## CORPORATE PARTICIPANTS

Sam Pollock, Chief Executive Officer

Hillary Higgins, Vice President, Strategic Initiatives

Bahir Manios, Chief Financial Officer

## PRESENTATION

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**Sam Pollock, Chief Executive Officer**

Well, good afternoon, everyone, and thank you for joining us for the second half of Brookfield's Investor Day. And my colleagues and I will be speaking about Brookfield Infrastructure Partners. My name is Sam Pollock, and the agenda today is going to be as follows: I'm going to provide a very quick recap of 2018. My colleague, Hillary Higgins, will come up and do a bit of a spotlight on our Midstream business. Bahir will discuss our capital allocation model, and then I'll come back up and talk about our capital recycling initiatives and how we think about it.

The format will be very similar to this morning. We'll take questions at the end of our presentation, and there will be a few interactive polling questions throughout our presentation. So, with that, I'll begin.

You recall that last year we celebrated BIP's 10-year birthday, and I'm glad to say that we finished 2017 with our best results ever. In 2018 we're onto our second decade with a fantastic start, and we've got a number of notable accomplishments so far this year. First and foremost, has been in the sale of our Chilean transmission business, Transelec, for $1.3 billion. In addition to that, we've also invested in six new businesses, where we'll invest up to $1.8 billion, redeploying those proceeds. We've also continued to invest heavily into our existing portfolio of assets. We've invested $350 million into various organic capital projects, including our Brazilian transmission development projects, our expansion and reversal projects in our U.S. gas transmission business, as well as new connections and new smart meters in BUUK, our U.K. regulated distribution business.

All that investment back in our business, along with the inflation indexation and just, GDP growth, has resulted in same-store growth across our business of about 9%. The great results that we had last year also allowed us to increase our distributions in 2018- by 8%, and that's continued our great track record over the past 10 years where we've grown dividends, on average, by about 11%.

And then from a unitholder perspective, this is all translated into very solid results over the long-term. Our 10-year average return on U.S. stock market has been about 19% compounded. In 2018 there has been a little bit of a drop off, but I think if you look at that in the context of what happened in 2016 and 2017, where our unit price increased by about 80%, you can see that there was the potential for a bit of a pullback, but our view is that the stock will continue to grow well as we continue to increase dividends over time.

While we've accomplished many operating priorities, the main story for BIP in 2018 has been the asset rotation. As I mentioned earlier, the sale of our transmission business, which happened back in March, was a tremendous outcome and a great example of our full cycle investment strategy. In 2006, we led a consortium to buy the Chilean business for about $1.3 billion, which was for 100% of the business, and we retained 28% of it. At the time, Chile was regarded as an emerging market economy, and foreign capital was quite scarce. We took a contrarian view and felt that with the strong rule of law in the country and its respect for capital, that it would be a great place to invest for the future. We also executed a very strong business plan where we grew our rate base by about $2 billion, increasing the number of kilometers of transmission lines in the country from about 8,000 to over 10,000. And the business just prospered substantially during that period of time.

In 2017, we decided to exit the business, and the main reason was that it had matured substantially, and in addition to that, both utilities and investments in Chile were highly sought after. We thought we could achieve a very exceptional price, and that was exactly the case. We held the business for about 12 years. We generated $1.3 billion for our 28% interest, and the compounded returns were 16% over that 12-year period, which were quite remarkable.

So that leads me to our first polling question. I'll ask you to go to your iPads now. Which of BIP's operating segments do you believe will experience the greatest growth in the next five years? Is it our utilities business, transport business, energy or data infrastructure? Okay, so it looks like it's overwhelmingly data, and that probably follows on our discussion last year at this time when I spoke about data being the fastest growing commodity. So that doesn't surprise me that most of you feel that way. I would probably say that over the next five years it's going to be an even battle between our energy teams and our telecom teams as to where we deploy the most capital. But I think over 10 years, I think more than likely it will be data.

So that brings me to how we've redeployed the capital. When we sold Transelec, we had a high degree of confidence in our ability to redeploy the capital and do it in a fairly timely manner. But we've probably exceeded our expectations. We have now secured, or are just about to secure, six investments that will allow us to invest $1.8 billion, and it's in the utility sector, the data sector and the energy sector. I'll touch on each of these briefly.

The first one I want to talk about was a marquee transaction that we did in Colombia. We acquired Gas Natural's local regulated gas distribution company. It serves about 2.9 million customers, and it's a business we really like because it has stable cash flows that are regulated and indexed to inflation. The business has significant barriers to entry, and it's in a country and a regulated framework that we know very well having invested there in the past. And in addition to that, we thought we bought it for great value at about eight times EBITDA.

The second one I wanted to touch on was data centers, and you may recall that last year there was a little debate we had at Investor Day about whether data centers were real estate, private equity or infrastructure, and this year we firmly stated the case that it's infrastructure. Going forward you will see hopefully a lot more data centers spoken about as part of the infrastructure platform.

Joking aside, we are very excited about the transaction. We established a presence in the data center business through the acquisition of AT&T's large-scale data center business, which we bought for about $1.1 billion. Now we also feel that we bought that business for good value of approximately 10 times EBITDA, and we believe we were able to do that because of the complexity of doing a carve-out transaction from a large telco. We like the business. It has stable and recurring cash flows. There are 31 well-located data centers with 85% of revenues coming out of the United States, and it's got a high-quality customer base consisting of Fortune 500 customers and many government entities.

Now you also may have seen that as of this past Monday there was an announcement made that we are expanding our presence in the data center business into South America. We've entered into a JV with Digital Realty to acquire a leading hyperscale data center company called Ascenty. We like this business because it gives us access to markets in South America that are at the early stages of cloud computing, and thus we expect tremendous growth in the business. We're also excited because we're buying a South American business where the cash flows are predominantly in U.S. dollars. So, we don't have any foreign-exchange issues at all.

So now I'm going to touch on our energy investments, and this is where we made our biggest investments in 2018. And you may recall that we had a thesis that we would see lots of energy opportunities because of the dislocation that happened in that sector over the last couple years and the fact that many companies have been forced to sell assets. And this has borne out, and we're still seeing it in many situations today.

