasury perspective, counterparty credit risk is managed through the establishment of authorized counterparty credit limits which 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. SEGMENT INFORMATION

IFRS 8, *Operating Segments,* requires operating segments to be determined based on internal reports that are regularly reviewed by the Executive Management and the Board of Directors for the purpose of allocating resources to the segment and to assessing 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 earnings before interest, tax, depreciation and amortization ("adjusted EBITDA"), which enable the determination of cash 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, non-cash valuation gains or losses and other items. Adjusted EBITDA is calculated as FFO excluding the impact of interest expense, cash taxes and other cash income (expenses).

| FOR THE YEAR ENDED DECEMBER 31, 2015 US$ MILLIONS | Total attributable to Brookfield Infrastructure | | | | | | Contribution from investments in associates | Attributable to non-controlling interest | As per IFRS financials on F-6[1] |
|---|---|---|---|---|---|---|---|---|---|
| | Utilities | Transport | Energy | Comm. Infrastructure | Other | Total | | | |
| Revenues | $ 698 | $1,143 | $ 349 | $ 123 | $ — | $ 2,313 | $(1,044) | $ 586 | $ 1,855 |
| Direct operating costs | (174) | (588) | (183) | (57) | — | (1,002) | 546 | (342) | (798) |
| General and administrative costs | — | — | — | — | (134) | (134) | — | — | (134) |
| **Adjusted EBITDA** | 524 | 555 | 166 | 66 | (134) | 1,177 | (498) | 244 | — |
| Other income (expense) | 5 | (15) | 3 | — | 34 | 27 | 13 | (4) | 36 |
| Interest expense | (142) | (142) | (79) | (6) | (27) | (396) | 144 | (115) | (367) |
| **FFO** | 387 | 398 | 90 | 60 | (127) | 808 | (341) | 125 | — |
| Depreciation and amortization | (153) | (217) | (90) | (46) | — | (506) | 246 | (115) | (375) |
| Deferred income taxes | (8) | 21 | 14 | 14 | 12 | 53 | (41) | 14 | 26 |
| Mark-to-market on hedging items | (1) | (3) | (3) | — | 70 | 63 | (12) | 32 | 83 |
| Valuation (losses) gains and other | (15) | (64) | (11) | (13) | (17) | (120) | 79 | 34 | (7) |
| Share of earnings from associates and joint ventures | — | — | — | — | — | — | 69 | — | 69 |
| Net income attributable to non-controlling interest | — | — | — | — | — | — | — | (90) | (90) |
| **Net income (loss) attributable to partnership[2]** | $ 210 | $ 135 | $ — | $ 15 | $ (62) | $ 298 | $ — | $ — | $ 298 |

| FOR THE YEAR ENDED DECEMBER 31, 2014 US$ MILLIONS | Total attributable to Brookfield Infrastructure | | | | | Contribution from investments in associates | Attributable to non-controlling interest | As per IFRS financials on F-6(1) |
|---|---|---|---|---|---|---|---|---|
| | Utilities | Transport | Energy | Other | Total | | | |
| Revenues | $ 736 | $1,238 | $ 311 | $ — | $ 2,285 | $(958) | $ 597 | $1,924 |
| Direct operating costs | (217) | (639) | (172) | — | (1,028) | 486 | (304) | (846) |
| General and administrative costs | — | — | — | (115) | (115) | — | — | (115) |
| Adjusted EBITDA | 519 | 599 | 139 | (115) | 1,142 | (472) | 293 | — |
| Other income (expense) | 6 | (34) | — | 26 | (2) | 23 | (10) | 11 |
| Interest expense | (158) | (173) | (71) | (14) | (416) | 160 | (106) | (362) |
| FFO | 367 | 392 | 68 | (103) | 724 | (289) | 177 | — |
| Depreciation and amortization | (155) | (250) | (76) | — | (481) | 212 | (111) | (380) |
| Deferred income taxes | (27) | 8 | 5 | 16 | 2 | (37) | (14) | (49) |
| Mark-to-market on hedging items | 7 | 4 | (4) | 32 | 39 | (3) | 2 | 38 |
| Valuation (losses) gains and other | (38) | (51) | 11 | (22) | (100) | 67 | (9) | (42) |
| Share of earnings from associates | — | — | — | — | — | 50 | — | 50 |
| Net income attributable to non-controlling interest | — | — | — | — | — | — | (45) | (45) |
| Net income (loss) attributable to partnership(2) | $ 154 | $ 103 | $ 4 | $ (77) | $ 184 | $ — | $ — | $ 184 |