The first one that we've been successful on was the acquisition of a large-scale Canadian midstream business that we bought from Enbridge. We like this business not only because of its scale, but because it's well-located in a very prolific gas basin called the Montney in Canada. Hillary is going to talk about that a little bit further. The other very unique aspect to it is the fact that it comes with a very strong contracted profile. The weighted average life of the contracts are about 10 years, and this is something for a gathering and processing system you rarely see, especially in the United States. It's a very unique business, very stable, and we're very excited about it.

Now our next investment was the take-private of a residential energy company called Enercare. I'm going to spend a few minutes talking about this acquisition because many here may not be as familiar with the type of business. The first thing I'll say is that Enercare itself is a company that got spun out of a gas utility in Ontario called Consumers Gas probably about 20 years ago. It actually was part of a utility. It was the unregulated portion of it. We became exposed to it when its biggest competitor was sold about two or three years ago to a Hong Kong infrastructure company, and we looked at it and were very intrigued by it. And so, as a result of that we've been following Enercare for quite some time.

When an opportunity arose to buy it, we jumped at it. The business itself has really three components to it. It has the Canadian 50-year-old business that's up top there, Enercare. It's a series of annuities related to water heaters. ServiceExperts is really the business they bought to expand to the United States, which is where we see lots of growth opportunities. And then EnerCare Connections is the sub-metering business in high-rise buildings.

Now, we like this business for a couple reasons. The first one is we believe we can replicate the business model and expand it further in our other distribution companies, namely the ones in Colombia. In addition to that, as I mentioned earlier, it does have very attractive annuity-like cash flows, and it's actually very similar in the way it runs to our U.K. regulated business. When you think of our U.K. regulated business, that also is a series of annuities. The main difference is that those annuities relate to last mile connections or basically infrastructure underneath the front lawn, whereas in this case, this relates to assets and infrastructure inside the home. But it's the same customer base, its generally growth related to new-home development, and relationships with homebuilders is very important. So, we felt it was very similar to a business that has performed extremely well for us.

The other thing we like about it is the fact that we see many opportunities to leverage other Brookfield companies to drive this business. We have many homebuilders in the real estate group that we can leverage. We've got utilities in Texas and the PGM that we can leverage their customer base, and then we have a very large multi-residential business that you heard about this morning.

And then the last acquisition, which is really in advanced discussions, so this one I think many of you might have seen in the papers, but it hasn't quite been signed yet, which is an opportunity to acquire a 1,500 km gas pipeline in India. We're excited about it because it comes with a 20-year take-or-pay contract, so obviously very stable, secure cash flows. As a result, it's a low-risk way to enter the Indian energy market. And our plans really are to use this as a platform to grow in that region and take advantage of the dynamic nature of the energy markets there.

With that, I'm going to turn it over to Hillary, and I'll maybe just give a quick introduction of Hillary, because many of you may not have met her in the past. She's been with us for about nine years, and her history is working in our energy and transportation teams on new investments. She just recently joined the corporate group, and that's why she's here today. Hillary, I'll now turn it over to you.

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**Hillary Higgins, Vice President, Strategic Initiatives**

Thanks, Sam, and good afternoon, everyone. As Sam mentioned, my name is Hillary, and I'm pleased to share with you the spotlight on our Brookfield midstream business, which is a business that has transformed over the last three years. Since 2015, we have grown our energy business into a global platform of high-quality, irreplaceable assets. And today I'll share with you the story of how we created our current portfolio and then also expound on opportunities where we see to further deploy capital in the energy space.

Looking first at our business today, over the last three years, we have quadrupled the cash flow generated from our midstream business. And when I speak about the midstream assets we talk about those assets that help a commodity get from a supply to a demand basin. And really at Brookfield, that encompasses processing, gathering, storage and long-haul pipelines.

In 2015 we owned one midstream business in the U.S., and today we have a portfolio of assets in four different countries with 600 Bcf of gas storage and almost 20,000 km of pipeline. To give you a sense of size and scale, this is enough natural gas in our storage basins to power the state of New York for six months. And if I was to lay our pipelines end to end to end, that would equate to the driving distance east to west of the Continental U.S. six times.

We've also enhanced the cash flow nature of this business. In 2015, our contracts were average duration of three years. Today, they're an average of 15 years. And also 80% of our customer base is rated investment grade.

Now, we've built this business based on capitalizing on our contrarian views and also our independent thinking. When we see short-term dislocations or market volatility we really see these as opportunities to acquire great assets for value, and this is how this portfolio has come to life. Starting in 2009, we acquired our first gas transmission business in the U.S. This was part of a transaction on a larger scale of Babcock & Brown. However, in 2015, the market changed, and the North American natural gas market changed to a fundamentally oversupplied position, placing downward pressure on natural gas. We chose to take a position, and we increased our ownership in our U.S. transmission pipeline, and we also acquired a number of natural gas assets.

Now we use 2015 as the marker in the sand for when we look at a comparison of where we are today from then, because that's when we took our co-controlling position in that U.S. gas transmission asset. At this time of the asset, we recapitalized and refinanced the debt. We then repositioned the asset to be part of the U.S. solution of drawing natural gas down to the Gulf Coast for exports. In addition to our gas transmission asset drawing natural gas up to the Chicago area, it also draws gas down to the Gulf Coast for LNG export and for export to Mexico.

Since we've reworked this asset we've increased cash flows by 20%, and we've increased our debt rating during our bond issuance by an unprecedented 9 notches and we're now investment grade. And with all the growth projects we have on the go and we anticipate in the next couple years, we have a pathway to grow EBITDA to $500 million, which is a 50% increase from 2015.

Happening at the same time, Brazil was experiencing a crisis of confidence. And investors were wary of deploying capital into a country that had lost its investment-grade status and was in a deep recession. It was at the same time that an unprecedented amount of assets came to market, high-quality assets that wouldn't normally trade under normal market conditions. As was well-chronicled in 2016, we acquired our Brazil gas transmission asset. This is a backbone network that draws natural gas into the high-demand area of Rio de Janeiro and São Paulo. It's also one of the most industrialized and populated areas in the country. It represents 55% of the natural gas demand, as well as 50% of the GDP in Brazil.

More recently, we've been looking at a number of gathering and processing assets in North America. We focused on the U.S., as Canada was held very tightly by a number of midstream companies. However, the market sentiment in the Canadian energy business changed, and we were able to acquire a gathering and processing asset that was non-core to a large energy company. This represented a rare opportunity to acquire a business of size and scale in a basin we know well with plenty of growth opportunities.

And lastly, that brings me to India. India is a country we've been in for the better part of the last decade. We've been patiently sitting, waiting, growing our team and looking for the right opportunity to deploy capital. As Sam mentioned, that time has come, and we're in advanced discussions to acquire a long-haul transmission pipeline in the country, and I'll speak more to that in a couple slides.

Coming together, all these assets have created a broadly diversified portfolio of assets in North America, Brazil and in India. And each play a critical role in connecting a prolific supply basin with a demand area. Each of these assets also deliver a highly contracted profile that's not exposed to commodity risk. Each of these assets also play a key role in gathering, processing, storing and delivering one of the most essential commodities to our everyday lives. Natural gas plays a key role in powering our homes and our businesses and is the critical energy component for manufacturing and industrial clients. Essentially, natural gas is part of our everyday lives and we require the infrastructure to deliver it when and where we need it to live, work and play.

I'd like to touch on two of our more recent transactions, the first being our Canadian gathering and processing assets. This represents that critical link between a supply and a demand basin. Here, our gathering lines overlay the prolific Montney Basin. In the presentation on the slide they are the red lines that overlay the basin itself. These collect the natural gas and draw it into one of our 19 processing plants. By virtue of the location and the economics of this basin, our customers seek out long-term contracts to ensure their natural gas is getting to the end market. This is atypical from what we normally see in our gathering and processing assets in North America, and Sam alluded to it. It's normally under an acreage dedication framework, meaning that in the area where your pipelines exist, if natural gas

is produced, it's going to go into your pipe. Conversely, if no commodities are produced, your pipeline is empty, and there's no revenues earned. We're not seeing that with this asset, and evidence of that is in 2018, 85% of our revenues are backed by long-term contracts with an operating cost pass-through.

Now when we due diligenced this asset earlier in the year we did an extra layer of analysis. Using our in-house reservoir engineers, we did a well-by-well buildup of future production. We then rolled that up on an entire basin production forecast, and it gave us knowledge of two things. First, this is an untapped basin with tremendous potential. And second, we have a basin that will produce natural gas for us for over 40 years.

Moving to India, we're in advanced discussions to acquire a long-haul gas pipeline. You can see it on the slide in the south and west part of the country as the black line there. And this represents one of the largest infrastructure investments in the country to-date. It's also the first time a pipeline has transacted in the country. We were able to bilaterally negotiate this deal with one of the most successful families in India, and we look forward to building a trusted partnership with this family as they'll become our main customer.

India requires a tremendous amount of gas, and there's only two ways that India can bring in this gas. The first is from LNG import, which is your more expensive option. The second is from the KG Basin. The KG Basin is on the offshore East Coast of India, and it represents 50% of India's in-place gas reserves. This pipeline collects the gas from that East Coast basin and draws it across the country to the West Coast for petrochemical, residential and commercial use. This asset represents Brookfield's entry, into India's growing natural gas market, and we look forward to keeping you up-to-date as we look to close this asset in the coming months.

We particularly like the midstream sector, and it really comes down to three key reasons. The first is the core infrastructure nature of these assets. Based on topography, the cost to build or the time to build, often these assets are the only connections between supply and demand. Secondly, most of these assets have a strong contracted profile, but there are significant opportunities above and beyond that baseline cash flow. When we acquired our gathering and processing assets in Canada earlier in the year, only a couple weeks later significant developments of LNG off the coast of British Columbia were also announced. Based on the location of the Montney Basin, this area will supply natural gas to LNG export facilities in British Columbia, and our gathering and processing assets will be part of that solution to deliver natural gas to Tidewater.

And then lastly, we've been investing in natural gas for almost 40 years. It's in our DNA at Brookfield to invest in natural gas, and through our sister companies, we own exploration and production assets and auxiliary service businesses. It's through this varied interest throughout the energy value chain that we're able to get market intelligence that allows us to identify discrete opportunities. Put altogether, that's really our Brookfield advantage.

All right, so now you can get out your iPads, and I have another question in this set. Which North American energy basin do you think provides the most attractive opportunity in the next five years? We have five choices, the Permian, Marcellus, Gulf Coast, Montney and the Canadian Oil Sands. So, we have a race here between the Permian and the Montney. Oh, it's very close. That's actually kind of exciting. Well, the Permian has seen unprecedented growth in the last several years and exceptional growth is going forward. And in the Montney, we probably agree with you, as we've made one of our recent acquisitions in that area, as well. We can go back to the slide deck, please.

Now really, if you had chosen any of the natural gas basins in North America in our polling question, you could very well have been right, so well done. The market is unparalleled, and we're seeing massive transformation that's happened in the last 10 years. Due to fracking and drilling technologies, supply is at an all-time high. North America is awash with abundant, inexpensive natural gas. Demand is also at an all-time high, and this is not just from the continental U.S. and Canada, it's also from LNG exports and exports to Mexico. And as we see the U.S. evolve from a natural gas importer to a natural gas exporter, as we continue to see supply and demand increase, a significant amount of infrastructure is going to be required to help this commodity get to where it needs to go. So, the real question is how big is this universe? And we think it's large. We believe $150 billion is going to be required to build out the necessary infrastructure in the U.S., and we see this happening in two different buckets. The first is for CapEx, CapEx to build out new pipelines, twinning those that already exist, to increase storage and processing capacity. And the second is for MLPs who are looking to structurally simplify. There's been a dislocation in the MLP market in the last number of years, and some of these companies don't have access to capital. We believe this is an opportunity for private capital to help with those infrastructure needs.