| FOR THE YEAR ENDED DECEMBER 31, 2013 US$ MILLIONS | Total attributable to Brookfield Infrastructure | | | | | Contribution from investments in associates | Attributable to non-controlling interest | Discontinued Operations | As per IFRS financials on F-6(1) |
|---|---|---|---|---|---|---|---|---|---|
| | Utilities | Transport | Energy | Other | Total | | | | |
| Revenues | $ 831 | $1,054 | $ 323 | $ 83 | $ 2,291 | $(933) | $ 551 | $ (83) | $1,826 |
| Costs attributed to revenues | (284) | (557) | (186) | (44) | (1,071) | 491 | (287) | 44 | (823) |
| General and administrative costs | — | — | — | (110) | (110) | — | — | — | (110) |
| Adjusted EBITDA | 547 | 497 | 137 | (71) | 1,110 | (442) | 264 | (39) | — |
| Other income (expense) | 5 | (18) | 2 | 6 | (5) | 17 | (13) | 18 | 17 |
| Interest expense | (175) | (153) | (69) | (26) | (423) | 156 | (108) | 13 | (362) |
| FFO | 377 | 326 | 70 | (91) | 682 | (269) | 143 | (8) | — |
| Depreciation and amortization | (147) | (183) | (70) | — | (400) | 163 | (92) | — | (329) |
| Impairment charge | — | — | (275) | — | (275) | 275 | — | — | — |
| Deferred income taxes | (8) | 7 | 19 | (83) | (65) | (11) | 22 | 55 | 1 |
| Gain on sale of associates | 35 | — | — | 18 | 53 | — | — | — | 53 |
| Mark-to-market on hedging items | 7 | (9) | 3 | 6 | 7 | 3 | 9 | — | 19 |
| Valuation (losses) gains and other | (28) | (76) | (1) | 45 | (60) | 56 | (2) | (49) | (55) |
| Share of earnings from associates | — | — | — | — | — | (217) | — | — | (217) |
| Income from discontinued operations net of tax | — | — | — | — | — | — | — | 45 | 45 |
| Net income attributable to non-controlling interest | — | — | — | — | — | — | (80) | (43) | (123) |
| Net income (loss) attributable to partnership(2) | $ 236 | $ 65 | $(254) | $(105) | $ (58) | $ — | $ — | $ — | $ (58) |

(1) *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 the partnership's Consolidated Statements of Operating Results on a line by line basis by aggregating the components comprising the earnings from the partnership's investments in associates and joint ventures and reflecting the portion of each line item attributable to non-controlling interests.*

(2) *Net income (loss) attributable to partnership includes net income attributable to non-controlling interests—Redeemable Partnership Units held by Brookfield, general partners 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.

The following is an analysis of Brookfield Infrastructure's assets by reportable operating segment for the years under review:

| AS AT DECEMBER 31, 2015 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-4[1] |
|---|---|---|---|---|---|---|---|---|---|---|
| | Utilities | Transport | Energy | Comm. Infrastructure | Corporate & Other | Brookfield Infrastructure | | | | |
| **Total assets** | **$4,723** | **$5,338** | **$2,744** | **$824** | **$(196)** | **$13,433** | **$(3,795)** | **$4,298** | **$3,799** | **$17,735** |

| AS AT DECEMBER 31, 2014 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-4[1] |
|---|---|---|---|---|---|---|---|---|---|
| | Utilities | Transport | Energy | Corporate & Other | Brookfield Infrastructure | | | | |
| Total assets | $4,805 | $4,970 | $1,816 | $(56) | $11,535 | $(1,944) | $4,284 | $2,620 | $16,495 |

*(1) The above table provides 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 Brookfield Infrastructure's ownership in operations using consolidation and the equity method whereby the 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 the 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**

| US$ MILLIONS | 2015 | 2014 | 2013 |
|---|---|---|---|
| Australia | **$ 699** | $ 804 | $ 818 |
| United Kingdom | **635** | 621 | 556 |
| Colombia | **152** | 194 | 189 |
| Canada | **118** | 126 | 131 |
| Chile | **113** | 105 | 108 |
| United States of America | **138** | 74 | 24 |
| | **$1,855** | $1,924 | $1,826 |

Brookfield Infrastructure has no revenues from any one major customer which are higher than 10% of Brookfield Infrastructure's total revenues.

**Non-current Assets**[(1)]

| US$ MILLIONS | 2015 | 2014 |
|---|---|---|
| Australia | **$ 5,816** | $ 5,147 |
| United Kingdom | **3,927** | 3,911 |
| Chile | **1,704** | 1,831 |
| Brazil | **1,021** | 1,305 |
| United States of America | **1,832** | 952 |
| Canada | **636** | 900 |
| Colombia | **629** | 724 |
| Europe | **617** | 165 |
| | **$16,182** | $14,935 |

*(1) Non-current assets is comprised of property, plant and equipment, intangible assets, investments in associates and joint ventures, goodwill, investment properties and other non-current assets.*

## NOTE 36. SUPPLEMENTAL CASH FLOW INFORMATION

| US$ MILLIONS | For the year ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Interest paid | **$332** | $328 | $334 |
| Income taxes paid | **$ 22** | $ 43 | $ 25 |

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:

| US$ MILLIONS | For the year ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Accounts receivable | **$ 27** | $34 | $ 30 |
| Prepayments and other | **1** | 18 | (4) |
| Accounts payable and other | **(110)** | 2 | (45) |
| Changes in non-cash working capital, net | **$ (82)** | $54 | $(19) |

## NOTE 37. SUBSEQUENT EVENTS

### a) Asciano Acquisition Break Fee

On February 18, 2016, the takeover bid made by Brookfield Infrastructure and institutional partners ("Brookfield Consortium") for Asciano Limited ("Asciano") lapsed following the withdrawal of its recommendation by the board of directors of Asciano. As a result, an A$88 million payment was made to the Brookfield Consortium. Brookfield Infrastructure's share of this payment was $25 million, net of transaction costs.