And while I've spent a lot of time focusing on North America, as a global owner and operator, we're able to look at other areas in the globe, and we see opportunities. At this time last year at Investor Day, we spoke about the tremendous need for infrastructure in India. And with robust demand for natural gas and with the country looking to privatize some assets, we should see opportunities surface. In Mexico the infrastructure is inadequate for both supply and demand, and with the country open to private capital, we should see opportunities here as well. And then lastly in Australia, as the LNG export market matures, import infrastructure is going to be required. We're also seeing tolling agreements coming forth on some of these LNG infrastructure plays, and that will allow current owners of these assets to eventually monetize.

So where do we go from here? We will look to use our same playbook to acquire great assets, whether in North America or other areas around the globe. We're very focused on a number of large-scale entities that have embedded infrastructure within their portfolio. We see this infrastructure as being able to be extracted, and the incumbent can use that capital for debt repayment or for other areas of their business.

Also, as the U.S. transitions to a net exporter, sufficient capital will be required for those infrastructure needs to help extract, and transport, and process the commodities that are needed in the country. And we see a transaction occurring as a corporate carve-out, a partnership opportunity, or some sort of a privatization. And we are in a number of discussions with large energy companies, and we're optimistic about the discussions we're having. At Brookfield, we feel we're well-placed to transact based on our solid balance sheet, our operational track record and our ability to act as a single counterparty for a large-scale transaction.

With that, I'll conclude that we've built a great energy business, and we see further opportunities to deploy capital in this space. It's a great sector to be in. It's underpinned by great baseline cash flows and also plenty of upside opportunities. So, with that, I'll welcome Bahir to the stage.

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**Bahir Manios, Chief Financial Officer**

Thanks. Great. Well thanks, Hillary, and good afternoon, everyone. I'm here today to go through our thought process with respect to capital allocation. But before I do that, and as I typically do in this event, I just wanted to go through a bit of a report card on how we've done over the past year, just from a financial performance perspective.

So first, just on our results, our year-to-date performance has been solid thus far. Our current run rate FFO per unit is $3.00 per share, which is 4% lower than the prior year. Fundamentally, our businesses continue to perform very well. We've delivered robust organic growth of over 8% on a constant currency basis. However, these good results were more than offset primarily as the result of foreign exchange, the fact that we had lower hedge rates relating to our Australian dollar and pound sterling contracts compared to the prior year impacted our results quite a bit, in addition to a weakening Brazilian real.

Sam alluded to the Transelec sale earlier in his remarks, and while a fantastic accomplishment for our business, the loss of income associated with that sale and just the timing and the time it required to redeploy those significant proceeds into newer investments has acted as a bit of a drag to our current results. But as far as our outlook goes, we're forecasting strong growth in our results from a run rate perspective compared to our current levels that I outlined in the previous slide. We see our FFO per unit increasing to $3.60 on a run rate basis, which represents a 20% increase from our current levels. The key drivers of that being first, the contribution from the newly acquired businesses, or at least the ones that we've secured that Sam touched on earlier in his remarks. These investments all have staggered closing dates associated with them, and so what this run rate incorporates is having all these businesses being fully online and contributing to our results, which we expect to happen in the back end of 2019. We also expect our existing business to perform very well. We're going to have some pluses and minuses across the portfolio but still expect to deliver anywhere between our target range of 6% to 9% organic growth for the business holistically. And finally, with respect to foreign exchange, our hedge rates next year are on average about 5% higher than 2018 levels, which should benefit our results quite a bit.

And so, on our financial metrics, last year I spent quite a bit of time discussing two pretty important ones, first being the margins that we earn on our businesses, and the second, the return on invested capital or ROIC that we earn. In

2018, both of these metrics remained strong. First, we grew our EBITDA by 11% to almost $2 billion and maintained a very healthy margin of 55% across the business. And as far as our return on invested capital goes, we achieved an ROIC of 14% for the first six months of the year, which is very strong and up compared to the prior year.

As far as our financial position goes, our balance sheet is in really great shape. Three key highlights really support this assessment. First, we continue to have ample liquidity in the system with $3.5 billion of that sitting at the corporate level that's ready to be put to work. Second, less than 5% of our debt is due in the next two years, and we currently don't have a single significant maturity in the next five years that we have to deal with. And lastly, we've fixed 90% of our debt outside of Brazil, and it insulates us from fears of rising rates in some of the developed markets that we operate in.

And finally, with some of the secure deals that we touched on we've significantly diversified our cash flow profile. Going forward, almost 25% of our FFO will come out of North America, which adds a really nice balance to our overall portfolio mix from a composition perspective. As we've communicated in the past, substantially all our FFO outside of South America and India has been hedged for at least two years. We recently made a decision to hedge near-term cash flows coming out of Peru, Colombia and Chile. Just as interest rate differentials between those currencies vis-à-vis the U.S. dollar have narrowed down significantly over the years. We're noting similar trends to those with respect to the Brazilian real and Indian rupee, and while hedge costs for those levels remain somewhat elevated currently, we're closely monitoring for opportunities to hedge near-term cash flows coming out of these businesses in these regions. It's quite possible and certainly a key objective of ours, or a goal, is to get 80% to 85% of our FFO going forward to either be denominated in U.S. dollar or hedged back to the U.S. dollar.

With that as a recap of our performance this past year, maybe I'll also get you working here, so if you can get your iPads out we're going to do another polling question. If you could please pick from the options on the screen, the question this year is how do you measure our ability to pay distributions? Is it our available liquidity; B, consolidated operating cash flows as per IFRS statements; C, our funds from operations; D, AFFO, so after maintenance CapEx; and E, net income?

Okay, so it's pretty clear that the answer is adjusted funds from operations, which doesn't really surprise us given that this is one of the key metrics that we're really focused on, and it's probably the closest metric or proxy to the cash flow that we generate in the business each year.

With that, I'll now move to address this year's special topic, which is, again, centered around how we think about capital allocation. And with respect to our funding plan, or our capital allocation model, I lay out here in this slide, just in order of priority, our various priorities that we have in the business in order of their importance.

For each dollar of FFO that we generate, we typically spend about 20% of that to satisfy maintenance CapEx obligations that we have. We then choose to reinvest another 15% to 20% of those cash flows in hundreds of smaller, very low risk recurring projects that our business is able to predictably source year in/year out. And then finally, we typically distribute about 65% of each dollar that we generate to our unitholders each year.

In order to explain to you how capital allocation at Brookfield Infrastructure works, I just want to take a few minutes to go through why we use proportionate results when we're analyzing information internally and making those capital allocation decisions. We think proportionate results best reflect the underlying cash flows that we generate, and most importantly, the cash flows that are attributable to BIP. Looking at proportionate results, first, allow you to eliminate earnings or cash flows that are attributable to others, so these would be consolidated entities that we don't wholly-own. And it also incorporates earnings and cash flows associated with entities that we don't control, and hence are not consolidated on our statements, but ones where we have very strong governance rights in, and significant influence.

For instance, we have four very large businesses that I lay out here in this slide. They comprise a total of about 30% of our current FFO. The common denominator is the fact that we're either the largest investor in these businesses or we co-control them. For instance, in the case of TDF, our French telecom business, we're the largest investor in that business, and we also control the operating committee that effectively runs the company day in, day out. And the three others would be all co-controlled entities that we own through unconsolidated subsidiaries. If you didn't look at our results on a proportionate basis you wouldn't be fully picking up the cash flows that these businesses generate

each year as they are one line in our financial statements.

So, what does this mean from a financial statement presentation perspective? Our consolidated numbers, as I mentioned before, pick up cash flows from equity-accounted investments being the ones I just outlined on a one-line basis. And they're effectively netted together in a single line within our operating cash flow section of our cash flow statement. And so, if you're really trying to understand how it is that we invest or allocate capital, you couldn't get it by just looking at our cash flow statement.

The easiest way to explain this, I thought, would be just to go through, hopefully, a simple illustrative example. So, here's what I'm talking about. First, you've got a business here where we own a 51% controlling interest in, that we consolidate on our financial statements. If you look at our IFRS financials, you would pick up 100% of all the various activities that are going on in that business, and then you'd come down to that last line item, which is the distribution to non-controlling interest or a minority interest, and in one line, net out the portion of those cash flows above that are not attributable to us, to get down to a net cash flow number.

Now let's go through the exact same business, exact same cash flow profile there. But instead of owning 51% in that business we own a 50% co-controlling interest in that business. We would then equity account for that business, and as a result of that all the activities that are shown here are just netted in that one-line item within operating cash flows for that $45. So that's not ideal. And I should have just mentioned both are not ideal because in the first instance for the consolidated entity, if you want to just pick up what it is that BIP is actually doing on a line-by-line basis, you couldn't get that. And on the second example you're grossly understating your operating cash flows because all your investing activities have essentially been netted out against your operating cash flows. It's just very important to always recut the analysis and look at our cash flows on a proportionate basis. This is all material we provide every quarter in our financial statements, and we ensure that it reconciles back to our audited financial statements.

So now I'll speak to our historical track record of how we've been allocating our capital over the years. As a reminder, I show here on this slide the waterfall that I touched on, which I'll use to base my various remarks on going forward. So again, in order of importance, with respect to our priorities when making capital allocation decisions that are firm, the first priority is to maintain our asset base appropriately, just given how important that is to our business. As you can see from this slide, over the past five years, on average, we've allocated 18% of our FFO in the business towards fulfilling those obligations.

We feel very comfortable with our maintenance CapEx levels. Each year, we perform a robust review as part of our annual budgeting process for all the planned and proposed maintenance CapEx plans that we have. This review takes into account considerations around health and safety, environmental and regulatory compliance, system reliability and overall network integrity. We also engage with a reputable, globally-recognized engineering firm who then independently reviews our plans and opines on them.

To add to this further, we then engage a Big Four accounting firm to review the findings of that engineer's report and to assess the controls on our disclosure of how we present all this in our financial statements. Our findings with respect to this work are included in our annual report should you wish to review it.

Second priority in our waterfall relates to the capital that we invest into accretive growth projects. Given that our growth capital spend tends to be lumpy on a year in/year out basis, we break it down here into two buckets for you just to give you a little bit of clarity on our activities. We first show on the top table the recurring projects that I noted earlier in my remarks. On average, we're able to fund those recurring projects with cash that we generate and retain in the business each year. Over the past five years, as you can see in the slide, that's comprised of 15% of our total FFO generated in that period. And then we show at the bottom, the large-scale expansion projects that we undertake from time to time in our business, which I'll talk about in more detail.

In aggregate, currently we have a $2 billion capital backlog of projects that we expect to deliver on in the next two to three years. This backlog is typically funded, on average, by using 50% debt that's done on a non-recourse basis and sized to investment grade metrics. With the first bucket being those recurring projects, this currently totals $800 million. These projects are very predictable in nature, as I mentioned before. Our annual spend relating to those projects is generally 2% to 3% of our total asset base. Examples of that would be connections that we do each year in our U.K. regulated distribution business or certain network expansions that we do just to de-bottleneck our various

systems, to add capacity to them.

And as far as the large-scale expansions go, today those sum up to $1.2 billion of projects that we've committed to. These would include things such as the big electricity transmission build-out that we're doing in Brazil, smart meter acquisitions we're doing in the U.K. or the fibre-to-the-home rollout in France that we've been successful in doing over the last two to three years. These larger scale expansions are funded no different than our new investment activities in the sense that, we have to inject additional capital from BIP into our businesses to fund those projects. Some years they're going to be larger, and some years they're going to be smaller in nature.

Given the discussion earlier on proportionate versus consolidated cash flows, what I've done on this slide is recut our cash flows just as an example over the past three years, which is then used to pay for all the various priorities that I laid out. As you can see from the table, we generate a significant amount of operating cash flow in the business each year after we fulfill our maintenance CapEx obligations. For instance, in 2017, we generated over $1 billion of free cash flow. That's then available to use to fund accretive growth projects should we wish to do so, and also to fund our distributions to our unitholders.

Now with respect to how we fund our new investment activities and large-scale expansions that I referred to earlier, I've added some tables here that you can also find in our quarterly materials to show you how that all works. What the table's showing is the various, or all the capital that we've raised over the past five years either through capital market issuances, so this would include equity, preferred shares and debt that we raise at the corporate level, in addition to proceeds from asset sales, which sums up, in total, to the $6.9 billion.

We then compare that to the amount of capital that we've deployed into M&A, or new investments, in addition to those larger scale expansions that I just spoke about. And as you can see, over the past five years we've raised almost $7 billion from that. We performed this analysis for the last 10 years as well in our materials, and the overall story doesn't change by much from what I just laid out here.

This slide deals with our distributions over the last five years, and as you can see, that's summed up to 65% of our total FFO, which is consistent with our long-term target of paying out 60% to 70% of our FFO in the form of our distributions.

And just finally, just to summarize, we have a very sustainable funding model that's been--that we've been consistently using over the past decade and that we expect to stay true to in the future. We generate a significant amount of operating cash flow after funding our maintenance CapEx obligations, which we then use to reinvest back into our business. And then finally, as far as new investment activities or larger scale expansions go, these are funded by capital that we raise either from asset sales or through capital raises. And so hopefully that was helpful insight into our capital allocation process at Brookfield Infrastructure, and I'll now turn it over to Sam.

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**Sam Pollock, Chief Executive Officer**

So now we're going to change gears a little bit and go to capital recycling and talk about our thoughts in relation to that topic. We've spoken about our full cycle investment strategy in the past, and last year the focus of my comments was really on circle number one, which was where we saw opportunities in the next decade. Today, I'm going to speak about the final element of our investment strategy, which is capital recycling, which is in circle number three there. And we felt the timing was appropriate given the fact that we had a large sale this year with Transelec and because we intend to increase the amount of capital recycling over the next couple of years.

So first let me begin with why capital recycling is important or why we feel it's important. It's really three things. First, we think it's a key value creation lever. Two, it's an alternative source of capital other than using equity or debt. And three, we think it's very important to institute capital discipline in the business, and I'm going to touch on each of these separately.

To explain the value creation opportunity, you know we need to start with the typical lifecycle of the investments, which is illustrated by this curve here. We make an investment, we target a 12% to 15% IRR, and to achieve that return, we typically had three elements to our strategy or business plan. The first is we have a number of operational

improvements that we feel we can implement to the business to drive value. Second, we usually have a view regarding additional ramp up in volumes and capacity utilization. Often that relates to GDP and other factors. And three, we look for various capital projects that we can invest in the business that will either de-bottleneck, expand the network or satisfy some sort of customer initiative. And all these initiatives will drive same-store growth, which in turn drives capital appreciation.

However, once we get to the top of that curve, we no longer have a multitude of projects to drive same-store growth, and things flatten out a bit and they become what we describe as bond-like, and what we find is that many institutional investors don't have the operational expertise that we have in order to acquire businesses where you can drive that same-store growth, and they look for more mature businesses that have those bond-like attributes, and they match them to their liabilities.

So, when you think about it, we focus on buying businesses where we can deploy our operational expertise, and then we sell the mature ones. And maybe said another way, we sell mature income streams that we believe will earn 6% to 10%, and we redeploy them into income streams that we believe will earn 12% to 15%. And so that's the value arbitrage that we're often looking for.

I thought I'd come back to Transelec and the example there. When we sold Transelec we generated proceeds of $1.3 billion, and net of taxes, that was about $1.1 billion. We took that capital and redeployed it, and with three of the acquisitions I spoke about, they're roughly the same dollar amount; they're about $1.3 billion. That's Enercare, the Enbridge Midstream business, and AT&T. And the math is quite compelling. So, when we sold Transelec at the price I mentioned, $1.1 billion after-tax proceeds, we generated a 7% FFO yield for us. When we reinvest that into those three businesses right out of the gate, we're increasing our FFO yield to 11%.

Now that's great. That's a 4% accretion, and we're excited by that, but what's really good is the growth. Transelec was a mature business and based off the underwriting that we had done when we sold it, we felt that at the price we sold it at future growth was about 2% to 3% per annum. On the business that we just bought we're highly confident that we can grow those businesses at 5% to 7% per annum, so the same-store growth is quite significant, and when you put the two together, it creates a lot of value in the future.

The next benefit of asset recycling is it's used as a corporate finance tool. We often issue equity to fund growth. But as you know, markets aren't always open, and as a result having asset recycling as an alternative is very important. But I think what's even more compelling is that, in addition to that, when we issue stock, we are selling a piece of basically all our assets, whether they're high-growth and lots of capital appreciation potential and some that are lower growth. When we use asset sales, this allows us to be more strategic and just focus on selling those bond-like businesses at a very low discount rate.

So in fact, some of you may recall this from 2014, and not to be too cheesy, but I've recycled it, and if you look at the numbers here, the first line basically shows what happens with, we generate essentially 5% unit growth per unit growth if we invest $1.5 billion of capital that we fund by raising equity in the markets at about today's share price. If, however, we can raise $1.5 billion from selling assets at an 8% IRR, we can improve our per unit growth by about 3% up to 8%. And if you think about that over a long period of time and how that compounds, this is another big driver of value.

The last reason, and I mentioned it earlier, was the capital discipline. We believe that capital recycling is important as it brings capital discipline into the organization. And I think the main takeaway here is that we feel that you need to sell businesses when the time is right and when you have maximized value and not when you need the cash. We find that whenever someone goes out and is desperate for cash and is selling assets with that mindset, they never optimize the amount of cash they can generate from the business. So, don't sell it when you need it. Sell it when it's the right time.

This slide kind of summarizes our track record in selling assets. I'll come to the results in a second, but I think what's interesting here is, it gives you a sense of the lifecycle of our businesses and how long we've held him. As you can see, we've had an average hold period of about eight years across our businesses, some a little bit shorter, some a little bit longer. And what you can see is that all the assets we held at spinoff have now been sold. The assets we bought in 2008, the PPPs have all been sold, and then we did a big acquisition in 2009 and 2010 with BBI, and

almost a third of those assets have now been sold. You can see that we're actually executing the plan I laid out for you. As far as the results, we've generated $3.3 billion of proceeds. The cumulative IRR for these businesses have been 25%. Not sure we can replicate that always going forward, but that's the target we're setting for ourselves.

Okay, so then shifting gears a little bit, we get feedback from investors from time to time, and I say feedback, concerns, about our recycling strategy. And most often they touch on three elements. The first one is our sale process is too uncertain to rely on for capital. Two, will you be able to redeploy the capital in a timely manner? And three, has the risk profile of the business changed following sales?

Let me discuss concern number one. And I would say that it is true that asset sales can be unpredictable, and the reason is, you may not get the price you feel is the right price, and often, they do get delayed. The most important thing here is that you can't just rely on asset sales. You have to have a multifaceted corporate finance plan. In our case we have a $2 billion line of credit that we can tap into for liquidity. We have access to the preferred share market. We have access to MTNs, and of course, we have equity access to the equity markets. But it also means that even if we have asset sales underway it may mean that we could tap the debt markets or the equity markets opportunistically, just to make sure that we always have a lot of liquidity and don't get too reliant on asset sales.

In relation to the second concern about redeployment of capital, this is one I'm highly confident that we can deal with. We have a great track record of securing attractive new investments. And if you look at what we've done since 2006, we've sourced $27 billion of opportunities, and the vast majority of those have been in the last couple years when it's been more challenging than, say, 2009 and 2010 when you could buy a lot of stuff.

In response to the third concern, I've got to come back to that goofy curve I showed you earlier, which is the maturity profile curve, and I apologize if it's a little simplistic, but we wanted to illustrate the dynamic nature of our business. And the purpose of these two diagrams is really to convey that all our businesses are moving up the curve as time goes by. So even as we sell assets, we have other assets that are maturing, and we're buying new businesses that are high-growth and in earlier stages. So, it is a circle, and you have to think of it that way. And it's important because we don't feel that when we sell assets, or execute our asset recycling strategy, that we're actually changing the risk profile because there's always new mature businesses that are being generated. In addition to that, because we have such a highly diversified business, it's in fact very rare that in a single year we're selling a business that would generate more than 5% of our FFO. So, the benefits of diversification really matter when it comes to that.

So where do we go from here? We have set a target for ourselves of generating $500 million-$1 billion in the next six to 12 months for capital recycling, and we expect to generate over $5 billion over the next three to five years from asset sales, as well. I'm looking around. I see a lot of familiar faces, and I know there's a few investment bankers hoping I'm going to give you a list of companies we're going to sell. But I'm not going to do that. But what I will say is we'll continue focusing on those businesses that are either mature, you know, de-risked or ones that we think will attract a tremendous value and one that's maybe worth more to someone else than it's worth to us.

So that brings us to our last polling question, and it kind of ties into the last comment. Which asset should BIP never sell? Our U.K. regulated distribution business, our Australian regulated terminal, our Australian railroad, our U.S. gas transmission business, or do you feel that every asset has its price? Wow. So, I guess the jury has spoken. I think at Brookfield we would agree 100% with this, so every asset has its price, but, what I would say is that if there was a business I would least likely want to sell, it's our U.K. regulated distribution business, and that is because there is no other business that we have probably had, that every single year outperforms our expectations. And it's a special company, so that one, it will take a lot to pry that one from my hands. But there is a price.

Okay, so we're just about done. In conclusion, there are four takeaways. First one is, we are entering an exciting period of growth for the business as we close on the six new investments we spoke about. We have many further opportunities to invest, particularly in the data and energy sectors. Our business generates substantial free cash flow, and we retain about 15% to 20% of it every year to reinvest back into our business. And the last point is, we will maintain a disciplined approach to capital recycling, and you should expect that over the next three to five years we will generate about $5 billion of proceeds from those activities.

With that, I'd like to thank you for your patience, and we'd be happy to entertain some questions. So, Andrew.

**Andrew Kuske, Credit Suisse**

Andrew Kuske, Credit Suisse. Sam, maybe a little bit tongue-in-cheek, but the $5 billion of targeted capital recycling, is that enough given the scaling of the private funds on the infrastructure side because if BIF IV, say, hits the 20 number and then BIF V winds up being bigger, is the $5 billion enough over a three to five-year timeframe?

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**Sam Pollock, Chief Executive Officer**

Our view is that we're probably not looking to finance 100% of all our new growth through asset sales. I think the lion's share of it going forward will be through asset sales. But even if we're 25% of, say, a $5 billion fund, we're typically 65% of that $5 billion, and so it's a little bit less. So even if there's several funds or two funds raised in that time period, the $5 billion will cover off a big chunk of it. But I would say our view is we will still access the equity markets opportunistically and use both the capital markets and asset sales for growth.

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**Andrew Kuske, Credit Suisse**

So, then the major difference, if we look at Bahir's slide where I think the numbers were $4.4 billion-ish of capital market issuance, $2.2 billion recycling, do you expect the numbers to effectively flip a little bit, more reliance on capital recycling less reliance on equity capital markets?

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**Sam Pollock, Chief Executive Officer**

Yeah, I don't know if I would use the word reliance, but I would say opportunistically using both sources of capital to drive our business. And yes, but the percentages, I can't tell you, but it will be more with the asset sales. That's right.

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**Andrew Kuske, Credit Suisse**

Okay.

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**Sam Pollock, Chief Executive Officer**

There's one back here.

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**Rob Catellier, CIBC Capital Markets**

Hi. Rob Catellier, CIBC Capital Markets. I have two questions. I just want to make sure I understand the message on LNG. Is it possible that Brookfield Infrastructure would make an investment in an LNG export or import terminal? In addition to your regular investment criteria, what would you have to see in the contracting side or on the development of the market, the maturity of the market, before you would have confidence in making that type of investment?

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**Sam Pollock, Chief Executive Officer**

Okay, good question. And I think what you're alluding to is the fact that not all LNG facilities are comparable. A lot of them have exposure to upstream activities. I think if we were going to look at an LNG facility, maybe we'd be more interested into the Cheniere model, which is much more of a tolling business where we are taking that upstream risk and really are operating a business much like we operate DBCT, which, even though it's an export terminal for coal, doesn't really take a resource risk for that commodity.

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**Rob Catellier, CIBC Capital Markets**

The second question has to do with gas over oil. So, both your investment history in Brookfield Infrastructure as well as what I picked up from your comments seemed to favor investments in natural gas as opposed to oil or other liquids. Is it conceivable that in the future you evolve the portfolio to include investments in oil-based midstream assets?

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**Sam Pollock, Chief Executive Officer**

The short answer is yes. We haven't, by design, excluded oil. I think we think there's merit in a number of liquid pipelines. I think our underwriting would be different. We probably have more confidence in the long-term sustainability of natural gas because of its smaller carbon footprint. But I think taking into account our long-term views on oil demand and oil prices, if those are properly factored in, we would definitely look at an oil pipeline.

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**Rob Catellier, CIBC Capital Markets**

Thank you.

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**Unidentified Speaker**

Since you brought up Australian rail on the polling question, I thought it might be nice to ask a question there. Historically it has been a terrific investment for Brookfield, which you've mentioned in past presentations. I certainly understand why that's the case. However, over the last few years, the top line has been pressured with issues with Karara and with Cliffs. So, I have a couple questions. One, is Brookfield receiving any sort of subsidy or other cash inflows on that asset, and from whom, and how much would that be?

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**Sam Pollock, Chief Executive Officer**

Okay. So short answer, there is no subsidy from government or any other businesses for that. The business itself has been a very steady provider of cash flow for us. It's been a great investment for us. You're right; in the last year or two, one or two of our customers have had their mines deplete, and there's been a bit of a lag in new developments, particularly with iron ore, as the price has been a bit lower. Having said that, Karara, which was one of those customers we were concerned about, in fact, have done a great job turning around their operation. It now makes money, and they're looking to expand that mine and maybe double the size of it. That would be a huge driver for us for future cash flow if they go ahead and do that, and we expect to hear more on that probably later this year or next year.

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**Unidentified Speaker**

Okay. And what's the, sort of, sustainable FFO on an annual basis at this point for Arc?

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**Sam Pollock, Chief Executive Officer**

What's the FFO of the business?

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**Unidentified Speaker**

Yeah, sort of on a sustainable basis, with the current business as it is?

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**Sam Pollock, Chief Executive Officer**

It is--I mean, I think all the cash flows today are for the most part steady for the next couple years. I think the only one--there is a customer that took over the Cliffs operation. That mine life has about four to six years left, so that's a little bit less than the rest of the business. The rest of them are either agricultural products, freight, which are perpetual in nature, you know, the bauxite operations. Those are low cost, effectively perpetual businesses as well. And the Karara operation will go on for 20, 30 years or more. So, it's really that one customer that might come off. Other than that, I'd say they're all sustainable. I don't know the number off the top of my head.

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**Unidentified Speaker**

I meant sustainable FFO contribution.

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**Sam Pollock, Chief Executive Officer**

It's pretty sustainable, yeah. Sorry, what's that?

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**Unidentified Speaker**

I meant the sustainable FFO number. Is it 150? Is it 200?

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**Sam Pollock, Chief Executive Officer**

150.

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**Unidentified Speaker**

Thank you.

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**Sam Pollock, Chief Executive Officer**

Okay, so we might have time for one more question, and then I'll have to turn it over to Sachin.

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**Colin Ducharme, Sterling Capital**

Hi, Colin Ducharme with Sterling Capital. Just two questions, Sam. Both, one on data and one on energy, given that those are both two segments that are going to be a big focus for growth in the medium term here. On data, just curious, you guys are new to the business, growing quickly, but professed value buyers. I'm just curious if you can use Monday's case study as an example. It appears at a mid-15 times multiple on an assumed, kind of, stabilized basis. That's still a dilutive deal for a larger, better-scaled player in Digital Realty. So new to the business, still has value buyers. As unitholders, how can we gain comfort that the IRRs makes sense? If you're showing a 25% assumption for BIP as a whole, you can indeed generate with a multiple like that.

And then secondarily, I don't know if this is a better question for Hillary or Bahir, but on the energy side of things, also growing, yet still subscale, but you're JV-ing with a Kinder or carving out from an Enbridge, assets from franchises who know lack of capital access firsthand. They've both collapsed their PTP structures. And so, as a growing but still

subscale PTP yourself, how can we be sure that it's going to be different for BIP, versus some of the case studies we've seen elsewhere in public markets, that the capital markets will still be open for you all and the structure can survive? Thanks.

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**Sam Pollock, Chief Executive Officer**

Okay, so that was quite the question for I had one minute. So, I'll try to answer it as quickly as I can, but if I don't do it, you can always catch me later on. So, the first question was on Ascenty, the data center business. And look, we underwrote that business, and based off of the contracts in place, the development projects that do have contracts that support those developments, as well as some view on growth, feel that on a U.S. dollar return basis we'll be right in that 12% to 15% range. We're confident about that, and we think there's lots of optionality upside above that.

Now, the issue with some REIT investors is that there is a ramp up to the cash flows because there is a bit of a development thing, and so for some companies, they struggle with the dilution in those first one to two or three years. Now for us, this is a relatively modest investment. For BIP it will be $150 million to $200 million on a $20 billion company. So, it's actually relatively small, but when we think of it from a total return perspective, those returns and the quality of that return is right in the middle of the fairway, and it gives us a platform that we think we can grow across South America, which we haven't factored in, and we may look at opportunities to build a similar business in India. So that's why strategically it makes sense, fits our returns, even if this one business does have two or three lags when we get the results.

The second question was on the sustainability of our business versus what Enbridge has done and Kinder. And I guess I think the analogies are a little bit different because both those companies had companies beneath them. We don't have any sort of competing vehicles beneath BIP. But as it relates to the sustainability of us as a publicly-traded partnership, I think it all comes down to whether or not we can continue to generate attractive dividend growth and find those opportunities to invest attractive returns that will contribute to that growth.

And we feel highly confident that we can do it. I think our business is different. They are wedged in one single industry and just focused on investing in a place where there is too much capital. They're all in North America midstream, and they ran out of good investment opportunities and probably they're both great companies, but they may have had to invest at returns less than what they would normally like to. We don't have that problem. We can invest around the world. We're a global business. We have many different sectors to invest in, and we can invest at returns that meet our thresholds. So, I think that's the big difference. I will now turn it over to Sachin for BEP.

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